

THE MAKING OF LUXURY MARKETS:  
A COMPARISON OF CHINESE AND TURKISH PATTERNS



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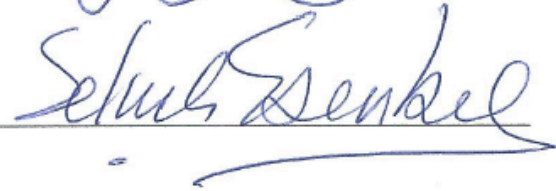
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## ABSTRACT

### The Making of Luxury Markets: A Comparison of Chinese and Turkish Patterns

During the recent decades of globalization, consumption practice of the people in developing countries has drastically changed and ostentatious products have become popular. This study explores the luxury consumption behavior and patterns of different cultures through a comparative study of the Chinese and Turkish experiences of conspicuous consumption. In order to assess these patterns, the study adopts the conceptual framework of Thorstein Veblen's *The Theory of the Leisure Class* and Pierre Bourdieu's *Distinction: A Social Critique of Judgement of Taste*. The study argues that the recent Chinese and Turkish experiences of conspicuous consumption patterns of middle classes are in step in general with the modern industrial society's phase of intensive consumption patterns which emerged previously in the United States and Europe that have been theorized extensively in the works of Veblen and Bourdieu. The study's second argument, however, shows that the perception of attractiveness is different for each culture which impacts the kind of conspicuous consumption that has been experienced in China and Turkey. Furthermore, consumption habits in China and Turkey vary due to cultural influences that combine patterns of Western and traditional values, and the development level of the country. Thus, knowledge about the Chinese and Turkish experiences help contribute to our understanding of the global patterns of conspicuous consumption as a social phenomenon of economic transformation by bringing in examples from geographies outside of the urban experiences in the United States and Europe.

## ÖZET

Lüks Sektörlerinin Oluşumu:

Çin ve Türkiye Modellerinin Karşılaştırılması

Son otuz sene içerisinde, küreselleşme ile birlikte, gelişmekte olan ülkelerdeki insanların harcama alışkanlıkları büyük ölçüde değişti ve gösterişçi tüketim popüler hale geldi. Bu çalışma, lüks tüketim davranışlarını ve farklı kültürlerin lüks anlayışını, Çin ve Türkiye örnekleri üzerinden karşılaştırmayı amaçlamaktadır. Bu davranışları değerlendirmek için, çalışma Thorstein Veblen'in *Aylak Sınıfın Teorisi* ve Pierre Bourdieu'nun *Ayırım: Beğeni Yargısının Toplumsal Eleştirisi* kitaplarındaki kavramsal çerçeveyi benimsemiştir. Çalışma, son dönemdeki Çin ve Türkiye'nin orta sınıflarında göze çarpan tüketim alışkanlıklarına ilişkin deneyimlerinin, genel olarak modern sanayi toplumuna geçiş sürecindeki ABD ve Avrupa deneyimlerine benzediği, Veblen'in ortaya koyduğu ve Bourdieu'nün geliştirdiği gösterişçi tüketim teorisinin gelişmekte olan ülkelerde de aşağı yukarı geçerli olduğunu ortaya koymaktadır. Bununla birlikte, çalışmanın ikinci argümanı, kültürel faktörlerin de kişinin zevk ve beğenilerde etkili olduğu, lüks tüketimde Çin ve Türkiye örneği üzerinden bakıldığında, kişilerin beğenilerinin kültürel farklılıklar doğrultusunda değiştiğini savunur. Ayrıca, Çin ve Türkiye'deki lüks tüketim alışkanlıkları, Batılı değerlerin ve ülkenin geleneksel değerlerinin bir harmanı olduğu ve kültürel etkiler ile birlikte ülkenin gelişmişlik düzeyi sonucunda değişiklikler gösterdiği ortaya konmuştur. Bu nedenle, Çin ve Türkiye'nin lüks tüketim deneyimleri hakkındaki bu araştırma, ABD ve Avrupa'daki düşünce sisteminin dışındaki coğrafyalardan örnekleri de ele alarak, küresel boyutta bir lüks tüketim davranışlarını yapısının ortaya konması için bir katkı sağlama niyetindedir.

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# CHAPTER I

## INTRODUCTION

In the last decade, conspicuous consumption has become widespread in Turkey. This consuming style, which aims to gain social status by showiness, is a topic of interest to western academics and economists for 120 years. However, not much work has been done on this subject in Turkey. Despite their expertise in the field of psychological, sociological and economics, Turkish scholars have ignored the subject of luxury consumption behavior in Turkey.

However, in the western academia, starting with Thorstein Veblen's (1857-1929) book *The Theory of the Leisure Class*, published in 1899, conspicuous consumption was theorized; aimed at revealing the underlying causes of people choosing expensive products instead of affordable similar products (Veblen, 1934). I was wondering why Thorstein Veblen, one of the most popular economists in the twentieth century's neoclassical economics, has devoted so much time to such a topic, and where the idea came in the first place.

In Joseph Dorfman's book *Thorstein Veblen and His America*, a biographical study on Veblen, the author emphasize Veblen's colorful personality in his private life; his marriages (two times, his second wife is a former student), and extramarital affairs (Dorfman, 1934; Dobriansky, 1959, p. 12).

Veblen's private life has a significant contribution to his work; which can be concluded that extraordinary ideas came from extraordinary lives. In my research, I

discovered that his thoughts of pretentious consumption matured during the stressful first years of his first marriage. At the beginning of his thirties, after having completed his doctoral studies, Veblen decided to return to his family farm by reason of having difficulty finding jobs at universities due to the discrimination he experienced with his Norwegian immigration identity. In this period, Veblen got married to Ellen Rofle, who is a friend from college years. Ellen married with Thorstein despite her aristocrat father's opposition (Dorfman, 1934). In this period, it has been assumed that Veblen began to observe the consumption habits of Ellen's family and the aristocratic circle. Designing his life's most important work during this period, the rejection that he experienced have had positive effects on him. Now a century later, in history, Veblen is considered as a world-famous intellectual, one of the most charismatic economists, on the contrary, there is no information about Ellen's aristocratic family's accomplishments.

What is Conspicuous Consumption? Conspicuous Consumption is a form of economic behavior that causes self-presentation anxiety to suppress the willingness to buy quality goods at affordable prices. This behavior can be seen as a product of the extreme consumption habit, which occurred in the late nineteenth century due to widespread mass production capacity by the development of new techniques (the second industrial revolution), that resulted in a considerable reduction of the cost of products. In his book, Veblen deals with social status that is focused on consumption by separating it into three historical and socio-cultural processes; the primitive period, the barbarism period and the modern industrial society period (detailed in the second chapter of the thesis.) The primitive period is predominant by the existential (physiological) needs of individuals. Secondly, barbarism has been shown as a

period of development of ownership and sense of ownership in addition to meeting basic needs. Barbarism period was divided into two phases (Veblen, 1934, p. 3).

Veblen explains the first phase; hunting and warfare constitute an important part of social life and that the most important cause of the emergence of sense of ownership in human life is the spoils won. According to this, booty are generally evaluated by looking at the amount of slaves, horses and women that the warrior has, and warriors will be respected in their social lives according to their numbers. The competition between warriors made the individual property possessed by each an important status indicator, which in turn led to emulation, and comparison of individuals. It is thought that the traces of the same competitive behavior are apparent in modern society. The only difference is that object of desire has changed. That change occurred in the second stage of barbarism. Aggressive behaviors disappeared; money and goods replaced the spoils of war. With the increase of industrial activities, people increasingly desired to be wealthy and consequently "struggle for wealth" replaced "struggle for existence" (Veblen, 1934, p. 3).

The third period of Veblen's modern industrial society which exhibits the phase of intense consumption. One of the most important reasons for the emergence of this consumption habit has been shown to be migrations starting from the villages to the cities. According to Veblen, being "hardworking" in village life was one of the most important values. Because of this, people living in small communities can often be easily spotted from their hard work, their self-esteem and their helpfulness to others. Young people, who have earned a reputation in the village with their hard

work and helpfulness to others, were more advantageous in finding a mate (Veblen, 1934, p. 4).

However, with the increase of immigration to cities, people began to live in large communities and it became impossible for them to recognize all the people around them. Since the strenuousness and material situations of people are not as visible as they were in the past, conspicuous goods appeared to make this information visible. Thanks to these assets, everyone's power, ability and financial situation became visible to everyone. In essence, the basic impulse that stands out in the town as well as in the city is the desire to make oneself attractive in society. But what is the motivation behind this thought of people? And why has this show become an important part of people's lives? These are the main questions that prompted my thesis. As in all matters, the answer may be very simple, in this case; the reproductive instinct. But is the reproduction instinct enough to explain human's consumption behavior? If humanity is acting only on the basis of reproductive instinct, should not the whole humanity's approach to consuming luxury be the same?

In this study, I explore the luxury consumption behavior and patterns of different cultures through a comparative study of the Chinese and Turkish experiences of conspicuous consumption that have emerged during the recent decades of globalization. Chinese and Turkish consumption patterns have not been studied extensively until the present and thus attract interest for they exhibit new phenomena that have not been incorporated into the standard works on the topic. In order to assess these patterns, the study adopts the conceptual framework of Thorstein

Veblen's *The Theory of the Leisure Class* which originally introduced the term conspicuous consumption in his study of the late nineteenth century United States. In addition, the study integrates the modern interpretation of Veblen's concept for the twentieth century by Pierre Bourdieu in his work *Distinction: A Social Critique of the Judgement of Taste*, which primarily exposes the European experience and Abraham Maslow popular theory of human motivation and the theory of "Hierarchy of Needs" (Bourdieu, 1984; Maslow, 1943). The China and Turkey analyses are based on secondary sources, surveys, and interviews. Secondary sources about the history of Chinese and Turkish consumption patterns are used to explain the cultural values of consumption in traditional settings in each society. The analysis of the contemporary Chinese experiences will be based upon three market research provider's - Euromonitor, McKinsey and Company, Fung Business Intelligence Centre analyses of Chinese luxury market and consumer types. The analysis of Turkish case is based on my own Likert-type survey, in-depth interviews and articles in newspapers and journals.

The study first argues that the recent Chinese and Turkish experiences of conspicuous consumption patterns of middle classes are in step in general with the modern industrial society's phase of intensive consumption patterns which emerged previously in the United States and Europe that have been theorized extensively in the works of Thorstein Veblen, Pierre Bourdieu, and Abraham Maslow. The study's second argument, however, shows that the perception of attractiveness is different for each culture which impacts the kind of conspicuous consumption that has been experienced in China and Turkey. Furthermore, consumption habits in China and Turkey vary due to cultural influences that combine patterns of Western and

traditional values, and the development level of the country. Thus, knowledge about the Chinese and Turkish experiences help contribute to our understanding of the global patterns of conspicuous consumption as a social phenomena of economic transformation by bringing in examples from geographies outside of the urban experiences in the United States and Europe.

In other words, Thorstein Veblen efforts to establish the theory of conspicuous consumption at the beginning of the twentieth century, gave us a depiction of Western consumer habits (US and Europe) of that time when Westerners were seeking social ascension. Over the course of the century, in my opinion, the Western consumption habits changed, matured and became sophisticated. Therefore, consumption habits in Veblen's theory do not reflect the consumption behavior of the West at the present time.

After the Second World War, with the economic growth of the western world, luxury consumption has become an important issue once again. Pierre Bourdieu, the prominent thinker and sociologist of the twentieth century, questioned the scientific nature of Veblen's theories and argued that Veblen's theories do not reflect the modern era. In 1979, Pierre Bourdieu released his book *Distinction: A Social Critique of the Judgement of Taste*, in his book, he rethinks Veblen's book *The Theory of the Leisure Class* and refined and adapted his conspicuous consumption theory to twentieth century's contemporary frame of mind. The only purpose of this book, of course, was not to make Veblen's theories suitable to modern times. This book, which is perhaps one of the most important sociology

books ever written, has evaluated and interpreted many modern sociological issues as well as Veblen's theories.

According to Bourdieu (1984), Veblen's trickle down theory does not reflect the truth. According to Veblen's theory, the upper classes were the sole pacesetters. Middle class and working class are always influenced by the upper class culturally including food preferences, fashion, and art. However, according to Bourdieu, culture and habits - unlike Veblen's top to down model - interaction may move in the opposite direction as well (trickle-round theory). Upper class tends to borrow some cultural traits from the working class and use that trend as a proof of superiority against the economically equivalent bourgeoisie. Otherwise stated, Bourdieu's portrait how the upper class stresses the importance of cultural capital in order to gain social advantage. The author argues that this manner of distinction (placing oneself above others) fabricates inequality in the society.

Abraham Maslow (1943) published a comprehensive psychological study on human motivation in Psychology Review Journal. He proposed five stages of needs illustrated by a pyramid: the base of the pyramid (first level) represent the fundamental needs for survival (water, food, sleep), the second level portray the safety and security of the person, the third level signify love and belongingness needs (relationships, intimacy, affection to others), the fourth level illustrate esteem needs (need of becoming a accomplished person), the top of the pyramid (fifth level) represent the self-actualization level (mastering all four needs and person achieving his/hers full potential.)

In my opinion, the Western countries, precursors and pacesetters of the consumer trends, are experiencing the late-maturation era regarding consumption patterns and behaviors. Nowadays, we can see that the West is in the process of trying to perceive the period that Maslow calls "self-actualization". In his research on "Hierarchy of Needs" (1943), the ultimate goal of self-actualization is the search for meaning, which often results in eschewing luxury items and material goods. However, even though the American luxury consumption market is still the largest in the world, we can foresee that China has an eye on the American "throne" and in the near future China's will be largest luxury consumer market of the world. Furthermore with its lack of sophistication, immaturity, the Chinese luxury market resembles Veblen's description of the earlier twentieth century US market. On the other hand, the recent economic growth of Turkey since the end of the Cold War has resulted in the way of a new middle class that consumes conspicuous luxury products which provides a comparative example.

Chapter 2, Theoretical Background of Luxury Consumption, is concerned with the theory of luxury consumption which aim to create the theoretical background for following discussions of Turkish and Chinese luxury consumption behavior. Chapter 2 will start with Veblen's personal life and its influence on his work, continue with his theories on luxury consumption and elaborate the motivations behind the conspicuous consumption. In addition, this chapter integrates the modern interpretation of the Veblen's theories by French sociologist Pierre Bourdieu in his work, *Distinction: A Social Critique of the Judgement of Taste*, which will primarily expose the European luxury consumption mindset and Abraham Maslow's publication on human motivation and the theory of "Hierarchy of Needs."



Chapter 3, *Luxury in China*, studies the luxury consumption habits in China. Through ancient times to modernity, Chinese civilization developed some unique attitudes, perception, and values in consumption practice. Chapter 3 explores the impact of traditional values, globalization, and westernization on modern luxury consumption behavior on the Chinese consumer's mindset. In addition, it investigates who are the Chinese Elite, their perspective on luxury. In China, collectivism, individualism, family values, saving face, and self-actualization constitute the consumption patterns. A collective thought based on Confucius values are the most important factor influencing luxury consumption in China. Chapter 3 explores the modern understanding of luxury of Chinese society, and the influence of Confucian values in the luxury consumption which created today's consumption patterns.

Chapter 4, *Turkish Conspicuous Confusion: Luxury Consumer Behavior in Turkey*, questions Turkey's luxury consumption behavior from Ottoman civilization to the modern Turkish society. Similar to Chinese experience, but a couple centuries before, Ottomans commenced the interaction with Western countries and consequently begin to get influenced by their culture, values and their consumption tradition. Turkish chapter provides a discussion on how Turkish luxury market emerged, analyses marketing strategies that luxury brands apply to distinctive groups. In the Turkish market, two distinct categories of people appear as a luxury consumer. The first group is Turkish secular middle class and the second is newly emerged Turkish conservative "new money" middle class. This chapter portrays Turkish secular luxury consumer based upon a Likert-type survey completed by 224 participants. In addition, to understand Turkish conservative "new money" class in-

depth interviews with luxury retail market professionals. With these methods, the aim is to understand the Turkish luxury consumption patterns and determine the influence of Western values and compare Turkish consumption patterns to Veblen's description of luxury consumption. This section also includes an analysis of the treatment of the concept of luxury and consumption in a Turkish conservative fashion magazine *Âlâ*. It focuses on how fashion, Islamic values, aesthetic, luxury, are interpreted in the magazine and how it approaches luxury consumption as a concept that is normally opposed by Islamic tradition of praising the modesty.



More details will be discussed in the next chapter.

## CHAPTER 2

### THEORETICAL BACKGROUND OF LUXURY CONSUMPTION

To fully comprehend the consumer behavior of our age, we need to analyze the academic studies from the last century. The twentieth century marks the beginning of high consumerism in Western societies with the emergence of mass production, which lowered the unit cost of manufactured goods, and thus led to an evolution in consumerism.

In the last decade of the nineteenth century, Thorstein Veblen, born in the US to Norwegian farmers, observed the beginning of this phenomenon and began to theorize about consumerism. Before discussing Veblen's seminal book, *The Theory of the Leisure Class*, this chapter explores Veblen's life, which provides some clues as to why he initiated this subject of study.

The next part of the chapter briefly analyzes Veblen's masterpiece, explains the motivations behind his term conspicuous consumption, and comprehensively explores consumer culture, and, the socially focused consumption phenomenon. The chapter also analyzes late-twentieth century consumer behavior theories, including Pierre Bourdieu's, and Abraham Maslow's. These will form the theoretical frame for the subsequent discussion of the Chinese and Turkish experiences of conspicuous consumption.

## 2.1 Consumer behavior theories in the early twentieth century

### 2.1.1 Thorstein Veblen

#### 2.1.1.1 Veblen's life

Thorstein Veblen was born in 1857 Wisconsin to a Norwegian immigrant farming family. He was raised in the environment of a Western US Norwegian community, where Norwegian culture and literature remained popular and which included a gradually increasing influence of the English language. Veblen's father was the first farmer in the community to introduce farm machinery and new farming techniques. Father Veblen was a large landowner and one of the most powerful and influential members of the Norwegian émigré community (Dorfman, 1934).

Of importance to Veblen's parents, of course after raising healthy children, was to provide their children a proper formal education, and young Veblen attended Carleton College Academy in Northfield, Minnesota for a bachelor's degree in economics. As a curious person, Veblen's interest was not limited to economics; he also studied philosophy and history. In graduate school at Yale University, he focused on philosophy and followed the Social Darwinism work of political economist and Yale faculty member William Graham Sumner. In 1884, Veblen earned his doctoral degree for his thesis titled "The Ethical Grounds of a Doctrine of Retribution" (Dorfman, 1934). After completing his doctoral studies, Veblen searched for an academic post in academia to pursue his work in philosophy, and he could not secure a lecturer position for a long time. According to Joseph Dorfman, the main reason for these difficulties was the nineteenth century's closed-minded approach, especially in universities in the field philosophy. The ethnic and religious backgrounds of the candidate have an effect on the selection process of university

professors (Dorfman, 1934). The Norwegian origins and agnostic ideas of Veblen made it particularly difficult for him to find a position in academia. Subsequently, he returned disgruntled to his father's farm, feeling rejected, in financial difficulty, and illness (malaria).

In 1888, Veblen married his university classmate Ellen Rolfe, with whom he had kept in contact after returning to Wisconsin (Dorfman, 1934). Ellen's aristocratic family did not approve of the marriage due to of Veblen's unemployment, his religious doctrine, and most importantly, that he came from an immigrant family. However, Veblen and Ellen married and moved to Ellen's father's country house. At that time, Veblen commenced his observations on modern luxury consumerism, using Ellen's elite family as the basis of his book *The Theory of the Leisure Class*, published a decade later.

In 1892, Veblen finally found a teaching fellowship at the University of Chicago, where he taught social sciences for 14 years. In that period, Veblen's own studies ranged from economics to philosophy and anthropology, and he blended his knowledge with his exceptional skills at observation, synthesizing his academic work. He published two essential articles on consumer theory, "The Beginnings of Ownership" and "The Instinct of Workmanship and the Irsomeness of Labor." In 1899, he published his *The Theory of the Leisure Class*, which is exemplary for its multidisciplinary background (Patsiaouras, 2010).

Veblen became popular in academia after *The Theory of The Leisure Class's* publication. The book criticizes the wasteful consumption of the newly emerged

wealthy social class in the second industrial revolution that started in the final third of the nineteenth century. Veblen argues that the rapid accumulation of capital created a new social class called the *nouveau riche*, and this group was ready to alter the price-performance ratio by spending more than the worth of produced goods in order to show their superiority, prestige, and power to other members of society. Veblen called this phenomenon conspicuous consumption, and he has been associated with the term ever since. Conspicuous consumption can also be portrayed as ostentatious actions around consumption patterns and leisure activities in attempt to justify one's place in a higher social class (Veblen, 1934). Next chapter is dedicated to the in-depth explanation of Veblen's theories on consumption by using evolutionary and historical approach to the subject.

#### 2.1.1.2 The Theory of the Leisure Class

The first three chapters of *The Theory of the Leisure Class* (titled Introductory, Pecuniary Emulation, and Conspicuous Leisure, respectively) explain human nature and its social and economic preferences and lifestyles, courtesy of the author's remarkable observation skills. In Introductory, Veblen illustrates his focus thus:

Partly because of reasons of convenience, and partly because there is less chance of misapprehending the sense of phenomena that are familiar to all men, the data employed to illustrate or enforce the argument have by preference been drawn from everyday life, by direct observation or through common notoriety, rather than from more recondite sources at a farther remove. It is hoped that no one will find his scientific fitness offended by this resource to homely facts.... (Veblen, 1934, p. 5)

At that time, when Veblen had strayed from common practice to do social observations, he was concerned about how the academia will receive his theories. His prior difficulties and challenges to his acceptance in the academia forced him to

explain his methods (observation of everyday life.) After the publication of *The Theory of the Leisure Class*, as expected, scholars criticized Veblen's methods to be non-scientific and the academia did not appreciate Veblen's work by finding his theories nonsensical. Despite all criticism, the book became significantly popular. In my opinion, the reason of the popularity of the book came from the same reason for Dostoevsky, and Balzac's books regarded as classics; the pure and dateless observation of the everyday life.

Veblen divided status-driven consumption into three historical and socio-cultural stages: primitivism, barbarism, and modern industrial societies. In the first chapter of the book (Introduction), Veblen proposed that understanding the earlier stages of humanity's consumption patterns would ease comprehension of current behaviors and actions. He felt that these stages were the key to understanding his community at the time. A century later, still, these stages preserved their importance for the understanding of the modern society.

#### 2.1.1.2.1 Primitivism and barbarism

Primitivism is the first formation of society in humanity's evolution. The social organization of primitive societies attracted Veblen's attention because at this point in history social structures did not exist. In primitive communities, the primary objective was to survive in harsh conditions and secure necessities such as housing and food. Veblen argues that, "They are small groups and of a simple (archaic) structure; they are commonly peaceable and sedentary; they are poor, and the individual ownership is not a dominant feature of their economic system" (Veblen,

1934, p. 8). Further, primitive social systems were based on collectivism; acquiring private property had no meaning. “As regards this common stock, no concept of ownership, either communal or individual, applies to the primitive community. The idea of communal ownership is of relatively late growth, and must by psychological necessity have been preceded by the idea of individual ownership” (Veblen, 1898, p. 358).

According to Veblen, the barbarism period began after humans regularly secured their essential means for survival. He maintains that the concept of private ownership emerged in this stage of human development. In *The Theory of the Leisure Class*, Veblen explains the beginning of barbarism as follows:

On the transition to the predatory culture the character of the struggle for existence changed in some degree from a struggle of the group against a non-human environment to a struggle against a human environment. This change was accompanied by increasing antagonism and consciousness of antagonism between the individual members of the group. The conditions of success within the group, as well as the conditions of the survival of the group, changed in some measure; and the dominant spiritual attitude of the group gradually changed, and brought a different range of aptitudes and propensities into the position of legitimate dominance in the accepted scheme of life. (Veblen, 1934, p. 220)

The barbarism period was divided into two sub-periods. In the first period, war and hunting practices dominated social life. Warriors and hunters began to collect proof of their spoils, and women were considered the favorite trophy of the era.

Competitiveness between warriors and the increasing development of individual ownership created a desire for emulation and comparison. Warriors believed that trophies brought them honor, power, and high social status in the group. Veblen explains this stage in this way:



The opportunity and the incentive to emulation increase greatly in scope and urgency. The activity of the men more and more takes on the character of the exploit, and an invidious comparison of one hunter or warrior with another grows continually easier and more habitual. Tangible evidence of prowess – trophies – finds a place in men's habits of thought as an essential feature of the paraphernalia of life. Booties come to be prized as evidence of preeminent force. Aggression becomes the accredited form of action, and booty serves as prima facie evidence of successful aggression. (Veblen, 1934, p. 13)

Adjectives such as 'honorable,' 'respectable,' and 'meritorious' were assigned to warriors and hunters considered brave, superior, and dominant, even if these 'qualities' of superior force, violence, and aggression led to extreme scenarios such as exterminating the competitor (Patsiaouras, 2010). The honor of the warrior came from the number of slaves, horses, and women he possessed. His wealth thus symbolized his skills in the battle arena and his competence with weapons.

In the second period of barbarism, aggressive behavior lost its importance in social recognition and determining social status but acquiring goods and products (booty) did not. These goods and products are named as luxury since only a niche group have the opportunity to possess them. Veblen explains the shift thus:

Gradually, as industrial activity further displaces predatory activity in the community's everyday life and in men's habits of thought, accumulated property more and more replaces trophies of predatory exploit as the conventional exponent of prepotence and success. Therefore, the possession of wealth gains in relative importance and effectiveness as a customary basis of repute and esteem. (Veblen, 1934, p. 19)

However, the possession of wealth as an outcome of acquisition and the continuous accumulation of money and goods, did not solely aim to satisfy society's physical and intellectual needs; it also strove to fulfill the primordial motive of "emulation," which is for Veblen "probably the strongest, most alert and persistent of the economic motives proper" (Veblen, 1934, p. 110).

In the chapters on “Pecuniary Emulation” and “Conspicuous Leisure,” then, Veblen discusses these evolutionary stages individually and compares them with each other. Progressively, in the barbarism period, the struggle for existence and securing basic needs for survival in savage civilizations is substituted by the struggle for wealth. With the onset of industrialized cultures, society focused more on collecting secondary needs for survival, the idea of accumulating monetary reserves emerged, and primitive aggression is replaced by struggle for pecuniary reputability and industrial aggression (Patsiaouras, 2010).

#### 2.1.1.2.2 Conspicuous consumption

Why are people concerned about their social status in society? Alternatively, why do people seek status? Moreover, why do they try to demonstrate their status through their consumption practices? These questions are favorites among critical thinkers of today, and a century ago, Veblen sought answers to these questions. He identified and theorized on the underlying reasons for status-driven consumption, believing that the propensity for emulation is "probably the strongest and most alert and persistent of the economic motives proper...a pervading trait of human nature" (Veblen, 1934, p. 110).

In the fourth chapter of *The Theory of the Leisure Class*, Veblen coined the term conspicuous consumption and argued that it is used to maintain or increase social position. He states that an individual's preferences are determined culturally concerning the position of each person in the social hierarchy. Some of Veblen's theories are not clearly explained and exemplified in the book; therefore the academic

community criticized this aspect. Later, this phenomenon will be clarified by Pierre Bourdieu's Habitus theory that will be mentioned in the following part of the chapter.

According to Veblen's theory of conspicuous consumption, demonstrating social position occurs in two ways:

- Invidious consumption: demonstrating one's status as above those of others.
- Pecuniary emulation: imitating the consumption patterns of those of higher status to show that they also possess that status.

As Veblen explains, in the second part of the barbarism period, it became "indispensable to accumulate, to acquire property, in order to retain one's good name" (Veblen, 1934, p. 110). Producing a surplus of goods changed the relation between private property owners and states. People who owned property became respected members of the community and achieved a higher status. Efficient and productive people accumulated the surplus necessary to buy some property, and in turn, that property brought high honor and status to the individual. Interestingly, however, other members of the community determine a person's status in society; someone's new status is confirmed by merely observing the wealth the individual displays.

In Veblen's theory, there are two different ways of displaying wealth: leisure activities and consuming goods and services. Both ways can be considered wasteful; with leisure activities, they were viewed as a waste of time and effort (i.e., not work),

and with conspicuous consumption, as a waste of goods. Veblen explains in detail why the leisure class (a term no longer used, though the behavior still applies) engaged in these “wasteful” activities and ostentatiously displayed their wealth and status (Veblen, 1934, p. 110).

Detectable and apparent spending on leisure activities and the display of wealth established and maintained an individuals’ status in the last centuries. According to Veblen, with urbanization, mobility in society increased, and therefore people became less informed about other people’s wealth, for this reason upper classes stopped performing leisure activities which were hard to observe. To show and detect social status, people began to display their wealth through the consumption of goods, spending money on artifacts of consumption such as jewelries, furs, leather goods, clothes, and pocket watches to indicate their wealth to other members of society (Veblen, 1934). In all social classes, people attempted to (and still do) copy the consumption behavior of the classes higher than they are.

#### 2.1.1.2.3 Motivations behind conspicuous consumption

Although Veblen presented the motivations of parental bent (parental instincts emerged while raising their children; a desire to send their genetic information into society), workmanship, and idle curiosity as part of his theory of conspicuous consumption, he did not focus on the driving force behind these motivations. Pre-Veblen, Darwinian theories were highly convincing as an explanation of that driving force: the pursuit of income and wealth as ultimately driven by sexual selection. Humans try to impress the opposite sex by displaying their access to resources and

high status. The extent to which a person can consume indicates the ability to control the resources essential for successfully raising children. Denis Dutton explains the phenomenon of waste with a remarkable example:

Diamonds, since they are both expensive and useless, are indeed a girl's best friend. They prove one of two conclusions: either he has the resources he claims, money to waste on useless minerals, or, if he does not, he is so committed that he has gone into debt. (as cited in Wisman, 2016, p. 1)

The theory of natural selection and the concept of wasteful expenditure constructed by Darwin in his 1859 *On the Origin of Species* still apply to the high consumerism of the modern era (Darwin, 1859). The most common examples of wasteful expenditure in nature are the male peacock's feathers and the great racks of antlers found on male members of the Cervidae family. These traits are dangerous for the physical survival of the animal by making them less efficient in finding food and avoiding predators. These animals have to be sturdy and fit to survive with these handicaps, and to carry such costly ornamentation, they must be well nourished and robust (Darwin, 1859).

On the contrary, in the primate world, physical quality is not essential for sexual selection. According to Bobbi Low, male robustness and strength are secondary because of these animals' complex social lives, where the essential skill for gaining status is the ability to seduce the opposite sex with their social skills and intelligence (as cited in Wisman, 2016).

Like primates, humans have a very complex social life. In pre-agrarian times, aggression violence indicated male power and status, and signaled potential sexual partners that the man offered superior protection and therefore the ability to provide

sustenance than his opponents. While instincts (in this case, to reproduce) cannot be altered, the behaviors that accompany them can be changed.

After the cultural explosion (A constellation of events that occurred  $\pm$  40,000 years ago in early humans, which was characterized by the development of complex social networks, which allowed the rapid dissemination of new knowledge in the form of tool-making, killing animals, and gathering edible plants), social behavior became more important than strength and aggression, hunting and gathering skills, or being a courageous warrior ("Cultural Explosion", 2018). Social approval and community respect became the essential factors for reproductive success. In small rural communities, portraying a generous and cooperative personality aided an individual in these goals as generosity was seen as a superior virtue (as cited in Wisman, 2016). As Richard Thurnwald proposed in his study "Economics in Primitive Communities": "It is for social distinction that work is done, not for the acquisition of money or material goods since these do not play the same intermediary role for acquiring reputation that they do in our society" (as cited in Wisman, 2016, p. 13).

Dutton also argues that art and aesthetics were born as a result of sexual selection. Amy Wax (2004) in her article "Evolution and the Bounds of Human" clarifies this proposition. She explains that men produced art because women liked it and found it sexually appealing. Women liked art because artistic expression is the quintessential form of wasteful display. The pursuit of beauty requires both talent and the development of talent through sustained effort, which is costly and not easily faked.

In general, the signals most likely to guarantee ‘truth in advertising’ and thus to be found desirable are those that call for extraordinary abilities, demand great effort, and are ostentatiously wasteful. Since only the most healthy and capable individuals can afford to make investments with little survival value, these displays will be difficult for low-fitness individuals to mimic without overly compromising their survival chances. It follows that it will be in women’s evolutionary interest to develop a refined appreciation for the exercise of rare, expensive, and useless skills with no immediate fitness payoffs and to find such displays ‘sexy.’ And it will be in men’s interest doggedly to cultivate those skills and display them at every opportunity. (as cited in Wisman, 2016, p. 8)

Veblen’s idle-curiosity theory also resembles Wax’s reflections on the wasteful display of artistic expression. Veblen wrote, “Human curiosity is doubtless an ‘idle’ propensity, in the sense that no utilitarian aim enters in its habitual exercise... an ‘idle’ curiosity by force of which men, more or less insistently, want to know things, when graver interests do not engross their attention” (Veblen, 1914, p. 85-88). In my opinion, idle curiosity is not a wasteful activity; on the contrary, it is the key in great discoveries and inventions. It is behind the development of Newton's work on universal gravitation, Copernicus model of the universe, and Da Vinci's inventions.

However, also in Darwinian sexual selection theory, artistic expression and idle curiosity are presented as wasteful; these are similar to the male peacock’s fancy tail, exercised by people with the luxury of time after utilitarian needs have been met. In “Conspicuous Consumption and Darwin’s Critical Sexual Selection Dynamic That Thorstein Veblen Missed,” Jon D. Wisman explains this phenomenon as follows:

The reason such a propensity might have been selected over the course of human evolution is that it would signal such survival fitness that surplus idle time was available. Those successful enough to have idle time would make promising mates. Thus in Veblen’s world, the high status of his leisure class. (Wisman, 2016, p.13)

#### 2.1.1.2.4 Examples of wasteful activities

The complexity of humankind's sexual selection activities can be surprising. Throughout history, it is easy to find bizarre variations that can be defined as conspicuous consumption: Wealthy families in China bound their daughters' feet to make them incapable of everyday work. Their only purpose was to bear children and look elegant. Veblen noted that males of that class were attracted to such women because as wives, they would signal that their husbands were wealthy enough to afford a wife unable to contribute to the family's economic well being (Veblen, 1934, p. 69).

Similarly, in agricultural societies, where the work was mainly outdoors, women were (and in many places continue to be) obsessed with white and pale skin, which indicated they belong(ed) to the elite (leisure class) and do not need to work outside. In industrial societies, people generally work indoors, and a suntan is a signal that a person has enough wealth and time to go on vacation at perhaps to a beach, or more luxuriously, on a sailboat or yacht.

#### 2.1.1.2.5 Conspicuous consumption in modern industrial societies

The Industrial Revolution and the urbanization that came with it profoundly changed society's consumption patterns. In these communities, individual performance could not be observed as easily as in rural communities. Veblen wrote that "[c]onspicuous consumption claims a relatively larger portion of the income of the urban than of the rural population, and the claim is also more imperative" (Veblen, 1934, p. 41). He added,



The means of communication and the mobility of the population now expose the individual to the observation of many persons who have no other means of judging of his reputability than the display of goods...which he is able to make while under their direct observation. (Veblen, 1934, p. 41)

Veblen also emphasized the significance of emulation in urban society: “The outcome of modern industrial development has been ... to intensify emulation and the jealousy that goes with emulation and to focus the emulation and the jealousy on the possession and enjoyment of material goods” (Camic et al, 2010, p. 70).

In other words, society began to use conspicuous goods for signaling status; show their of the ability to pay. Conspicuous consumption became an efficient way of demonstrating an individual’s success and hard work to a high number of people; it replaced the requirement to obtain necessary goods at fair prices with the need to show how many goods you could obtain. Except now, the children of many people with did work for money and so it doesn’t show off anything except their excessive lifestyles.

#### 2.1.1.2.6 Veblen’s inspirations in *The Theory of the Leisure Class*

In *The Theory of the Leisure Class*, the influence of Darwin’s theories, most importantly the concept of inheritance, is apparent. Veblen argues that the instincts for survival and self-preservation progressively converted into a habitual impulse to display possessions (Camic et al, 2010, p. 70). In addition to Darwin, Veblen analyzed Marxism and the emergence of economic surplus. He benefited from Marxist theory to clarify his thoughts on the conversion from primitive to industrial societies. Moreover, according to Bronner, Veblen improved on Karl Marx’s theory

on the dichotomy of use-value and exchange-value, which takes an anthropological and cultural perspective (as cited in Patsiaouras, 2010). Subsequently, Veblen embraces an “analysis of the instinctual aspects of human economic behavior and then positions the individual in the center of a cultural process, so as to emphasize how social aspects result from instinctual drives such as emulation.” (as cited in Patsiaouras, 2010).

## 2.2 Consumer behavior theories in the late twentieth century

### 2.2.1 Thorstein Veblen and Pierre Bourdieu

After World War II, Veblen’s framework became popular again; his theories were studied by sociologists of the time and his work was praised and subjected to criticism at the same time. Colin Campbell, in his study "Conspicuous Confusion? A Critique of Veblen's Theory of Conspicuous Consumption" clarified why there are different opinions on Veblen's theories:

The principal reason, however, is probably that his reputation rests largely on his role as a social critic and commentator rather than a social theorist. Thus C. Wright Mills (1957), probably the most obvious inheritor of Veblen's mantle, described him as " the best critic of America that America has produced" rather than as the best sociologist; other figures who have followed in Veblen's footsteps, such as Max Lerner (1957) and David Reisman (Reisman, Glazer, Denny 1950), also would seem to be more deeply indebted to his ironic and radical style of social criticism than to his sociological theorizing. (Campbell, 1995, p. 37)

Academia respected Veblen's work as a critic, however there is a common opinion that his ideas needed a robust theorization to be able to become sociological theories. On the other hand, it is reasonable that some of Veblen’s theories would not have applied in the post WWII period, he was at the beginning of this societal change and

Bourdieu was born almost 60 years later. So much change happened in that time frame that life had drastically changed.

In 1979, as a respected sociologist, Pierre Bourdieu refined the theory of conspicuous consumption to a more contemporary mindset in his book *Distinction: A Social Critique of the Judgement of Taste*. The trickle-round theory (a variant on Veblen's trickle-down theory), the notion of cultural capital, and the habitus theory has a similarity to Veblen's ideas, however they are considered as robust social theories.

#### 2.2.1.1 Trickle-round theory

Veblen's trickle-down of consumption illustrates that the upper classes were always the pacesetters of consumption patterns, and that cultural influence could only move from the top to the bottom. Culture was used as a shield for the leisure class; members of the upper class used their cultural superiority to set them apart from the emerging bourgeoisie that was acquiring the same economic capital.

Bourdieu was also not convinced by Veblen's proposition, and advanced Veblen's trickle-down form to a more elaborate trickle-round model, which is considered a more accurate descriptor of consumption patterns. Andrew B. Trigg (2001) describes Bourdieu's trickle-round model in his article "Veblen, Bourdieu, and Conspicuous Consumption" as follows:

For Bourdieu, there is rather a "trickle round" of tastes, with upper-class tastes drawing at times from popular working-class tastes and also transmitting to the less sophisticated middle class. Bourdieu also identifies this phenomenon in relation to the adoption of peasant dishes by those with high cultural capital (Bourdieu 1984.1985) and in relation to folk music and sport (209).

In Bourdieu's theory, like Veblen's, it is accepted that high society gives importance to the quality and aesthetic of food and considers food as a design or art. However, as shown in Figure 1, Bourdieu argues that sometimes the upper classes chose to borrow working-class tastes and trends to exhibit their higher status and differentiate themselves from middle-class tastes. For example, in Istanbul, where the majority of the upper class lives in Turkey today, in the most prestigious fine dining restaurant Mikla which is selected as the worlds 44th best restaurant in the world in 2018 serves traditional Anatolian cuisine ("Theworlds50bestrestaurant", 2018) In the menu, "balık ekmek"(fish and bread) is one of the most recommended dishes, even-though it is considered as working class food in Turkish culture.

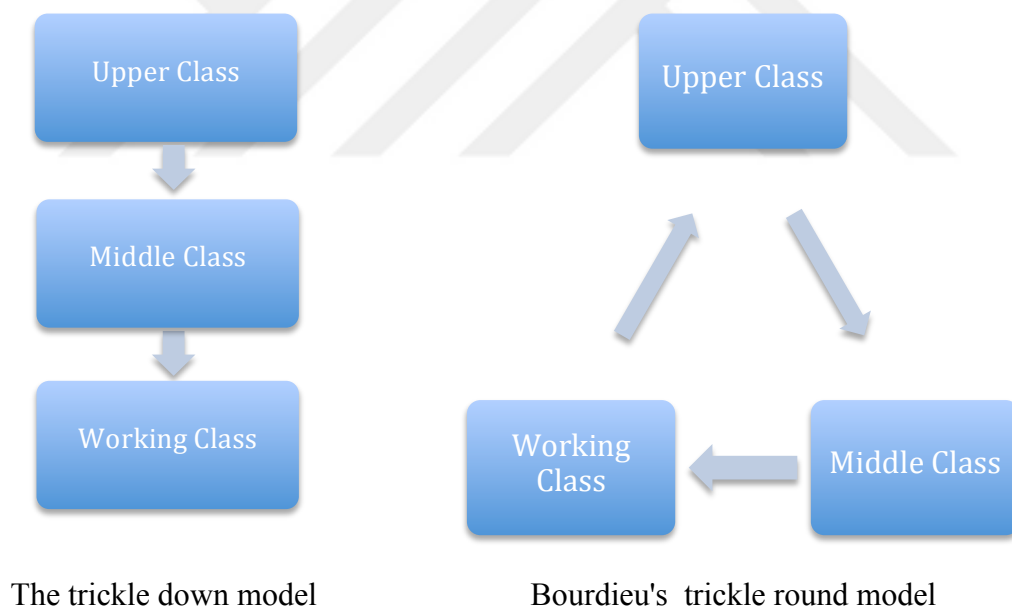


Figure 1. Transmission of tastes. (Trigg, 2001, p. 107)

### 2.2.1.2 Cultural capital and social inequalities

Bourdieu also described the importance of cultural capital for the elite class and how it is used to gain social advantages. He defined the notion as “the accumulated stock of knowledge about the products of artistic and intellectual traditions, which is learned through educational training and social upbringing” (Trigg, 2001, p. 104).

Bourdieu was at one with Veblen on this subject; human society seeks status, which is culturally or institutionally determined. However, Bourdieu argued that cultural capital should not be solely for the leisure class; it should be available to all. In his book *Distinction*, Bourdieu noted that not only the American social structure but also the education system contained inequalities. He indicated that cultural capital is “inscribed, as an objective demand, in the membership of the bourgeoisie and in the qualifications giving access to its rights and duties” (Bourdieu, 1984, p. 23). Similar to the example of food, the upper classes use education (an aspect of cultural capital) to secure their social status. From my personal standpoint, the problem with societal differentiation, of course, is that no matter how it begins, it leads to more significant issues such as racism, the history of which in the US is well known.

To summarize, the process of distinction to place oneself above others creates fundamental inequalities in society, which, safe to say, always has damaging effects. According to Wisman (2016), “Wealth accumulation and conspicuous consumption threaten environmental devastation, the avoidance of which is arguably humanity’s greatest challenge.”

At the beginning of the twentieth century, Veblen proposed that returning to the instincts of workmanship, parental bent, and idle curiosity could reduce

exclusionary attitudes towards the lower class. He also suggested restructuring institutions to reduce economic inequality for the good of the society. Wisman argues that

[t]his could be substantially achieved by returning to the post-World War Two progressive income tax rates, or better still, replacing the income tax with a progressive consumption tax, instituting a wealth tax, reregulating financial institutions, and making higher education free. (Wisman, 2016, p. 16)

### 2.2.1.3 Habitus theory

In *Distinction*, Bourdieu introduces the concept of habitus, which can be defined as “principles which generate and organize practices and representations that can be objectively adapted to their outcomes without presupposing a conscious aiming at ends or an express mastery of the operations necessary in order to attain them” (as cited in Trigg, 2001, p.109). These principles organize people’s actions in daily life, and they are modifiable over time, changing with the pressure and confusion that emerge in different situations; people are ignorant of the fact that community pressure guides their behavior.

For all social classes, conspicuous consumption is not a conscious act, but rather decency behavior that exerts social pressure. A formalization of this approach is provided by Bourdieu’s concept of habitus, the set of principles that influences our unconscious decisions within an uncertain and changing environment. To illustrate, every year, in the US and in other developed economies, people line up at Apple's (technology company) door to buy the new iPhone for replacement of their rather new, at most one-year-old iPhone. It can be concluded that the social pressure is so

high in the modern society that people toss their operational telephones to buy the new.

### 2.2.2 Veblen and Maslow

Nearly five decades before Abraham Maslow's hierarchy of needs, Veblen described the historical and socio-cultural stages of humanity in *The Theory of the Leisure Class*. Veblen's goal was to illuminate the behavior behind status-oriented consumption, which is different from Maslow's more comprehensive psychological research on motivation. In 1943, Maslow published "A Theory of Human Motivation" in *The Psychological Review*, where he proposed his famous five stages of needs: physiological, safety, social belonging, esteem, and self-actualization. As shown in the Figure 2, Maslow's theory is illustrated by a pyramid, with the base establishing the fundamental needs for survival and the top the secondary needs (Maslow, 1943).

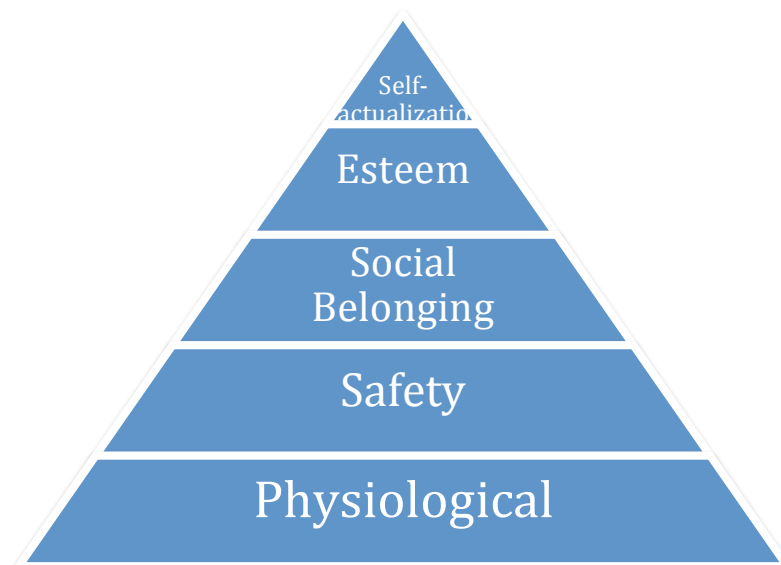


Figure 2. Maslow's hierarchy of needs (Maslow, 1943)

With luxury and conspicuous consumption in mind, the first two needs (physiological and safety) do not directly concern this research. However, fulfilling these two needs is obligatory to achieve the third need, social belonging. Maslow argues that acceptance and a sense of belonging in a social group are essential for humans. The size of social group is not significant; it can be small (a family, work environment, romantic relationship, or friend group) or large (a sports team, gang, or religious group) (Maslow, 1943).

Social belonging is directly related to status-driven consumption, as belongingness is one of the essential motivations behind conspicuous consumption. In their advertising campaigns, luxury products and brands usually emphasize an upper-class lifestyle, which generally targets people who place great importance on social classes.

Maslow's fourth need is esteem, which can be defined as a desire for respect (acceptance) by others, and which is thus related to social belonging. In their professional and personal lives, people need to feel valued by other members of their group (Maslow, 1943).

Veblen also refers to esteem in *The Theory of the Leisure Class*. As noted earlier, he maintains that

[g]radually, as industrial activity further displaces predatory activity in the community's everyday life and in men's habits of thought, accumulated property more and more replaces trophies of predatory exploit as the conventional exponent of prepotence and success. Therefore, the possession of wealth gains in relative importance and effectiveness as a customary basis of repute and esteem. (Veblen, 1934, p. 19)



Veblen proposes that after the Industrial Revolution, the institution of private property emerged with the production of surplus, and as a consequence, people's need for social belonging and esteem began to be sought via the acquisition and display of luxury products rather than displays of character (Patsiaouras, 2010, p. 52). In Confucian- influenced Asian countries, "esteem," or having the respect of others, is regarded as one of the essential goals in individual's life. From that perspective, displaying luxury possessions is now one of the ways to achieve that goal.

Ultimately, the fifth need is self-actualization, which Maslow maintains is "the desire to accomplish everything that one can, to become the most that one can be" (Maslow, 1943). At this level, the individual is confident that the past four needs were not just covered but mastered. For example, after WWII, self-actualization became one of the essentials in the Western value system. As I see it, luxury brands' ad campaigns in such countries portray fulfilling this need not through becoming the most but through be the most.

The next chapter discusses the luxury mentality in China as an example of the "non-Western" experiences with conspicuous consumption.

## CHAPTER 3

### LUXURY IN CHINA

In China, luxury has different associations, mainly due to the translation of the word from English into Chinese, where it consists of two characters, pronounced she (奢) and chi (侈), which mean, respectively, extravagant and wasteful (Lu, 2009, p. 19; "TheChineseLuxuryGoodsMarket", 2018). Some scholars may consider this translation inappropriate and confusing, but it semantically parallels Veblen's conspicuous consumption theory and Darwinian concept of waste.

To establish a background for understanding the complexity of the Chinese attitude towards luxury consumption, this chapter briefly outlines the history of Chinese luxury consumption from ancient times to modernity and continues with the modernization and Westernization that came with globalization, China's open-door policy, and the World Trade Organization (WTO) accession. Second, the chapter examines the formation of the new Chinese elite class and the modern understanding of luxury consumption, especially the conspicuous consumption patterns of today's Chinese consumers. It then explores the socio-cultural values and motivations behind conspicuous consumption in modern Chinese society; by clarifying the principles and discrepancies that a Confucius inspired collectivist Chinese lifestyle has created in society. The final section briefly explains Euromonitor's (a market research provider) study on Chinese consumer types and the chapter concludes with a discussion of the importance of e-commerce in China and the effect the Chinese government's anti-corruption campaign has had on sales in the luxury market.

### 3.1 History of luxury in China

#### 3.1.1 Ancient China

In China, leisure and luxury activities can be traced back almost 2000 years, to the Spring and Autumn period and the Warring States period in the East Zhou Dynasty (770-221 B.C.) For almost 1000 years, luxury items were restricted to elite Chinese families, until a national examination system initiated in the Han Dynasty and matured by the Sui and Tang Dynasty (581-617A.D.) created an opportunity for every Chinese citizen to achieve a prestigious lifestyle. The civil service examination system and the idea of ordinary people contributing to the administration of the country were considered avant-garde for its age. The exam became an essential vehicle of social mobility in Chinese civilization.

In Imperial China, the system granted ordinary, talented, and young Chinese citizens an unprecedented opportunity to raise their social status through individual effort. This emerging scholar-bureaucrat class began to influence country's administration system, directly counseling and assisting the emperor. In addition to their consulting roles, they were obligated to practice hunting and martial arts to be prepared for the most critical aspect of the Chinese lifestyle: war. Pierre Xiao Lu (2008) describes the elite's (including scholar-bureaucrats chosen by the examination system) daily leisure activities as such: "In peacetime, elegant sports such as polo, developed on the basis of hunting and martial arts, were reserved for aristocrats and were very popular in the courts of the Tang, Song, and Yuan dynasties" (p. 4)

After the scholar-bureaucrat class became powerful and vibrant in Chinese society, they engaged more in discovering joy of living, a quest to find the most

refined pleasures that will bring aesthetic gratification. This class was greatly interested in the fine arts, such as music, painting, gastronomy, and calligraphy. Lu (2008) notes,

The pursuit of fine art and craftsmanship can be recognized in the spirit of the philosophies of the Chinese elite. Many scholar-bureaucrats, as well as emperors, were also famous poets, painters, and calligraphers. They were both the “makers” and the “clients” of Chinese fine arts. Their highly sophisticated craftsmanship enabled them to produce high-quality work and to admire those qualities in others (p. 4).

Previously discussed theory of cultural capital of Bourdieu illustrates that refinement in cultural matters increased with an individual’s education and social level. The Chinese scholar-bureaucrats, whether from commoner or aristocratic families, developed a mastery of aesthetic codes through the agency of the bureaucratic education they pursued. Their social status and education level, together with their stable income allowed the new elite group to relish a luxurious lifestyle and embrace life’s beauty through personal art collections, comfortable houses, gold and jewelry, porcelains, furniture, and fine spirits. In time, acquiring material possessions became equally important motivator as the social mobility for the candidates of the civil service education (Lu, 2008).

### 3.1.2 Modern China

At the onset of the twentieth century, China began to experience rapid societal and regime changes, initiated by replacing the 2000-year-old imperial system with a republic. Adjusting to the new order was painful for China; the conflict between nationalists and communists resulted in a civil war that continued until the Japanese army invaded Chinese territories at the beginning of WWII. After the war, communists gained the advantage and established the People’s Republic of China.

The policies in first years of the new regime caused complete isolation of the country, mass famines, economic stagnation, and political chaos. After the death of Mao Zedong (September 9, 1976), Deng Xiaoping commenced a normalization period through the so-called open door policy, in response to the Third Plenary Session of the Chinese Communist Party's 11th Central Committee decision to bring the closed-economy era to an end. China established diplomatic ties with Western nations and initiated trade liberalization (Yu, 2004). In the wake of this new era, China's international trade expanded substantially, with its total exports and imports ranking sixteenth in world trade ratings in 1985.

After 1980's China gained immensely from integrating into the international business world and became increasingly important not only for the Asian regional economy but also for the global economy. Targeting the global market, China has successfully converted itself from an inward-oriented country to an outward-oriented one, with globalization in mind. The Chinese government's economic reforms included promoting a dual financial structure that has evolved from a so-called socialist economy to a free-market economy with socialist characteristics (Scissors, 2009). In 15 years, the government reduced trade barriers, launched a massive tariff cut, and eased various import and export restrictions (Engardio, 2005).

World Trade Organization membership (2001) was a milestone for China, opening the global economy to its exports and investment opportunities. In turn, all members of the WTO benefited from China's accession to the organization; this move helped strengthen and improve the multilateral trading system, boost world economic and trade development, and built a new international economic order

("WTO, Accessions: China", 2018). In 30 years, the Chinese economy accomplished impressive achievements, and it became the factory of the world. While Deng Xiaoping's open-door policy was the crucial factor in that remarkable economic development, other factors also helped China achieve economic success: a stable political system, plentiful natural resources, and a labor abundance contributed to growth (Wei, 1993).

With its transformation to a market-driven economy, China became the dominant regional power in Asia and disturbed the flying-geese paradigm (the technological development in Southeast Asia viewing Japan as a leading power) in the region by becoming world's fastest-growing economy. Rural Chinese began to move to urban areas for jobs and (arguably) better living conditions (Tausch, n.d.). Many gained immense benefits from the country's integration into the global economy, however China cannot be considered all-around successful. This uncontrolled and high-speed economic growth has horrible consequences to the environment and to the Chinese society regarding pollution, human rights violations (human exploitation and working conditions.)

After the global financial crisis in 2008, European and US luxury markets shrank considerably (Staritz, 2011). Luxury brands began to look to the Chinese market, with its high population and substantial middle-class purchasing power. However, doing business in China is far more complicated than in Western countries, and luxury brands faced some challenges with their advertising strategies and the country's bureaucracy. As the Chinese luxury market is underdeveloped, consumers are 'inexperienced,' and the traumatic experiences of the recent era still resonate.

Further, the societal upheavals created a melting pot of values, which makes it difficult to analyze consumers' needs and desires, thus finding right marketing strategy and targeting the true client is much more challenging than in Western markets (Lu, 2008).

### 3.2 Who are the Chinese elite?

Inspired by Darwinian thought, Veblen argues that:

[a]s the population increases in density, and as human relations grow more complex and numerous, all the details of life undergo a process of elaboration and selection; and in this process of elaboration the use of trophies develops into a system of rank, titles, degrees and insignia, typical examples of which are heraldic devices, medals, and honorary decorations. (Veblen, 1934, p. 26)

Each civilization and each social class in each society developed their own social understandings, attitudes, and value systems. For example, modern Western societies developed six social-class groups based on ranking and characteristic behavior of these classes: Upper-upper class, lower-upper class, upper-middle class, lower-middle class, upper-lower class, and lower-lower class. In developing countries, social class distribution is still dynamic and unstable, paralleling their economies. In Pierre Xiao Lu's (2008) book *Elite China: Luxury Consumer Behavior in China*, the author demonstrates (Table 1) the most recent social class profile of Chinese society (although these distinctions are not as clear-cut as in Western societies). China's new elite social class, which is similar to the early twentieth century's *nouveau riche*, was born after the open-door policy began. This class emerged in economically developed cities such as Beijing, Shanghai, Guangzhou and many more. These citizens are the core clients of luxury brands, and this class's behavior is similar to Veblen's leisure class because of their socio-economic position. Lu argues that the

leisure class in Veblen’s theory is a hybrid concept of two or more classes, like in the Chinese case, where it is comprised of the “lower-upper class” (new wealth) and “upper-middle class” (achieving professionals). These two classes’ socio-economic status allows their representatives to consume conspicuously (Lu, 2008).

Table 1. Lu’s Comparison of Western and Chinese Social-Class Profiles (Lu, 2008)

1) Upper-Upper Class:	China’s Super Rich (established country club types)
1.	<ul style="list-style-type: none"> <li>• Small number of well-established families</li> <li>• Belong to the best country clubs and sponsor significant charity events</li> <li>• Serve as trustees for local colleges and hospitals</li> <li>• Prominent physicians and lawyers</li> <li>• Perhaps heads of major financial institutions, owners of major, long-established firms</li> <li>• Accustomed to wealth, so do not spend money conspicuously</li> </ul>
2) Lower-Upper Class:	New Wealth (China’s new elite class)
2.	<ul style="list-style-type: none"> <li>• Not wholly accepted by the upper crust of society</li> <li>• Represent “new money”</li> <li>• Successful business executives</li> <li>• Conspicuous users of their new wealth</li> </ul>
3) Upper-Middle Class:	Achieving Professionals (China’s new elite class)
3.	<ul style="list-style-type: none"> <li>• Have neither family status nor unusual wealth</li> <li>• Career-oriented</li> <li>• Young successful professionals, corporate managers, and business owners</li> <li>• Most are college graduates, many with advanced degrees</li> <li>• Active in professional, community, and social activities</li> <li>• Have a keen interest in obtaining the ‘better things in life.’</li> <li>• Their homes serve as symbols of their achievements</li> <li>• Very child-oriented</li> <li>• Consumption is often conspicuous</li> </ul>
4) Lower-Middle Class:	Faithful Followers
	<ul style="list-style-type: none"> <li>• Primarily non-managerial white-collar workers and highly paid blue-collar workers</li> <li>• Want to achieve ‘respectability’ and be accepted as reasonable citizens</li> <li>• Want their children to be well-behaved</li> <li>• Prefer a neat and clean appearance and tend to avoid trendy or highly stylish clothing</li> <li>• Constitute a significant market for do-it-yourself products</li> </ul>



### 3.3 Chinese perspective on luxury

From the Western viewpoint, the definition of the luxury is “a good or service that is not considered a necessity but is...something that brings pleasure or happiness”

("Luxury", 2018). However, for Chinese understanding of the luxury, Jean-Noël Kapferer's (2010) definition could be much more appropriate:

Luxury is tied to the social hierarchy [and] looking back at history, luxury was the privilege and the signal of the powerful people.... Luxury was a measure of your rank, itself being inherited. (p. 43)

In China, luxury is perceived as a status symbol, and its main function is to show it off to others: conspicuous consumption. Lu argues that

Conspicuous consumption has developed rapidly in China, in Asia's Four Little Dragons (South Korea, Singapore, Taiwan, and Hong Kong) and particularly in areas strongly influenced by Chinese Confucianism. Western luxury brands have shown a very high rate of increase in these countries in recent years. (Lu, 2008)

Confucian philosophy and the traditional social value system have had a great impact on Chinese view of luxury. Confucian virtues of, faithfulness, filial piety, benevolence, love, courtesy, loyalty, frugality, and a sense of shame are strong determinants of social behavior and thoroughly influence the Chinese consumer (Lu, 2008). These values originally counseled people to live a simple life, bring glory to their families through workmanship, and pursue guanxi (關係)(building personal relationships). Ironically, the modern (mis)interpretation of Confucian philosophy partially contradicts these simple messages (Lu, 2008).

Confucian cultural concepts are crucial for the understanding the Chinese consumer. A collective mindset and the importance of the family are still vital Confucian elements that inform people's behavior. Individuals are responsible for

bringing glory and honor to the family and community by demonstrating their valuable goods, which symbolize success. In modern times, “bringing glory to the family” is associated with materialism rather than workmanship. The original meaning parallels Veblen’s explanation of how one earned respect in rural cultures, as noted in the previous chapter. Today, Lu argues that “wearing a luxury brand can help deflect any suspicion of shame in a family-oriented society, regardless of whether the individual is actually successful or not” (Lu, 2008, p. 6). To be respected by society exerted a great deal of pressure on individuals to be successful. Now, one can merely purchase expensive goods, and if they can’t afford them, pretend they can.

In 2006, President Hu Jintao cited status-driven consumption as a major issue in the country, referencing one of the eight socialist concepts of honor and disgrace: “Honor to those who uphold plain living and hard struggle, and shame on those who wallow in extravagance and pleasures” (“Eight Honors and Eight Shames”, 2018). This rhetoric aimed to stop excessive consumerism, with the resulting effects of Westernization and capitalism, but it had very little influence. By 2010, according to Harvard Business Review (2018), China had become the second-largest luxury market in the world after the US, with an annual increase of 30%, and it is predicted that China will become the largest consumer of luxury goods in the near future.

Chinese luxury consumption behavior is the blend of traditional cultural values, Confucian philosophy, and Western capitalist ideas. The modern Chinese consumer patterns are constituted by collectivism, family values, saving face,

individualism, and self-actualization. The next section elaborates on these values and traditions.

### 3.4 Chinese value system

For thousands of years, China's tradition, culture, philosophies, religions, thoughts, and values were handed down one generation to another and formed the strict Chinese moral code. However, in the last century, many major events changed and added more facets to this code. It is now a mixture of Chinese traditional values – family, traditionalism, collectivism, and humility – with Western values of modernity, individualism, and self-actualization. These conflicting values have had their main effect on the new Chinese elite, who are shaping China's growing luxury market. This section explains these values, giving examples of each to show Chinese consumers' confusion and dilemmas around their consumption behavior.

In the twentieth century, China experienced three different social systems: the Republic (1911-1949), the Communist regime (1949-1978), and the post-Communist but socialist open-door policy (1978-present). These radical and fundamental changes in the country's political system profoundly affected the culture and the moral system that the Chinese inherited. Lu (2008) states “it is clear that China's value system is no longer like the traditional image of the popular imagination, although some of the traditional values remain to underpin the new value system.”

The Western conception of modernity and wealth transformed the behavior of Chinese people as consumers, especially in the area of luxury consumption, however, conventional Chinese values are as essential as Western thought in Chinese luxury

consuming patterns. In Zeng and Jolibert's "The Traditional Values of Chinese Consumers", the authors divide Chinese consumers into three groups, Confucianists (family, collectivism, social status, respect), Buddhists (justice, the hollowness of luxury, karma), and Taoists (respect and harmony in nature), and argue that the above philosophical and religious values have ironically created a positive attitude towards luxury (as cited in Lu, 2008).

### 3.4.1 Traditional values

#### 2.4.1.1 Collectivism, saving face, guanxi, and gift-giving

Collectivism is the fundamental Confucian value, and is designed to ensure civilization's social harmony. Collectivism comprises traditional values such as family, saving face, and guanxi. In the collectivist state of mind, it is possible to gain or lose 'face' on behalf of others in your group. For example, "adorning yourself with visible symbols of success is not just for your glory, [but also] for the greater glory of your family" (Chadha et al.,2015, p. 145). People influenced by collectivistic values believe that conforming to norms set by society, peers, or class is the proper way to behave. Therefore, if luxury brands become the norm in a collectivistic culture via gift-giving, then it makes sense to buy them (Chadha et al.,2015, p. 145).

In the framework of luxury consumption, gift-giving is helpful to protect personal relationships "guanxi" and saving face, both of which are rooted in traditional Confucian values. Saving face is analogous to protecting one's reputation; losing face is akin to damaging one's reputation (Lu, 2008). In China, each

individual feels the obligation to live up to the expectations of their group, and the fundamental principle of decent life in the Chinese perspective is gaining and retaining the respect of others. Parallel to Veblen's arguments regarding Western society, as urbanization occurred in China, societal mobility increased and therefore people became less informed about others' wealth. To show and detect social status, people then started to display their wealth through the consumption of goods. Each social group formed its own material expectations, defining what is suitable and expected from an individual. Purchasing luxury products began to be perceived as mandatory in urban Chinese society and became the method to gain societal respect. Chinese consumers state that they feel weaker in the eyes of the community without these luxury products.

Saving face works in two ways. First, individuals must be vigilant with their behavior in the community. They must not to intimidate others with their words and must help others save face. In McKinsey & Company's study, "Understanding China's Growing Love for Luxury", gives an example of the phenomena by "a female office worker mentioned that she loves Hermes scarves, but would not wear one to work so as not to be seen as attempting to outshine her boss." Second, the individual must save his or her face and not to look weak in the eyes of others. For example, nearly all female office workers have a Louis Vuitton handbag. This phenomenon is also called the collective purchasing. The psychology behind collective purchasing is the belief that buying the same products will serve to maintain the integrity of the community.

The concepts of saving face and guanxi are connected. Guanxi is a term associated with one's network of relationships, and maintaining guanxi through building personal and professional connections is a significant social value (Lu, 2008) An important aspect of managing interpersonal relations is doing favors or giving gifts, a type of "social investment" for which handsome returns are expected" (Yang, 1957, p. 291).

In Chinese society, gifts are perceived as the expression of the giver's respect for the recipient, a belief rooted in Confucian philosophy. These tokens create reciprocity and promote mutual good feelings, thus preserving and sustaining the social ties among and saving the face of that particular group, and maintaining social harmony.

#### 3.4.1.2 Family

Among the traditional values in China, the importance of family is most influential. Families are considered community's cells, and were indispensable for maintaining social stability. In Confucian teachings, family members have high responsibilities to each other. The safety and comfort of the family comes first. Individuals should be ready to sacrifice their possessions for the good of the family. "The individual is taught to put family members before self, to share [the family's] pride and accomplishments, their shame and their failure, their sadness and their joy as if they were his own" (Lu, 2008, p. 49).

Lu (2008) illustrates the gift-giving custom in families during the Chinese Spring Festival and birthdays as follows:

Their logic is that if their financial situation has improved through professional or business success, they should share the results with parents, help relatives to improve their situation, or help finance their sibling's education and business. In return, the successful giver is accorded greater respect by the family members, while bringing pride and glory to their parents and relatives. This is much more important than the wealth itself. (p. 49)

This gift-giving custom is one of the reasons behind China's increased consumerism. As noted earlier, "shar[ing] the results" is generally in the form of expensive and luxurious gifts, as the more money the gift giver spends, the more respect he or she will gain.

Moreover, in Confucian-influenced Asian countries, ancestor worship is an essential religious practice. Placing great importance on the heritage and history of their families, the Chinese also prioritize the history, legacy, and heritage of companies whose products they consume. Consumers feel more loyal to brands that they believe exhibit family values, which is why long-standing brands such as Patek Philippe, Rolex, and Louis Vuitton are highly prized. Unexpectedly, then, traditional Chinese family has resulted in luxury consumption being viewed as almost essential to maintain one's place in the family and society.

#### 3.4.1.3 Modesty and frugality

Confucian philosophy has always advocated the importance of modesty, frugality, and humility. Under that influence the scholar-bureaucrat class avoided extravagant and wasteful consumption; "they were modest and discreet in their behavior and

attitudes, even if they were super-rich and high-level statesmen" (Lu, 2008, p. 50). However, as mentioned above, this elite group was highly involved in the leisure activities, refined tastes, and luxury products that came with their lifestyle, which means they were consuming luxury products away from the public eye.

In modern China, ostentatious consumption continues to be disapproved of, and the government exalts the values of modesty and humility. However, Hu Jintao's top-down reforms have not prevented high-status citizens from consuming luxury products, but merely confined it to their close circles.

Confucian thinking, the socialist concepts of honor and disgrace, and the government's recent anti-corruption campaign have not prevented the consumption of luxury goods. Today, with the influence of Western values, luxury consumers consume luxury brands publicly; in the business world, status-driven consumption between colleagues pushes people to spend a couple of paychecks on a handbag. The only effect created by the government actions on monitoring bribing and gift-giving activities was to push corporations to change their policies on the gift-giving process to conspicuous consumption (watches, jewelry, leather goods) into inconspicuous consumption (feasts, expensive alcoholic beverages, organizing foreign holidays.)

#### 3.4.2 Modernization and the adaptation of new values and ideologies

Deng Xiaoping's famous quote, "To get rich is glorious," demonstrates the mentality and ideology of the new Chinese attitude towards luxury and wealth. (Viotor et al., n.d.) Since the 1970s, Chinese society's primary objective has been to become



affluent, with all that entails. As members of the new Chinese elite class matured, the whole world was open to it, and they became interested in foreign languages, mainly English, and in traveling. As a result, the elite class learned Western values and traditions and began to emulate them. New ideologies relating to consumption, such as modernity, materialism, and individualism thus emerged in Chinese society.

#### 3.4.2.1 Modernity

In Western Culture, the standard narrative of the modernity is illustrated as a period marked by a questioning or rejection of tradition; the prioritization of individualism, freedom, and formal equality; faith in inevitable social, scientific, and technological progress and human perfectibility; rationalization and professionalization; a movement from feudalism toward capitalism and the market economy; industrialization, urbanization and secularization; the development of the nation-state and its constituent institutions (e.g. representative democracy, public education, modern bureaucracy), and forms of surveillance ("Modernity", 2018).

For the Chinese, the understanding of modernity is much more straightforward: modernization equals stability and a prosperous life. Lu explains, "Modernization is a very positive value in China. All things modern are quickly accepted by Chinese consumers" (Lu, 2008, p. 58). In the nineteenth and twentieth centuries, China faced many tragedies, four regime changes, poverty, and wars. The twenty-first century's Chinese society wants to bury the past and the humiliation they suffered, and desire to become a technologically advanced and industrialized country.

Western-manufactured high-quality goods symbolize modernity for the Chinese. Lu (2008) argues that

[I]luxury brands, many of which blend tradition with modernity, represent the essence of modern society to the Chinese consumer. The values they embody are seen to transfer to the person who buys them. Thus, the more you know about the luxury brands and the more luxury products you possess, the more you project a modern image to friends, colleagues, and members of your social network. This is the dominant value of current Chinese society and is likely to remain so for a long time to come. (p. 58)

In other words, the way the Chinese consume Western products for their representation of modernity is subconsciously motivated by traditionalist thinking.

The Chinese consumer wants to satisfy socially directed needs and desires to be admired by society for showing how modern he or she looks. Conversely, the Western consumer's objective in buying luxury goods is in an aim to fulfill his or her self-realization and self-satisfaction needs.

In the last decade, Western values such as individualism and independence have been introduced to Chinese society, especially in cosmopolitan cities such as Beijing, Shanghai, Chengdu, and Guangzhou. Although these values directly contradict traditional Chinese norms; young and urban citizens have embraced individualism. Through music, writing, and fashion young Chinese generations are practicing the Western way of life in almost all aspects of their lives (relationship choices, consumption patterns, communication practices (social media), family relations). "Luxury consumers express their own tastes and attitudes toward life through the clothes and accessories they buy, without regard to the collective thinking of society" (Lu, 2008, p. 63).

#### 3.4.2.2 Dream value

Pierre Xiao Lu explains dream value as “[p]ossessing such goods in some way helps [people] to become a part of the lifestyle which this product represents. Buying luxury has a reference to satisfying personal and social aspirations” (Lu, 2008, p. 24-25). “The availability of credit, increased sophistication in marketing technologies, and a desire for luxurious ‘lifestyles’ has intensified the game of conspicuous consumption” (as cited in Patsiaouras, 2010)

Dream value can be related to Harvey Leibenstein’s (1950) bandwagon effect, which is a consumer’s craving for a superior lifestyle and to be more fashionable than one’s peers. It is similar to Veblen's pecuniary emulation and invidious consumption phenomena.

#### 3.5 Chinese consumer types

In 2017, Euromonitor International published a consumer-type analysis for China. Their goal was to gain insight into Chinese consumption patterns so companies could develop more-effective marketing campaigns. The report suggests that there are five dominant types of consumer in China: Undaunted Striver, Cautious Planner, Secure Traditionalist, Balanced Optimist, and Inspired Adventurer (Euromonitor, 2017). This section explores the demographics, key traits, and characteristics of these five consumer types.

Secure Traditionalists comprise 31% of Chinese consumers. They usually have lower incomes (average household income: 30,496 USD) and desire the best

value for their money when they purchase goods. They avoid impulsive purchases and generally plan for their needs, saving money until they have enough to buy the product. Brand image and their appearance do not concern the Traditionalist type of consumer. Their first objective is to save money (Euromonitor, 2017).

Inspired Adventurers form 26% of the Chinese consumers. Their income is higher than traditionalists (average household income: 43,859 USD). This group enjoys shopping occasionally and buys impulsively purchases for self-satisfaction. They are not concerned about appearances. They have strong loyalty to some brands and specific products. Value for money is a big concern for this type of consumer (Euromonitor, 2017).

Cautious Planners are 19% of Chinese consumers. Their income is slightly higher than Traditionalists (average household income: 31,525 USD). These consumers are considered minimalists. They do not spend much and do not care about how they are perceived by society. They plan when to buy products and avoid impulsive purchasing. They are interested in saving money, and they are sensitive to the environment and their impact on nature (Euromonitor, 2017).

Balanced Optimists make up 15% of the Chinese consumers. Their income is higher than most of Chinese society (average household income: 59,148 USD). They love shopping and prefer to spend rather than save. Impulsive purchases are inevitable for this type of consumer. They care about their social status and personal image. They consume well-established brands and products, but they also care about

the environment. In that sense, they prefer environmentally friendly popular brands and products (Euromonitor, 2017).

Undaunted Strivers comprise 11% of Chinese consumers. As shown in the Table 2, their income is highest among all consumer types (average household income: 62,795 USD). This group cares deeply about how people perceive them and sees luxury products as status symbols. They prefer spending money rather than saving and make impulsive purchases all the time. They are very active on social media, and are influenced by celebrities and the luxury lifestyle (Euromonitor, 2017).

Table 2. Euromonitor’s Chinese Consumer Types (2017)

Chinese Consumer Types	Average Age	Gender	Average Income	Societal Distribution
Secure Traditionalist	42	55% Male	USD 30.496	31%
Inspired Adventurer	36	53% Male	USD 43.859	26%
Cautious Planner	48	51% Male	USD 31.525	19%
Balanced Optimist	48	56% Female	USD 59.148	15%
Undaunted Striver	38	52% Female	USD 62.795	11%

### 3.6 Slowdown in China's luxury market, alternative sales channels created by Chinese consumers, and the corruption problem

#### 3.6.1 Alternative sales channels

According to Fung Business Intelligence Center’s (2015) research about the Chinese luxury market, the slowdown was due in part to the slowing Chinese economy

overall and in part to increasing government efforts to rein in extravagant consumer spending. Chinese consumers' growing tendencies to purchase luxury products abroad (due to the significant price gap between Western and Chinese markets) and/or via cross-border e-commerce platforms have also contributed to a decline in luxury sales in China. These alternative ways of buying luxury products are known as daigou (代购) and haitao (海淘), respectively.

Daigou means buying on behalf of someone else and is a channel of commerce where a person overseas purchases commodities for a customer in Mainland China and then ships it to him or her (Chitrakorn, 2017). Daigou purchases are often from luxury brand boutiques in major fashion cities such as Paris, London, New York City, Hong Kong, Tokyo, or Seoul. Daigou operators use social media services to communicate with their clients, who contributed to about 15% of China's luxury goods spending in 2014, or between 8.7 and 11.9 billion USD (Fung Business Intelligence Centre, 2015)

E-commerce is another popular way of buying luxury products, and is called haitao, which means buying overseas. As with daigou, the primary motivation for Chinese consumers to engage in haitao is the price discrepancy; VAT taxes are very high for luxury cosmetics and haute couture in China, and consumers can save about 60% (Fung Business Intelligence Centre, 2015). "Around 90% of products sold via haitao are from luxury brands such as Yves Saint Laurent, Burberry, Gucci, Salvatore Ferragamo, Céline, Michael Kors and Armani (Fung Business Intelligence Centre, 2015). Some websites use "pilot zones" (in the Mainland China) that the Chinese government has established for cross-border e-commerce, storing the

product in these zones. Haitao also fills the demand for some products that are harder to buy in China (Fung Business Intelligence Centre, 2015, p. 37).

### 3.6.2 Corruption in China

Corruption is one of the major obstacles to economic expansion in developing and transition countries such as China. Bureaucratic corruption is higher in states with non-democratic governments because of weaker political competition, less public pressure, and high government revenue (La Porta et al., 1999; Brollo et al., 2013). Corruption is particularly problematic in transition economies where government officials have considerable discretion over economic activity, such as privatization of state assets and distributing licenses for entrepreneurial ventures (Shleifer, 1997).

After the open-door policy was established, China became the world's fastest-growing economy; government revenue increased and, licenses critical for the private sector were in politician's hands. Further, enforcement is weak; the odds of a jail sentence for a corrupt official are estimated to be lower than three percent (Pei, 2007). Corruption remains a major issue in China and the biggest obstacle to its economic growth.

Corruption in China is based more on the exchange of favors, such as an act of kindness for building personal ties (rather than bribery or blackmail); these acts usually take the form of gifts and banquets. This practice is used to obtain privileged access to government services, flatter immediate supervisors, maintain contractual relationships, and reinforces loyalty in protégés (Heidenheimer et al., 2011).

In 2013, the President Xi Jinping applied the most recent attempt to eradicate corruption. He launched the most extensive and efficient anti-corruption campaign in the post-reform era. His strategy aimed to cut down gift giving and extravagance. In one year, corruption investigations increased by approximately 30%. However, the corruption did not decrease, as I mentioned in the previous part, it only metamorphosed (Quian et al., 2015).

To conclude, the twentieth century was quite confusing for Chinese society; it experienced Marxism, Maoism, and the post-Communist socialist system of Deng Xiaoping. These sudden and fundamental ideological changes re-shaped Chinese culture and created a set of values that blended with eighteenth century traditional virtues and social behavior with twentieth century modernity. Consumption behavior also changed in this time period; a new Chinese elite stepped through the open door and began to search for sophistication, luxury, and the subtle things in life, similar to Western societies. While it may appear that present-day Chinese consumer expectations are similar to Western desires, the former's motivation behind that consumption is grounded in collectivism, and the latter's stems from individualism.



CHAPTER 4  
TURKISH CONSPICUOUS CONFUSION:  
LUXURY CONSUMER BEHAVIOR IN TURKEY

Veblen declared in the introduction of *The Theory of the Leisure Class* that his theories are "drawn from everyday life, by direct observation" (Veblen, 1934, p. 5). Inspired by his thoughts, I started casually observing Turkish consumer behavior in the field; by visiting luxury stores, by talking luxury customers, and even buying luxury goods for understanding the enjoyment of it. I believe that the best words to describe Turkish consumer behavior are "conspicuous confusion". From that perspective, this project was challenging. For example, subjects would talk about their "ideal selves" but their actions contradicted their words. Further, unlike their Western counterparts, the Turkish luxury consumer is not homogenous. As in China, identifying and sorting Turkey's various consumer types is confusing and difficult. For the above reasons, I used a different study method for each consumer group to achieve what I feel are the most accurate results.

This chapter explores Turkey's historical luxury consumption patterns from the sixteenth century Ottoman Empire to the modern Turkish consumer. This section elaborates on the inherited consumption behavior from the Ottomans and analyzes how traditional behaviors and values have blended with Western values (similar to the Chinese experience) to shape today's Turkish luxury consumer. The chapter goes on to discuss how the Turkish luxury market emerged and separated in two groups, the marketing strategy that luxury brands use, and the Turkish government's view of luxury spending in society. The chapter also provides an analysis of my survey

(Likert-type survey completed by 224 participants), “Luxury Consumption Behavior of the Turkish Middle-Class Consumer” which aimed to understand the Turkish consumer mindset and determine whether Western values such as individualism and self-actualization characteristics (searching for meaning over material needs) have overruled traditional Ottoman values such as collectivism and status-driven consumption. The chapter concludes with an analysis of the new consumer type that has emerged in the last decade (conservative new money), determined through in-depth interviews with luxury-market professionals and this section also analyses the concept of luxury and consumption in a Turkish conservative fashion magazine *Âlâ* by examining the word choices (fashion, Islamic values, aesthetic, luxury, women) used in the articles. The self-contradictions of the magazine where by the main target of the journal is to trigger conservative middle-class women to consume luxurious goods but the Islamic concept of praising modesty are also reviewed.

#### 4.1 Background of Turkey’s luxury heritage: The Ottoman Empire

In the sixteenth century, luxury items and lifestyles became an essential way to display the absolute power and status of the sultanate in the Ottoman Empire. Although this was two hundred years before Veblen’s time, his conspicuous consumption theory could be relevant in every aspect of social, political, and economic life throughout the Early Modern Ages (Ilda, 2012). Not only the sultan but also Ottoman Court members, princes, valide sultans (sultan's mother), viziers (high officer in the government), and chief treasurers consumed luxury products and showed their superior status in Ottoman society. Moreover, this ostentatious way of

consumption was practiced regularly at every level of society to access higher rank (Ilda, 2012).

Before the Industrial Revolution's high consumption mentality altered the way Ottoman society consumed, textiles, art, and jewelry crafted by local artisans or traded goods from other countries dominated the luxury bazaar. Primarily, silk production "in the shapes of dresses, wall hangings, ground covers, a variety of covers on books such as the Qur'an, [and] furniture upholstery" (Ilda, 2012, p. 1) became essential in the luxury market. Moreover, the sultan possessed and displayed expensive ceremonial objects, rare jewelry, and items such as gold cups, daggers, helmets, shields, and armor by the best craftsmen. These luxury products demonstrated the sultan's magnificence to the world (Ilda, 2012).

In the leading trade countries of the era, artists and artisans produced their products for the needs and pleasure of the dominant culture and its elite social class. Thus, as one of the most powerful of its era (At its peak, the Ottoman Empire included the areas of Turkey, Egypt, Greece, Bulgaria, Romania, Macedonia, Hungary, Ukraine, Israel, Jordan, Lebanon, Syria, Iraq, and parts of the Arabian Peninsula and North Africa), the sultan of the Ottoman Empire, his family and his close circle controlled the style and craftsmanship of luxury goods for almost six centuries (Kahveci, 2015).

Prof. Halil İnalçık (2010) argues that the influence of the governing authority is apparent in patrimonial societies, such as Ottoman culture, in which the absolute ruler exclusively established social and political ranks.

The Ottoman sultan, “Sahib-i Mülk”, was always the supportive patron of arts. Being the patron of arts is associated with the definition of “patrimonial state”. In a patrimonial state structure, state power, sovereignty, mülk (land) and tebaa (subjects) are absolutely possessed by the ruler and the ruler’s family.” (Inalcık, 2010)

In Ottoman history, Süleyman I’s reign (1520-1566) considered the pinnacle of the Ottoman Empire’s economic and political development, and greatly furthered Ottoman culture and art. According to Filiz Toprak (2010),

[a]rtistic production flourished under the demanding and generous patronage of the sultan himself, his extended family, and his high rank officials. Their wealth and ability to employ the most talented craftsmen, coupled with the idea of patronage as a responsibility of the state played a major role in the formation of a distinct taste.

Ibrahim Paşa, as Grand Vezier between 1523 and 1536, also encouraged artistic production in the empire.

Ostentatious and conspicuous consumption continued for centuries in the Empire. The personal expense register of Damat Ibrahim Pasha, Grand Vizier during the eighteenth century’s Tulip Period, shows nine years of his daily consumption patterns, such as his clothing and luxury items, and the vast consumption of his household and community members (Karahasanoğlu, 2009).

As the grand vizier of sultan Mehmed III, Ibrahim Pasha had significant number of horses, camels, mules, soldiers, and servants; approximately 1,740 men in total, with 500 for household service and the rest as soldiers in his command (Karahasanoğlu, 2009). The grand vizier’s major consumption was centered on his waterfront home (yalı) between 1718 and 1730. “The yalı is known as the center of the supposedly amazing consumption of food, goods and pleasure to [the] extent of

forgetting the practical needs of the empire and enjoying [the] limitless gratification that the opportunities of their time provided (Karahasanoğlu, 2009, p. 113).

The luxurious lifestyle of the yalı is indicated by the food consumption, with the variety of food that was luxurious for the standards of the era, and included domestic and foreign items: apples, razakı grapes, sour cherries, plums, pears, beets, lettuce, okra, eggplant, garlic, melokheya (a herb), pistachios, fresh hazelnuts, cinnamon, pepper, cloves, currants, sugar, coffee, mastic, olive oil, vinegar, olives, cheese, fish, quince, rosewater, apricots, pastry, melons, asparagus, spinach, sorrel, grape-leaves, and British sugar (Karahasanoğlu, 2009).

Food comprised just two percent of Ibrahim Pasha's annual expenditures. Forty-eight percent of his costs were spent on fabric, furnishings, and clothing.

Clothes bought were not only for Ibrahim himself but mostly for the members of his household [and] included items such as robes, headgear (*destâr*), fezzes, shalwars (loose trousers), shirts, and belts. The fact that expenditures on clothes were high should not be understood as an addiction to garments, but rather the expensive nature of this particular category itself. (Karahasanoğlu, 2009, p. 124)

These luxurious clothes were generally prepared for ceremonies such as imperial funerals, accessions, parades, and festivities to honor circumcisions (Ilda, 2012) At these events the sultan and his entourage appeared in their silken costumes to signify “the sultan's power and generosity,” which played a part in maintaining the stability of the empire. (as cited in Ilda, 2012)

The status and power projection of the sultan and his environment were not only for domestic purposes but was essential for foreign policy.

Sometimes foreign ambassadors were invited to watch the parades for the purpose of impressing them for the greatness of the Turkish sultan and the brilliance of Ottoman ceremony. The ambassadors were overwhelmed in the face of the dazzling splendor. (as cited in Ilda, 2012)

At the beginning of the sixteenth century, then, the Ottoman Empire became a powerful consumer market. In political, social, and economic aspects, luxury products such as silk, jewelry, and exotic foods were considered symbols of status, power, and dominance. The consumption patterns of high society in the Ottoman Empire are powerful examples of Veblen's conspicuous consumption theory for that region.

#### 4.2 Between the traditional and the modern: Major consumer types in the Turkish luxury market

In most societies, ancestors and their customs are valued. Throughout human history, each society has experienced different trajectories and change points: wars, regime shifts, industrialization, and/or isolation. From these events, new traditions emerged and old ones were modified. Turkey has followed the same pattern, with a tradition of Ottoman luxury a symbol of power and authority on one hand, and the effects of Westernization creating a different interpretation of luxury on the other.

In the beginning of my research, I planned to analyze the general view of the Turkish luxury consumer and compare these traits to Chinese consumer types. However, over time, I understood that the Turkish consumer is not as homogenous as I expected. I found that, globally, there are two main consuming styles – Western and Eastern – and with that in mind, I conducted a survey of middle-class consumers

and interviews with authorities on the Turkish luxury market. I concluded that both consumer styles exist in Turkey – which, actually, should not be surprising as Turkey is a blend of East and West in other matters as well – geography, politics, economics, and beliefs.

In Turkey, the two groups of consumers can be labeled secular middle class and conservative new money. Each group may have small sub-groups and some characteristics may change according to preference, but overall, each individual performs as a member of one of these groups.

To conduct an appropriate marketing strategy for each group, distinguishing between the groups is important. In essence, the secular middle class represents a Western mentality and values, and feels that the quality of the luxury product is much more important than its social value. Religious ideas are not at top priority but there is considerable respect to religion, and they practice it occasionally. On the contrary, the conservative new-money group prioritizes traditional values and religious ideals, and rituals. The political power shift in the country (The November 2002, Turkish General Election, Islamic party AKP's victory) created this class; gave them a major purchasing power. But as a result of the lack of sophistication, their main goal became the demonstration of their superior social status by luxurious material goods, thus conspicuous consumption (again, shades of Veblen).

In this section, I explain the differences between the two groups, as well as their evolution and behavior regarding luxury consumption. To measure the patterns of the secular middle class, I administered a Likert-type survey to measure the

respondents' general opinion, the function, the symbolic value, and the social value of luxury.

#### 4.2.1 Secular middle class

In the paper "Middle Class Trajectories: Unites States, India and Turkey" by Alison Hayes, Ranjit Jose, and Andrea Peters (2007), Turkey's secular middle class is clearly described:

The Turkish middle class worries about the political future of Turkey and their tentative financial security. Most of the Turkish middle class consider themselves part of a European community, speak English, French or German as well as their native language and are college educated. They generally travel and more specifically have time to vacation on the Turkish coast. Mostly, the Turkish middle class lives in urban environments and can afford their own apartment and car.

In addition to their description, the example given afterwards (an excerpt from the Financial Times Weekend Magazine) paints an exemplary picture of the class:

On the face of it, there is no reason why the Celebi family should feel threatened. Zubeyda and Gokhan have excellent jobs as civil engineers, earning a combined TL10,000 (Pounds 3,600) a month that pays for Iris's private education at a primary school a few minutes' walk from their apartment, as well as her piano lessons.

They own a two-bedroom apartment in a modern block in Bilkent, a well-to-do Ankara suburb that has grown up around Bilkent University, one of Turkey's best. Visitors have to pass a security guard to get into their compound, which contains several apartment blocks. Bilkent is an enclave for the middle class in a city overwhelmed, like others in Turkey, by successive waves of migration.

Both university graduates, Zubeyda and Gokhan bought their apartment outright 10 years ago with help from family, friends and savings (the most common form of housing finance in Turkey). Zubeyda was born in Gallipoli, but her parents, civil servants, moved with her to Erzurum in the mountainous east of Turkey. Gokhan, who was born in Ankara to a university instructor and a housewife, is a supporter of Fenerbahce, every middle-class Turkish man's favourite football club.



Yet the couple, under interrogation, exude angst. It is partly economic. Gokhan and Zubeyda are old enough to recall Turkey's years as an economic basket-case, culminating in the disastrous crisis of 2001 that forced most middle-class Turks to start over. Much as they appreciate the economic turnaround, they feel that it is impermanent. Nor do they any longer believe in their country's ambition to join the European Union. "What they are asking of Turkey is not fair," Gokhan says, referring to issues such as Cyprus, Armenia and the Kurds. "Five years ago I believed in joining, but now I don't feel there will be an honest outcome."

Mostly, though, their insecurity has to do with domestic politics. For the past four years Turkey has been governed by the neo-Islamist administration of Recep Tayyip Erdogan, a socially conservative prime minister who wants to widen the space for religious observance in a country that has an uneasy relationship with its Muslim heritage. However much they might admire Erdogan's liberal reforms, there is something about his Justice and Development Party (AKP) that gives them cause to question much about their own country.

"What we have today is unfamiliar to me," Gokhan says. "They (the AKP) were elected by a majority of the people, and I respect that. But religious factors are their priority. That makes me uneasy." (as cited in Hayes et al. 2007)

This Financial Times article describes the worries of the Turkish secular middle class. Their major concern is that they are not fully represented by anyone in the political world. In addition to that, the opposite side is quite strongly represented. This college-educated group considers themselves as a part of the Western community (but generally they are not welcomed by their European counterparts), and they are multilingual. This group closely follows the news in their own country and all over the world and has an idea about the latest developments. Mostly, they live in big cities (Istanbul, Izmir, Ankara) and can afford an apartment, a car and private education for their kids. From my perspective, this group is torn between the Western and the Eastern culture and values.

#### 4.2.1.1 Methodology

To measure the Turkish secular middle class's luxury activities, I chose a Likert-type scale survey as my research method:

To a social scientist, a survey may equally have a purely descriptive purpose [as an explanatory purpose] as a way of studying social conditions, relationships and behavior. The sort of information needed may be how families of different size, composition and social status spend their incomes; how people are reacting to the latest productivity drive; what relationship there appears to be between education and the possibility of moving up the social ladder. (Moser et al., 2017)

Likert-type, or frequency scales, are five-point scales that use fixed-choice response formats and measure attitudes or opinions. (Bowling, 1997; Burns et al., 1997) The participant expresses how much he or she agrees or disagrees with a particular statement.

An online survey is created for studying secular middle class consumer by using SurveyMonkey website's online survey tool, and chose participants based on their education level (survey link posted to colleges and universities alumni association's Facebook pages). As discussed in the second chapter, Bourdieu notes that one's level of cultural capital and education are important in determining one's social class; and are as essential as the level of income. As with middle classes all over the world, the Turkish middle class is well educated, with 91% of survey participants holding a Bachelor's or higher degree. In the survey, 63% of the participants are females, 29% are male, and 8% noted that they are uncomfortable by the classification based on the gender.

In the survey, I sought insight into the secular middle class consumer perception on luxury products, which values are dominant in the Turkish consumer's

mind, and the effect of religion on consumer patterns. I illustrate how Western values and ideas such as individualism and self-actualization affect this group’s mindset and forecast the Turkish middle-class consumer's prospects.

#### 4.2.1.2 General opinion on luxury

As Figure 3 shows, the majority of Turkish secular middle-class consumers view luxury products as made of high-quality materials, and that such brands have better after-sales services. Three-quarters (76%) of participants agreed or strongly agreed that handcrafted and limited-production goods such as limited edition high-end jewelry (Tiffany & Co., Van Cleef & Aprels,) watches (Panerai, IWC, Rolex, Bovet, Jacob & Co.) and handcrafted bags (Louis Vuitton, Hermes, Chanel, Dior) deserve their high price tags, and over 45% believe that these luxury products are much more durable and practical than similar products of lesser quality.

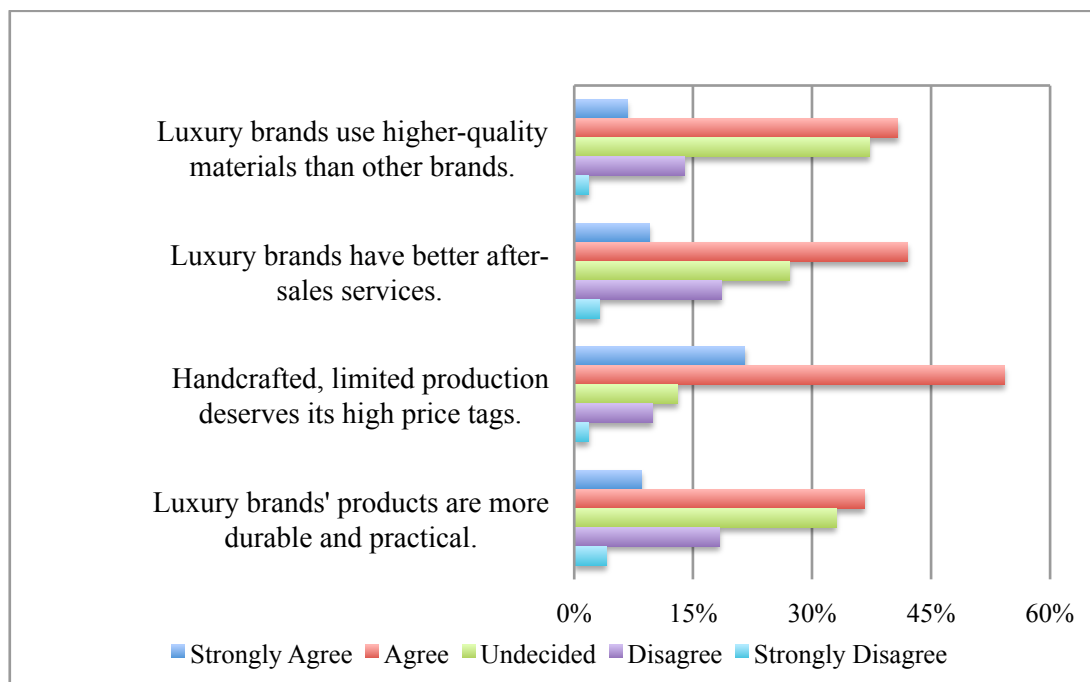


Figure 3. General opinion on luxury (Part 1)

Further, the majority of participants affirmed that luxury products signal a person's refinement and show that he or she has a quality-oriented lifestyle. Of the participants, 45% agreed that these products are privileged to a small and sophisticated group of people, and 38% disagreed. In the last decade, with the economic and political developments in Turkey, the secular middle class started to be cautious about their spending. This group did not lose their purchasing power, but their luxury consumption has dropped considerably due to the uncertainties and instability in the country. As noted in Figure 4, 48% of this group declared they are pessimistic about their social and economic future; 24% are optimistic and planned to consume luxury products in the future, and 28% were undecided.

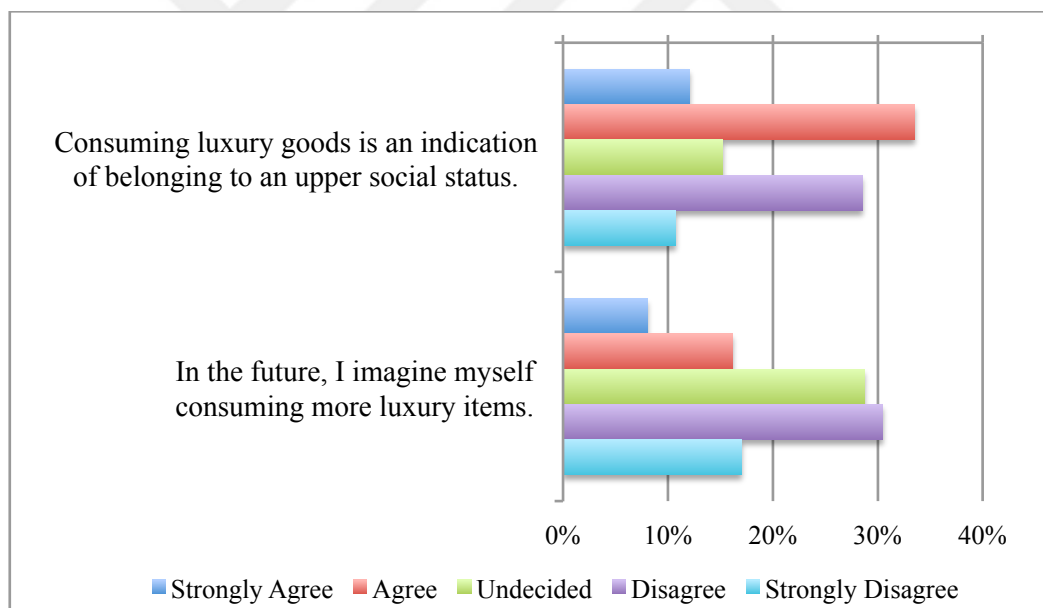


Figure 4. General opinion on luxury (Part 2)

#### 4.2.1.3 Function of luxury

Figure 5 shows participants' responses on questions relating to their own versus others' opinions and to the role of religion in their luxury consumption patterns. Over

50% of this social group stated they rely on personal experience to determine a product's performance and quality; only 29% occasionally trusted other people's opinions and experience. The Turkish middle-class consumer is also not fixated on the social advantage that may be created by a product; they mainly focus on product quality and their own feelings about it. Moreover, 71% agreed or strongly agreed that not all popular and fashionable products have high-quality standards.

In Turkey, religious ideas influence most people's lifestyles, and the survey asked whether ostentatious behavior contradicts religious ideals. Forty-seven percent of those surveyed did not feel that conspicuous consumption of luxury products is against spiritual values (see Figure 5), while 26% consider that religion plays an essential factor in their consumption preferences.

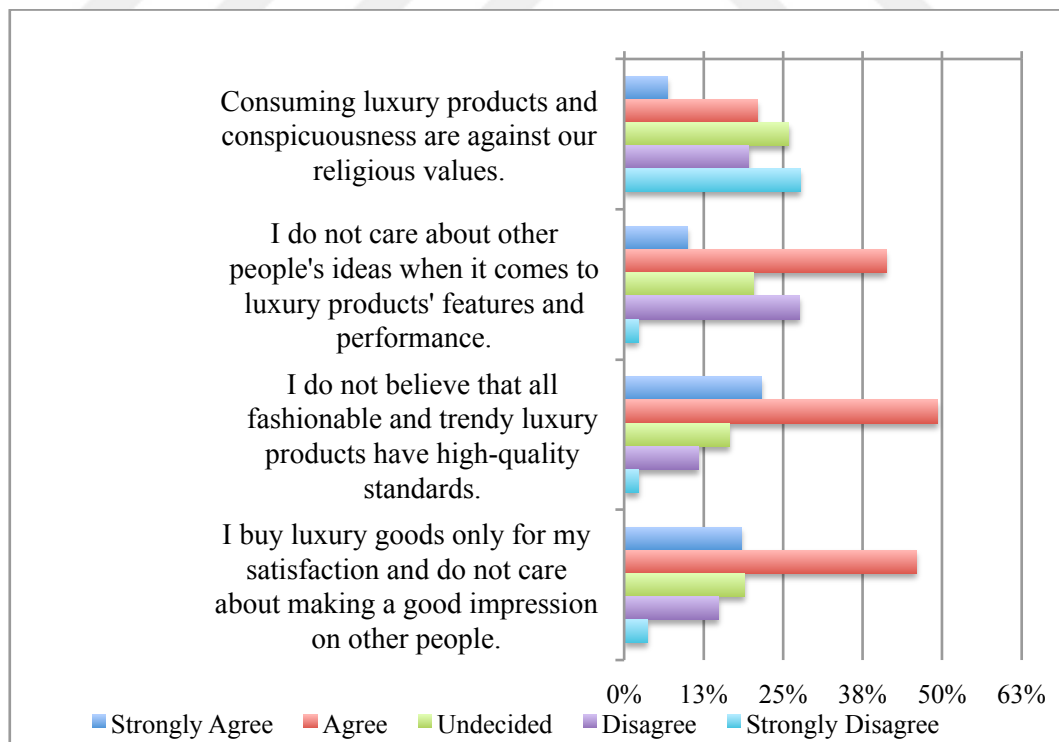


Figure 5. Function of luxury

#### 4.2.1.4 Symbolic value of luxury

For the Turkish middle class, lifestyle matters. Designing their lifestyle is much more important than experiencing expensive products. However, this demographic group desires a quality-oriented lifestyle, which is why comfortable, prestigious, and original products are appreciated.

Despite pessimist ideas about their economic and social security, 70% of participants believe that they currently have everything they need to be happy.

However, with the recent substantial drop in this group's purchasing power due to rising social inequality and soaring inflation in the country, they feel discouraged that they can no longer afford some products that they used to be able to.

About half of this group consider themselves realists; as Figure 6 shows, 52% feel that they only buy products that they need. About one-fifth (21%) admit that sometimes engage in impulse buying and purchase unneeded products. A discussion of need is not within the scope of this paper, but the survey results imply that the Turkish secular middle class tends not to ponder the concept. Additional surveys needed in order to comprehend what is considered as obligation to have for that specific lifestyle of the group.

Our understanding of need is shaped by society and by our family's socio-economic position. From that perspective, one person's 'necessity' is easily another's luxury. Believing that every product one buys is needed is the easiest way of justifying excess consumption. For some, excess and living a minimalist life is considered as a virtue. Edwin Way Teale wrote, "Reduce the complexity of life by

eliminating the needless wants of life, and the labors of life reduce themselves” (“Edwin Way Teale Quotes”, 2018). Some recent examples include Japan’s, “Living with 100 things” (CNN, 2018) and the tiny-home movement.

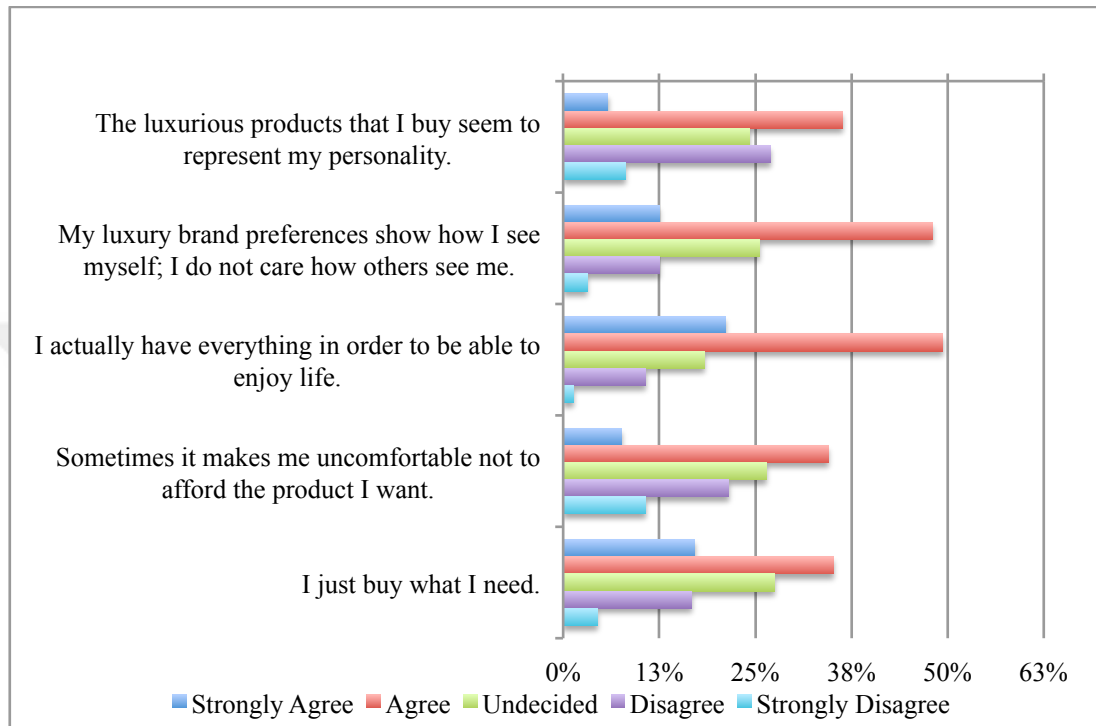


Figure 6. Symbolic value of luxury (Part 1)

The Turkish secular middle class has some unique behaviors that separate it from Western mentality; for example, as shown in Figure 7, they do not necessarily relate professional success to luxury consumption, and only about one-third buy luxury products just to spoil themselves. In response to the question “I feel successful when I buy something luxurious,” 59% disagreed or strongly disagreed.



Figure 7. Symbolic value of luxury (Part 2)

#### 4.2.1.5 Social value of luxury

In this section, I focus on measuring the social value of luxury. With collectivist ideas in mind, this part aims to explore the similarities and contradictions of the Turkish secular middle class and general Chinese consumers. Participants in the survey conducted in Turkey generally disagreed with statements about feeling successful when purchasing luxury products or buying luxury products to treat themselves. These answers appear to show that socially, Chinese consumers have opposite opinions on luxury than Turkish consumers do. The only exception was with the question, “I pay attention to what people around me are wearing” (see Figure 8), in which Turks equally agreed and disagreed. In general, however, those from the Turkish secular middle class surveyed in this study appear to embrace individualism and a Western lifestyle. Seventy percent of this group stated that they are not interested in buying the most fashionable clothes of the season and 65% do



not need to wear the same brands as their colleagues. As the graphic shows, 68% declared that they are attracted to non-fashion items.

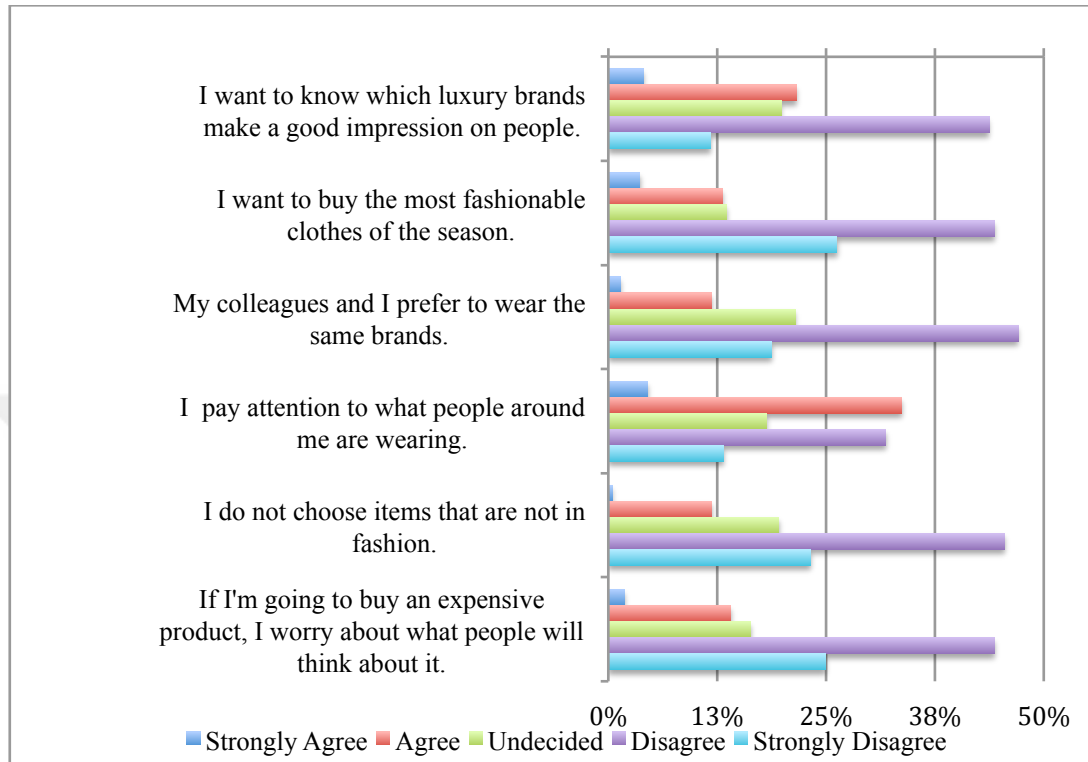


Figure 8. Social value of luxury

To conclude, being unique and original and creating their own lifestyle are the primary motivators of the Turkish middle class's luxury consumption behavior. I believe, confusion is apparent in that point of view; mainstream fashion and even high fashion are not particularly original, however the general perception seems to consider them otherwise. Uniquely designed, artisan made, or handmade clothing should be considered as unique and original in my opinion. In addition, individualism appears to be more important for Turkish middle class consumers than the collectivist mind, imitation, word of mouth, or impulsive buying.

#### 4.2.2 Turkish conservative “new money” class

To identify and describe the behavior of the conservative new-money group, I acquired information from experienced luxury-market professionals through in-depth interviews. I believe that this method provided me a better overall understanding of the group than a survey.

##### 4.2.2.1 Methodology

There exist few studies on the Turkish luxury market; therefore, to understand the evolution of this market I conducted in-depth interviews with six experienced professionals.

In-depth interviewing, also known as unstructured interviewing, is a type of interview which researchers use to elicit information in order to achieve a holistic understanding of the interviewee’s point of view or situation; it can also be used to explore interesting areas for further investigation. This type of interview involves asking informants open-ended questions, and probing wherever necessary to obtain data deemed useful by the researcher. (Berry, 1999)

With this method, I aimed to determine the interviewees’ perspectives of this social group and how the group reflects the emerging consumer group of the Turkish luxury market, that is, the conservative ‘new money’ group.

In this section, thanks to the contribution of professionals who participated in my study, I illustrate the evolution of the Turkish conservative new-money group, its characteristics, values, and traditions, as well as the interviewees’ thoughts on the future of the luxury market. In these interviews, I spoke with two former and four current employee of two of Turkey’s largest luxury retailers. One interviewee has worked at multiple luxury-good companies in various executive positions. The

interviews were recorded and four participants chose not to share their opinions on all questions, and two of them did.

In addition to the in-depth interview, this section firstly examines Âlâ magazine, Islamist fashion journal, and how conservative women perceive luxury consumption, how the notion of veil and fashion are processed. In order to understand the magazine's point of view on luxury consumption, this section focuses on the usage and the tone of the words luxury, consumption, fashion, style, aesthetics, and Islam.

#### 4.2.2.2 Âlâ magazine and consumption habits of conservative middle class

Âlâ magazine started its publication in June 2011. This journal follows a broadcasting policy directed at conservative women from the Islamic section in Turkey. This women's magazine differs from other conservative magazines, it adopts a moderate approach to Islamic understanding and values. The purpose of the magazine is to serve as a bridge between luxury consumption and Islamic traditions with an intention to include this conservative group to consume more. In this context, Âlâ magazine is the pioneer of this movement in Turkey. The opening of the magazine coincided with the period of ruling conservative party AKP (Justice and Development Party). The magazine publishes in line with the opinion of this party.

The magazine aims to integrate conservative women into modern consumer culture. Urban Muslim women are the target audience of this magazine. In the journal, consumption habits are combined with Islamic traditions in order to increase

the sale of luxury conservative clothes. The traditional approach of Islam to the humility is absent in this magazine. Contrary to traditional thought, it aims to create a conservative group that embraces urbanism and modernity. As a part of the new Islamic tradition, aesthetics, fashion, and luxury consumption found their way in conservative values. The Veil is shown as a fashion accessory for the conservative middle class. To create a new type of traditional consumer culture, the magazine mentions "veiling" and "fashion" in the same sentences several times. According to the magazine, fashion has a big role to play in women's social lives but, it is also noted that veiling is essential for protecting women from the eyes of men as well. In the journal, Seda Büyüker's article "Covering is beautiful" argues that

Cover your beauty so that your secret does not appear. Each window has an appropriate curtain. Cover it with curtains and keep your privacy. Shame is such a blessing that it means that you are keeping your privacy. My roses, the person who conquers your heart, must firstly get the allowance to enter your garden. The reason we put a rammer in a closed door is to prevent everyone can get in and out easily ... Tulips hide their secrets. Their colors, patterns look nice, but not at first. The variety of roses opens in summer. They seem to give us beauty lessons with colors. You don't just have to be trapped in black clothes to hide your secret. The color of the rose, the pattern of the tulip is always will be a great example for us. (as cited in Kantarcı, 2015)

In the article, the author argues that the veil protects privacy and wearing one is prudent and natural behavior. At the same time, it includes that the clothing must be stylish and fashionable (by the symbolic use of the flower.) There are many articles in the magazine that glorify the fashion of veiling. The journal argues that women with hijab can be stylish and confident in their way. "Covering does not make us boring or passive, we are the brave, courageous women in the world" (as cited in Kantarcı, 2015).

It is clear that Âlâ magazine has a distant attitude to Western values and Western modernity. However, it has been observed that it tries to reconcile capitalist consumption habits with the Islamic lifestyle. There are articles in the magazine that produce counter-arguments against those who argue that fashion and consumer culture cannot be a part of Islamic tradition. Articles generally describe the excessive consumption of luxury as wastage, but as long as it is at a certain level, it should be considered as normal, but this particular level is not clearly defined. In addition, it is known that the conservative group takes the Ottoman period as a model. Articles refer to the luxury consumption in the Ottoman Empire in order to legitimize luxury and consumption by stating that their ancestors consume luxurious goods as well.

In the Ottoman period, many buildings and works of art can be considered a luxury with its grandeur and splendor. Can these productions be regarded as showing off and wasting? The Ottoman, who built this luxury, has even considered adding birdhouses for little birds. (as cited in Kantarcı, 2015)

The concepts of freedom and modernism are in a clash with traditional Islamic values. Âlâ magazine follows a more moderate understanding and argues that freedom and modernity can be integrated into Islamic values. Âlâ positioned itself between the secular group and the traditionalist Islamic segment. In fact, this attitude has not been well received in both the secular group and traditional Islamists.

As a result, Âlâ magazine has a unique way to discuss luxury, fashion and consumption habits for conservative middle-class women. This magazine is a reflection of the cultural change process in Turkey happening in the last fifteen years. The magazine interprets Islamic values from their point of view (promoting luxury

goods and stimulate the sales.) It is positioned in between capitalism, modernism, and Islamic tradition.

#### 4.2.2.3 In-depth interviews with luxury market professionals

I commenced the interviews by asking the interviewee's opinion on the definition of luxury. The answer that I found the most comprehensive and appropriate of six participants was: "Luxury is actually a product that people do not need, but that will help individuals to have just a little bit more 'joie de vivre'."

In my second question, I inquired about the current status of the Turkish luxury market and how the economic downturn and 2016 terrorist attacks have affected sales. To this question, the former executive answered:

As it is everywhere, Turkey's understanding of luxury is in flux. ... [D]ue to the economic downturn, the middle class has become hesitant to consume luxury products. The upper middle class, such as senior executives, doctors, and lawyers, are very cautious about their luxury consumption. This social group used to shop casually during the regular season, but is now waiting for discount periods. According to Beymen's (upscale fashion retailer) 2017 data, sales during the season are about 30% of total sales. Five years ago, this figure was 70%.... The most important reason why the middle class, which is the backbone of consumption, abstains from luxury consumption is due to the significant depreciation of the Turkish lira, and the economic and political uncertainties that have occurred in recent years. This socio-economic group...prefers to consume luxury as a pleasure, like their Western counterparts. ...[T]he newly emerged conservative group [however]...is beginning to dominate luxury consumption [and] uses luxury goods as a show of material to confirm its social status in society.

...[T]hey were at first alienated from the secular middle class by the big gap in their lifestyles and [the former's] lack of cultural capital, but... used their economic power as a shortcut and started to imitate the clothes, behaviors, and lifestyle of the secular middle class. New money blends the Western lifestyle the Turkish middle class is living with its own traditional and conservative values. Now this group tends to construct its own luxury understanding but is still trying to reach the sophistication level of the mature middle-class consumer."

Another question, and the one that initiated my research, was, “Why do you think Turks care about luxury consumption? Is this different from other countries?”

I concluded from the interviews that consuming luxury products has become the easiest way for the new-money group to prove their social status not only to Turkey’s secular middle class but also to their own conservative peers. Elsewhere, such as in China (as explained in the previous chapter), luxury consumption has also grown in the last decade through new-money groups with the same hunger for high social status. In my judgment, in every developing country, however, the consumption of luxury products without a parallel sophistication and maturity period has created a vulgar and unappealing group of people. This group’s mindset is generally based on imitating the products of the wealthy and word-of-mouth communication. Of course, each culture has its own traditional values and behaviors, and the fusion of its values with Western lifestyle creates unique results, but lack of elegance is the apparent result of each example. As I see it, Russian luxury consumers have also followed the pattern of ostentatious consumption similar to western countries, day by day they consume less conspicuously, the value of inconspicuous luxury is at rising. Perhaps in the future, new-money groups in China and Turkey will achieve the same sophistication level similar to their western counterparts.

In response to my question, “Is Turkish luxury consumption behavior predominantly quality-oriented or show-focused, and are Turkey’s luxury consumer patterns are closer to the European mentality or the Asian style and attitude?”

The interviewees felt that Turks are indeed consuming conspicuously right now. They declared that there is only a tiny sub-group that cares about product quality, and this group is shrinking due to the country's economic and political environment. Many in the middle and upper classes have moved in another country or are trying to transfer their assets abroad, buying second homes in Europe and the US (like a backup plan) and consuming luxury products there. Therefore, over the next 15 years, the interviewees feel that conspicuous consumption by the new-money group (which is not aiming to relocate) will probably dominate Turkey's luxury consumption behavior, and thus luxury brands will continue to orient themselves to that market, which desires luxury products with large logos and easily recognizable classic models of famous luxury brands (Armani, Calvin Klein, Carolina Herrera, Cartier, Chanel, Christian Dior, Coach, Diesel, Dolce Gabbana, Donna Karan, Elizabeth Arden, Escada, Fendi, Givenchy, Gucci, Guess, Hermes, Hugo Boss, Louis Vuitton and etc.) ("Best Luxury Brands", 2018).

Another area of curiosity is the lack of localized marketing strategies in Turkey. I asked the interviewees the following question: "I observed that luxury brands are using the same ads that they use in Europe for marketing to the Turkish consumer. Do you think these brands are giving sufficient importance to localization in Turkey?" One interviewee responded as follows:

Leading luxury brands prefer to manage their marketing strategies from their headquarters to have the maximum control to the brand image. The Turkish luxury market is quite small compared to the American or Asian market; therefore, the costs of a localized marketing strategy will be high. In fact, I think that there is no need for such a localized marketing strategy because Turkish consumers are consuming these brands unconditionally for their image, which are the most important criteria for this new-money group.



E-commerce is also a popular aspect of the luxury market. In the interviews, I asked the professionals about purchasing luxury goods online. What do they think about the marketing strategies of luxury consumption on social media tools, like Instagram, and their prospects for the future of the market?

The former executive replied:

In Turkey, as in the world, Internet shopping is a much-discussed topic [and] social media tools have an essential role to play. ...I believe that online luxury shopping cannot replace actual stores, [however;] in [the] last year, online shopping did not even reach 20% of any brand's total sales. ...[I]n Turkey, the middle class is actually more inclined to Internet shopping as they have an individual mature fashion style and they generally know what they want.

On the other hand, the new-money group, who generally consume the majority of luxury goods in Turkey, needs help from the sales consultants in the store. With the growth of this group, shop staff has started to take on a much more significant role in the business and begun to act as a fashion adviser and an opinion leader. In my opinion, in Turkey, sales consultants provide a level of service in a way that they do not in any other part of the world. This group prefers to purchase products that sales consultants choose for them, asking no questions. Because of the lack of sophistication from their limited cultural capital, they are trying to prove their supremacy to the staff by their socio-economic position and their purchasing power. In these stores, the customer is treated like a king – cigars and whiskey are even served in the store if the customer asks for it, and the consumption of tobacco products, even in prohibited places, is allowed. However, they treat the staff very poorly. This group, which tries to show their superiority on every occasion, is ironically in need of the sales staff's smallest fashion advice. To sum up, we do not predict that Internet shopping will replace stores in a country where there is such a high level of conspicuous behavior and status perception.

As my last question, I asked for interviewees' thoughts on 'entry-level' luxury products: "Entry-level luxury watches are becoming very popular these days. Do you think this [entry-level category] applies to all luxury markets? Will affordable luxury products come to the forefront in the near future?" One interviewee gave an example for this topic.

This issue can be evaluated on the basis of H&M and Balmain's joint collection. These partnerships for creating entry-level luxury products have

been designed to attract the attention of new generations and to make potential clients...envy superior luxury goods. People who consume entry-level luxury products start to feel that they belong to a new superior social group; the value and the lifestyle that these brands represent are becoming their own character, and they start to desire to consume even higher-level products to feel even more special and privileged. Companies that behave in accordance with the expectation of the new generation and develop new marketing strategies, such as H&M, aim to raise their position and image with these partnerships. On the other hand, luxury brands, in this case, Balmain, which appeals to a very niche brand, desire to be in a partnership with a brand like H&M with an aim to create a fresh and contemporary image for its brand.

As many studies have been conducted on Chinese luxury consumption (e.g. Lu's book *Elite China*), there is a dearth in the Turkish case. Hence, this research aims to fill this gap but need a further research with similar data as in the case of Chinese patterns. The primary object of the survey was to determine Turkish consumers' perceptions of luxury consumption and compare it to Chinese consumption behavior. The only issue I might see is that I didn't conduct a similar survey with Chinese consumers, and so my assumptions there are based on others' research.

In the first section, I focused on the Turkish secular middle class, who has considerable similarities to the Western luxury consumer such as quality over conspicuousness, individualism over collectivism, uniqueness over imitation, and self-actualization characteristics over social ascension. As with Chinese behavior patterns, the Turkish behavior around luxury is challenging to understand and measure.

In the second section, I aim to describe the Turkish conservative group that has consumed most luxury products in the last decade. This group prioritizes social ascension over any value. To prove their superiority in the society, this group puts

forward their socio-economic position and their purchasing power; this action proves the lack of sophistication from their limited cultural capital.



## CHAPTER 5

### CONCLUSION

As I have mentioned throughout the thesis, conspicuous consumption is based on reproductive instinct. Along with this reproductive instinct, communities newly acquainted with luxury consumption generally exhibit similar behavior. Due to the fact that Western civilizations were the pioneers of the second industrial revolution, the society got acquainted earlier with the concept of luxury consumption, and entered the development process earlier than other societies. Veblen's book *The Theory of the Leisure Class* is considered as a mirror and a critique of this period. The period in which the description is made should be seen as the adaptation process of the Western world's luxury consumption. As with any period, this period is also temporary, and it is a part of the maturation process of the society. As mentioned in the previous section, the period in which China and Turkey are at the moment is similar to what Western society experienced a century ago.

In Veblen's barbarism period, material power provides the possibility of spouses, children, and prestige. Traces of this instinctive behavior are more apparent in developing countries. However, this mind-set is diminishing in modern Western society and leaving its place to the self-actualization period described in Maslow's pyramid. During the transition period, the value given to the material is reduced but not fully disappeared. But making life meaningful by contributing to the creation of something valuable (writing books and articles, composing music, arts, charities) rather than buying something of value is becoming more important in Western society.

Like in the US, over the years, maturation will take place in China as well and the value given to luxury goods will decrease. There will be a period of search for meaning in China similar to Western society and China will leave its place in luxury consumption to the next developing country. Though it is difficult to predict the time, if we take America's development as an example, it will happen within fifty years.

Turkey is also a growing luxury market. But unlike China, Turkey is not likely to be a big player in the market because of it has relatively small population and a fragile economy. However, the maturation process will be the same as China's. In fact, as mentioned in the previous sections, the new money groups of China and Turkey and are consuming luxury in a similar manner; they value social ascension more than anything. In time, it can be predicted that these groups will start to search for meaning.

The luxury consumption habits of communities are similar to those of human development: the period of conspicuous consumption can be defined as the period of puberty. According to this definition, the western world lives in the late adolescence period, while the newly developing countries with the high consumption of luxury consumption live in the teenage period. In the light of the results of the interviews, it can be considered that these new money groups (as in Russia's example) have entered the maturation process when they begin to combine luxury consumption with modern art.

As the luxury consumption perception changes in a society, we can observe that the approach of luxury brands to their customers has change. The opening of metropolitan art museums by Chanel's in Moscow, Valentino's in Paris, Cartier's in New York and Bulgari's in Tokyo is a sign of this change. The fact that there is no such museum in China at present is due to the fact that China is not in line with developed countries mentioned above considering its the maturation process of luxury consumption. It will not be surprising that one of the big luxury brands will make a museum in Beijing over the next decade. Likewise, the same can be expected in Istanbul in the near future.

This study explores theoretical background of luxury consumption, and behavioral patterns of different cultures through a comparative study of the Chinese and Turkish experiences of conspicuous consumption that have emerged during the recent decades of globalization. Table 3 briefly illustrates the essential properties of Western, Chinese and Turkish consumption in order to help to find similarities and contradictions in each society's consumption patterns. By comparing the recent Chinese and Turkish experiences of conspicuous consumption patterns of middle classes to their Western counterparts, the study come to the conclusion that the perception of attractiveness is different for each culture and this impacts the kind of conspicuous consumption that has been experienced in developing countries. As shown in the Table 3, consumption habits in these developing countries vary due to cultural influences that combine patterns of Western and traditional values. This knowledge about the Chinese and Turkish experiences help contribute to our understanding of the global patterns of conspicuous consumption .

Table 3. Comparison of Western, Chinese and Turkish Consumption Patterns

Western Type Consumption Patterns	Chinese Consumption Patterns	Traditional Chinese Value System
<p data-bbox="480 1615 528 1917"><b>Late 19th Century and 20th Century (Before WWII)</b></p> <p data-bbox="568 1615 616 1917">Thorstein Veblen's Description of consumerism</p> <p data-bbox="647 1615 727 1917">The Era of Conspicuous Consumption in the US and Europe (No values era)</p> <p data-bbox="759 1615 1015 1917">Key Traits:                      *Unsophisticated                      *Similar to Primitive and Barbarian period (except the bounty is not women, it is luxury goods)                      *Greedy, avid for accumulating expensive products to show their socio-economic status.</p>	<p data-bbox="448 792 472 1151"><b>Consumer Types: (Homogenous)</b></p> <p data-bbox="488 999 512 1245"><b>New Wealth: (New Elite Class: Business owners and executives)</b></p> <ul data-bbox="520 999 823 1245" style="list-style-type: none"> <li>*Not accepted by the upper-upper crust</li> <li>*Conspicuous users of their new wealth</li> <li>*Respect Traditional Values</li> <li>*Shows some properties of the no values era and some of the Modern Western Values</li> </ul> <p data-bbox="488 712 512 969"><b>Achieving Professionals: (Represent upper-middle class)</b></p> <ul data-bbox="520 712 823 969" style="list-style-type: none"> <li>*College-educated, career-oriented</li> <li>*Have a keen interest in obtaining "better things in life"</li> <li>*Consumption is often conspicuous</li> <li>*Influenced by both Traditional and Modern Western Values</li> </ul>	<p data-bbox="448 360 472 678">The strict Chinese moral code:</p> <ul data-bbox="488 360 616 678" style="list-style-type: none"> <li>*Collectivism</li> <li>*Saving Face</li> <li>*Guanxi</li> <li>*Gift-giving</li> <li>*Modesty/Frugality</li> </ul>
<p data-bbox="1150 1413 1174 1771"><b>Conspicuousness Level of Societies</b></p> <p data-bbox="1198 1727 1316 1917">Less Conspicuous                      Modern Western Consumer of Turkey                      Secular Middle Class                      Ach. Prof. Chinese                      More Conspicuous                      New W. Turkey's Conservative Class</p>	<p data-bbox="836 864 860 1088"><b>Turkish Consumption Patterns</b></p> <p data-bbox="900 752 924 1151"><b>Consumer Types: (Not Homogenous)</b></p> <p data-bbox="932 976 963 1245"><b>Conservative New Money Class: (Lower-Upper Class)</b></p> <ul data-bbox="971 976 1203 1245" style="list-style-type: none"> <li>*Praise Islamic Values and traditions in every aspect of life except in their consumption behavior</li> <li>*Not accepted by Upper-Upper crust</li> <li>*Similar to No Values Era in Western Society</li> <li>*Unsophisticated, Primitive and Greedy</li> </ul> <p data-bbox="932 730 963 954"><b>Secular Middle Class: (Upper-Middle Class)</b></p> <ul data-bbox="971 696 1283 954" style="list-style-type: none"> <li>*College-educated, career-oriented</li> <li>*Adopted Modern Western Value system</li> <li>*Behaves similarly to their Western counterparts</li> <li>*Not influenced by Religious ideas</li> <li>*Praise quality over conspicuousness</li> </ul>	<p data-bbox="836 383 860 651"><b>Turkish Value System</b></p> <ul data-bbox="900 383 1174 651" style="list-style-type: none"> <li>*No specific value system</li> <li>*Not influenced by Islamic Values and Traditions (Islamic concept of praising modesty is ignored by both groups)</li> <li>*Influenced by some of the Western Traditions and Values</li> </ul>

Chapter 2 explores the theory of luxury consumption. This chapter's aim is to create the theoretical background for following discussions of Turkish and Chinese luxury consumption behavior. Firstly, this chapter provides Veblen's personal life and its influence on his work, continues with his theories on luxury consumption and explores the motivations behind the conspicuous consumption. In addition, this chapter integrates the modern interpretation of the Veblen's theories by Pierre Bourdieu and Abraham Maslow.

Chapter 3 studies the luxury consumption habits in China. Chinese civilization developed some unique attitudes, perception, and values in consumption practice. This chapter explores the impact of traditional values (collectivism, family values, saving face) with the influence of globalization, and westernization (individualism and self-actualization) on luxury consumption behavior on modern Chinese consumer. A collective thought based on Confucius values are the most important factor influencing luxury consumption in China. Chapter 3 illustrates the modern understanding of luxury of Chinese society, and the influence of Confucian values in the luxury consumption that created today's consumption patterns.

Chapter 4, questions Turkey's luxury consumption behavior from Ottoman civilization to the modern Turkish society. Ottomans commenced the interaction with Western countries and consequently begin to get influenced by their culture, values and their consumption tradition. This chapter provides a discussion on how Turkish luxury market emerged, analyses marketing strategies that luxury brands apply to distinctive groups. In the Turkish market, two distinct categories of people appear as a luxury consumer. The first group is Turkish secular middle class and the



second is newly emerged Turkish conservative “new money” middle class. This chapter portrays Turkish secular luxury consumer based upon a survey, and Turkish conservative “new money” class relying on in-depth interviews with luxury retail market professionals. With these methods, the study aims to describe the Turkish luxury consumption patterns and determine the influence of Western values and compare Turkish consumption patterns to Veblen’s description of luxury consumption. The chapter also includes an analysis of the Turkish conservative fashion magazine *Âlâ* and its interpretation of Islamic values with fashion, aesthetic, luxury.

As mentioned in the introduction, in my thesis, the aim was to illustrate the luxury consumption habits of different cultural communities; the first step was to make personal observations similar to Veblen’s approach. As an observer, I took notes of the general behavior of the shop assistants and consumers in the luxury shops and shopping malls, talked to the consumers and professionals who find it convenient to talk about luxury. I even shopped myself. In this process, I experienced the pleasure of luxury and the effects on person’s social life. As I have observed in Istanbul’s luxury districts and shopping centers, I noticed that even shop assistant’s alter their behavior based on person’s appeal and outfit. A Dior bag or a Rolex watch is seen as your reference, and your potential of purchase more. By carrying your luxury consumption background on, person aim to prove that he/she belong to that exquisite group and he/she has the potential and financial power to buy more. These luxury products are regarded as symbol of potential, wealth and status.

Influenced by advertisements, and the community, people believe that purchasing the luxurious products will led to a long lasting excitement, happiness and the feel of belonging. But the euphoria of purchasing luxury product wears off rapidly and the purchased luxury goods have become a part of the normal life in a very short time. At the same time, as person realized that people around had the same product, he/she began to feel that I did not make he/she different from other individuals in society which at first the major motive to buy the product is to be the same and belong to that group.

In pursuit of the excitement and happiness of luxurious consumption, we are in fact neglecting a very important point. Buying luxury commodities cause great damage to the environment during its production and transport. In addition, violations of human rights during production are also an important issue. Though these topics are not part of this thesis, I think that these are topics that need to be reviewed and written on. So I did not want to go without talking.

Although this subject is not part of the thesis, I have come across with the articles written on this subject during my research, and I think environmental impact of luxury consumption and human right's violation in the production of luxury goods needs further study and writing. The mainstream media ignores the prominence of this issue, even if it is understood in academic circles. The community needs to be informed about the environmental impact of fast fashion.

At first, since this topic has an observation-based structure, I was worried about the scientificness of my writings. After I read *The Theory of the Leisure Class*

and found out that Veblen also based his theories were based on pure observation, and that I felt that I'm in the right direction. However, as I believe that this work can be examined not only by the academic environment but also by potential luxury clients or professionals who need to understand luxury consumption and question its necessity, I have aimed to make the language of the thesis as simple, understandable and fluent as possible. Although I did not realize when I started researching for my thesis, I found many pieces of my life and myself as I dig into the subject. During this research, I was able to improve myself more than I expected. I have noticed that my ideas about consumption habits have altered completely. I believe, societies need to realize that bring a meaning to life by creating things and contributing to the society is much more satisfying than consuming excessive amounts of goods and services.

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