

**Title: Conspicuous Consumption at an International Wine Festival in Dalian, China**

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## Introduction

As consumer societies develop around the world, the opening up China has drawn attention to the consumption habits of a new “aspirational class” that appear to conform to Veblen’s idea of conspicuous consumption. As the Chinese market and society have opened since the late seventies, transforming it from a closed agrarian socialist economy to an urban state and an economic force; an aspirational middle class chasing the ‘Chinese Dream’ (中国梦) have dramatically changed consumption trends. Chinese consumers now account for more than one-fifth of global consumption of luxury goods annually, with the Chinese luxury market estimated to be worth about 180 billion renminbi, or \$28 billion, by 2015 (McKinsey 2011); with some analysts arguing that purchases abroad account for more Chinese luxury consumption than domestic purchases. While Chinese Tourists Spend \$102 Billion on international tourism in in 2012 (UNWTO 2013), much of this is spent on luxury goods. The Chinese luxury market largely focuses on items that are within the reach of the Chinese middle-class, rather than simply the super-rich; with consumption amongst a global middle class different from Veblen’s time. Since the opening up of China, the trappings of the moneyed upper classes are now affordable to many more people. One luxury good that has made China one of the largest luxury consumer markets in the world is fine wine.

While Chinese middle class consumers have been paying much attention to possessions such as designer labeled goods, expensive cars, and jewelry which are both public and visible, Chinese fine wine consumption has gained the attention of industry experts and academics. Predicted to be sixth largest wine producer by 2016, with more than 1.6bn bottles of wine are drunk annually, Chinese consumers are already the biggest buyers of top claret by volume behind Germany. China imported 266 million liters of bottled wine in 2012 (Hatton 2013). According to wine-info.com, China ranked the fifth in the world in terms of wine expenditure in 2011 with its wine consumption expenditure reaching 45 billion yuan (\$7.01 billion). Many reasons have been put forward as to why middle class Chinese consumers have taken to wine buying. Resnick (2008: 56) argues that only rich people, executives, high-ranking officials and millionaires drink expensive imported wines, ‘while middle-class people drink local wines.’ Resnick argues it is the first-tier cities of Beijing and Shanghai, where French imported wine ‘is the gift that will give most pleasure and prestige’ (ibid. 56). Other researchers and experts point to the popularity of the symbolism of the color red in Chinese culture; the purchase of wine amongst officials who wish to show off wine not yet available on the Chinese market and the need to purchase a foreign wine to impress friends, colleagues and family members (Liu and Murphy 2007).

While research into behaviors that surround the consumption of wine has found that Chinese consumers tend to purchase wine primarily for social occasions, don’t buy wine for thirst-quenching or drinking during meals (Balestrini and Gamble 2006); research into why Chinese consumers are motivated to purchase wine are unclear. Thus, the purpose of this study is (1) to explore what Chinese people motivate them to consume wine, and how their motivations represent a conspicuous consumption pattern, (2) to provide the wine consumers’ profile in China (3) to provide guidance to those selling fine wines to Chinese consumers both in China and abroad as they travel.

## Literature Review

In *Leisure Class*, Thorstein Veblen (1899) proposed and critiqued the idea of 'conspicuous consumption,' which describes consumer activity, intended to display one's high social status. Using the example of handcrafted silver spoons, though no more serviceable than and distinguishable from factory-made aluminum ones' they conferred high social rank and signaled membership in what Veblen called the 'leisure class.' Today, even though a silver spoon is no longer a mark of elite status, 'wealthy individuals often consume highly conspicuous goods and services in order to advertise their wealth, thereby achieving greater social status' (Bagwell and Bernheim 1996: 349). Furthermore, each social class 'tries to emulate the consumption behavior of the class above it' (Trigg 2001: 101). Veblen describes the two motives for consuming conspicuous goods as 'invidious comparison' and 'pecuniary emulation. Invidious comparison refers to 'situations in which a member of a higher class consumes conspicuously to distinguish himself from members of a lower class' (Bagwell and Bernheim 1996: 350), whilst pecuniary emulation 'occurs when a member of a lower class consumes conspicuously so that he will be thought of as a member of a higher class' (Bagwell and Bernheim 1996: 350). Veblen also suggests ways in which an individual can display wealth: 'Through extensive leisure activities and through lavish expenditure on consumption and services...being able to engage in such wasteful activities is the key way in which members of the leisure class display their wealth and status' (Trigg 2001: 101).

In China, while income inequality is increasing; the consumption habits of a new 'aspirational class,' seem to conform to Veblen's idea of conspicuous consumption, with research drawing comparisons between the Chinese concept of 'face' and the visible markers that concretize material achievement. Academic research has also focused on the correlations between consumers' face consciousness and their consumption decision-making styles (Xue and Wang 2012) with the assumption that China's 'aspirational class,' are reflecting western ideas of materialistic and visible conspicuous consumption. Podoshen et al, (2011), for example, found that Chinese consumers are more materialistic and engaging in conspicuous consumption than Americans, with material possessions replacing family and the traditional ways of life in the urban Chinese landscape (Podoshen et al. 2011).

## Methods and Results

A self-administered motivational survey of 28 items (N = 250) was administered at the 2nd China Dalian International Wine and Dine Festival (首届大连国际葡萄酒美食节) between the 4<sup>th</sup> and 7<sup>th</sup> of July 2013. Jointly organized Dalian Haichang Land Limited, the Municipal Government of Dalian and the Bordeaux Chamber of Commerce and Industry, it is the first and only wine festival in the second-largest city in Northeast China's Liaoning Province, a city identified as being a future dynamic city of the coming 'urban revolution'. As an eastern seaboard city, Dalian is growing rapidly with continuous double-digit increases in GDP and with a growing population of approximately 6.7 million people. Foreign Policy Magazine in partnership with the McKinsey Global Institute placed the city thirty fifth in the world (of more than 2,650); beating more recognizable and historic cities such as Chicago, Sydney and Delhi in terms of contribution to the global economy and growth. During the wine festival, more than

1,500 kinds of wine from about 400 chateaus, primarily from France were on display, with the 80,000 attendees buying more than 100,000 bottles of wine.

The questionnaire included 28 items using a five-point scale (1 as strongly disagree and 5 as strongly agree) that examined the motivations of purchasing wine. The questionnaire also sought socio-demographic information. The results indicate that there were slightly more male respondents (54.8%) than female (44%), with the majority of participants between 25 and 44 years old (49%). Participants attended the wine festival primarily with their family members (35.3%) or friends (26.1%). While 28.6% of the respondents attended as a couple (2 people), 31.7% indicated they attended with three to four people in their group. The majority of respondents reported that they were married (53.4%), and the highest education level was bachelor's degree (68.8%) amongst the respondents.

The results showed that three statements had relatively higher mean scores. They were "I may regard luxury wine as gifts for others, to show my status" (mean = 4.09, *SD* = 8.79); "I buy wine and gift to others, because it helps create better relationships" (mean = 3.61, *SD* = 2.62); "I buy and gift luxury wine so as to reward others" (mean = 4.10, *SD* = 6.25). In contrast, the following items appeared to be less important to the participants: "By choosing a wine product with an exotic look and design, I show my friends that I am different" (mean = 2.78, *SD* = 1.39); "I would buy an interesting and uncommon bottle of wine otherwise available with a plain design, to show others that I have an original taste" (mean = 2.89, *SD* = 1.41); "I choose products or brands of wine to create my own style that everybody admires" (mean = 2.79, *SD* = 3.56); "It says something to people around me when I buy a high priced wine brand" (mean = 2.33, *SD* = 8.99). The findings suggest that the participants' motivations of purchasing wine are not so much about what you think of yourself as it is what you do for others. Whilst studies from Western cultures show the independent construal of the self is rooted in the belief that distinct individuals are inherently separate, with 'the inner self (preferences, tastes, abilities, personal values, etc.)' the most significant in regulating behavior (Wong and Ahuvia 1998: 424) by meeting personal needs; this study found self-expression did not show as an important factor.

## **Discussions**

The study results indicate that luxury wine in China has a capacity for fostering consciously consumption, but not in the way we would expect in the west. Whilst, saving income is an important quality in Chinese consumers, the goal of much of their spending is to make more money. Many will forgo thriftiness in favor of purchasing luxury good, not to signal high social rank, but as an investment in one's future. From an important career step to changing one's future life prospects, conspicuous consumption was found not to be frivolous or linked to income. The middle class Chinese consumer remains attached to traditional values and cultural systems. As author Tom Doctoroff (2012) points out, 'China's middle class is becoming more modern and international, [but] it is not becoming more Western.'

Chinese consumers purchase wine for others, and not wholly for themselves, and is considered a particularly appropriate for gift giving. It is a result that contradicts behavior seen in western wine consumers, since westerners tend to make decisions differently as they have a different view of the self. This involves a desire within the middle class to meet social status requirements while also receiving recognition from

their peers. For them, “one’s identity lies in one’s familial, cultural, professional, and social relationships” (Wong and Ahuvia 1998: 424). The study highlights that Chinese, social status or class is “not traditionally seen as something obtained solely through personal income, or even personal achievement, but rather as part of one’s group” (Podoshen et al. 2011: 18). The study also highlights that many consumers choose to purchase those items which most effectively allow them to engage in “inconspicuously conspicuous consumption--that is, the ability to show off without being seen to do so” (Doctoroff 2012) so that they may further cement their status as a member of the middle class.

The findings have implications for marketing, given the increasing purchasing power of a growing Chinese middle class that does not see one’s social class as primarily reflecting one’s income level. By marketing how a product will help the owner solidify status; by showing off without being seen to do so, and thereby showing maturity and subtlety, rather than ostentation; the study will help marketers look beyond buyers’ income levels to understand the social and cultural factors which influence Chinese consumption patterns. Therefore, wine purchased in overseas holiday destination is more likely to be preferred for face saving purposes.

### **Conclusion**

The importance of social status is vital when marketing to Chinese middle class consumers because many of their motivations. In summary, social needs predominate over individual needs, and group goals predominate over individual ones; an individual with collectivist self-concept living in a collectivist culture emphasizing connectedness, harmony and cohesiveness with in-group members. Chinese consumers purchase wine to reward others, to maintain good relationship with others, and to impress others (friends, colleagues, and neighbors). Describing another explanation for Veblen goods purchase, this study can help European and American wine marketers develop more effective positioning strategies.

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