

# The Fanaticism of Purchasing Luxury Goods in Asia

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"The saddest thing I can imagine is to get used to luxury."

-----Charlie Chaplin

Recently I took a trip to Los Angeles and Hawaii with my parents. We were there to enjoy the weather, but we also found ourselves doing some shopping. When I was in Beverly Hills, I found 80% of the Chinese consumers on the street were buying luxury goods; when I was in Hawaiian boutiques, I found almost every Japanese person carrying Chanel and Louis Vuitton shopping bags. They were eager to consume luxury.

Even people who use fake luxuries laugh at people do not have luxuries. They are judged as poor, not fashion, coming from the countryside. Once my mum and I went to her friend's party. I felt very angry because my mother did not have a luxury bag, and the other ladies judged her. Although she wanted to make friends with the others, no one really wanted to make friends with her. Actually my mum can totally afford luxuries, but she thinks they do not deserve the price. Later I found that every human has a vain side, more or less, groups of people come together and influence each other.

So what are luxury goods?

Luxury is from the Latin word "Lux", which means light. So the word luxury makes people think of shiny and enjoyable items.

Chinese people define luxury as almost equivalent to greedy, vanity and waste, but at the same time, they are obsessed with luxury goods. The Business Dictionary defines luxury goods as the products which are not necessary but which tend to make life more pleasant for the consumer. In contrast with necessity goods, luxury goods are typically more costly and are often bought by individuals that have a higher disposable

income or greater accumulated wealth than the average (Business Dictionary). The term covers a broad area, from fancy food such as lobster to Benz cars.

However, luxury goods are often those that are very expensive, which most people cannot afford. Some luxury goods are not “must haves” and there is no practical meaning, such as designer bags and clothing. Private airplanes and luxury cruise are also luxury goods.

Luxury goods can help people who use them to significantly divide into different classes. Luxury is a symbol of wealth, position and status. People who own luxury goods believe they represent upper income and high standard of living. They can be easily distinguish their owners from the lower classes. Luxuries have good quality. Those brands have a certain historical background. They can be used to bring happiness to people.

In Asia, because of the rapid pace of economic development and the need to demonstrate new economic status, many people feel they have to buy luxuries because people believe you are what you wear and judge others by their possessions. But will you buy an a thousand dollar handbag only because you don't want to show you're poor? Luxury goods are not worth the high cost. Young people should develop their own individual style and buy items that suit them and that they can afford.

### **History of Asian Luxury**

Asian society has an undergone enormous change over the past 50 years. Because of these changes, Asian economy rises and causes the strong purchasing power of luxury goods. Before new China emerged, the clothing kept to the old tradition style in the

period of the Republic of China. Urban people in general wore robe; women wore cheongsam. The enormous changes in the past 60 years that have taken place can be seen from people's clothing.

When new China was founded, the old-fashioned Chinese saying "clothes can go for three-year new, three-year old, and another three-year in patches" was how the vast numbers of residents wore clothes. In many children's childhoods, to wear new clothing was a luxurious dream.

In the reform and opening up, buying new clothes and cloth required a voucher. For example, in the 60s, adults had one cloth voucher per year. A piece of cloth can only make one long shirt. That's why people could only have one piece of new clothes each year. And those clothes were relatively cheap, rough, and most of them were blue and black.

In 1970 and 1980, there were more fabric choices. Sewing shops and clothing stores were also gradually increased.

After 1983, the voucher program was gradually cancelled because of the economic growth. People could buy clothes in stores everywhere. No matter what kind of style people liked, they were able to get it in the market.

In 1990, people changed their view of clothing. They began to prefer more fashionable and high quality clothes. As the standard of living increased, people wanted to use clothes to attract more attention. They started to buy clothes in shopping malls and boutiques regularly.

People dress from single to personal interests, more colorful, and reflect the masses from different periods of life, aesthetics behind, as well as in the fashion of the

different understanding. At the same time, it also reflects the development and changes during 60 years as well as the higher living standard of people (Tang).

In the 1990s, people's lives underwent a transition in China, which lets them open their minds. Fashion was changing rapidly, emphasizing personality and variability. It was difficult to use a single style or color to express fashion.

From the change of clothing, we can see the era's progress and the change of people's minds. This change was based on the development of the economy. It also reflects people's thoughts from different periods of time.

There is a saying in China: "Hunger breeds discontent." Food is the minimum standard of life, and, at the same time, it also can be the highest pursuit and provide enjoyment. The change of food can reflect the change of a country.

When the new China was founded on October 1, 1949, people lived in hunger. The food stamp, a purchase food voucher in China, was issued from 1955 to 1993. At that time, urban residents had to rely on food stamps to purchase food. On August 25, 1955, the food stamp emerged. And thereafter, oil vouchers, tofu vouchers, and other vouchers entered the lives of individuals; all kinds of commodities required for voucher purchase. China spent up to 30 years in the "voucher" era. Food stamps were the result of the long-standing economic troubles, and the shortage of goods (Food Stamp).

In May 1993, Beijing finally stopped using food stamps. They no longer exist. In 2013, China's total grain production reached 601,940,000 tons, and now relies on itself to solve the food supply problem for a large population, breaking the prophecy that China cannot feed itself. Queuing, using the food stamps, out-of-stock, were the phenomena of the domestic market in general 35 years ago. Now, there are all kinds of products in

stores and certainly more choices for consumers. Today, fewer people are in hunger, more people eat healthy, organic food (Demystified the Previous and Current of "The Second Currency").

The improvement of people's living conditions has reflected the further development of market economy.

When the new China was founded, the living conditions were very poor. Housing units were small, which gave people a sense of pressure. In rural areas, most housing was adobe houses and caves. Some people even lived in rooms with animals in poor hygienic conditions.

Today, as living space expands, people's living conditions have improved significantly. Old housing units are unable to meet people's needs, and new residential areas are built. A large number of people have moved on from having no kitchen and toilets, and move into better quality housing. They have nice environments, shopping conveniences, etc. In 1978, the National Urban and Rural Residents per capita housing area was 6.7 square meters. In 1998, it increased to 18.7 square meters. From 1978 to 1998, it increased to 18.7 square meters. By the end of 2006, the National Council for urban and rural residents per capita housing area was 27 square meters. There has been a big increase in urban housing (Qi).

With the improvement of people's living conditions, styles of decoration have enriched our lives, reflecting the increase of people's quality of living.

Western countries have spent a couple of hundred years developing the economies, while Asian countries over the past few decades developed quickly. Some countries catching up with the Western developed countries. Japan in the sixties and

seventies of the last century gradually developed; economic growth between Hong Kong and Singapore began in the 1970s to the 1980s, their GDP is equivalent to the United Kingdom, France and Germany. China's economy keeps rising, not falling, a lot of wealth is flowing to specific populations, and an upstart class emerged. India is also tight with the rapid development of China (All countries compared about Economy).

Thus, the purchasing power of Asians is increasing lately. The first was the rise of Japan; they also established their own fashion industry. From the 1970s to the early 1980s, Japanese fashion designers collectively appeared on the international fashion stage, including Kenzo Takada, Kansai Yamamoto, Yohji Yamamoto, and Rei Kawakubo. In the mean time, Japanese people became crazy fans of luxury goods; this directly opened the door to luxury. This phenomenon was because of Japan's economic rise in 1970s. In 1986, Japan was the second largest economy in the world, only behind the US. In 1996, the GDP of Japan was \$4.63 trillion (Japan's Economy).

In the 1980s, the Japanese entered the global market with strong purchasing power; Japanese bought brand-name goods in Europe. In the 1990s, one in three Japanese women had brand-name luxury goods. The amount that Japan purchased was so great that major brands offered a unique special treatment to the Japanese market. (Yan)

In the 1980s and 1990s, the strong purchasing power of Japanese tourists gradually increased. In 1972, in response to Japanese tourists, Gucci opened its first overseas store in Tokyo. In 1978 Louis Vuitton had also joined the Japanese market competition. The Japanese people purchased in the local market, and also crazily bought products in Europe and became the foundation of support for the European luxury goods industry. In the 1980s, in the Paris Louis Vuitton store, Japanese tourists contributed

more than 80% of sales. There was a growing number of brand-name stores which followed the steps of Japanese tourists. Thanks to Japanese tourists, designer stores are all over Asia. In the 1980s, Hong Kong's luxury consumption soared, while Japanese tourists lead the duty free stores over Korea and Taiwan, and even influenced brand sales in Bangkok. Brands around the world were meeting the needs of customers in Japan (Karishma).

Luxury brands got huge gains is because of the rapid development of the Asian economy to support the luxury industry. Following by Japan, Hong Kong citizens became big consumers of luxury goods in the eighties and nineties. In Asia now, Hong Kong is another full-range brand shopping destination in addition to Japan. Since it has the duty-free port advantages, and provides consumers with a more favorable prices, it is appreciated by tourist consumers. Top brands in Hong Kong have sixty to seventy big stores. This figure is much larger than in Paris, London, or New York. (Radha)

Why is the number important? Hiding behind the numbers is competition, which is people liking to compare themselves with their neighbors, no matter whether they are in Korea or Taiwan. Because Deng Xiaoping, a politician and reformist leader of the People's Republic of China after Mao, the founder of the People's Republic of China advocated, "getting rich is glorious", Chinese people quickly got rich. For a long time before 2006, the GDP of China was less than two thousand dollars, but China has now become a competitive place between the luxury industries. Though the numbers are confusing compared to the reality, it is not difficult to understand. China is vast. Its economic development is not balanced. Some cities and regions gathered a huge amount of money.



"The Gini coefficient is a commonly used measure of income inequality, with a figure of 0 representing perfect equality and 1 total inequality. Some academics view 0.40 as a warning line." In 2008, China's Gini coefficient was 0.491; in 2012, it was 0.474. The average monthly wage of a Chinese worker is about seven hundred dollars. This shows that the income gap is really big. It creates an upper class and their consumption of luxury goods. These people show off their wealth, attracting major brand to come to China (China breaks long silence on inequality statistic).

Recalled in the 1980s, Japanese tourists' crazy shopping, we can find that the history repeats itself, but this time replaced the 21st Century Chinese tourists. Tourists from China have quickly become the main force of the luxury consumer sales industry in Hong Kong. Stores show that Chinese tourists contribute more than 70% of store sales. As Western countries were gradually exempted from China's tourists visa control gradually lifted, more and more Chinese tourists traveled to Europe, the United States, Australia and other Asian countries. They are generous, willing to buy designer brands for friends and family. This shows the markets of these countries.

### **Market Development of Individual Asian Countries**

The market development of each country in Asia is different. For example, compared to Japan, China is still in an earlier phase of development. In Japan, the whole country is addicted to luxury. It is hard for Japanese to live without luxury goods because their economy developed earlier than China, so Japanese people got into luxury earlier. Each country or region has its unique side.

Compared to Japan, by logic, the US would be even more addicted to luxury goods, as their economy developed earlier. In the United States, people believe the first necessity to determine people's identity is to see where they live, and secondly, what car they have and finally look at their clothing. The major luxury consumption is by people of a certain age. Louis Vuitton, Burberry, and other luxury brand owners are often above the age of 30 years. They have and lucrative successful careers and they are knowledgeable. They tend to be mature and self-confident, elegant, have personal style and a gorgeous look. If a person who is only 20 years old, however, owns luxury goods; there are only two possibilities: he is either from a very wealthy family or very frivolous and hedonistic.

There is a joke: a person found a luxury handbag. If it is in the US and Europe, it is usually owned by a woman above the age of 30; if it is in Asia, it is usually owned by a woman under 30 years of old. Indeed, the pursuit of luxury in Asia is more than in Europe and US, particularly among young people. Compare the two; it is revealed that Asian and western countries have a significantly different in the prestigious consumer attitudes and cultural awareness.

Relative to that, western consumer are elder, higher class, buy variable types of luxury goods; and consumers of the East are younger, including lower to higher class, and buy fewer types of luxury goods.

Taking Mr. Zhang as an example: after living in the US for a year, he met an American girl. They fell in love soon. On the girl's birthday, Mr. Zhang spent several months of savings to buy a Louis Vuitton handbag for the girl as a gift. But two days later, the girls gave back the handbag to Mr. Zhang and wanted to break up with him. The

girl said she did not know that the birthday gift Mr. Zhang sent to her was a LV handbags; if she knew she would not have accept it. When the girl went home and opened her gifts, her parents were also surprised at his behavior. Knowing that Mr. Zhang was just an ordinary student, the girls' parents started to question him.

After living in the United States for a long time, Mr. Zhang understood why the girl had that response. In China, the main luxury consumers are young people; if boys give luxury goods as a gift to girls, they would not feel uncomfortable. But at that time as a student, Mr. Zhang had undoubtedly given the girl and her parents frivolous impression. Since then, Mr. Zhang went to Shanghai with another American professor. They went to a restaurant. When the professor saw three girls next to them with Louis Vuitton wallet to pay, he was surprised. It embarrassed Mr. Zhang; he did not know how to explain it. More or less out of a little vanity. Base on Chinese people's economic strength, they think spend money to meet the vanity is definitely all right. In addition, they buy some luxury goods such as diamonds because they can remain value. However, Asian people's vanity indeed than people in Europe and America (Zhang).

### **Motivations Behind Luxury Consumption**

Coming back to Asia, analyzing the behavior of Asian people reveals the reasons why they are so into luxury. These reasons deeply affect Asian people and reflect the reality of Asia. By analyzing the behavior of Asians, we can understand the reasons behind the behavior. Thorstein Veblen coined the term "Conspicuous Consumption" to describe people of the upper class who use their great wealth as a means of social power. That's why Louis Vuitton and Gucci became famous and why Asians must have luxury.

The main reason is how it is considered essential to have luxury goods. When Louis Vuitton and Gucci became famous, Asian people felt like they had to have these goods. From a small wallet to the collection of the entire product line, even people who do not like them can't help but buy several pieces because of the brand effect.

Asian people are so into luxury. At the same time, luxuries are into Asia. Hundreds of brands try their best to open new stores in Asia. Asian people are looking for a new sign of social class identification. They are obsessed with brand names to show off and identify their self worth and wealth.

People also use luxury as a business tool. In China, most of the businessmen buy luxury cars such as Benz and BMW as well as hundred thousand dollar watches to prove to others they have money in order to do business. Some of them are not into those luxuries, but have to use them as tools (Zhang).

Some of my friends use an iPhone to start a relationship with a girl. They then get used to it, and start depending on it, such as using a Hermes bag to maintain a three months romance. There are many people who go for money and brands.

Louis Vuitton and Gucci dominate both large cities and small towns. In different countries and regions, customers have different product preferences. For example, in Korea, most women will not go out unless they are wearing a pair of Ferragamo shoes. This seems to become a part of their culture. A pair of Ferragamo shoes costs around five hundred dollars. Shoes without such logos cost no more than a hundred dollars. In China, wealthy men prefer to wear Zegna or Dunhill. And upper class ladies in Korea and Thailand are crazy fans of Hermès. Chanel occupies girls around the world. Wives buy Chanel clothes before getting together and after they marry their husbands. They believe

beautiful clothes can catch their husband's attention. Not only Korea and Thailand, it is common sense that Rolex and Cartier are good choices for a watch. From managers to bosses, everyone uses Mont Blanc pens to sign. However, an ironical fact is the average monthly wage of a Chinese worker is about seven hundred dollars (Zelesny).

A Chanel handbag, a Louis Vuitton scarf, a pair of Christian Dior sunglasses, these are excellent investments which can rapidly catch other people's attention. You can mix a bit of fake in them, but this little trick needs to be carefully used. For rich people, even if they buy fake luxury. It will still be viewed as real. Not so wealthy people have to be careful, however, especially when they want to build social status; they need to buy enough real luxury.

In the fake luxury industry, goods are rated as A, B, C level. Level A fake goods have very good quality. A lot of people despise Level A fake goods because they are not real. To be honest, not all the people can afford level A goods. For example, for one level A bottle of Hong Kong Chanel 2.55, the price sold in the factory is more than 1000 RMB (nearly 166 dollars). To get it in the market, the retail price is 3000-4000 dollars.

An interesting fact is that people mix luxury goods with relatively cheaper products. For example, women carry a \$1000 Louis Vuitton bag while wearing a \$120 dress. Many people think there is no need to buy luxury clothes when they can only afford luxury accessories. It is not worth the money. If they can mix them well, the final look is still very fancy and impressive. When you have accessories all over your body, people will think your clothes are also luxury. That's why many people in these cultures buy Louis Vuitton, Gucci, Chanel and Dior accessories.

Another reason is Chinese consumers prefer foreign brands. Many people in China still believe that Western brands produce better quality products.

Businessmen normally complains that they earn less money than before. But they buy fancy new cars, BMW X6. If you don't have a good car, people are reluctant to talk about the business. People just can't help buying them.

### **The Downsides of Luxury Consumption**

I do not deny that luxuries do meet many needs, such as aesthetic quality, efficiency, etc. But considering the price of luxury goods, those are only about 10% of the price differences. At least in China, the role of the remaining 90% is a label.

Many businessmen in China have to buy fancy watches for more than 10,000 dollars. Since men usually don't use handbags, watches, wallets, glasses, ties and pens become the symbol of their social status.

Last year, a government official became famous because he owned so many luxury watches that every time he went to a meeting, he wore a different one. I also see my male friends using Bulgari wallets, Alexander McQueen scarves and umbrellas, and Burberry trench coat as symbols of richness.

Wealthy Chinese people buy luxury goods on e-stores such as Saks Fifth Avenue, Neiman Marcus, Nordstrom and Macy's. Thanks to these websites, they can just buy luxury goods at home. Looking at these websites, I can see how luxury brand lines develop within the purchasing power.

A lot of famous classic handbags such as Chanel 2.55 have nearly 5 percent growth rates per year. That's why many people buy these luxuries as an investment. They

think they can just sit back and wait to earn money. The value of new products and products after purchase is totally different, however. If people use luxuries, when they sell them as second-hand, the price is much less than the original. Actually, 90 per cent of luxury investments will have no profit. In the second-hand luxury goods market, even luxury that hasn't been used, the price is about 20% to 50% off, up to 70% off. Luxury is more like a consumable item.

In addition, there are dangers of buying fake luxuries in luxury boutiques around the world. There are different levels of fake goods in stores to address different purchase intentions of consumers. Unprofessional people can't tell the difference; they spend a lot of money but got fake luxury goods.

### **Future Trends**

In the future, it will be hard for Chinese tourists to buy luxuries. Because of the high tax, most Chinese people choose to buy luxury goods overseas.

According to The PRC Tourism article, tourism organization should not organize unreasonably low price shopping trips or activities to lure tourists and get benefits. Travel agency may not be assigned specific shopping or no additional cost for tourists. Tour guides and leaders should have strictly enforced tour arrangements, and should not change tours or stop the service activities, and not ask for tips. They must say not to inducement, deception, and force tourists to shop or otherwise participate in other projects. Offenders will be faced with \$300,000 or even higher fines. Because of this change, people who used to buy luxury goods overseas during shopping trips have to buy

them online or ask friends to buy them. People believe this is safer because they might buy a fake one online.

Starting in Beijing, many shopping trips have been cancelled. This causes people to have less opportunity to buy luxuries in other countries or regions because shopping trips are very cheap. Travel agencies doesn't get any profit on hotels, restaurants etc. They earn 80% profit of rebates if the customer shopped. If there are no longer any shopping trips, travel cost is going to rise.

Base on this trend, many Chinese people are starting not to go shopping or visit luxury stores while they are travelling. They like to spend more time on sightseeing and eating and taking part in fun activities. Wu is a more than 30-year-old bank-marketing manager; she said: "When I first went to Europe, I bought several luxury goods. But now shopping is not the most important thing. " (Chunxu)

In teenage years, people don't know the brand Louis Vuitton before high school, or at least they think owning a Louis Vuitton bag is far away from their life. They are still ordinary students, showing off their Nike shoes to each other. After going to college, their lives change. They feel contempt for people who have fake luxury. They buy every piece of luxury to show off, such as clothes, trousers, shoes, watches, wallets, headphones, perfume, cameras, phones, glasses and handbags. They never realize they are slowly becoming addicted to them. Each of them takes what you wear to measure you. If you are not wearing luxury goods, people will talk and laugh at you. Their words are vicious and deadly. They hold people who have fake luxury in contempt.



I asked one of my friends, why did you choose Prada handbag? She said, "This handbag design is simple and graceful, it can be used for a long time. I already used it for half a year, it is still very new, that's why it is a famous brand." I don't totally agree with her opinion. I think mostly it is about the brand. I've bought handbags that are not expensive at all and used them for several years.

Many students don't have enough money to buy a luxury and they ask their parents for help. I feel that students do not earn a penny, so why should we spend a thousand dollars to buy a handbag? In fact, everything we have is good enough. If we really want to buy luxury, at least we should use the money we have earned.

As you can see, Louis Vuitton, Gucci, and Chanel have already become street bags, just a public way to show economic strength. Do you still have to worry about not being acceptable? No, because your whole body's Logo has proved everything. Temporarily it is hard to change the strong purchasing of luxury goods. It has already played an important role on Asian culture. But can you not follow the luxury trend? Everyone carries Louis Vuitton, won't it be so much more fun if you had an Adidas bag?

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