

UNIVERSITY OF LJUBLJANA
FACULTY OF ECONOMICS

MASTER'S THESIS

**UNDERSTANDING CHINA'S MODERN URBAN CONSUMERS
WHERE IS THE INFLUENCE OF TRADITIONAL CULTURE?**

Ljubljana, October 2017

MAJA HVALICA

AUTHORSHIP STATEMENT

The undersigned Maja Hvalica, a student at the University of Ljubljana, Faculty of Economics, (hereafter: FELU), author of this written final work of studies with the title Understanding China's modern urban consumers: where is the influence of traditional culture, prepared under supervision of Assistant professor Gregor Pfajfar, PhD.

DECLARE

1. this written final work of studies to be based on the results of my own research;
2. the printed form of this written final work of studies to be identical to its electronic form;
3. the text of this written final work of studies to be language-edited and technically in adherence with the FELU's Technical Guidelines for Written Works, which means that I cited and / or quoted works and opinions of other authors in this written final work of studies in accordance with the FELU's Technical Guidelines for Written Works;
4. to be aware of the fact that plagiarism (in written or graphical form) is a criminal offence and can be prosecuted in accordance with the Criminal Code of the Republic of Slovenia;
5. to be aware of the consequences a proven plagiarism charge based on the this written final work could have for my status at the FELU in accordance with the relevant FELU Rules;
6. to have obtained all the necessary permits to use the data and works of other authors which are (in written or graphical form) referred to in this written final work of studies and to have clearly marked them;
7. to have acted in accordance with ethical principles during the preparation of this written final work of studies and to have, where necessary, obtained permission of the Ethics Committee;
8. my consent to use the electronic form of this written final work of studies for the detection of content similarity with other written works, using similarity detection software that is connected with the FELU Study Information System;
9. to transfer to the University of Ljubljana free of charge, non-exclusively, geographically and time-wise unlimited the right of saving this written final work of studies in the electronic form, the right of its reproduction, as well as the right of making this written final work of studies available to the public on the World Wide Web via the Repository of the University of Ljubljana;
10. my consent to publication of my personal data that are included in this written final work of studies and in this declaration, when this written final work of studies is published.

Ljubljana, October 13th, 2017

Author's signature: _____

TABLE OF CONTENTS

INTRODUCTION	1
1 UNDERSTANDING CULTURE	2
1.1 Finding an operational definition of culture	2
1.2 Layers of culture	4
1.3 Levels of culture	5
1.4 Elements of culture	6
1.5 Theoretical approaches to studying culture	7
1.5.1 Hofstede's cultural dimensions	7
1.5.2 Kluckhohn and Strodtbeck's values orientation theory	9
1.5.3 Trompenaars and Hampden-Turner cultural dimensions	10
1.5.4 Hall's cultural framework	12
1.5.5 The GLOBE project	13
1.5.6 Schwartz value survey	14
1.5.7 The Lewis model of cultures	14
2 CONSUMER BEHAVIOUR	16
2.1 Understanding how consumers behave	16
2.2 Factors influencing consumer behaviour	16
2.3 The consumer behaviour – decision making process	18
2.4 Consumer behaviour across cultures	19
3 INTRODUCTION OF CHINA	24
3.1 Geography	24
3.2 Demographics	25
3.3 History	27
3.4 Economy	30
3.5 China's consumer market	32
3.6 The three teachings	33
3.6.1 Confucianism	33
3.6.2 Daoism	34
3.6.3 Buddhism	35
3.7 Classification of Chinese culture	36
4 CHANGING CHINA	38
4.1 The new consumer – new trends	38
4.1.1 Shift from tradition	39
4.1.2 Regional differences	41
4.1.2.1 Urbanization	41
4.1.2.2 Rural vs. urban split	42
4.1.2.3 Coastal vs. inland split	43
4.1.3 Generation gap	43
4.1.4 The rise of the middle class	45

4.1.5 Importance of brands and luxury products	46
4.1.5.1 Chinese brands vs. foreign brands	46
4.1.5.2 Demand for luxury products	48
5 EMPIRICAL ANALYSIS	49
5.1 Research goals and method	49
5.2 Findings	50
5.3 Limitations and future research	53
6 DISCUSSION	54
CONCLUSION.....	56
REFERENCE LIST	58
APPENDIXES	

LIST OF TABELS

Table 1. Values Associated With Confucian Dynamism	9
Table 2. Cultural Variation in Value Orientations	10
Table 3. Interviewees' Demographic Data	49

LIST OF FIGURES

<i>Figure 1. Three Levels of Uniqueness in Mental Programming.....</i>	<i>3</i>
<i>Figure 2. The “Onion”: Manifestation of Culture at Different Levels of Depth</i>	<i>4</i>
<i>Figure 3. Contextual Background of Different Countries</i>	<i>12</i>
<i>Figure 4. Cultural Types: The Lewis Model.....</i>	<i>15</i>
<i>Figure 5. Model of Consumer Behaviour</i>	<i>16</i>
<i>Figure 6. Factors Influencing Consumer Behaviour.....</i>	<i>17</i>
<i>Figure 7. Buyer Decision Process</i>	<i>18</i>
<i>Figure 8. Total Population (10,000 persons) in Census Years</i>	<i>26</i>
<i>Figure 9. Age Structure of the Population in Census Years</i>	<i>26</i>
<i>Figure 10. Four Income Segments in China</i>	<i>45</i>

INTRODUCTION

Today, it seems that globalization is moving the world toward converging into a global village. However, there are still existing differences between countries. These differences are present across cultural, social, economic, political, legal, and technological environments. Thus, some are actually talking about glocalization, particularly when it comes to consumers (Douglas & Craig, 2011, p. 82). In order to succeed in any international market, a detailed analysis of these environments is therefore essential.

One of the most obvious distinctions between countries is the national culture, particularly if we apply Hofstede's (2005, p. 4) notion that culture is software of the mind. Culture is a powerful concept when it comes to understanding consumers as it shapes person's wants and behaviours. Additionally, culture is too often taken for granted or at least underestimated by many international marketers who feel that globalization has created universal global consumers. Therefore, in order to succeed, multinational firms need to dedicate special attention to the understanding of host's country culture and its impact on consumer behaviour. Even though culture is a dynamic concept, the hidden traditional values, which are transmitted from generation to generation and make the core of culture concept, are deeply rooted, and therefore more static. The distinction and the co-existence of core traditional values and novelty is particularly interesting to address in the case of the People's Republic of China whose incredible and fast-paced economic transformation over the last couple of decades has created a series of unique paradoxes distinct for Chinese culture (Faure & Fang, 2008, p. 195).

China has been evolving at an unprecedented pace for the last couple of decades, particularly after its World Trade Organization membership in 2001. With 1.37 billion potential consumers and their increasing purchasing power, the market seems to be unlimited, and thus, very attractive. Despite China's modernization, urbanization, and changing lifestyle, it is wrong to assume that Chinese consumers behave and have the same needs as Westerners. The mixture of traditional and modern values creates unique characteristics of Chinese consumers. Therefore, the purpose of this thesis is to address the complexity of the modern China's consumer by exploring the influence of traditional culture on China's modern urban consumer. The main goal is to understand the modern Chinese consumers by finding how does the culture influence consumer behaviour, how and if does the traditional Chinese culture influence and dictate the behaviour of China's modern consumers, as well as what are the particular shifts from tradition? Moreover, the generational differences are a good indicator of the change a culture experiences. Younger generation grew up in "different" China than their parents and grandparents did. Therefore, the aim is to explore the viewpoints on change China is experiencing in regard of culture and consumerism through the eyes of young Chinese.

To be able to answer the main question “Where is the influence of traditional culture on China’s modern urban consumer?”, I first present a comprehensive theoretical framework and different concepts of culture, complemented by a theoretical framework of consumer behaviour. Altogether, this helps me to analyze and classify Chinese culture, as well as to determine what the core values representing traditional Chinese consumers today are.

The thesis is based on existing theoretical and empirical knowledge and information gathered in conducted interviews. It is divided into six main chapters. The first two chapters present the theoretical foundation of my research, encompassing culture and consumer behaviour. In the first chapter, I present different concepts, definitions, and theoretical approaches to studying culture. The second chapter covers how consumers make decisions, factors that are influencing consumer behaviour, as well as what role and importance does culture play in consumer behaviour.

The third chapter is dedicated to introducing China as a specific consumer environment. This chapter first offers a summarized historical, economic and demographic overview of China. Furthermore, it focuses on describing and understanding the Chinese culture, core values and the importance of Confucianism as an overarching philosophy in Chinese society. This makes the basis of analyzing the influence of traditional culture on modern urban Chinese consumer in chapter four. This chapter provides an overview of shifts from tradition. Additionally, it provides a comparison between Chinese traditional and contemporary consumer values across key demographic variables of geography, age, and income; as these represent an important aspect when thinking of entering in the Chinese vast market. In chapter five, the results from conducted interviews are presented. The sixth chapter is a discussion chapter. Finally, the thesis ends with the conclusion.

1 UNDERSTANDING CULTURE

1.1 Finding an operational definition of culture

Culture is a complex concept and over the years many tried to define it. One of the first definitions of culture was provided by Tylor (1870, in Spencer-Oatey, 2012, p.1), who defines it as “that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society”. Nowadays, one of the most cited definition is Hofstede’s (2005, p. 4), who defines culture as “the collective programming of the mind that distinguishes the members of one group or category of people from others”.

Furthermore, “culture consists of patterns, explicit and implicit, of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievements of human groups, including their embodiment in artifacts; the essential core of culture consists of

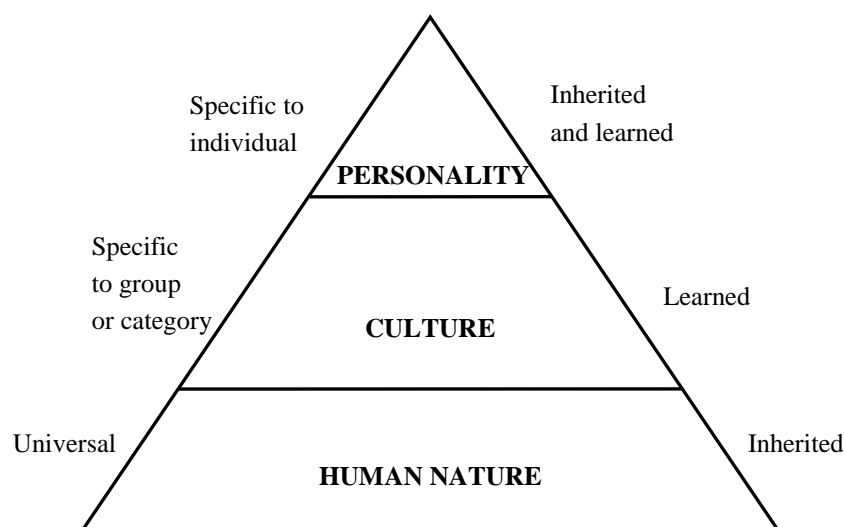
traditional (i.e. historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other, as conditional elements of future action”(Kroeber & Kluckhohn, 1952, in Spencer-Oatey, 2012, p. 2)

Spencer-Oatey (2012, p. 2) added to the definition a description of functions that culture performs, and says “culture is a fuzzy set of basic assumptions and values, orientations to life, beliefs, policies, procedures and behavioural conventions that are shared by a group of people, and that influence (but nor determine) each member’s behaviour and his/her interpretations of the “meaning” of other people’s behaviour”.

In short, culture is not just the fine arts, literature and material things, but it is also a set of values, beliefs, and behaviours, which are transmitted from generation to generation and shared by a group of people. Thus, culture is the foundation that characterizes people from one group and distinguishes them from another.

One of the most important characteristics of culture is that it is **not inherited** (people are not born with a set of values), but it is learned through the process of **socialization**. Furthermore, culture is relative. Hence, there is no right or wrong as each perceives the world differently and it is not about individual behaviour, but it is about groups. Through the process of **acculturation**, people can also adjust and adapt to a culture other than one’s own. This is usually experienced by people who live in a foreign country for extended periods (Cavusgil, Knight, & Riesenberger, 2008, pp. 129-130). Furthermore, Hofstede (2005, pp. 4-5) differentiate culture from both universal human nature and unique individual personality (Figure 1).

Figure 1. Three Levels of Uniqueness in Mental Programming



Source: G. Hofstede & G. J. Hofstede, *Cultures and Organizations: Software of the Mind*, 2005, p. 4.

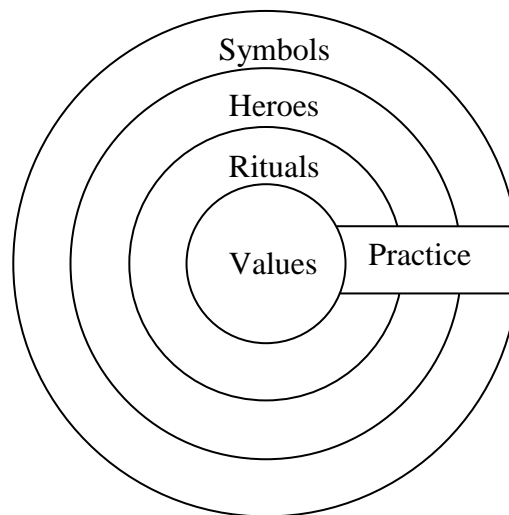
Human nature is inherited within one's genes. People universally have the ability to feel fear, love, sadness, but culture modifies how those feelings are expressed. On the other hand, **personality** is one's unique set of characteristics that are inherited by the individual's unique set of genes and partly learned by the influence of culture and personal experiences. Therefore, even though people share the same culture, they are not identical.

1.2 Layers of culture

Culture consists of the visible and invisible part. Often it is compared to an iceberg, where the tip of the iceberg or small portion above the water represents elements of culture that can be seen, such as language, food, clothing, music, and greetings. These elements manifest the invisible part of the culture; that is the large part of the iceberg below the sea level. The elements that cannot be seen and are not so obvious are values and assumptions that a group share; for example, the concept of time, beauty, gender roles and family relationships.

On the other hand, Hofstede (2005, pp. 7-8) embodies the concept of culture in the onion model, where the skins of an onion represent different layers of culture. As shown in Figure 2, symbols represent the most superficial, and values, the deepest manifestations of culture, with heroes and rituals in between.

Figure 2. The "Onion": Manifestation of Culture at Different Levels of Depth



Source: G. Hofstede & G. J. Hofstede, *Cultures and Organizations: Software of the Mind*, 2005, p. 7.

Symbols are words, gestures and other objects that carry a special meaning only for those of a particular culture. **Heroes** are persons (real or fictitious) who possess characteristics that are highly prized in a culture, and therefore serve as an example for behaviour. **Rituals** are an example of greeting and paying respect. These three are visible on the outside as

they are practiced, but their meaning is invisible and rooted in the core of culture – **values**. Values are “broad tendencies to prefer certain states of affairs over others” (Hofstede & Hofstede, 2005, p. 8). They are acquired in childhood and stable over time.

But due to the internal and external forces, to some degree, change is a constant feature of all cultures. This is usually a result of cultural diffusion, a process where cultural items from one culture spread to another. With this selective process technological innovations, which can be recognized quickly, are borrowed and acquired faster than social patterns and belief systems. Furthermore, items are borrowed from another culture only if they prove to be useful and rarely the items are transferred into recipient culture in their original form. Usually, new ideas, objects, or techniques are reinterpreted so that they can be integrated into the recipient culture. If this process was not selective, the cultural differences that exist today would be long gone (Ferraro, 1998, pp. 30-33). This means that under the impact of nature and human forces, the visible parts of the culture are a response to changing circumstances, and can be changed faster. On the other hand, the core of culture – the basic values of a society – remains considerably stable over time.

Similarly to Hofstede, Trompenaars and Hampden-Turner (1997, pp. 21-23) embody the concept of culture into onion like model with three layers:

1. **Artifacts and products:** these are the explicit outer layer of culture, like language, food, art, rituals, and objects. These are observable symbols of a deeper level of culture.
2. **Norms and values:** the second, middle layer consists of norms and values, which explains what do members of a group consider right and wrong, and good and bad.
3. **Basic assumptions:** the core of culture is represented by basic assumptions about existence. It determines how a group has evolved and organized to deal with problems it faces. They are difficult to determine, as they are taken for granted and people are rarely aware of them – used unconsciously.

1.3 Levels of culture

The mental program of a group shapes its culture, and as people belong to a number of different groups or categories at the same time, they carry several layers of mental programming within themselves. These correspond to different levels of culture, for example: national, regional, ethnical, religious, linguistic, gender, generation, social class and organizational level (Hofstede & Hofstede, 2005, pp. 10-11).

Similarly, Srnka (2004, p. 3) describes four levels of culture:

- Supraculture – shared by nations with similar economic and political systems, development, ethnicity, religion, etc.

- **Macroculture** – shared by people of the same nationality, origin or country of residence.
- **Mesoculture** – shared by groups or communities, like a professional group or industry, within a macroculture.
- **Microculture** – shared by smallest social groups, like the organization, family or clan.

The different levels of culture are looked from the “nesting” perspective (Hollensen 2011, p. 236). These levels cannot be considered isolated from each other as they are intertwined and influence each other (Srnka, 2004, p. 3), but they are not necessarily in harmony. These conflicting mental programs within people that correspond to different levels of culture make it difficult to predict their behaviour in new situations (Hofstede & Hofstede, 2005, p. 11).

1.4 Elements of culture

Culture is a set of different elements, which together characterize a group of people and form their way of life. The non-material and material elements are common to all cultures and by looking at them one culture can be differentiated from another. There are numerous elements of culture, but the most frequently included in the concept of culture are:

- **Social institutions:** refer to the organized groups of people, which are family, business or class-related. This reference groups influence the behaviour of people and the way people are related to each other (Hollensen, 2011, p. 242).
- **Norms:** are rules and standards that a group develops, in order for a society to function. They are expectations on how people should or ought to behave in any given situation as they determine what is right or wrong. Norms reflect the values of a group.
- **Values:** are feelings acquired early in one’s life and have two poles, positive and negative, for example, ugly versus beautiful, evil versus bad, and moral versus immoral (Hofstede & Hofstede, 2005, p. 6). Kluckhohn (1951, in Hills, 2002, p. 4) defines values as “a conception, explicit or implicit, distinctive of an individual or characteristic of a group, of the desirable which influences the selection from available modes, means and ends of action”. Values refer to the desired behaviour. Every culture has a set of core values that are shared by its members. Many values are universal, but the value system (relative importance or ranking of the universal values) differentiates across cultures.
- **Religion:** there are many religions in the world. Each has its own belief system, moral codes, and values that influence to different extent national cultures around the world, and therefore consumer behaviour. It is important to know the dominant religion and the influence that it has on peoples’ everyday life, as it affects consumption patterns, holidays, celebration and in some countries also government and legal systems.

- **Language:** words of a language are nothing more than concepts reflecting the culture from which it derives. Therefore, it is often described as the mirror of culture. Language has verbal and non-verbal elements. Verbal language consists of words; vocal sounds in patterns that have a meaning (Hollensen, 2011, p. 239). Sometimes it is hard to translate words and phrases into different languages, in a way, that the same meaning is obtained, as the concept and meaning of a word are not universal. It is not unusual in advertising that the original meaning is lost in translation and results in unfavourable interpretation (Cavusgil et al., 2008, p. 144). Furthermore, slang and dialects that are shared by a group of people make it even more difficult to capture the meaning. On the other hand, the non-verbal communication is communicated through the body language. For example, eye contact in some cultures means a person is paying attention, whereas in other it might be considered rude. Same holds for silence and social distance.
- **Education:** from the time people are born, they learn the culture. At the beginning from parents and later in the educational system. Therefore, education plays an important role in transmitting culture and traditions.
- **Aesthetics:** refer to the ideas and attitudes a culture has about good taste and beauty, which is expressed in art, drama, folklore, dance, and music. The aesthetics affects design, colour, packaging, brand name, and advertising that are acceptable in a certain culture.
- **Material culture:** refers to objects, artefacts, and technology that people construct to cope with their environment. It is evident in the availability of infrastructure related to energy, transportation, and communication systems, as well as social, financial, and marketing infrastructure (Cavusgil et al., 2008, p. 144).

1.5 Theoretical approaches to studying culture

When researchers started to study the differences across cultures, values were usually used to measure it, as they represent the essence of similarities and differences between people from differing cultural backgrounds (Hills, 2002, p. 3). This chapter reviews some of the frameworks that were formed for comparing cultures.

1.5.1 Hofstede's cultural dimensions

Geert Hofstede conducted one of the early empirical studies of national culture. The research is based on collected data on values of 116,000 IBM employees from 72 countries. The author tries to find how some concepts of motivation do not work in the same way in all countries. The research took place in 1967 and 1973, and initially uncovered that cultures are comparable on four dimensions. Later, the fifth dimension was added (Cavusgil et al., 2008, p. 137; Hollensen, 2008, p. 245). These dimensions represent an aspect of culture that can be measured relative to other cultures. The five dimensions

are: power distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance, and long versus short term orientation (Hofstede & Hofstede, 2005, p. 23).

Power distance refers to the power inequality that is present among people in all societies. Power distance index (hereinafter PDI) measures the degree to which less powerful members accept that power is distributed unequally. In countries with low PDI, relations between people are more egalitarian, the gap between powerful and subordinate is small and power is more decentralized. In contrast, in countries with high PDI, power concentration is acceptable and the hierarchical system exists.

Individualism versus collectivism refers to whether a person acts as an individual and puts self interest before that of a group or rather acts as a member of a group. Hofstede (2005, p. 76) describes that individualism refers to cultures where bonds between individuals are loose, and everyone is expected to look after themselves and their immediate family. On the other hand, in collectivist societies, from birth on, people belong to cohesive groups. Furthermore, members of a group are interdependent on each other and seek mutual accommodation to maintain group harmony (Hollensen, 2011, p. 246). In countries with a low individualism index (hereinafter IDV) score, collectivism dominates and vice versa; individualism prevails in countries with high IDV. The power distance and individualism versus collectivism dimensions tend to be negatively correlated, meaning that large-power distance countries are likely to be more collectivist, and small-power distance countries are more likely individualists (Hofstede & Hofstede, 2005, p. 82).

Masculinity versus femininity is measured by masculinity index (hereinafter MAS) and refers to the degree to which values, traditionally attributed to male, dominate opposite to female values. Hofstede (2005, p. 120) describes a masculine society as a society, in which male values such as being assertive, competitive, tough, performance oriented, and focused on material success prevail. In contrast, in feminine cultures values associated with female, such as tenderness, modesty and concentration on the quality of life dominate. In masculine countries (high MAS index), the emotional gender roles are clearly distinct, whereas in feminine societies (low MAS index) gender roles overlap so that both men and women are modest and concentrate on the quality of life.

Uncertainty avoidance (hereinafter UAI) refers “to man’s search for Truth”. It indicates to what degree a society tolerates ambiguity and does not feel threatened or uncomfortable by unstructured and unknown situations. High avoidance cultures tend to minimize such circumstances by rules and other safety measures. People are more emotional and have a belief in absolute truth (on philosophical and religious level). In contrast, uncertainty accepting cultures tolerate and accept changes and need few rules. On philosophical and religious level they are relativists, and people are not expected to express emotions (Hofstede & Bond, 1988, p. 11).

The fifth dimension was added later, and it was based on results from Chinese Value Survey (hereinafter CVS). Michael Bond constructed a questionnaire that was non-Western in nature. As the IBM studies, the CVS, which is based on basic values that are relevant for Chinese people, also yield four dimensions. Three of dimensions were very similar to Power Distance, Individualism/Collectivism, and Masculinity/Femininity. The fourth dimension consisted of values related to Confucian teachings; therefore, it was named Confucian Dynamism. These values are indicated in Table 1. For countries scoring high on this dimension, the values on the left side of the table are relatively more important and are more oriented toward the future. In contrast, for countries scoring low, values on the right of the table are more important and they are oriented toward the past and present. Furthermore, the values on both poles of this dimension are Confucian, but the positive pole of it reflects a dynamic, future-oriented mentality, whereas its negative pole reflects a more static, tradition-oriented mentality (Hofstede & Bond, 1988, pp. 15-16). When Hofstede (2005, p. 210) embraced this dimension he chose to name it according to the nature of the values involved rather than to their origin. The fifth dimension is named **long-term versus short-term orientation**.

Table 1. Values Associated With Confucian Dynamism

The relative importance of	The relative importance of
Persistence (perseverance)	Personal steadiness and stability
Ordering relationship by status and observing this order	Protecting your face
Thrift	Respect for tradition
Having sense of shame	Reciprocations of greetings, favours, and gifts
Positive pole/scoring high	Negative pole/scoring low

Source: G. Hofstede & M. H. Bond, *The Confucius Connection: From Cultural Roots to Economic Growth*, 1988.

1.5.2 Kluckhohn and Strodtbeck's values orientation theory

Kluckhohn and Strodtbeck (in Hills, 2002, p. 4) produced an important value framework which proposes that:

- societies have to find solutions for a limited number of universal problems at all times;
- the solutions to all problems are variable within a range of possibilities, but are neither limitless or random;
- all alternatives of all solutions are differentially preferred, but present in all societies at all times.

The authors identify six basic value orientations or basic human concerns. The six dimensions along which societies can be categorized are (Thomas, 2008, p. 48):

- **Relationship to nature** – belief that people have a duty or need to control the nature (domination), submit to nature and do not try to change it (subjugation), or have to work with nature to maintain balance (harmony).
- **Basic human nature** – belief that people are naturally good, and therefore trust each other, some are good and some are not (neutral or mixed between good and evil), and some are inherently evil.
- **Nature of human activity** – people should concentrate on living for the moment (being), strive to achieve goals (doing), or reflecting and strive to develop (controlling).
- **Relationship with people** – people might be concern only about themselves and immediate family (individualists), for one’s own group that can be defined in different ways (collateral), or for one’s groups that are hierarchically arranged (hierarchical).
- **Conception of space** – the space we use is private, public (space belongs to all), or mixture of both.
- **Orientation to time** – people make decisions in respect with past events and traditions, present circumstances, or future events.

The variation in preferences that people across culture exhibit on these six dimensions, which are represented on a three-point continuum, is shown in Table 2.

Table 2. Cultural Variation in Value Orientations

Dimensions	Variations		
Environment	Domination	Harmony	Subjugation
Nature of people	Good	Mixed	Evil
Activity orientation	Being	Controlling	Doing
Responsibility	Individualistic	Group	Hierarchical
Conception of space	Private	Mixed	Public
Time orientation	Past	Present	Future

Source: D. C. Thomas, *Cross-cultural Management: Essential Concepts*, 2008, p.49.

1.5.3 Trompenaars and Hampden-Turner cultural dimensions

Another study in the field of cultural differences was conducted by F. Trompenaars and C. Hampden-Turner. The findings are present in their book “Riding the Waves of Culture” (1997). The research involved some 30,000 managers’ answers from multinational and

international corporations from 55 countries. The result is a model, which distinguishes seven dimensions of culture. These dimensions are based on different solutions societies have when problems arise from the relationship with other people, the passage of time, and those problems related to the environment. First five dimensions analyse the relationship between people while the last two are oriented toward time and the environment.

Universalism vs. particularism: describes the way, in which people judge others – to what degree do people imply importance to the rules and relationships. Meaning, in universalistic cultures greater attention is given to rules and standards, believing that they can be applied universally (in any situation). On the other hand, in particularistic cultures, judgements are made according to the specific situation and people involved.

Individualism vs. communitarianism: refers to whether people act as an individual or as a part of a group. In individualistic cultures, people are self-oriented and make their own decisions, while people in communitarian cultures make their decisions in regard to the greater good of the group.

Neutral vs. emotional: means to what extent people display their emotions. In emotionally oriented cultures, people show their feelings plainly. In contrast, people in neutral cultures control their emotions carefully (Trompenaars & Hampden-Turner, 1997, p. 69).

Specific vs. diffuse: this dimension describes to what extent people allow others to know about their personal life. In specific cultures, people separate their private life from the public, whereas in diffuse cultures the parts of the private and the public life overlap (Thomas, 2008, p. 59).

Achievement vs. ascription: this dimension deals with the question “how status is accorded”. In cultures where achievement is a dominant dimension, status is determinant on the basis of one’s accomplishments. In contrast, ascription means that status is attributed to one by birth, age, gender or class (Trompenaars & Hampden-Turner, 1997, p. 102).

Attitude toward time: this dimension focuses on the importance cultures give to the past, present, and future and whether the view of time is sequential, as a series of passing events, or whether it is synchronic; meaning that past, present, and future are interrelated and ideas about future and memories of the past shape the present events (Trompenaars & Hampden-Turner, 1997, p. 120). In cultures where time is viewed as sequential, people do one thing at a time. On the other hand, people in synchronic cultures tend to do several things at once.

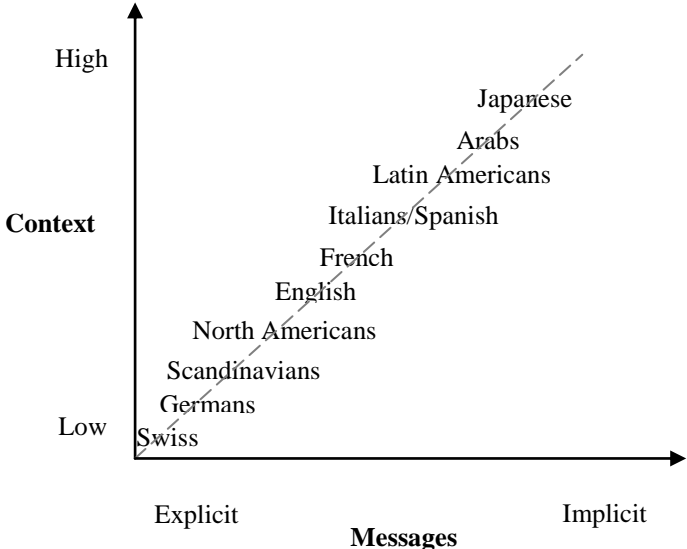
Attitude toward the environment: this dimension concerns how people relate to the natural environment – acting against or with the nature. In inner directed cultures, it is believed that people can dominate and control nature. Contrary, in outer directed cultures, nature is seen as a more powerful force that cannot be controlled; therefore, people strive to be in harmony with it.

1.5.4 Hall’s cultural framework

In cross-cultural communication, it is important how the message is transmitted, as it can be interpreted in a different way across cultures. American anthropologist Edward T. Hall distinguishes between high and low context cultures. According to Hall (1976, p. 101), “high context transactions feature pre-programmed information that is in the receiver and in the setting, with only minimal information in the transmitted message. Low context transactions are the reverse. Most of the information must be in the transmitted message, in order to make up for what is missing in the context”.

High and low context communication is determined by the quantity of information that is coded in the explicit part of the message. Figure 3 shows the contextual differences in cultures. In **high context cultures**, messages are more implicit as most of the information is in the physical environment, or people involved have knowledge and values that compliment the meaning of the message. Therefore, little information is in the coded explicit part of the message (Hofstede & Hofstede, 2005, pp. 85, 89). Furthermore, high context cultures give importance to nonverbal messages and see communication as a way or tool to promote harmonious relationship (Cavusgil et al., 2008, p. 136).

Figure 3. Contextual Background of Different Countries



Source: J.-C. Usunier (2000), in M. Hollensen, *Global Marketing: A Decision-oriented Approach*, 2011, p. 245.

On the other hand, in **low context cultures** messages are explicit, and much of the information is emphasized in words. Verbal communication is explanatory, as ideas and thoughts have to be expressed logically and clearly – straightforward (Cavusgil et al., 2008, p. 136).

Hofstede (2005, p. 89) connected the high/low context concept with the dimensions of collectivist and individualist cultures, where high context communication is common in collectivist cultures and low context communication is found in individualist cultures.

1.5.5 The GLOBE project

Focusing on the relationship between societal culture, organizational culture, and leadership, the Global Leadership and Organizational Behavior Effectiveness (GLOBE) Research Project began in 1991 by Professor R. J. House (Hofstede & Hofstede, 2005, p. 33). The study involved 170 research workers in 62 different countries and collected data from some 17,000 middle managers in 951 organizations across different industries. The GLOBE project measured cultural dimensions both as practices (the way things are) and values (the way things ought to be) and ended up with nine key cultural dimensions. These dimensions made it possible to describe similarities and differences in values and practices among societies and further placing them into culture clusters according to the cultural similarities. The nine GLOBE dimensions are (Thomas, 2008, pp. 60-61):

- **Institutional collectivism** is the extent to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action.
- **In-group collectivism** reflects the degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families.
- **Uncertainty avoidance** is the extent to which organization or society relies on social norms and rules to alleviate the unpredictability of future events.
- **Power distance** is the degree to which members of an organization or society expect power to be distributed equally.
- **Gender egalitarianism** is the degree to which society minimizes the gender inequality.
- **Assertiveness** reflects the degree to which individuals are confrontational, dominant, and aggressive in relationships with others.
- **Humane orientation** is the degree to which a society encourages and rewards individuals for being generous, fair, caring, and kind to others.
- **Future orientation** is the degree to which individuals engage in future oriented behaviours, such as planning and investing in future.
- **Performance orientation** is the extent to which an organization or society promotes and rewards group members for performance improvement and excellence.

1.5.6 Schwartz value survey

Israeli psychologist Shalom H. Schwartz conducted a research on the content and structure of human values. Respondents rated the importance of 56 values “as a guiding principle in my life”. Based on the type of motivational goal values express, they were grouped into 10 value types: **self-direction, simulation, hedonism, achievement, power, security, conformity, tradition, benevolence, and universalism**. Further, these values are subsumed into four dimensions organized along two bipolar dimensions: **self-enhancement versus self-transcendence** and **openness to change versus conservation** (Schwartz, 2012). This first part of the value survey resulted in individual level dimensions.

Later, 45 values that had equivalent meaning across cultures were used for testing cultural dimensions. The result is seven types of values on which cultures can be compared by considering three issues that confront all societies and human beings. The first issue is to define the nature of the relation between the individual and the group. The second issue is to guarantee responsible behaviour to preserve the society, and the final problem is the relation of people to the natural world. The seven value types are (Schwartz, 1999, p. 30):

- **Conservatism:** maintenance of the status quo, proprietary and restraint of actions that might disrupt the solidary group or the traditional order.
- **Intellectual Autonomy:** desirability that individuals pursue their own ideas.
- **Affective Autonomy:** individual pursuit of affectively positive experiences.
- **Hierarchy:** legitimacy of unequal distribution of power and resources.
- **Egalitarianism:** transcendence of selfish interest to the interest of others’ welfare.
- **Mastery:** getting ahead through active self-assertion.
- **Harmony:** fitting harmoniously into the environment.

These seven value types are defining three bipolar cultural dimensions: **autonomy versus conservatism, hierarchy versus egalitarianism** and **mastery versus harmony**. The theory and data presented by Schwartz (1999) provided a new set of conceptual and empirical tools for investigating national differences.

1.5.7 The Lewis model of cultures

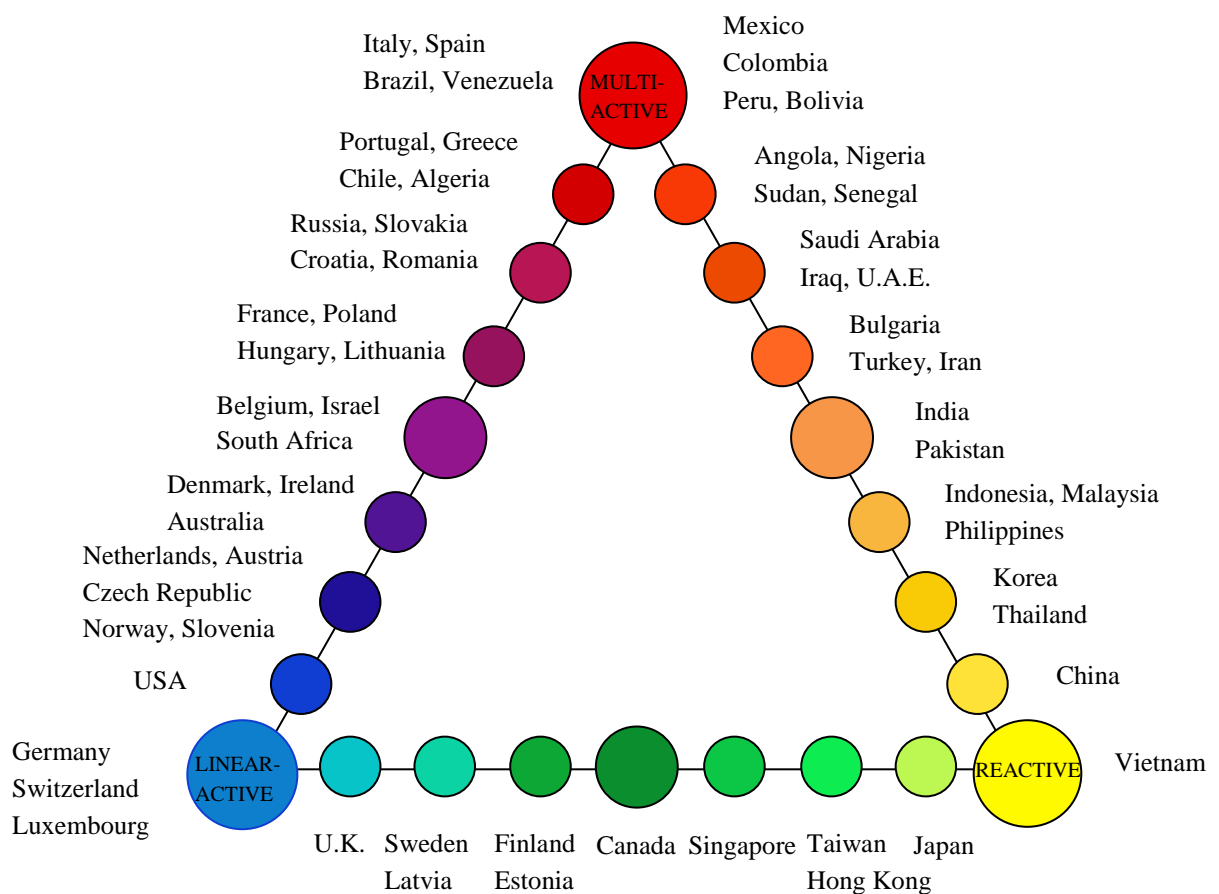
British linguist Richard Lewis describes his theoretical model of cultural differences in his book *When Cultures Collide* (2006). He classifies world’s cultures in three categories:

- **Linear-actives:** are generally data and fact oriented, tend to stick to planned agendas, schedule and organize, do one thing at a time, and put logic before emotions (German and Swiss).

- **Multi-actives:** people, who do many things at once, are more extroverted, show their emotions and value relationship (Italians, Latin Americans, and Arabs).
- **Reactive:** these cultures are the polite listeners that prioritize courtesy and respect and prefer slower-paced dialog (Chinese, Japanese, and Finns).

Lewis positioned countries in a triangle diagram, which indicates the relative positioning of each culture in terms of its linear-active, multi-active or reactive nature (Figure 4). Many cultures are a hybrid but tend to dominate in one or two categories. Furthermore, this model helps to understand how to interact with people from different cultures. As Lewis said (2006, p. xvi) “by focusing on the cultural roots of national behaviour, both in society and business, we can foresee and calculate with a surprising degree of accuracy how others will react to our plans for them, and we can make certain assumptions as to how they will approach us”.

Figure 4. Cultural Types: The Lewis Model



Source: *The Lewis Model*, 2015.

2 CONSUMER BEHAVIOUR

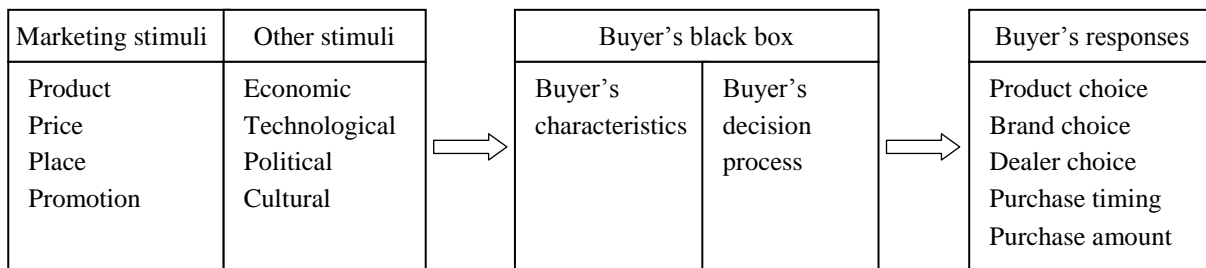
Marketers’ success depends on how well they can satisfy consumer needs and desires. Therefore, it is important to understand consumer behaviour; what and how consumers think, feel, do, and everything that influences them.

Consumer behaviour is the process involved when individuals or groups select, purchase, use, and dispose products, services, ideas, or experiences to satisfy needs and wants (Solomon, 2002, p. 5). The American Marketing Association defines consumer behaviour as “the dynamic interaction of affect and cognition, behaviour, and the environment by which human beings conduct the exchange aspects of their lives” (in Peter & Olson, 2010, p. 5). In other words, consumer behaviour is a dynamic ongoing process, with many actors and interactions, it involves exchanges and it is influenced by many factors.

2.1 Understanding how consumers behave

The stimuli-response model is usually used to describe consumer behaviour (Figure 5). External factors (marketing and other stimuli) enter consumer’s “black box” and produce a certain response. The 4Ps (product, price, place, promotion) represent marketing stimuli. Other stimuli include consumer’s environmental factors (economic, technological, political, and cultural). The buyer’s “black box” consists of two parts: buyer’s characteristics, which influence how one perceive and reacts to the stimuli, and the buyer’s decision process. In the end, the observable buyer’s response is a product choice, brand choice, dealer choice, purchase timing and purchase amount (Kotler & Armstrong, 2001, p. 171).

Figure 5. Model of Consumer Behaviour



Source: P. Kotler & G. Armstrong, *Principles of Marketing*, 2001, p. 171.

2.2 Factors influencing consumer behaviour

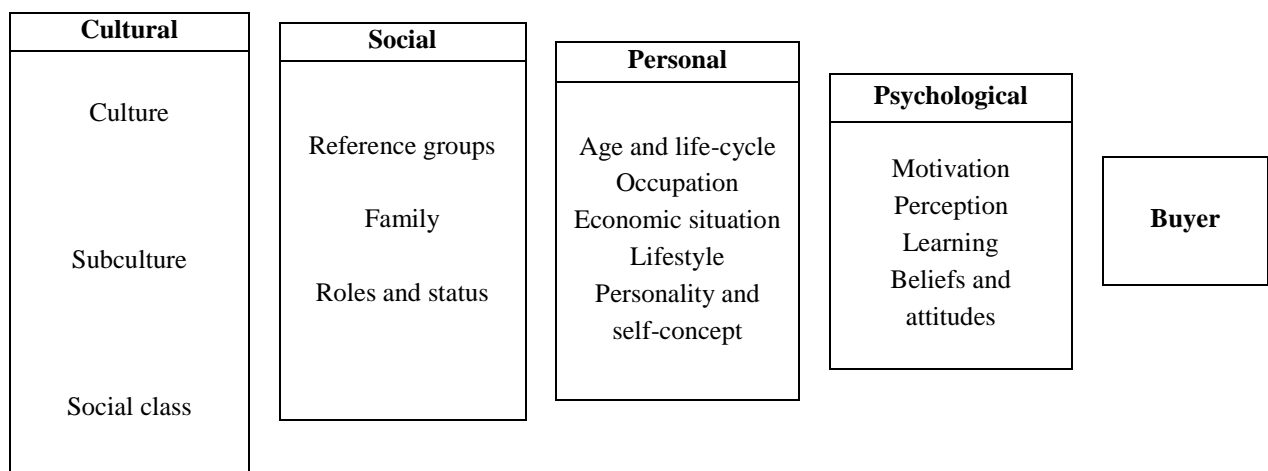
Consumer’s behaviour is influenced by four major factors; cultural, social, personal, and psychological, which are additionally subdivided as shown in Figure 6. These buyer’s

characteristics cannot be controlled by marketers but have to be taken into account in order to develop a marketing mix that appeals to the consumers.

Cultural and social factors refer to consumers’ socio-cultural aspect. In contrast, personal and psychological factors present consumers as an individual.

Cultural factors have the broadest and deepest influence on consumer behaviour. Cultural factors are divided into culture, subculture, and social class and are often inherent in people’s values. Learned in a socializing process when growing up, culture is the basic cause of person’s wants and behaviour. Every country differentiates in culture, and therefore the attitudes and beliefs influencing consumers reflect in different behaviours. Furthermore, culture consists of subcultures – group of people, which based on common life experiences and situations share the same value system. These subgroups are based on nationality, religion, racial groups, and geographic regions, and are often used for market segmentation. People from same social classes share similar values, interests, and behaviours. Usually, a social class is determined by a combination of variables, such as income, education, wealth, and occupation (Kotler, 2000, p. 161).

Figure 6. Factors Influencing Consumer Behaviour



Source: P. Kotler & G. Armstrong, *Principles of Marketing*, 2001, p. 172.

People seek for confirmation from others around them. The interactions with others influence their behaviour patterns and the taste of what they like and dislike. The **social factors** influencing consumer behaviour fall into three categories: reference groups, family, and roles and status. References groups serve as points of comparison or reference in forming person’s behaviour, lifestyle, habits, and desires. Behaviour can also be affected by an aspiration group, meaning, that an individual associates with a group that he wishes to belong to. The family has a strong influencing factor for an individual, as usually people keep and continue with consumption patterns that are rooted in their family buying

behaviour. Furthermore, a person's position in each group that he or she belongs to (family, work, clubs etc.) can be defined in terms of role and status. A role is a set of activities people are supposed to perform according to one's position in a certain group. A status is carried out by each role and reflects the position and importance an individual has in a group (Kotler & Armstrong, 2001, pp. 176, 179).

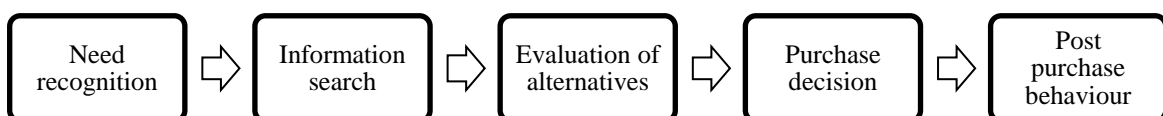
Consumer behaviour is also influenced by characteristics of each individual. These **personal factors** are age and life-cycle stage, occupation, economic situation, personality, and self-concept. As people age, they progress through different stages in a life-cycle. Hence, tastes, activities, habits, and environment people live in change over a lifetime, causing modifications in consumer behaviour. The buying behaviour and products that people buy also differ according to the nature of the occupation. Furthermore, economic situation – the income of an individual – influences the behaviour and consumption patterns. Life-style represents the way people live and it includes their activities, interests, and opinions. Personality refers to the distinctive and lasting patterns of thoughts, emotion, and behaviours that characterize each individual's response to the environment, while the self-concept is a person's perception of himself.

The last category of factors influencing consumer behaviour is the group of **psychological factors** – motivation, perception, learning, beliefs and attitudes. Motivation is an internal force that activates the behaviour towards satisfying a need or achieving a goal (Harrell, 2002, p. 204). Each individual will have a different perception from others because perception is a process of selection, organization and interpretation of information to make sense of the world around us (Kotler & Armstrong, 2001, p. 186). Learning is any change in person's behaviour that is caused by information and experience. An attitude is enduring, general assessment one feels about something, such as people, objects, or issues. Beliefs are thoughts a person holds about something and convictions is a view that something is true (Harrell, 2002, p. 211).

2.3 The consumer behaviour – decision making process

Along with the buyer's characteristics, the decision process itself affects the buyer's behaviour. Figure 7 shows that consumers go through five stages when making a buying decision.

Figure 7. Buyer Decision Process



Source: P. Kotler & G. Armstrong, *Principles of Marketing*, 2001, p. 193.

The buying process starts with the need for recognition, which occurs when consumers become aware of a problem, need or unfulfilled desire. The second stage is information search, when consumers start to search for information on how to solve a problem or fulfil a need. Consumers can obtain information from many different sources like family, friends, advertisements, sales people, and others, as well as from experiences stored in their memory. As information is gained, consumers can make a set of final product choices and with evaluation of alternatives, the pros and cons of each choice are weighted to determine which product would most likely satisfy the goal.

After the evaluation stage consumers usually make a purchase decision. The consumers' intention is to buy the preferred product or brand, but factors like attitude of others and unexpected situational factors can change the purchase intention (Kotler & Armstrong, 2001, p. 196), so that consumers purchase a different product, or even postpone the purchase, or decides to not make it at all.

If the product is purchased, the final stage in the buying decision process is the post purchase behaviour. The relationship between the consumers' expectations and the product's perceived performance determines the consumers' satisfaction or dissatisfaction with the buying choice (Kotler & Armstrong, 2001, p. 197).

The decision making process is influenced by the purchase importance and consumers involvement. Low involvement purchases require only routine decision making. In contrast, high involvement purchases demand more extensive and complex decision making. Also, high involvement products tend to be tied to consumers' self-image, whereas low involvement products are not (Harrell, 2002, p. 201). Furthermore, in more routine purchase consumers often skip or reverse some of the stages (Kotler & Armstrong, 2001, p. 193).

2.4 Consumer behaviour across cultures

As described, culture has a profound influence on human behaviour. Thus, most aspects of consumer behaviour are culture-bound (de Mooij & Hofstede, 2011, p. 181). This reflects why consumers from different societies may purchase the same products but for different reasons, because their behaviours may be heavily shaped by different cultural values (Li & Su, 2007, p. 238). When talking about consumer behaviour differences across culture, one needs to look at the manifestations of culture, where values have received most of the attention from researchers. This section points out some of the cultural traits that influence consumer behaviour as well as the influence of culture on some aspects of consumer behaviour.

Hofstede's dimensional model of national culture has been widely used in research on cross-cultural consumer behaviour. In relation to it, de Mooij and Hofstede (2011, pp. 181-

182) pointed out items that are the most relevant to consumer behaviour. In large power distance cultures, one's social status – position in the hierarchy – must be clear so that others can show proper respect. Global brands serve that purpose, as luxury articles, some alcoholic beverages and fashion items typically appeal to social status needs (de Mooij & Hofstede, 2010, p. 89). In individualistic cultures, people are “I”-conscious and self-actualization is important. In collectivistic cultures, people are “we”-conscious, as their identity is based on the social system they belong to and preserving harmony and avoiding loss of face are important (de Mooij & Hofstede, 2011, p. 182). Generally, Western countries are relatively individualistic and non-Western countries are relatively collectivistic. Individually, each person is divided between inner private self and an outer public self (Usunier & Lee, 2005, p. 90).

People in different cultures have a different sense of themselves, of others, and of the relationship between the self and others. At an individual level Markus and Kitayama (1991, pp. 224-227) propose two aspects of the self – independent and interdependent self. For those with independent construal of the self, the inner self (preferences, tastes, personal values, etc.) is the most significant in regulating behaviour. Self-expression, autonomy, and the distinction and independence from others are important. On the other hand, interdependent self cannot be separated from others. People's identity lies in familial and social relationships. The outer self is regulating behaviour, where the emphasis is on fitting in and harmonious interpersonal relationships. Depending on the particular situation, the self can be differently expressed. This corresponds with individualist and collectivist cultures, where people from individualist cultures are more likely to rely on an independent self-concept, and people from collectivist cultures are more likely to rely on an interdependent self concept in any given situation (Usunier & Lee, 2005, p. 90). The self-concept affects how people in different cultures interpret product meanings and use them to achieve important ends in their lives (Peter & Olson, 2010, p. 297).

The concept of face is fundamentally a social-self construction issue and plays important role in collectivist cultures. Tin-Toomey and Kurogi (1998, p. 187) defined it as a “claimed sense of favourable social self-worth that a person wants other to have of her or him”. The interdependent Southeast Asian consumers have a greater concern for face. Therefore, compared to Western consumers they place more importance on publically visible possessions. Furthermore, they consume branded and luxury products for the symbolic value and to conform to the affiliated groups. Thus, instead of expressing inner personal preferences the focus is on public meanings. On the other hand, the motivation for luxury consumption in Western cultures is more a hedonic experience, which gratifies the internal, private self, and exposes personal preferences (Wong & Ahuvia, 1998, pp. 430-432).

The dominant values in masculine cultures are achievement and success. As achievement must be demonstrated, status purchases are therefore in general more frequent. Foreign brands are more attractive than local and products, such as expensive watches and real

jewellery are important to show one's success. In contrast, the dominant values in feminine cultures are caring for others and quality of life, where people also spend more on products for the home (Hofstede & Hofstede, 2005, p. 140; de Mooij & Hofstede, 2010, p. 89). One of the significant differences between masculinity and femininity is role differentiation. It is small in feminine cultures and large in masculine cultures. This reflects in household work, which is less shared between husband and wife in masculine than in feminine cultures. Furthermore, men also do more household shopping in the feminine cultures. In uncertainty avoiding cultures, people are less open to change and innovation and they tend to be hesitant toward new products and information (de Mooij & Hofstede, 2011, p. 183).

Values shape consumers needs which affect purchase decision (Kim, Forsythe, Gu, Moon, 2002, p. 483). People behave in a way to fulfil their needs and desires. Usinier and Lee (p. 88) point out that culture influences Maslow's "hierarchy of needs", which says that needs must be satisfied at one level in order for the needs in the next level to appear. Psychological needs are at the lowest level because they are the most fundamental. They are followed by safety needs, social needs (need of love and belonging), need of esteem (desire for respect from others) and the final need – the need for self-actualization. The authors point out that the basic axiom of Maslow theory is not true from a cross-cultural point of view, because similar kinds of needs may be satisfied by very different products and consumption types. Therefore, needs described by Maslow are themselves fairly consistent across cultures, but their rank ordering varies. This influences the motivation behind consumption.

Marketers try to satisfy consumer needs via particular products and brands, which are generally marketed to appeal to three basic consumer needs. These are functional, symbolic, and experiential needs (Park, Jaworski & MacInnis, 1986, p. 136). Functional needs relate to needs that motivate the search for products that prevent or solve a problem – quality seeker/concerned pragmatics. Symbolic needs are defined as desires for products that fulfil a role position, group membership, or self-image (Park et al., 1986, p. 136). As people satisfy a number of needs related to their image in the society, such as social approval, affiliation or personal expression, and outward directed self-esteem, these needs are also known as social needs (social directed) (Kim et al., 2002, 486). Last group are experiential needs; the desire for products that provide sensory pleasure, variety, and cognitive stimulation – fashion advocates (Park et al., 1986, p. 136). Generally, consumers in collectivist cultures value products that fulfil social or functional needs, while consumers in individualist cultures value products that appeal to their experiential needs (Kim et al., 2002, p. 487).

Consumers from different cultures acquire and utilize information in different ways. In collectivist and/or high power distance cultures people obtain information via implicit interpersonal communication and base their purchase decisions more on feelings and trust in company, whereas in individualistic cultures of low power distance, people actively

acquire information via the media and friends to prepare for purchase (de Mooij & Hofstede, 2010, p.96).

Another aspect of consumer behaviour that varies across cultures is consumer decision-making styles. Sproles and Kendall (1986, p. 268) defined it as “a mental orientation characterizing a consumer’s approach to making choices”. To empirically measure the decision-making styles of consumers shopping orientation, they developed a Consumer Style Inventory (CSI) that identifies eight mental characteristics of consumer decision making styles (Sproles and Kendall, 1986, pp. 271-274):

1. **Perfectionist, high-quality conscious consumer** is defined as a consumer’s search for the best quality in products. These consumers are also expected to shop more carefully, systematically, or by comparison.
2. **Brand conscious and “price equals quality consumer”** refers to the consumers’ orientation toward buying the more expensive, well known national brands. They are more likely to believe that higher price means better quality.
3. **Novelty and fashion-conscious consumers** are likely to gain excitement and pleasure from seeking out new things. Being in style is important to them and the variety seeking also appears to be an important aspect of this characteristic.
4. **Recreational and hedonistic shopping consciousness** characteristic refers to consumers, who find shopping pleasant and shop just for the fun of it.
5. **Price conscious and “value for money consumer”** characteristics define consumers who look for sale prices and are conscious of lower prices in general. They are likely to be comparison shoppers and concerned with getting the best value for their money.
6. **Impulsive and careless consumer** is characteristic that describes consumers as those who do not plan their shopping and appear unconcerned about how much they spend or about the “best buys”.
7. **Confused by overchoice consumer** characterize consumers who feel there are so many brands and stores from which to choose and have difficulty making choices.
8. **Habitual and brand-loyal consumer orientation** defines consumers who are likely to have favourite brands and stores and have formed habits in choosing them.

Zhou, Arnold, Pereira, and Yu (2010, p. 47) further categorize these eight shopping styles into two groups – utilitarian shopping styles and hedonic shopping style. Four shopping styles – quality consciousness, price and value consciousness, confusion due to over choice and impulsiveness – all reflect the utilitarian aspect of shopping behaviour, because of the focus on price, quality and value. The other four shopping styles – brand consciousness, novelty and fashion consciousness, recreational and hedonistic shopping, and brand loyalty – all reflect some nonessential, non-product aspect of shopping behaviour, and therefore make up a group named hedonic shopping styles. Furthermore, utilitarian shopping styles reflect task orientation, while hedonic shopping styles indicate personal-gratification and

self-expression. A consumer may have different consumer styles for each product category (Sproles & Kendall, 1986, p. 277).

Liu and McClure (2001, p. 54) found that consumers from different cultures also have different complaint behaviours. Singh (1988, p. 94) conceptualize consumer complaint behaviour (hereinafter CCB) “as a set of multiple (behavioural and non-behavioural) responses, some or all of which are triggered by perceived dissatisfaction with a purchase episode”. His taxonomy for classifying CCB consists of three categories: voice responses, private responses and third-party responses. The basis for this classification is the object toward which the CCB responses are directed. Voice responses are directed to objects that are external to the consumer’s social circle and are directly involved in the dissatisfying exchange (e.g. retailer, manufacturer). In contrast, for private responses, the objects are not external to the consumer’s social circle and are not directly involved in the dissatisfying experience (e.g. friends, relatives). Finally, third party responses include objects that are external to the consumer, but they are not directly involved in the dissatisfying transaction (e.g. taking legal actions, reporting to consumer agency, newspapers) (Singh, 1988, p. 104).

When dissatisfied, consumers in individualistic cultures are more likely to voice their complaints (voice responses) by discussing the problem with the employee of the firm, ask the firm to take care of the problem (fix or replace item, or return money), or inform the firm about the problem so that they will do better in the future. In contrast, consumers in collectivist cultures are less likely to engage in voice behaviour, as they tend not to express their emotions, especially negative, outwardly, which is considered losing face. Nonetheless, collectivist culture is not a passive culture, as consumers do express themselves most likely in private responses. They may avoid firm’s product or service from then on, buy from another firm next time (exit), or engage in the negative word-of-mouth. Meaning they will speak to friends and relatives about the bad experience or try to convince them not to do business with that firm. Both, individualist and collectivist cultures are less likely to take third party action (Liu and McClure, 2001, pp. 57-66)

Consumers’ loyalty is based on the repetition by buying same brand or product, or at the same store on a regular basis. On the other hand, disloyal consumers try new brands (Usunier & Lee, 2005, p 93). Consumers from collectivist cultures are relatively more loyal, because of their need to be in harmony with others (de Mooij & Hofstede, 2011, p. 189).

Culture also affects consumer innovativeness, which is defined as the predisposition to buy new and different products and brands rather than remain with previous choices and consumption patterns (Steenkamp, Hofstede & Wedel, 1999, p. 56). Consumers in more individualistic, more masculine, and low uncertainty avoidance countries tend to be more innovative. The opposite is true for collectivist cultures. Furthermore, ethnocentrism has a

negative effect on innovativeness and is stronger in countries that are relatively more collectivistic (Steenkamp et al., 1999, p.65). Ethnocentrism (Shimp & Sharma, 1987, p. 280) is the belief held by consumers that it is inappropriate, even immoral to purchase foreign products, because in their minds it hurts the national economy, causes loss of jobs, and it is unpatriotic.

The main question regarding the effect of globalization on consumers across cultures is if consumers will become the same or will remain different. Along with globalization and modernization many have assumed that economic development would lead to converging needs and tastes of consumers, and therefore to standardisation of marketing and advertising. As de Mooij (2000, pp. 103-107) points out, there is evidence of convergence of economic system, but there is no evidence of convergence of people's value systems. On the other hand, there is evidence that with converging incomes, people's habits diverge. With more discretionary income people are given more freedom to express themselves, and they will do that according to their own, specific value patterns. Furthermore, values are strongly rooted in history and appear to be pretty stable over time, thus with converging incomes, they will become more manifest.

According to Hofstede (2005, p. 114), differences between cultures will survive long into the future. If there is to be any convergence among national cultures it should be on the dimension of individualism-collectivism. There is a strong relationship in direction from wealth to individualism, and countries with fast economic growth have experienced a shift toward individualism. Nonetheless, they still conserve distinct collectivist elements and the relationship between individual and the group continues to differ.

3 INTRODUCTION OF CHINA

3.1 Geography

China is located in the eastern part of the Eurasian continent and with the area of 9.6 million square kilometres is the third largest country in land size in the world, after Canada and Russia. From north to south, China stretches from the centre of the Heilong River, north of the town of Mohe, to the Islands of the South China Sea. From east to west, the land expands from the confluence of the Heilong and Wusuli rivers to the Pamirs. China has a land border of approximately 22,800 kilometres and bounded by the Bohai, Yellow, East and South China Seas, the coastline boarder along the Pacific Ocean extends approximately 18,000 kilometres. There are more than 5000 islands, the largest being Taiwan with an area of about 36,000 square kilometres. The many islands are located in the South China Sea and are known as the South China Sea Islands (Grimes & Liangxing, 2003, pp. 16-18). Administrative division system divides China into 23 provinces

(including Taiwan), 5 autonomous regions, 4 municipalities, and 2 special administrative regions (Macau and Hong Kong). The capital city is Beijing (The World Factbook, 2016).

China's vast landscape diversity is shaped by mountains, plateaus, wetlands, deserts, plains, rivers and lakes. The grasslands are mainly located in north and west China, while forests are mainly in the remote north-eastern and south-western areas, and the cultivated land is mainly in east China. More than 1,500 rivers contribute to the China's richness in water power resources of which the Yangtze River, with 6,300 kilometres, is the largest river in China, and the third largest in the world. Furthermore, China is rich in mineral resources, placing it third in the world in total reserves. The entire world's known minerals can be found there, but the most important are coal, metal, petroleum and natural gas (Grimes & Liangxing, pp. 19-20, 24-25).

3.2 Demographics

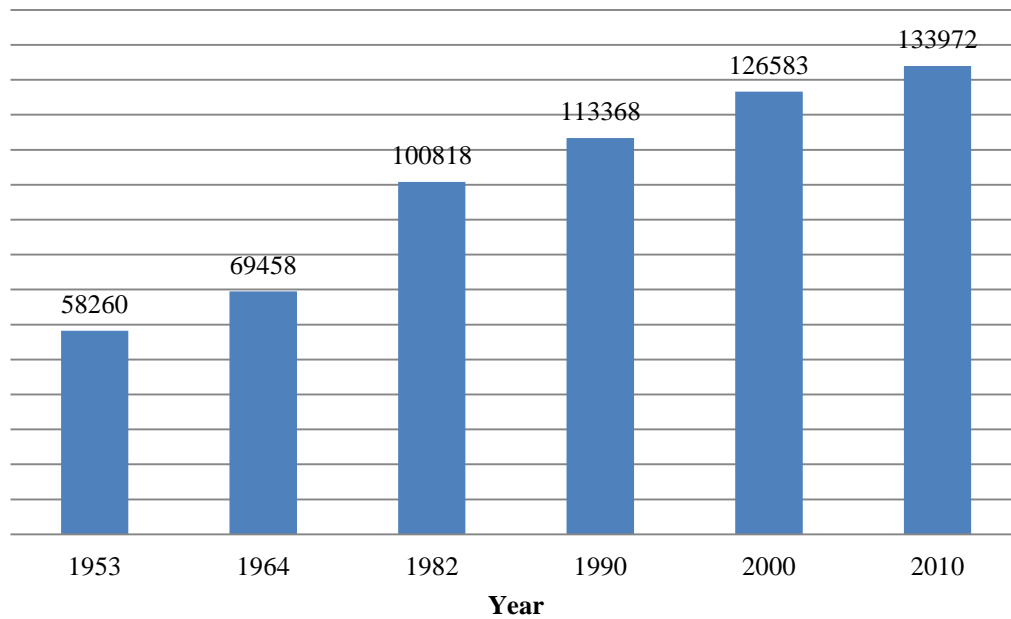
Today, China is the most populous country in the world. With estimated 1.37 billion people (only mainland China - not including Hong Kong and Macau special administrative regions and Taiwan Province), it represents one-fifth of the world's total population. The first census was conducted in 1953. At that time, there were 582 million Chinese. The second census in 1964 gave a result of 695 million Chinese (China Today, 2017).

This trend of rapid population growth led to the strict family planning policy in 1979, with some differences in implementation of it. The one-child policy was more flexible for rural people and ethnic minorities. Depending on the area people live, population, natural resources, economy, and customs, they may have a second or even a third child.

After three decades from the first census, the third census (1982) data shows that the population almost doubled, reaching 1 billion people. The total population in census years is presented in Figure 8. The last census (2010) shows a decrease in annual average population growth. Compared to the period between 1990 and 2000, where the average annual population growth was 1.07 percent, in the years between 2000 and 2010, it dropped to 0.57 percent. Said by Ma Jiantang, director of the National Bureau of Statistics, the rate indicates that the fast growing population has been controlled effectively, because of the family planning policy (China Today, 2017).

As a result of the family planning policy, the changes in the population structure show a trend in growing aging population. According to the last census, the growth rate of the aging population had increased. The majority, 74.53 percent of the population, is between ages of 15 and 64; while 16.6 percent is at the age of 14 or below, and 8.87 percent is 65 or older. The change in the age structure of the population in census years can be seen in Figure 9.

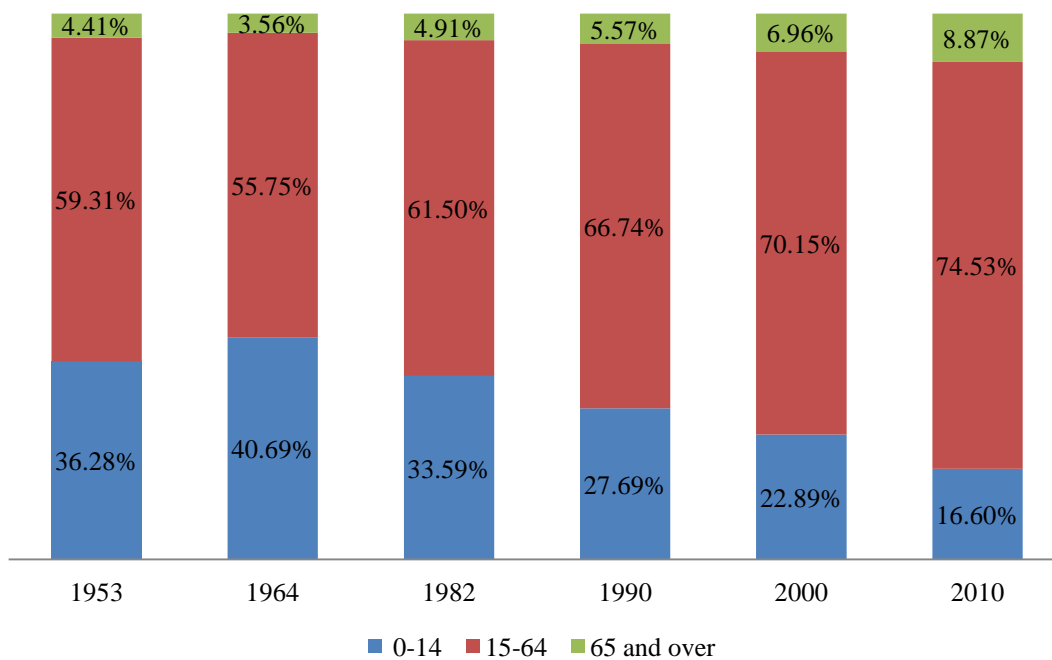
Figure 8. Total Population (10,000 persons) in Census Years



Source: *China Statistical Yearbook*, 2016.

Furthermore, due to the one child policy and the preference of boy babies, especially in rural eras, today, males make 51.27 percent of the total population and females 48.73 percent (China Statistical Yearbook, 2016; China Today, 2017).

Figure 9. Age Structure of the Population in Census Years



Source: *China Statistical Yearbook*, 2016.

Officially recognized 56 ethnic groups make China united multi-ethnic nation, of which majority represents Han ethnic group with 91.51% of total population in 2010 (China Today, 2017).

According to The World Bank data (2017), in 2015 the average national density population was 146 per square kilometres. It is distributed unevenly, with more people living in the east. Since the founding of People's Republic of China (hereinafter PRC), the urbanization process increased. If in 1949 the population living in rural areas accounted for 89.36 percent of the total population and only 10.64 percent in urban areas, the latest data show a different picture. In 2015 the urban population accounted for 56.10 percent while rural population made up 43.90 percent of total population (China Statistical Yearbook, 2016).

3.3 History

To understand modern China, it is crucial to know the course of its history. Being one of the oldest ancient civilizations, with the recorded history of nearly 5000 years, the periodical reigning of many dynasties distinguished in length and power of their ruling. This chapter is dedicated to the historical overview of China from the ancient period to the modern days.

The earliest of ancient dynasties was the Xia dynasty. Since there is no written evidence of its existence, it is often viewed as mythical. Recorded history in China begins with the rise of the Shang dynasty (1600-1046 B.C.), which implemented permanent editorial board and permanent army for the protection from people from the north. At that time the worship of the ancestors was formed and stayed present till today.

The Shang dynasty was overthrown by the Zhou dynasty (1046-771 B.C.). This period was characterized by the creation of feudal society. The land was divided on feuds and assigned to aristocrats on the basis of kinship ties with the ruler. Furthermore, the Zhou introduced the Mandate of Heaven, where the emperor was given the right to rule by the God of Heaven (Tian). This concept was used to justify the overthrow of a ruler (Saje, 2010, pp. 83-84). The Mandate of Heaven and with it the right to be emperor was lost if the ruler did not fulfil his obligations. Signs of a lost Mandate of Heaven were floods, earthquakes, and rebellions. The end of the Zhou dynasty was marked by the Warring States period (475 - 221 B.C.). Constant wars for the territory and social crisis produced several philosophic schools, the most important being Confucianism, which teachings are implemented in Chinese culture.

The Qin dynasty (221-207 B.C) rose from the war and replaced the Zhou dynasty. The king took the title Shi Huang Di (First Emperor); therefore, the period from this moment on is known as the Imperial period of China. Despite emperor's short ruling, he managed to unite China under the tightly centralized government, which took the power of

aristocrats and landowners. The unification took place also in standardizing the legal code, written script, weights and measures. After the death of the emperor, the Han dynasty took the throne with the military revolt. The powerful Han dynasty ruled from 206 B.C. to 220 A.D. and gave the name to the members of the ethnic majority in China – people of Han. The empire kept much of the Qin administrative structure, but they did modify some of the established centralized rules. The Qin and Han dynasties set the foundation of the unified state under the central imperial bureaucracy that more or less existed until the end of the Imperial China. In Qin's dynasty Legalism doctrine, a system of harsh rules and laws was followed. Confucianism was out of favour, but under the Han dynasty, it became a ruling ideology of the state. During the Han dynasty the trade route known as the Silk Road began to flourish and as a consequence, Buddhism started to spread in China (Potočnik, 2006, pp. 121-123).

The period after the Han dynasty marks an internal political collapse. It was not until the Sui dynasty (581-618) that China was united again. Due to the gaining power of aristocrats on officials' positions, the civil servant began to be selected on the basis of the Confucian examination system. This ensured that the civil servants were chosen based on their merit rather than their aristocrat origins. This system continued until the end of the Imperial China in 1911. With the Sui dynasty, China reached the second golden period, after the Han, which continued under the reign of Tang dynasty (618-907), where agriculture, handicrafts, and commerce flourished. After the Tang dynasty, the empire crumbled. The northern part stayed unified while the south consisted of several states. It was not until the Song dynasty (960-1279) that China was reunited again. The bureaucracy system was modernized and after the Han dynasty, this is the period that relied again on Confucian tradition. This revival is known as Neo-Confucianism (Potočnik, 2006, pp. 126-131).

In 1279, Mongolian Kublai Khan, the grandson of Genghis Khan, invaded China and established the Yuan dynasty. For the first time, China was entirely under the foreign authority. Mongols continued with the usage of the Chinese traditional institutions. Furthermore, a lot of Chinese withdrew from government position as they did not support foreign rulers. The death of Kublai Khan and natural disasters led to continuous fights until 1368, when the Ming dynasty overthrew the Mongolians. China was again in hands of Han people. The Neo-Confucianism and the first emperor's background as a peasant led to the revival and gave the emphasis on agriculture. Land estates were reduced in favour of peasants. Despite nationalist orientation, the Ming dynasty sought to develop contacts with foreign countries, which resulted in European sea voyages and the arrival of Christianity by missionaries (Potočnik, 2006, pp. 136-140).

In 1644, the Ming dynasty was replaced by the Manchu people. They established the Qing dynasty. The Manchus, today they represent one of the Chinese ethnic minorities, were not Han Chinese, but they did retain and respected many institutions and traditions of preceding dynasties. Even though many dynasties shared the view that China was of the

central importance, the individual dynasties coped with the outside world differently. Some rulers were more open to the interactions with foreigners than others. While the Ming dynasty was open to the international trade, the opposite stood for the Qing dynasty, which decided to limit Western trading through China's ports. China's self-sufficiency and Westerners' demand for Chinese goods (silk, porcelain, and tea) created a trade imbalance, which especially dissatisfied Britain. To counteract this imbalance, Britain began to trade raw cotton and opium from its colony India to China. Despite the opium prohibition by the imperial decree, the traffic of opium always found a way to enter China. The illegal trafficking and the destruction of British opium stock triggered a war between China and Britain, known as the Opium War (1839-1842). Defeated China had to sign The Treaty of Nanjing, with which Britain gained several rights, including the control over Hong Kong. After the defeat, the Qing dynasty never fully recuperated. Additionally, many domestic revolts, international conflicts, and inability to reform the system further weakened the dynasty's power. The result was the revolution and the establishment of the Republic of China in 1911, which ended over 2000 years of the feudal monarchy (Wasserstrom, 2013, pp. 28-31; Country Studies, 2017)

The period of modern China started when Sun Yat-sen, of the Nationalist Party (Kuomintang) became the first president of the Republic of China. His political philosophy centred on Three Principles of the People: nationalism, democracy, and people's livelihood, of which only the nationalism was achieved with the rebellion against the foreign domination of the Manchu people (China Window, 2017). The inability to achieve all the goals of the revolution resulted in a New Cultural Movement (1917-1921) among scholars and students. Influenced by new ideologies, especially by Marxism-Leninism, they argued that the traditional Confucianism, which gave a great importance to agriculture and the peasants' social class, was responsible for China's stagnation. The high point of the movement was the demonstrations of May 4th, 1919 against the terms of the Versailles Treaty, where territory rights were turned to Japan instead of being returned to China. As a consequence, the cultural movement turned into a political movement that led to the establishment of the Communist Party of China (hereinafter CPC) in 1921 by Mao Zedong.

The Communist Party and the Nationalists Party fought a long civil war. Due to the Japan's occupation of Manchuria in 1937, the Nationalists and Communists temporarily joined their forces, but after Japan was defeated in the Second World War in 1945, the two parties resumed their civil war. In 1949, the Communist won and the Nationalists retreated to Taiwan. On October 1st, 1949, the head of the CPC Mao Zedong proclaimed the People's Republic of China (PRC) (Country Studies, 2017).

Mao's goal was to change China into a modern, powerful, socialist nation, by following the Soviet Union economic model. The industrial success of the Soviet Union set the bar for China to achieve industrialization, collectivism of agriculture, and the political centralization, by implementing five-year plans. In 1958, after the first five-year plan, Mao

felt that the change was too slow and that the Soviet's highly centralized industrial based model, which brought imbalance between industrial and agricultural growth, was not appropriate for China. With the wish to speed up production for all sectors, the "Great Leap Forward campaign" was launched. To overcome the lack of capital, the surplus rural labour was reorganized in communes and peasants smelt steel in their "backyards". Being preoccupied and diverted from the fields, grain yields plummet, which led to famine and death of millions. After this disaster, Mao launched the "Cultural Revolution" in 1966, to regain his authority. The aim was to suppress traditional culture and to remove the opponents (Country Studies, 2017). Young students joined the Red Guards to remove the four olds – old culture, customs, habits, and ideas. The revolution ended with the death of Mao in 1976.

In 1978 Deng Xiaoping became new leader and China entered an era of political, economic, technological, and social changes. He introduced the policy of reform and opening up. The focus was shifted to the modernization and the reformation of economic and political system. China gradually transformed from centrally planned economy to the market based economy with Chinese characteristics, where the state is still controlled by the Communist Party of China.

This chapter gave a chronological overview of some important events that have shaped China's history from ancient times till the opening up. The following two chapters outline China's economy and market today.

3.4 Economy

Until the 15th century, China's economy flourished due to the many technological inventions, like paper, printing and gun powder. After the first foreign occupation and the loss of interest for new things, China started to lose its power, and with the industrial revolution in 19th century, Europe surpassed China. After the Maoist self-reliance and centralized economy, China opened up to the world and is experiencing a rapid economic growth.

Over the past 30, years China's GDP grew at an average annual rate of nearly 10 percent, leading China to become the second largest economy, after the USA, largest destination of foreign direct investment (FDI) and leading the world in exports. The annual GDP growth was 7.8 percent in 2013 but as expected, in last few years it decreased to 7.3 percent in 2014 and to 6.9 percent in 2015 (The World Bank, 2017). The reason for slowdown lies in the fact that China is in the process of transitioning into a high value-added economy, where steady economic growth is driven by consumption, innovation, and the services sector and not anymore by investment, export, and manufacturing (KPMG, 2016, p. 4).

Since the reforms, China has gradually reduced its reliance on state owned enterprises (SOEs), which contributed to the creation of various privately owned enterprises, especially within the service sector. Nevertheless, the development of strategic industries – sectors considered important to national security, such as national resources, banking, and telecommunications are still under the government (Economy Watch, 2013). In share in GDP, service sector overtook the industry in 2013 and it is estimated that in 2016 it accounted 50.7 percent of GDP, while industry contributed 40.7 percent to GDP, and agriculture 8.6 percent (The World Factbook, 2016). This shows the changes in the composition of China’s economy.

Trade liberalization led to the implementation of special economic zones to attract foreign investment. The success of free market reforms resulted in selecting and opening coastal cities and thus boosting investments from overseas and trade exchange. The interior and western China did not profit as much as the coastal provinces from the economic development, which resulted in more than 274 million migrant workers by 2014 relocating to urban areas to find work (The World Factbook, 2016). Even though the poverty has decreased over the years, the discrepancy between the poor and rich has increased. Those seeking employment in the city are treated as second class citizens, with poor access to health care and education. The lack of social safety net and insufficient health care are main reasons for China’s high saving rates.

To address China’s aging population and economic needs, the government implemented the new policy in 2016, which allows all couples to have two children instead of just one, as it was permitted under the One-Child policy (The World Factbook, 2016).

The 13th Five-Year Plan (2016-2020) proposal identifies five principles for the country’s development in future, where the goal is to achieve “a moderately prosperous society”. These concepts are (KPMG, 2016, p. 10):

- Innovation – to transit into a high value-added economy and consequently achieve a higher quality of growth.
- Regional development – the aim is to address development disparity among regions and between rural and urban areas through infrastructure investment and the stimulation of regional markets.
- Green development – tackling pollution and energy efficiency issues through market incentives.
- Opening up – increasing the efficiency of China’s market by further integrating it with the global market.
- Inclusive development – to ensure that China’s development process benefits all individuals at all levels of society.

3.5 China's consumer market

Under Mao's leadership, private enterprises and foreign investments were generally barred. Through centrally planned economy the state controlled prices and allocated resources, as the goal was to achieve self-sufficient economy. Due to the lack of market mechanisms and focus solely on production, the resources were not efficiently allocated and the quality suffered. But after Mao's death, the move was made toward the free market and trade and investment liberalization with the West. Consumers got the possibility to experience foreign products and farmers were permitted to sell a portion of their crops on the market. (Morrison, 2015, pp. 2-4). There were more products to choose from and with the improving living standards, Chinese consumption started to flourish.

The increase in income is an important force that drives Chinese consumption. In 2015, the national per capita disposable income was 21,966 Yuan, a real increase of 7.4 percent after deducting price factors. This increase in income gives Chinese consumers an opportunity to purchase discretionary products, especially those that were before opening up unavailable and it busts the consumption expenditures. The national per capita consumption expenditure in 2015 was 15,712 Yuan, up by 6.9 percent after deducting price factors (National Bureau of Statistics of China, 2016). Chinese consumers can now afford and are willing to spend on discretionary products. It is forecasted that between 2010 and 2020, the growth in spending on discretionary categories will exceed 7 percent annually, and in necessities growth is expected to be around 5 percent (Towson & Woetzel, 2015). The contribution from final consumption expenditure out as a percentage of GDP was 51.1 percent in 2014. In same year household final consumption expenditure as the percentage of GDP was 37.4 percent (The World Bank, 2017).

Today, technological development is reshaping China's consumer market, especially the Internet, which has expanded quickly in China. In 2005, the Internet penetration was 8.5 percent or 111 million users and in 10 years the Internet penetration rate reached 50.3 percent or 688 million users (CNNIC, 2016, p. 45). Because of the differences in economic development and Internet infrastructure, the gap in size between rural and urban Internet users exists. The CNNIC report (2016, p. 50) shows that in 2015 China had 195 million rural Internet users with a penetration rate of 28.4 percent. Meanwhile, it had 493 million urban Internet users with an urban penetration rate of 71.6 percent. From the end of 2014 to 2015, rural and urban Internet users increased for 9.5 percent and 4.8 percent, respectively. The rural Internet users' percentage was growing twice as fast as the urban and shows the rural Internet popularization in 2015.

Furthermore, more and more people use mobile phones to access the Internet. The percentage of Internet users using the mobile phone to access the Internet climbed up from 85.8 percent in 2014 to 90.1 percent in 2015, while the number of Internet users using desktops, laptops, and tablets is declining (CNNIC, 2016, pp. 47, 55).

The spread and the increased usage of the Internet made China the world's largest e-commerce market, generating 3,877.3 billion Yuan in 2015, an increase of 33.3 percent compared with the previous year (National Bureau of Statistics of China, 2016). Additionally, in 2015, mobile e-commerce outgrew the PC. Mobile e-commerce now accounts for 55 percent of Chinese consumers online purchase and it is expected to grow to 70 percent by 2020 (Ding, Lannes, Weiewen & Yao, 2015).

3.6 The three teachings

From the ancient times, China has been a country of many religions and philosophies. Today, the most followed are Buddhism, Daoism, Islam, and Christianity. In general, Chinese do not think they need to follow only one religion or philosophy. They choose the one that they think is the most beneficial in their homes, public life or at rituals.

Moreover, Chinese tradition mainly constitutes from three historical schools of thoughts – Confucianism, Daoism, and Buddhism. These three schools present the forces that through history have shaped Chinese society of which Confucianism played a dominant role. Therefore, in order to understand China's contemporary consumer, it is important to understand the basics of the teachings, which are deeply rooted in Chinese tradition.

3.6.1 Confucianism

Confucianism initiated in China by a teacher and philosopher Confucius (Master Kong), who lived from 551 B.C. to 479 B.C. The political collapse and constant wars in that period led Confucius to search for a moral compass, which would bring back political and social harmony and consequently a strong and peaceful state. He believed this could be achieved by following the examples and traditions from the past, especially those in the height of Zhou dynasty. Therefore, he saw himself as a transmitter of old traditions and not a creator of new ideas. His teachings were recorded in the text named Lunyu or Analects.

The basics of the Confucian teaching are embodied in Five Principles: ren (benevolence), li (propriety), yi (righteousness), zhi (wisdom), and xin (trustworthiness) (Lu & Chen, 2011, p. 58). These virtues emphasize the morally appropriate behaviour in everyday life and people's behaviour toward others. Li (propriety, rituals) represents rules of appropriate behaviour between two people, which derives from ceremonies that were performed by ancestors. It describes the proper behaviour in actions of everyday life, like sacrifice rites, mourning, greeting, and gift exchange and depends on the social position people have to each other. This appropriate behaviour is stressed out in one of the most important virtue of all; ren, which means benevolence, humanness, kindness, love, goodness etc., and deals primarily with how people relate to each other (Yao, 2000, p. 213). The principle of this

moral behaviour toward others means that you should not do to other, what you do not wish for yourself.

Furthermore, harmonious society could only be achieved by following five basic relations (wu lun) between ruler and subject, father and son, husband and wife, elder and younger brother, and older and younger friend. Relationships in this hierarchical division of society are based on mutual obligations in which the junior owes the senior respect and the obedience, whereas the senior owes the junior partner protection and consideration (Hofstede & Bond, 1988, p. 8). Everyone should comply with their obligations in human relationships and know what their role is.

Three of these basic relationships are family relationships, which show the importance of family and explain the paternalism in Chinese society (Fan, 2000, p. 4-5). The important virtue in the family relationship is the filial piety, the respect for elder and obedience of children toward their parents. Even though Confucian morality revolves around family relationship the Confucian ethics are not bounded solely to the family. Rather, the family is seen as the prototype of all social organizations (Hofstede & Bond, 1988, p. 8). Confucius believed that family is the basic unit of the community and that harmonious family relationships will lead to a harmonious society, and therefore peaceful state (Yao, 2000, p. 33).

The hierarchical division of society was also evident in the establishment of social groups, where the most important were the ruling family, followed by scholars, who made it possible that the country was well governed; and farmers, who provided food. Less valued were artisans, who were not essential but made products that were useful, and the least valued were merchants, who according to Confucianism did not contribute to the community at all (Wasserstrom, 2013, p. 18). This distinction was a result of Confucianism's propaganda toward the value of education and self-cultivation (Yao, 2000, p. 26) and despised view on profits (Lu & Chen, 2011, p. 58).

At the beginning, Confucianism did not enjoy any privilege and was just one of many schools that appeared during the Warring States period. It was not until the Han dynasty that it became a dominant school and an orthodox ideology of the state. The ability to adapt to the environment and different situations and the syncretism of ideas from other schools allowed Confucianism to more or less maintain its dominance for two thousand years. Therefore, Confucianism is rooted in Chinese tradition and it is reflecting the Chinese attitude towards life and the world. (Yao, 2000, pp. 28, 31).

3.6.2 Daoism

Daoism is an indigenous Chinese philosophical and religious tradition, which originated roughly at the same time as its counterpart Confucianism. A teacher named Laozi founded

the Dao school and wrote the most important work, called *Daodejning*. Together with the *Zhuangzi* text, the two represents the classical and most influential texts of Daoism.

Dao literally means “the Way”, and is the essential concept of Daoism. It is the origin of everything. Its existence is beyond all forms, and therefore it cannot be defined. Because it is beyond the understanding of the rational mind it can only be comprehended through experience (Oliver, 2010, p. 38). The way to be with Dao is through reaching the principle of *wuwei*, which means non-action, but instead of being understood as doing nothing, it means not forcing things and let them go their natural way (Kohn, 2012, p. 21). Daoism emphasizes patience, harmony, longevity, and simplicity, which can be achieved by the principle of Yin and Yang.

Yin and Yang are opposite and complementary forces – one cannot exist without the other. Yin represents female elements (the moon, night, weakness, softness) and Yang represents male elements (the sun, day, strength, hardness) (Faure & Fang, 2008, p.195). Harmony is reached when these two forces are in balance. Daoism was also a source for Chinese traditional medicine, alchemy, and martial arts.

Daoism is an approach to life that encourages people to live in harmony with nature. It shares with Buddhism the practice of meditation (as a means to spiritual advancement) and also the use of breathing exercises to still the mind, to apprehend the Dao (Oliver, 2010, p. 39).

3.6.3 Buddhism

Siddharta Guatama was a son of the king of the Sakya kingdom in Nepal. The affluent life he lived did not bring him happiness. In search of understanding what caused human suffering, he left the palace and lived as an ascetic. Even though the nature of human destiny seemed unhappy, Siddharta thought there is a way of life where one could find peace. In search to end suffering he set under a tree and practiced meditation, before achieving enlightenment and becoming the Buddha (Oliver, 2010, pp. 139-141).

With the enlightenment, Buddha realized the Four Noble Truths – the basis of the Buddha’s thought. The Four Noble Truths are: life is suffering, the cause of suffering is craving, suffering can be ended, and the path to end suffering is the Eightfold Path. The goal of Buddhism – to become enlightened, to reach Nirvana (peace and tranquillity) - can be achieved by following the path. The Eightfold Path is divided into three categories: moral conduct (right speech, right action, right livelihood), concentration (right effort, right mindfulness, right concentration), and wisdom (right thought, right understanding) (Brown, 2007).

Buddhism believes that life in its basic is suffer, which cannot be avoided, because it is present in an infinitive cycles of rebirth and death – reincarnation. Life occurs in sequences of events that are defined by causes and action – karma. Each individual has the power to influence their own destiny. The desires of people cause suffering, which leads to the disappointment. Therefore, to end the suffering, one must stop craving, in order to reach the nirvana (enlightenment) and exit the cycle of reincarnation.

Buddhism doctrine (dharma) was first put on paper in the 1st century. Depending on the language that the teachings were written, Buddhism's doctrine split into two branches. Hinayana origins from Pali canon (pali language) and inherited Buddha's original traditions. Today it is practiced in Burma, Thailand, Cambodia, and Sri Lanka. In contrast, Mahayana origins from Sanskrit text (Sanskrit language) and it is also known as “the great vehicle” as it is more comprehensive and open to the influences. One of the implementations was the concept of bodhisattva – an individual, who has reached the enlightenment but decides to remain outside nirvana, to help others to reach the enlightenment, until all living things are released from suffering. The emphasis of the traditional teaching moved from oneself, to helping others to reach their salvation. Mahayana is present in China and Tibet (Saje, 2009, pp. 87-88).

Although Buddhism was founded around the same time as Confucianism and Daoism, it only came to China during the Han dynasty (206 B.C. – 220 A.C) and became the first foreign religion in China. Under the ruling of Han dynasty, the foundation of the empire was established in Confucian doctrine. Therefore, Buddhism did not have much influence in China (Eder, 1973, p. 150). The collapse of the Han dynasty made it possible for Buddhism to become accepted by people, who looked for comfort in the difficult times. The peak of the Buddhism was during the Tang dynasty, where Buddhist monasteries became wealthy as they owned large amounts of land and were exempt from paying taxes (Brown, 2007). Buddhism flourished till the 9th century, when many wealth confiscations by the state reduced its role.

Buddhism brought to China the concept of enlightenment, reincarnation and karma, and it was attractive to people, because it offered the responsibility for their own destiny, as it dealt with self understanding. Daoism emphasized the individual and his harmonious relationship whit nature, whereas Confucianism emphasized human relationships based on the hierarchical structure which by self-cultivation brings social harmony.

3.7 Classification of Chinese culture

To better comprehend Chinese behaviour a look into the characteristic of culture is necessary. Fan (2000, p. 4) describes the core values of Chinese culture as those that are unique and consistent, shaped by a tradition of thousands of years of history and maintained by the same language that gives the Chinese people their basic identity. The

distinct Chinese worldview can be traced back in history, when three competing school of thoughts – Confucianism, Daoism and Buddhism – arise, influenced, and shaped Chinese traditional culture. These values also serve as guidance for Chinese in everyday life.

In classifying Chinese culture Fan (2000, p. 9) gathered values, that are typical for Chinese culture, into eight categories. These groups and some of the values representing them are:

- **National traits:** patriotism, a sense for cultural superiority, respect for tradition, knowledge (education), and moderation (following the mid way).
- **Interpersonal relationships:** kindness, propriety, people being primarily good, harmony with others, face, and reciprocation of greetings, favours, and gifts.
- **Family/social orientation:** filial piety, kinship, loyalty to superiors, hierarchical relationships by status and observing this order, conformity/group orientation, and avoiding confrontation.
- **Work attitude:** commitment, thrift, patience, and adaptability.
- **Business philosophy:** non-competition, not guided by profit, and morality.
- **Personal traits:** having a sense of shame, self-cultivation, obligation for one's family and nation, pragmatic (to suit a situation), and wisdom.
- **Time orientation:** past-time oriented, continuity (time viewed as a circular rather than linear), and long range view.
- **Relationship with nature:** the way (Dao), fatalism/Karma (believing in one's own fate), harmony between man and nature, and unity of Yin and Yang.

This list of values shows that a large number of values are related to interpersonal and social orientations and can be traced back to Confucian doctrine, which influence has a dominant role and forms the foundation of Chinese cultural tradition (Fan, 2000, p. 6)

Due to the influence of Confucianism and its five basic relations (Wu Lun), which have served effectively to control social behaviour in society, Chinese have historically had a respect for authority without questioning it (Yau, 1988, p. 49). Furthermore, following the principles of certain behaviour in these unequal relations ensure stability and harmony of society. This inherited Confucian hierarchy explains why China scores high on Hofstede's power distance dimension and accepts unequal relations.

Harmony plays an important role in China, not only on the level of interpersonal relationships (society), but also in relation with nature and within oneself. In Confucianism, family virtues are the cornerstone of social order. The family represents a basic unit of society where harmonious family relationships lead not only to the harmonious society but also to a peaceful state (Yao, 2000, p. 33). Furthermore, the belief that nature has the Way (Dao) emphasises the "being" orientation, meaning that Chinese believe people should not try to overcome the nature but learn to adapt to it to reach

harmony (Yau, 1988, p. 54). The unpredictable nature of future drives Chinese to save for rainy days and explains their traditional thriftiness and consequently high saving rates (Wang & Lin, 2009, p. 401). Furthermore, throughout history, Chinese culture has been predominantly based on agriculture. The insecurity of food supply made Chinese more risk averse and less innovative as it seemed safer to follow the traditional methods, which had been proven workable (Yau, 1988, p. 54).

One of the key Confucian values of family relationship is the virtue of filial piety, which is regarded as a lifelong service to one's parents (Yao, 2000, p. 203). Children's duty is to respect, obey, and care for their parents and elderly family members. On the other hand, parents are responsible for children's education, especially their moral training and cultivation of character (Yao, 2000, p. 182). Chinese attach much importance to tradition and past experiences (Wang & Lin, 2009, p. 402), which is also reflected with the historical significance given to education, respect for parents, rituals, and ancestors. From an early age children learn to restrain themselves, to overcome their individuality so as to maintain the harmony of the family (Hofstede & Hofstede, 2005, p. 208). Moreover, the expression of emotion and feelings are carefully controlled.

China has been regarded as a highly collectivist country, where people have an interdependent construal of the self and focus on the public outer self (Markus & Kitayama, 1991, p. 288). Thus, as Chinese view themselves in relations to others, they primarily act in accordance with expectations and in the interests of the group rather than with fulfilling personal wishes (in order to preserve face). In these interpersonal relations, the concept of **face** plays an important role, and Chinese have a strong face consciousness (Wang & Lin, 2009, p. 401). Hu (1944, p. 45) classifies face into two types: *lien* and *mien-tsu*. *Mien-tsu* stands for the kind of prestige and reputation achieved through getting on in life through success and ostentation. On the other hand, *lien* is the respect for a man who under all circumstances shows himself a decent human being, with a good moral reputation. Face affects other people's perceptions of an individual. When a person does not reach the norms of the moral behaviour or norms of the affiliated groups, it loses face in the eyes of others. This also affects one's group reputation. Thus, one can lose, gain, protect or give face. Face is also connected to the concept of *guanxi*. *Guanxi* indicates the social connection one is involved in or relationship with one another (Lu & Chen, 2011, p. 61) and it involves reciprocal favours and gifts (Lewis, p. 491).

4 CHANGING CHINA

4.1 The new consumer – new trends

In the last 100 years, compared to the long Chinese history, China has experienced more change in the short period of time than ever before. From the civil war, the establishment

of PRC, and Mao's leadership, to the open policies that started China's modernization, Chinese everyday lives have changed. The shift from traditional ways of life and the different worldview makes it hard to comprehend Chinese behaviour. Furthermore, the Den Xiaoping's decision to make some people rich first started disparities in economic development across regions. This and the differences across generations make Chinese consumer behaviour even more complex and hard to comprehend.

4.1.1 Shift from tradition

Cultural changes are often attributed to factors such as social, economic, technological, ideological, political transformations, and influences by other cultures (Lu & Chen, 2011, p. 56). More than ever, China is exposed and influenced by the Western culture. Pop culture, fashion, movies and other products are appealing to Chinese. But Chinese culture is not turning into a Western culture. When it comes to explaining the change in value systems, the modernization theory implies that as societies develop economically; their cultures tend to shift in a predictable direction (Inglehart & Baker, 2000, p. 32).

From the Mao's era on, Chinese had experienced a lot of changes in their life. The younger generation has grown up in a different environment than did the older. Therefore, value differences between generations may provide insight into value changes (Inglehart & Baker, 2000, p. 42). Sun & Wang (2010, pp.78-79) compared value differences between younger and older Chinese generations' and found that the former rate self-development as the most important thing in life. Furthermore, the younger generations are more individualistic and more likely to live according to their own lifestyle, regardless of what others think. On the other hand, older generations show strong traditional values. Nonetheless, traditional family values have persisted, and are important across all generations.

Zeng and Greenfield (2015) report similar findings using Greenfield's theory of social change and human development, which provides a framework for understanding the implication of ecological change (urbanization, economic and technological development, and higher education) for value shifts. According to this theory, the world moves from rural residence, low levels of formal education, subsistence economy, and low technology to urban residence, formal schooling, commerce, and high technology environments. The former prototypical environment is summarized by the term *Gemeinschaft* ("community") and the latter by term *Gesellschaft* ("society"). As environment moves toward *Gesellschaft* direction, values move toward individualism (Greenfield, 2009, p. 401). Zeng and Greenfield (2015) use Google Ngram Viewer to research shifts in the Chinese culture. Based on the premise that books are a tangible and public representation of culture researchers use a selection of words that represent individualistic and collectivistic values and analyze their frequency over the time. They found that emergence of individualistic values began since the Economic Reform. In contrast, frequencies of most words

indicating collectivistic values declined, but still exist. The results show Chinese values have shifted with growing urbanism, increasing wealth and higher levels of formal education, which shows China's transition from Gemeinschaft to Gesellschaft. Thus, the environment has an influence on culture. The more developed the economy is, the more promoted are self-expression values (Inglehart & Baker, 2000, p. 41).

Chinese traditional values are not being replaced. Rather the priority of certain values is changing, while Chinese are adapting to the new ways of life that the process of modernization has brought. Faure & Fang (2008) say that within Chinese culture, **paradoxical orientations** have always coexisted. As opposites end up producing balance and harmony, to understand and explain inconsistencies in Chinese concepts and practices, the culture is viewed in terms of the classical Yin and Yang approach.

Chinese are comfortable with the idea of opposites coexisting, as long as harmony is not disrupted. Today, the traditional attitude of being modest and self-restraint is challenged by a more open manifestation of individuality and opinions, especially in larger and coastal cities. People try to find the balance between face preservation and self-expression. The decrease in importance of saving face is also seen in today's acceptance of certain attitudes and behaviours, which not long ago have been a taboo. In the eyes of the society, the premarital cohabitation and divorce are not anymore a disgrace (Faure & Fang, 2008, pp. 198-199). Nonetheless, self-expression is still defined in the confines of the society; standing out by fitting in (Doctoroff, 2013 p.198). Therefore, Chinese individualism is not defined as independent of the society.

Another visible paradox in China today is between saving and spending. Traditionally thrifty, Chinese have relatively high saving rates, but when it comes to certain luxury products, especially for products used in public, they are prepared to pay high premiums. Chinese spend more than before on well being, leisure, and enjoyment but still save for healthcare and future retirement. At the same time, Chinese are saving, so they can invest heavily in their children. They are prepared to spend a lot on things like baby formula, education, and private tutors. There is also a change in family structure. Not only did the one child policy move the focus on the only child, the loosening social controls has given people to opt for sacrificing family life in favour of making careers. Choosing not to have a child or have it at a later stage in life is no longer perceived as a moral crime. The traditional gift giving and respect for elderly and customs still remain important in social life (Faure & Fang, 2008, pp. 199-200; Lee, 2015).

A society's culture is shaped by its entire economic and historical heritage (Inglehart & Baker, 2000, p. 32). Thus, to understand the complexity of contemporary Chinese culture and their behaviour, one has to observe the economic development and the traditional value system. Through history, China has been able to adapt and innovate itself to fit the changes and even today, China does not seem to have given up the most important cultural

characteristic, the ability to manage paradoxes. Therefore, in terms of the thinking process, contemporary Chinese society remains anchored in the classical Yin Yang approach (Faure & Fang, 2008, p. 205). China is not replacing its traditional values that are transmitted from generation to generation and represent the core of society; rather the process of adapting to the new environment has caused shifts in traditional culture toward the contemporary culture.

4.1.2 Regional differences

Using data from a national survey, which suggests that consumer from various regions are significantly different from one another in terms of purchasing power, attitudes, lifestyle, media use, and consumption patterns, Cui and Liu (2000, pp. 58, 66) divide China into 7 regional markets: South, East, North, Central, Southwest, Northeast and Northwest. South region includes the provinces of Guangdong, Fujian and Hainan, and East region consists of the municipality of Shanghai and the provinces Zhejiang and Jiangsu. These two affluent regions are more individual oriented (to live one's own life), are favouring foreign brands, and represent "growth markets". Furthermore, with first special economic zones, South China's economy opened up and attracted foreign investments. Therefore, consumers have been exposed to foreign products the longest. They lead in consumer purchasing power and in adopting new and luxury products. In East China's regional market, consumers are most innovative, cosmopolitan, and are trendsetters in fashion and "lifestyle" products.

North China, includes Beijing, Tianjin, and the provinces of Hebei and Shandong; Central China, includes provinces of Henan, Hubei, Hunan, Jiangxi and Anhui; and Southwest China, including provinces Yunan, Guizhou, Guangxi and Sichuan; represent "emerging markets". Consumers in these markets are relatively more conservative. They try to catch up with the coastal areas, but the penetration of new products is lower compared to that of the affluent coastal areas. Lastly, Northeast, with provinces of Heilongjiang, Jilin, and Liaoning and Northwest, which includes Shanxi, Shan'xi, Inner Mongolia, Gansu, Ningxia, Xinjiang, Qinghai, and Tibet represent "untapped markets". Consumers in these regions still live in relative poverty. They have a desire to improve their lives and they do favour foreign brands, but the unavailability of untraditional or new products and the low purchasing power prevent them to do that. These findings show that heterogeneity among Chinese consumers exists (Cui & Liu, 2000, pp. 60, 66).

4.1.2.1 Urbanization

From the opening up policies, China's urban population growth accelerated. In 1978, 18 percent of the population lived in cities and according to the government report (The State Council, 2016) in 2015 urbanization has reached 56.1 percent. Furthermore in the same

period, the number of cities increased from 193 to 653 and China aims to make 60 percent of the population living in cities by 2020.

Urbanization plays an important role in shaping modern China as it creates a great deal of wealth, and as a result some 350 million people have moved out of poverty since 1990. But on the other hand, the rural-urban migration puts pressure on natural resources, especially on the availability of clean drinking water and on infrastructures, such as transportation and public services (Towson & Woetzel, 2014).

Even though millions migrant rural workers move to the cities for jobs and a better life, the division between rural and urban population exist. Without a household registration permit in the city they work in, called Hukou, the rural migrants are enabled to enjoy same social benefits as the urban citizens. To improve migrant rural workers citizenship, the government prioritized the reform that will enable rural workers to take their family to the cities and to get the same medical care and education as the urban citizens (The State Council, 2016).

4.1.2.2 Rural vs. urban split

Chinese consumers can be split on those living in rural and urban areas. The result of economic development and income gaps are different attitudes toward the whole marketing mix – product price, brand names, promotions, and distributions (Sun & Wu, 2004, p. 245) and spending and saving patterns (Lin & Wang, 2010, p. 250).

Compared to rural consumer, urban consumers are more sophisticated shoppers, as they have the possibility to choose from a number of alternatives when choosing a product or a shopping location (Sun & Wu, 2004, p. 247).

Even though income is increasing, there are still big discrepancies between rural and urban households; therefore, there are differences in consumption patterns. The great gap between rural and urban income began in the 50s when the Hukou system gave urban people better benefits. The per capita disposable income in 2015 of urban households was 31,195 Yuan - a real growth of 6.6 percent after deducting price factors and the per capita disposable income of rural households was 11,422 Yuan, up by 7.5 percent in real terms. The national per capita consumption expenditure in 2015 was 15,712 Yuan, up by 6.9 percent after deducting price factors. The per capita consumption expenditure of urban households was 21,392 Yuan, up by percent in real terms and the per capita consumption expenditure of rural households was 9,223 Yuan, a real growth of 8.6 percent after deducting price factors (National Bureau of Statistics of China, 2016). Rural consumers tend to save a higher share of income because they have almost no social safety net to rely on, but also tend to first satisfy utilitarian needs (Lin & Wang, 2010, p. 250).

Furthermore, Sun and Wu (2004, p. 248) found that rural consumers are also more price-conscious, less product innovative and brand conscious, have a low exposure to and lower recall of mass media promotions than their urban counterparts.

In the emerging economies, rural consumers represent the more enduring cultural traditions (Sun & Wu, 2004, 245). But urbanization, economic and infrastructural development of rural China is shaping consumers' lifestyle to resemble and become more like those of urban citizens.

4.1.2.3 Coastal vs. inland split

The launch of the open door policy focused on and allowed economic growth in coastal specific areas, which brought disparities in development and economic growth between inland and coastal provinces. But now, reforms focuses on shifting the development and economic growth to inland, and consumers are getting the possibility to catch up with consumption.

Zhou, Arnold, Pereira and Yu (2010, p. 46) researched the variation in consumer decision-making styles between the coastal and inland regions in China and found that coastal consumers are more cosmopolitan and individualistic than inland consumers, due to the historical importance of geographic locations and industrialization, which lead to the exposure to the Western influence. Thus, Western culture has a greater influence on coastal consumers, whereas inland consumers show more pure traditional ideals.

Coastal and inland consumers are similar in terms of utilitarian shopping styles but differ in terms of hedonic shopping styles, where coastal consumers are more brand conscious, tend to be more novelty and fashion conscious, and are more likely to pursue recreational shopping (Zhou et al., 2010, p. 49). Furthermore, coastal consumers are also considered trendsetters and opinion leaders for other consumers (Cui & Liu, 2000, p. 68).

4.1.3 Generation gap

Younger consumers grew up in a different environment than did their parents and grandparents. The historical events since the establishment of PRC have strongly influenced Chinese, so much, that generational differences put in perspective the way Chinese culture has shifted.

The traditionalist generation (born from about 1928 to 1945) was brought up during the civil war between Nationalists and Communist parties and have experienced the establishment of the People's Republic of China, but also the disastrous effects of Mao's reforms. As a result they were confused and conflicted between the traditional ways of life

and the pursuit for modernization (Erickson, 2009). They present more traditional values than the younger generations.

The so called baby boomers (born from about 1946 to 1960/1964) generation childhood years were affected by Mao's reforms the most. Great Leap Forward plan resulted in famine and under the Cultural Revolution both traditional and Western cultures, representing foreign and old fashioned cultures, were repressed. Questioning authority was unacceptable and education was seen as unnecessary; therefore, schools were abolished and many were sent to work in the countryside. On return from their rural exile in the early 1980s, many married just as the one-child policy was implemented. Thus, the burden to support parents in old age lies on only one child. Without any formal education and with many members that are ill prepared to participate in the modern world, this generation is also known as the "Lost Generation" (The Economist, 1998; Erickson, 2009).

Individuals from generation X (born from about 1961/1965 to 1979) were growing up in post Mao years and as young adults were first to experience economic reforms and the emerging market economy. China has opened up and people became exposed to many Western elements. Furthermore, living standards, life expectancies, literacy rates, and academic opportunities improved (Erickson, 2009).

Generation Y (born from about 1980 to 1995) is represented by the market economy and the change in family structure. As the only-child generation, they are also called little emperors.

This generation coincides with the definition of McKinsey's Generation 2 consumers. In the McKinsey research (Barton, Chen, & Jin, 2013), consumers are divided into two categories: Generation 1 consumers (born in the 1960s and 1970s) and Generation 2 consumers (born after mid-1980). While parents, who lived in the years of shortage and insecurity, were focused primarily on building economic security, the Generation 2 consumers were raised in a relative abundance. They are the only child in the household, and everything is taken care for them. Compared to their parents, they are more confident but also prepared to pay a premium as expensive products are regarded of better quality. The Generation 2 consumers are also happy to try new products, more loyal to the brands they trust and much more interested in buying products based on the emotional value. The Internet is used as a source for product information. On the other hand, Generation 1 consumers are more price conscious and less brand oriented.

Furthermore, these only child consumers are becoming mainstream sophisticated consumers, who are affected by global trends. The focus is on obtaining a good education, job and experiencing life. Thus, as more time is spent on entertainment, travel, and recreation, they are marrying later. On the other hand, as a result of China's aging society the senior market is emerging. McKinsey report shows (Atsmon, Ducarme, Magni & Wu,

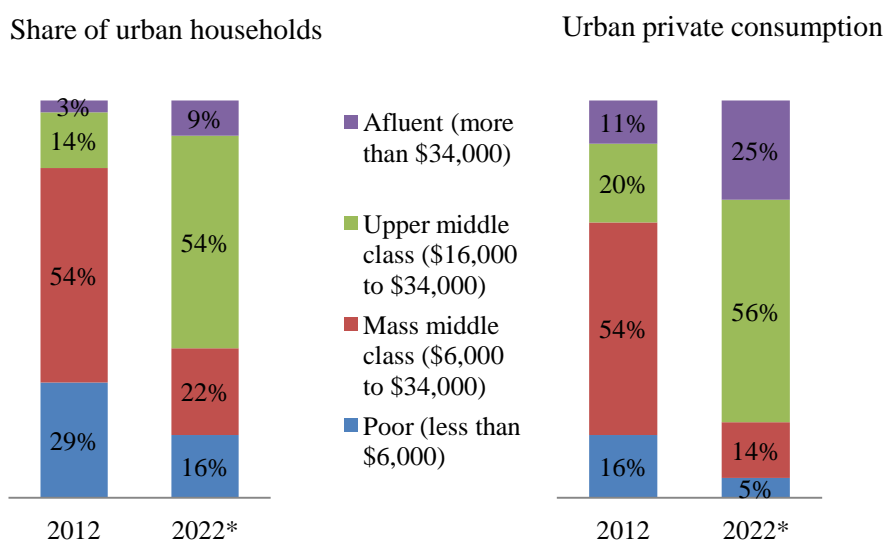
2012, pp. 23-24) that because older people have experienced the harsh conditions of the Cultural Revolution they think it is important not to spend frivolously. They are more inclined to save and less willing to spend on discretionary items such as travel, leisure, and nice clothes.

4.1.4 The rise of the middle class

Since China’s opening up, a variety of goods became available and instead of buying only traditional and necessary items, with increased income, Chinese consumers can afford new, modern products, better education, entertainment and even travel and luxury goods. The rise in income resulted in lifestyle changes among Chinese and created the new middle class of consumers, which are the main driver of Chinese consumption.

McKinsey report shows (Barton et al., 2013) that in 2000, only 4 percent of urban Chinese households was middle class, but in 2012 that share increased to 68 percent. It is expected that by 2022 more than 75 percent of China’s urban consumers’ will earn \$9,000 to \$34,000 a year. There are four income segments in China and over the years, differences in income levels will persist, but the share of consumers in each level will shift (Figure 10). Because of the rise in income, many mass middle class consumers will join the upper middle class, which will by 2022 become a driving force of consumer spending, accounting for 54 percent of urban households and 56 percent of urban private consumption.

Figure 10. Four Income Segments in China



Note. * Figures may not sum to 100%, because of rounding; data for 2022 are projected.

Source: D. Barton, Y. Chen & A. Jin, *Mapping China's Middle Class*, 2016.

The upper middle class consumers are relatively young and educated. Many have studied or travel abroad, and therefore have a different outlook on the world, taste and consumption habits, which is also leading to the consumption resemblance of developed countries. Furthermore, there is also an increase in the number of billionaires, who represent an experienced and sophisticated segment in China. According to Hurun Global Rich List (2017), the number of billionaires in China has risen between the years 2013 and 2017 by 252 people, from 357 to 609 people, respectively.

4.1.5 Importance of brands and luxury products

The concept of face provides a useful way to understand why Chinese consumers purchase well known brands and luxury products. Consumers regard brands as a tool of success and their consumption differs in regard of public (visible) or private usage. Therefore, consumers are prepared to pay high price premiums for brands that are publically consumed and recognized, but when it comes to product for their home, Chinese are still price sensitive, because these products are less likely to be exposed outside their homes (Doctoroff, 2013, p. 197). Furthermore, consumers project their success and position in society through the brand. Therefore, they are not willing to spend a lot of money on brands that are unrecognizable in the public eyes.

4.1.5.1 Chinese brands vs. foreign brands

Categorizing a brand strictly on the country of origin has become complicated because of interrelationships that include following variations: foreign brands (including prestige brands) that are now made locally, foreign brands with unique Chinese characteristics, foreign brands launching locally competitive priced versions, foreign brands that have been bought by Chinese companies, Chinese brands acquired and manufactured by international companies, Chinese brands with internationally-sourced ingredients, and brands seeking international stature (Millward Brown, 2017, p. 108).

Wang and Chen (2004) say that the preference for the foreign brands from the developed countries comes from the belief about quality and from the fact that being able to afford expensive foreign brands demonstrates economic power and status. The concept of face accentuates this preference for imported brands. The authors further point out, that there is a point when Chinese consumer will no longer think so badly of their own manufactures making ethnocentrism a more powerful force.

The Boston Consulting Group (Anestis, Hsu, Hui, & Liao, 2008) conducted a survey about choosing a local or foreign brand and found that Chinese consumers often assume that local producers have a better understanding of local needs and offer lower price points. On the other hand, they made assumptions about foreign brands and said that foreign brands are of better quality and more reliable but also more expensive and appeal to people who

aspire to a higher status. Even though, Chinese consumers said they prefer local to foreign brands in every category except electronics and luxury goods, the results indicate that consumers sometimes act contrary to their expressed preferences. When survey participants were visited at home, the researchers found that despite consumers' claim to prefer local brands, many had purchased foreign brands. When asked for an explanation, their answers were similar; they assumed that these products were local. The results show that consumers do not always know which brands are local and which are foreign. The lack of knowledge about brands' provenance is stronger among consumers in smaller cities, older consumers, and consumers with low income. Furthermore, the origin of brands is more recognizable when it comes to home appliances, designer and luxury goods, and consumer electronics. Perhaps because these products, which tend to be more expensive and purchased less often, usually require more planning and research prior to the purchase. The results indicate that Chinese consumers' choices on brands are more varied and distinct than their statements would suggest; therefore, the preferences for a local or a foreign brand depends more on demographics and product category characteristics than on patriotism. Although Chinese are very nationalistic, those factors overpower the preferences for one brand over the other.

When investigating country of origin effect in grocery brands, Kwok, Uncles and Huang (2006, p. 169) came to same conclusion. Chinese consumers generally say they prefer to buy local brands and that buying local brands is important to them for a range of fast moving consumer goods (hereinafter FMCG). However, the stated was generally not reflected in the actual purchase behaviour. The disparity found suggests that the country of origin effect is affected by other factors, namely the consumers' knowledge of the actual origin of brands. Thus, they may not be able to act according to their preferences. Furthermore, consumers are more likely to switch between brands in this category, as they are overwhelmed with the abundance of brand choices.

Chinese brands have not gained much traction in premium segments such as skin care, premium cars, sports apparel, and fashion, where foreign brands still hold a leadership position. In contrast, the local brands are winning in the mass segment of the market (Zipser, Chen, & Gong, 2016, p.7). Furthermore, Bain report (Lannes, Yu, Ding & Root, 2016) shows, that local brands continued to gain aggregated share compared to foreign brands in FMCG. The emergence of local brands has been attributed to the improved quality, quicker response to Chinese consumer needs compared to foreign brands, better use of e-commerce, and more investment in traditional and digital or social media. But foreign brands still hold a strong position in the categories that they introduced – chocolate, chewing gum, and in those that local products are not trusted, like baby formula.

The McKinsey research (Zipser et al., 2016, p.7) found that Chinese consumers are becoming more brand loyal than before but not to the single brand, rather to a short list of considered brands. The number of consumers willing to switch to a brand outside their

short list dropped, especially in the product categories food and beverages, personal care, apparel, and consumer electronics. The brand loyalty in these categories is increasing. Because fewer consumers are open to new brands, promotions are becoming less effective at encouraging consumers to consider new brands. Furthermore, once a consumer is dissatisfied with a product, he will switch it with another, without giving it another try.

4.1.5.2 Demand for luxury products

Luxury consumption in China has a long history and dates back to imperial times when the scholar-bureaucrat class was respected for its intelligence, tastes, and wisdom. Its members were the elites and have developed a lifestyle that incorporated luxury goods. This luxurious lifestyle was not hereditary but could be earned by working up the national examination system. During the Cultural Revolution, scholars were persecuted and so were the leisure lifestyle and luxury consumption (Ngai & Cho, p. 257, 2012).

Luxury brands serve as a mean to show one's success and advancement in social status (Doctoroff, p.113), and play an important role in gift giving and cultivating guanxi. Not only does the gift giver display the ability to afford expensive luxury goods, it also shows the respect to the gift recipient. By giving an expensive gift, the gift giver saves his face and maintains a sound relationship with the recipient (Jap, 2010, p.188; Wong & Ahuvia, 1998, p. 43). Therefore, luxury brands have to highlight the social meaning.

The rapidly rising incomes, the wide availability of luxury products and information about them, and the shifting social attitude toward the display of wealth are the main drivers for the growth of Chinese luxury market for high-end bags, shoes, watches, jewellery and ready-to-wear clothing. Furthermore, there is an increase in purchasing luxury products abroad, mainly because of the increased ease and appeal in overseas travel, and lower prices of luxury goods abroad, due to high taxes on luxury products in domestic stores (Atsmon, Ducarme, Magni & Wu, 2012, pp. 11-16).

McKinsey research on luxury consumers in China (Atsmon et al., 2012, pp. 12, 24) shows that there are two groups of consumers, which are diversifying China's luxury market: the wealthier consumer with experience in buying luxury products and the growing number of consumers, who have just reached the income levels at which designer labels became affordable. Wealthier and experienced consumers are becoming mature and sophisticated. They are most likely to favour subtlety and gain emotional satisfaction from differentiated products that reflect their individual taste, which is giving a way to niche products. On the other hand, the new entrants to the luxury market desire products that display their new status, often from brands that are widely recognizable.

According to Zhan and He (2012), the need for uniqueness depends on the general knowledge that consumers have about luxury brands. The middle class that just started

with the consumption of luxury goods usually knows only well recognizable brands. Their prime goal is to conform to the social expectations of the reference group; therefore, the conspicuous consumption is prevalent among them.

5 EMPIRICAL ANALYSIS

5.1 Research goals and method

This chapter is dedicated to present the results from primary data collection. Based on the analysis of the secondary data in previous chapters, the questions for primary research were made. To collect qualitative data, the face to face semi-structured interview is used. This type of interview allows the interviewee to express a personal point of view, opinions, and experiences.

Comparison of generational differences portrays the change that happens in culture over time. Therefore, the interview is used to explore the change in traditional Chinese culture and consumers' behaviour from the younger generation's point of view. The intention of the interview is to see what viewpoint does the young generation have on the change in China regarding culture and some aspects of consumerism. The goal is to explore the opinions about existing traditional culture and consumerism from the domestic point of view.

Participants in the interview are three 22 years old students, one male and two females, from Shanghai. They are studying as exchange students at the Faculty of Economics in Ljubljana. The individual interviews took place at the Faculty of Economics in Ljubljana and lasted about 40 minutes. There are 10 interview questions regarding the change in China's traditions and the participants' consumerism (appendix A). The interviewees are assured confidentiality. This way they do not think what others may say about their answers and feel more at ease to express their true opinions. Therefore, for better answers tracking, they are dedicated labels that are shown in Table 3. Following are presented findings.

Table 3. Interviewees' Demographic Data

Interviewee	Gender	Age	City
A	Male	22	Shanghai
B	Female	22	Shanghai
C	Female	22	Shanghai

5.2 Findings

When asked about differences between younger and older generations, interviewees point out some of the visible changes China is experiencing. Respondents A and C acknowledge that the older generations prefer saving their earnings for future, while younger generation likes to spend it as it comes. Younger generation likes to go to the movies, shopping or travel, while the parents prefer to stay at home. Respondent A connects the spending in youngsters to the greater purchasing power, better social security, and more open Western education. Respondent B says “parents’ and grandparents’ generation or Chinese in general, are of the opinion that you have to buy a house or an apartment in your life, because the house is very important for the Chinese”. But younger people prefer renting, as they feel moving for a job in another city gives them more freedom in that regard. Furthermore, all participants point out the change in the family life. Even though family is still important, respondent A says “in the past, the family relationships were really tied with each other and children would stay at home with their parents even when they got married. Nowadays, when children grow up and marry, they would like to live independently. They do not want to live with their parents.” Interviewee C also says “older generations emphasize more the levels of the family”. She gives an example that everyone should wait for the oldest to start eating first, but says the younger generation think this is not that important. In her opinion, a reason for this is the allowance of parents they give to the only child. Nonetheless, interviewee B says “even though the young people are moving away from home, it is still important to get together with the whole family, which happens only maybe twice a year during the important festivals, like the Spring festival (Chinese New Year) and Mid-Autumn festival to honour the moon”.

Education still plays an important role, especially for the parents. They wish for their children to go to the top universities. They send them to study abroad and even arrange additional private classes. Parents care for their children success in school but also think that education will bring children success when they grow up. Respondents B and C point out that younger generation is not fully sharing the same opinion about education as their parents do. Interviewee B says because of the examples in the Western world, where dropouts became successful entrepreneurs, some younger people feel it is fine not to be the best in the class. Respondent C also says “the parents want their children to go to middle school, high school and then university, but for us it is exactable to go to some vocational (trade) school”. This shows that younger generation does not necessarily share the same opinion as their parents do. The divide is becoming more evident because of the time and environment the generations grew up. The parents wish for their children what they missed or lacked growing up. With the abundance the younger generation is experiencing, it will be interesting, when they will have their own family, what will it be acceptable for their children to do. Interviewee B also says “in some areas parents still prefer boys over girls”, and A thinks that richer cities and regions experience more change in traditional culture than some poorer parts of China, where traditional culture still plays a more important role.

One of the biggest differences between generations is according to interviewee B also the Internet.

The second question asks about the importance of core Confucian values. Interviewee A says “these are the core values in our life that we learn in our childhood and are taught in school”. People who have these qualities are respected by the society. He says “now, the importance is decreasing in modern society, because younger generations are facing more globalized and multicultural world with different values”. He exposes the example of filial piety, where children suppose to stay with their parents, but nowadays they move far away. Interviewee B says “the Five Principles are the moral norms in our daily life”. They are important no matter the time and everyone should learn to fit these norms. Interviewee C thinks the Five Principles are still important in everyday life, and according to her, these are “the basic rules of how to become a better person and how to deal with the relationships among people”. Respondent A and C point out as important Chinese value collectivism. Interviewee A says “Chinese people, we tend not to be too different from our friends and don’t like to be out of line”. Respondent C says Chinese are more collectivistic, because they engage in building the society and country, but thinks they are becoming more individualistic.

The third question reveals that participants, when deciding on buying a product, use the Internet as a primary source to find information. They look for reviews and occasionally participate in evaluation of products.

The importance of the Internet reflects into the fourth question. All participants buy most of the things online. It is respondent’s A first choice and says boys like to buy everything online. He adds “for girls, their first choice is also buying online but they also like to spend some time to go to the shopping mall to buy things or just to spend time with their friends”. Furthermore, interviewee B says “I will buy clothes and shoes in physical stores because I need to try it and see if it fits”. Female respondent C has a similar answer. She buys online specific brands of clothes she bought before and knows the quality and price of it and says “sometimes, I will go and try clothes first in the store and then try to find a good price online”. The answers show that there is a difference in consumption between genders. Almost everyone in China uses online shop Taobao, where people can find everything. But both female respondents warn that one has to be vigilant about counterfeits.

The decision to choose a foreign brand over domestic lies in the belief of better quality of the foreign brands. Respondents recognize that domestic brands’ quality is getting better, but people still prefer foreign brands, especially when it comes to products visible and used in public. But this is also changing. Interviewee A says “Huawei is really popular in other countries. Because of the popularity in foreign countries Chinese see that it is a big recognizable brand so they will think they have a face to buy this product.” Respondent C points out that people used to buy Korean and Japanese cosmetic brands, but due to the bad

relationship with these countries, people rather decide to buy domestic brands. This shows that consumers' perception and acceptance of a brand is affected by the relationship between home country and country of origin of the product.

Participants say the showing off is the same across generations and recognize that it is connected with the concept of face. Interviewees B and C say the difference is that younger generation uses the Internet to post pictures, while the older generation did it in person. Interviewee A says "in the past people also liked to show their status, but we did not have famous brand like nowadays". Respondent B says "mianzi can show if you are successful by comparing your family, career, wealth, and other things in your life with other people". In her opinion, it is more powerful in the old generation. According to interviewee C showing off means showing a great mianzi and everyone wants to have a good appearance in the public. She also adds that younger generation and people with higher education give less attention to mianzi. When asked about the willingness of young people to show their individuality, interviewees B and C say young people want to show it, but within their social networks. Meaning, they will have a group of friends with the same taste, so they will not stand out. On the other hand interviewee A, says it depends from person to person, but he and his friends, they do not like to show off in that regard.

Interviewees say Chinese are not loyal consumers. The loyalty also depends based on the product category, but generally people choose based on the price and quality. Participant A says some of his friends are very loyal to Apple products. Interviewee B says "some Chinese are becoming loyal to domestic brands just because they want to support it". But the reason for that also lies in the fact that the brand is recognizable and accepted around the world. She gives the example of Chinese number one mobile phone brand Huawei. Respondent C says "younger people are more likely to accept new products while older generation they will choose things they are accustomed to".

Participants A and C say their grandparents and older generation think young people spend too much money, especially on the things that do not last. Also, interviewee B says her grandparents think young people spend too much time on phones and laptops and should engage more in conversations with them.

Regarding the main driving force of the change in China, respondent A says is the economic change and the power to spend. In interviewee's B opinion development of economy and globalization gave Chinese more opportunities. Similarly, respondent C thinks that the increase in living standard and the new opportunities play an important role.

Interviewees think that Chinese will not become Westerners. Interviewee A says Chinese will preserve some traditional values. Respondent B thinks that Chinese are discovering values that are usually appointed to Westerners. She says the traditional culture will still exist and "younger generations are becoming new Chinese and not Chinese like

Westerners”. Respondent C says “we will become similar in lifestyle, but same is impossible, as we are actually now advocating the traditional Chinese culture, so for us in the back of our mind we will still obtain traditional customs and culture”.

The interviews show that respondents recognize the change China is experiencing and that some aspects of traditional culture are being challenged by the new ways of life and opportunities that modernization and economic power have brought. This coincides with the exploration of results from existing studies present in previous chapters.

5.3 Limitations and future research

The interviews show the opinions and viewpoints of three young people and one has to be careful of generalization to all population. As participants itself pointed out, there is a difference in importance of traditions across vast China. As seen from participant answers, there is also a difference between genders. Furthermore, generations grew up in different times. Consequently, the opinions of older generations could give different results. To obtain more representative results, additional research should be made across different regions and generations. Participants are students. When they will enter in a different stage of their life, for example they will start their careers or even family life, the opinions and their consumer behaviour will change to some degree. Also, additional changes in China will have an effect on them.

There is a language barrier between me, as an interviewer and the participants. The interviews were conducted in English, which is not the first language for either of us. Therefore, the expression is limited and there is a possibility of misunderstanding. Furthermore, there might be an element of shyness present on the participants’ side and a feeling they cannot fully and truly express their thoughts because of being exposed in an interview. This was minimized with the reassurance of confidentiality of their real names. Also, asking people about their own culture and consumption habits is difficult, because these two elements are just a part of the reality of their lives. It is something that people do not think about consciously.

The data gathered from the interviews and existing researches show that culture is deeply rooted and affects every aspect of one’s life and is a helpful predictor of consumer behaviour. Marketers need to know their target groups and how do the members perceive their products as it varies from one culture to another. Even though Chinese share the same mindset, the regional and generational differences, change in income, and importance of brands and luxury products made the Chinese consumer behaviour more complex and more complicated to understand. These trends are constantly shaping and changing Chinese consumer market and play an important role in Chinese market segmentation. For deeper understanding, further research on correlation between cultural traits and specific aspect of consumer behaviour are necessary, especially in fast changing China.

6 DISCUSSION

Although Chinese share the same cultural heritage, the vastness of the country, disparities between urban and rural population, income, and generations make it hard to generalize their consumer behaviour. Nonetheless, the unique Chinese culture has shaped the thinking process and the worldview of Chinese people. Therefore, there are some persisting values that continue to affect the consumer behaviour.

Some researchers (Hui, Siu, Wang & Chang, 2001; Xue and Wang, 2012) have addressed Chinese consumer behaviour on the basis of consumers' approach to making choices - the decision making style. In their study, Xue and Wang (2012) explore the correlation between face consciousness and consumption decision-making styles among young Chinese and found that face consciousness is an important moderating factor in consumer behaviour. The researchers use Consumer Style Inventory (CSI) and for face consciousness, they identify five characteristics: benevolence and righteousness, ability and achievement, maturity and knowingness, harmonious relationships, and youthfulness and promisingness. The results show that there is a significantly positive correlation between five face characteristic and four decision-making styles, including, perfectionism, high-quality conscious consumers, novelty-fashion conscious consumers, brand conscious consumers, and recreational, hedonistic consumers. Perfectionist, high-quality conscious consumers correlate with all five face consciousness characteristics. They search for product information and compare repetitively, before making a final decision, which shows their ability and maturity. This also suggests that young-adult Chinese consumers desire for high-quality, perfect products that provide them with harmonious relationships. The ability and achievement, maturity and knowingness, and harmonious relationship face conscious characteristics are positively correlated with novelty-fashion conscious consumer characteristic. These relationships indicate that consumers are "in" and brave to try any novelties. The brand conscious consumer is correlated with ability and achievement, benevolence and righteousness and maturity and knowingness. Brand loyal consumers have a significant positive correlation with harmonious relationship and ability and achievement. The recreational, hedonistic consumer characteristic is positively correlated with ability and achievement and harmonious relationships. The rest of the consumers' style characteristics have no significant correlation with the five face consciousness characteristics.

Similarly, Hui, Siu, Wang and Chang (2001) investigate adult Chinese consumers' decision-making styles using Sproles and Kendall CSI inventory in orientation toward fashion products. The results indicate that five decision-making styles are valid and reliable in Chinese culture: perfectionist, novelty-fashion conscious, recreational, price conscious, and confused by over choice. These results are further used to identify three market segments: trendy and perfectionist consumer, traditional and pragmatic consumer, and confused by overchoice. Trendy, perfectionist consumers are predominantly females,

who are described as frequent shoppers and see shopping as an enjoyment. Moreover, they tend to associate foreign brands with high quality and fashionable styling. On the other hand, traditional, pragmatic consumers are predominantly males, for whom shopping is not a pleasant activity. They would choose a local brand and were price conscious. Confused by overchoice consumers are similar to traditional, pragmatic consumers, and as they get easily confused, they avoid exposure to too much information. To avoid confusion, they would buy local brands, which they were familiar with. These are just some of the examples of Chinese consumer-making styles.

The McKinsey report “Modernization of Chinese Consumer” (2016) shows that Chinese consumer are remaining confident that in the following years, their income will increase. While their consumption is increasing consumers are becoming more selective about where they spend their money on. Furthermore, consumers are trading up for premium products over the mass products. There is an increasing trend in spending on lifestyle services and experiences, such as spas, travel, and entertainment. Furthermore, consumers are becoming more concern about their health. Chinese consumers’ lifestyles are starting to resemble does of mature markets. Chinese consumers are price sensitive and brand conscious at the same time. This reflects an important duality that comes from Chinese culture, where face and social status are important. Chinese consumers are prepared to pay a premium when brands such as luxury products signal their social and economic status. When a brand is consumed privately, they become price sensitive.

The traditional importance of family still persists. Nowadays, shopping has become an activity, which allows families and friends to spend time together. The big shopping malls with cinemas, restaurants, and playgrounds for children have become a place for family time and entertainment, where families spend their day.

Today, the technological change is shaping China’s consumer market and consumers’ behaviour. The Internet allows Chinese to acquire and share more information about products. Blogs and chat rooms act as a word of mouth, where consumer share reviews and opinions, which influence the purchase decision of others. To avoid conflict Chinese consumers do not like to expose themselves by complaining in stores about a product or service. In contrast, with the Internet, they can and like to express their satisfaction online, as they can obtain their anonymity without exposing themselves or losing face. Furthermore, the fast growing e-commerce gives consumers the possibility to buy products from all over the world.

Initially, China supplied low cost products to the world. The “made in China” became a synonym for low quality and cheap products. The Chinese consumers also think that domestic products are of lower quality. Foreign brands hold symbolic meanings and are perceived as of better quality. Therefore, foreign brand play an important role in the face conscious Chinese consumers. Recently, Chinese manufactures started to catch up with

foreign opponents. Some of the domestic brands are becoming key players on the foreign markets. This recognition in the world made Chinese aware that their domestic brands are becoming better and therefore acceptable in public eyes. China's market is filled with foreign brands and domestic are emerging. In following years, with higher-quality recognition and acceptance of domestic brands, Chinese may become more ethnocentric consumers. Chinese still value harmonious relationships, family, and face. These reflect in consumers' behaviour and are something that has to be taken into account when marketers plan their strategies and advertising.

The policy making has an important role in China's development. After the death of Mao the reforms outlined the road for China to what it became today – an important economy with the most potential consumers. Policy changes in China will further affect the change in lifestyle and the consumers' behaviour. One example is the two-child policy which was implemented as a respond to aging population and shrinking of workforce. But since the start of one-child policy, the Chinese put all of their attention to the only child, and having another child would raise the costs and also change the dynamic in the family. On the other hand, it would boost the consumption in sectors related to infants and children.

Chinese market is evolving fast and so are consumers. They are adapting to the new ways of life that technological, economic, and political changes have brought. The new lifestyle and availability of products known to the developed world makes it look like Chinese are becoming Westerners, especially in the direction toward individualism. Nonetheless, the deeply rooted elements of culture are being maintained and distinguish Chinese from other cultures.

CONCLUSION

All societies deal with same problems. How these universal problems are addressed depends on the way people's minds are wired. The invisible part of culture – assumptions, values, and norms – is embedded into everyday life. It is taken for granted and represents the reality of particular society that people belong to. Therefore, the research of culture and its effect on people presents a challenge. Researchers use values to measure the similarities and differences across cultures because these represent the system of core values that is shared by the people of the same culture.

Consumer behaviour is not affected only buy the culture, but also by social, personal, psychological, environmental factors, and marketing stimuli. It is the environmental factors that are bringing to China new trends of economic disparity across the country, generational differences, and change in income. The change China went through in the last 100 years makes it even more difficult to comprehend the Chinese culture. The most visible comparison can be made across generations as they grew up in different environment and time. The Mao era tried to erase the roots of Chinese tradition. After

Mao's death the opening up policies introduced Chinese to the Western world and gave them the availability to the goods that before they were deprived of. With the diffusion of culture, Chinese accepted the things that help them advance, and these are material things and not the Western way of thinking. All these translate into the lifestyle that resembles those of mature market.

Chinese were raised in a society, which has a different outlook on the world. It has been transmitted from generation to generation over thousands of year. Younger generations do share similarities with their older generation, but their lifestyle and the world they were raised in is different from what was known even a few decades ago. This short time span is giving the feeling that Chinese culture is disappearing. The modern world and development have given the Chinese new opportunities which resulted in the similar lifestyle that the mature markets have. Chinese are good in doing things their way, so in essence, their culture is a mixture of tradition and modernity, and full of paradoxes, which together merge into contemporary Chinese culture and modern society.

Globalization made it possible for marketers to connect with consumers around the world. But the intangibility of culture makes it hard for companies entering foreign markets to succeed. People from different cultural backgrounds often do not share the same basic assumptions. Therefore, when looking into Chinese consumers, it is important to look at the core of the "onion". As Trompenaars and Hampden-Turner (1997, p.3) say, "the essence of culture is not what is visible on the surface. It is the share ways groups of people understand and interpret the world". China is modernizing and internationalizing. It is adapting to the new ways of life as it has been doing efficiently for the past 5000 years and it does not look like this cultural ability will disappear.

REFERENCE LIST

1. Anestis, M., Hsu, H., Hui, V., & Liao, C. (2008, 17. June). Foreign or local brands in China? *The Boston Consulting Group*. Retrieved December 28, 2016, from https://www.bcgperspectives.com/content/articles/go_to_market_strategy_branding_communication_foreign_or_local_brands_in_china/#chapter1
2. Atsmon, Y., Ducarme, D., Magni, M., & Wu, C. (2012, December). Luxury without borders: China's new class of shoppers take on the world. *McKinsey & Company*. Retrieved January 7, 2016, from <https://s3-ap-northeast-1.amazonaws.com/mckinseychinavideos/PDF/the-mckinsey-chinese-luxury-consumer-survey-2012-12.pdf>
3. Barton, D., Chen, Y., & Jin, A. (2013, June). Mapping China's middle class. *McKinsey & Company*. Retrieved December 28, 2016, from <http://www.mckinsey.com/industries/retail/our-insights/mapping-chinas-middle-class>
4. Brown, W. T. (2007). Introduction to Buddhism. *Stanford Program on International and Cross-Cultural Education*. Retrieved December 28, 2016, from http://spice.fsi.stanford.edu/publications/introduction_to_buddhism
5. Cavusgil, S. T., Knight, G., & Riesenberger, J. R. (2008). *International business: strategy, management, and the new realities*. New Jersey: Pearson Education.
6. Central Intelligence Agency. (2016). In *The World Factbook*. Retrieved January 7, 2017, from <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>
7. *China Statistical Yearbook 2016*. Retrieved December 28, 2016, from <http://www.stats.gov.cn/tjsj/ndsj/2016/indexeh.htm>
8. *China Today*. Retrieved January 7, 2017, from http://www.chinatoday.com/data/china_population_6th_census.htm
9. *China Window*. Retrieved January 6, 2017, from http://www.china-window.com/china_briefing/china_history/chinese-historyrepublic-o.shtml
10. China Internet Network Information Center – CNNIC. (2016). *Statistical report on Internet Development in China*. Retrieved December 28, 2016, from <http://www1.cnnic.cn/IDR/ReportDownloads/201604/P020160419390562421055.pdf>
11. *Country Studies – China*. Retrieved January 7, 2016, from <http://countrystudies.us/china/>
12. Cui, G., & Liu, Q. (2000). Regional market segments of China: opportunities and barriers in a big emerging market. *Journal of Consumer Marketing*, 17(1), 55-72.
13. de Mooij, M., & Hofstede, G. (2010). The Hofstede model: applications to global branding and advertising strategy. *International Journal of Advertising*, 21(1), 85-110.
14. de Mooij, M., & Hofstede, G. (2011). Cross-cultural consumer behaviour: a review of research findings. *Journal of International Consumer Marketing*, 23(3/4), 181-192.
15. de Mooij, M. (2000). Viewpoint: the future is predictable for international marketers: converging incomes lead to diverging consumer behaviour. *International Marketing Review*, 17(2), 103-113.

16. Ding, J., Lannes, B., Weiewen, H., & Yao, T. (2015, 15. December). *China's e-commerce: the new branding game*. Bain report. Retrieved December 28, 2016, from <http://www.bain.com/publications/articles/chinas-e-commerce-the-new-branding-game.aspx>
17. Doctoroff, T. (2013). *What Chinese want: culture, communism, and China's modern consumer*. New York: Palgrave Macmillan.
18. Douglas, P. S., & Craig, C. S. (2011). Convergence and divergence: developing a semiglobal marketing strategy. *Journal of International Marketing*, 19(1), 82-101.
19. The Economist (1998, November 19). *China's baby boomers: the unlucky generation*. Retrieved January 6, 2017, from <http://www.economist.com/node/176830>
20. Economy Watch (2013). *China industry sector*. Retrieved January 7, 2017, from http://www.economywatch.com/world_economy/china/industry-sectors.html
21. Eder, M. (1973). Chinese religion. *Asian Folklore Studies Monograph, No. 6*. Tokyo: Society for Asian Folklore.
22. Erickson, T. (2009, 28. March). Generations in China. *Harvard Business Review*. Retrieved December 28, 2016, from <https://hbr.org/2009/03/generations-in-china>
23. Fan, Y. (2000). A classification of Chinese culture. *Cross Cultural Management: An International Journal*, 7(2), 3 – 10.
24. Faure, G. F., & Fang, T. (2008). Changing Chinese values: keeping up with paradoxes. *International Business Review*, 17(2), 194-207.
25. Ferraro, G. P. (2001). *The cultural dimension of international business* (4th ed.). Upper Saddle River: Prentice Hall.
26. Greenfield, P. M. (2009). Linking social change and developmental change: shifting pathways of human development. *Developmental Psychology*, 45(2), 401–418.
27. Grimes, S., & Liangxing, L. (2003). *China: 2003*. Beijing: New Star Publisher.
28. Hall, E. T. (1976). *Beyond culture*. New York: Anchor Books.
29. Harrell, G. D. (2002). *Marketing: connecting with customers* (2nd ed.). Upper Saddle River, New Jersey: Prentice Hall.
30. Hills, M. D. (2002). Kluckhohn and Strodtbecks's Value Orientation Theory. *Online Readings in Psychology and Culture*, 4(4), 1-14. Retrieved January 7, 2017, from <http://dx.doi.org/10.9707/2307-0919.1040>
31. Hiu, A. S. Y., Siu, N. Y. M, Wang, C. C. L., & Chang, L. M. K. (2001). An Investigation of decision-making styles of consumers in China. *The Journal of Consumer Affairs*, 35(2), 326-345.
32. Hofstede, G., & Bond, M. H. (1988). The Confucius connection: from cultural roots to economic growth. *Organizational Dynamics*, 6(4), 5-21.
33. Hofstede, G., & Hofstede, G., J. (2005). *Cultures and organizations: software of the mind*. New York: McGraw-Hill.
34. Hollensen, S. (2011). *Global marketing: a decision-oriented approach* (5th ed.). Harlow: Pearson Education Limited.
35. Hu, H. C. (1944). The Chinese concept of face. *American Anthropologist*, 46(1), 45-64.

36. Hurun *Global Rich List 2017*. Retrieved January 7, 2017, from <http://www.hurun.net/EN/HuList/Index?num=8407ACFCBC85>
37. Inglehart, R., & Baker, W. E. (2000). Modernization, cultural change, and the persistence of traditional values. *American Sociological Review*, 65(1), 19-51
38. Jap, W. (2010). Confucius face culture on Chinese consumer consumption values toward global brands. *The Journal of International Management Studies*, 5(1), 183-192
39. Kim, J. O., Forsythe, S., Gu, Q., & Moon, S. J. (2002). Cross-cultural consumer values, needs and purchase behavior. *Journal of Consumer Marketing*, 19(6), 481-502.
40. Kohn, L. (2012). *Doism and Chinese culture* (3rd ed.). St. Petersburg: Three Pines Press.
41. Kotler, P. (2000). *Marketing Management* (11th ed.). Upper Saddle River, New Jersey: Prentice Hall.
42. Kotler, P., & Armstrong, G. (2001). *Principles of Marketing* (9th ed.). Upper Saddle River, New Jersey: Prentice Hall.
43. KPMG (2016). *China Outlook Report*. Retrieved December 28, 2016, from <https://home.kpmg.com/xx/en/home/insights/2016/03/china-outlook-2016.html>
44. Kwok, S., Uncles, M., & Huang, Y. (2006). Brand preferences and brand choices among urban Chinese consumers: an investigation of country-of-origin effects. *Asia Pacific Journal of Marketing and Logistics*, 18(3), 163-172.
45. Lannes, B., Yu, W., Ding, J., & Root, J. (2016, 20. July). Dealing with two-speed China. *Bain report – China Shopper Report 2016, Vol. 1*. Retrieved December 28, 2016, from <http://www.bain.com/publications/articles/dealing-with-two-speed-china.aspx>
46. Lee, A. Y. (2015, 8. September). *What Chinese consumers want?* Retrieved December 28, 2016, from <http://insight.kellogg.northwestern.edu/article/what-chinese-consumers-want>
47. Lewis, R. D. (2006). *When cultures collide: leading across cultures* (3th ed.). Boston: Nicholas Brealey.
48. The Lewis Model (2015, June 22). CrossCulture. Retrieved December 28, 2016, from <http://www.crossculture.com/latest-news/the-lewis-model-dimensions-of-behaviour/>
49. Li, J. J., & Su, C. (2007). How face influences consumption. A comparative study of American and Chinese consumers. *International Journal of Market Research*, 49(2), 237-256.
50. Lin, X., & Wang, C. L. (2010). The heterogeneity of Chinese consumer values: a dual structure explanation. *Cross Cultural Management: An International Journal*, 17(3), 244-256.
51. Liu, R. R., & McClure, P. (2001). Recognizing cross-cultural differences in consumer complaint and intentions: an empirical examination. *Journal of Consumer Marketing*, 18(1), 54-75.
52. Lu, X., & Chen, G., M. (2011). Language change and value orientations in Chinese culture. *China Media Research*, 7(3), 56-63.

53. Markus, H. R., & Kitayama, S. (1991). Culture and the self: implications for cognition, emotion, and motivation. *Psychological Review*, 98(2), 224-253.
54. Millward Brown (2016). *2016 BrandZ Top 100 Global Brands*. Retrieved January 6, 2017, from http://brandz.com/admin/uploads/files/BZ_Global_2016_Report.pdf
55. Morrison, W. M. (2015). *China's economic rise: history, trends, challenges, and implications for the United States*. Washington, DC: Congressional Research Service.
56. National Bureau of Statistic of China (2016). *Statistical Communiqué of the People's Republic of China on the 2015 National Economic and Social Development*. Retrieved December 28, 2016, from http://www.stats.gov.cn/english/PressRelease/201602/t20160229_1324019.html
57. Ngai, J., & Cho, E. (2012). The young luxury consumers in China. *Young Consumers*, 13(3), 255-266.
58. Oliver, P. (2010). *World faiths – An introduction*. London: Hodder Education.
59. Park, C. W., Jaworski, B. J., & MacInnis, D. J. (1986). Strategic brand concept-image management. *Journal of Marketing*, 50(4), 135-145.
60. Peter, J. P., & Olson, J. C. (2010). *Consumer behavior and marketing strategy* (9th ed.). New York: McGraw-Hill.
61. Potočnik, D. (2006). *Azija – med preteklostjo in sedanostjo*. Maribor: Založba Pivec
62. Saje, M. (2009). *Veličina tradicionalne Kitajske: zgodovina Kitajske od dinastije Qin do Song*. Ljubljana: Znanstvena založba Filozofske fakultete.
63. Saje, M. (2010). *Starodavna Kitajska: Zgodovina Kitajske od najstarejših časov do dinastije Qin* (2nd ed.) Ljubljana: Znanstvena založba Filozofske fakultete.
64. Schwartz, S. H. (1999). A theory of cultural values and some implications for work. *Applied Psychology: An International Review*, 48(1), 23-47.
65. Schwartz, S. H. (2012). An Overview of the Schwartz theory of basic values. *Online Readings in Psychology and Culture*, 2(1), 1-20. Retrieved January 7, 2017, from <https://doi.org/10.9707/2307-0919.1116>
66. Shimp, T. A., & Sharma, S. (1987). Consumer ethnocentrism: construction and validation of the CETSCALE. *Journal of Marketing Research*, 24(8), 280-289.
67. Singh, J. (1988). Consumer complaint intentions and behavior: definitional and taxonomical issues. *Journal of Marketing*, 52(1), 93-107.
68. Solomon, M. R. (2002). *Consumer behavior: buying, having, and being* (5th ed.). Boston: Pearson.
69. Spencer-Oatey, H. (2012). What is culture? A compilation of quotations. *GlobalPAD Core Concepts*.
70. Sproles, G. B., & Kendall, E. L. (1986). A methodology for profiling consumers' decision-making styles. *The Journal of Consumer Affairs*, 20(2), 267-279.
71. Srnka, K. J. (2004). Culture's role in marketers' ethical decision making: an integrated theoretical framework. *Academy of Marketing Science Review*, 1, 1-32.

71. The State Council (2016). Government report: China's urbanization level reached 56.1%. Retrieved December 28, 2016, from http://english.gov.cn/news/video/2016/04/20/content_281475331447793.htm
72. Steenkamp, J. B. E. M., Hofstede, F., & Wedel, M. (1999). A cross-national investigation into the individual and national cultural antecedents of consumer innovativeness. *Journal of Marketing*, 63(2), 55-69.
73. Sun, J., & Wang, X. (2010). Value differences between generations in China: a study in Shanghai. *Journal of Youth Studies*, 13(1), 65-81.
74. Thomas, D. C. (2008). *Cross-cultural management: essential concepts* (2nd ed.). Los Angeles: SAGE Publications.
75. Ting-Toomey, S., & Kurogi, A. (1998). Facework competence in intercultural conflict: an updated face-negotiation theory. *International Journal of Intercultural Relations*, 22(2), 187-225.
76. Towson, J., & Woetzel, J. (2014, April). All You Need to Know About Business in China. *McKinsey & Company*. Retrieved December 28, 2016, from <http://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/all-you-need-to-know-about-business-in-china>
77. Towson, J., & Woetzel, J. (2015, May). Why China's consumers will continue to surprise the world. *McKinsey & Company*. Retrieved December 28, 2016, from <http://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/why-chinas-consumers-will-continue-to-surprise-the-world>
78. Trompenaars, F., & Hampden-Turner, C. (1997). *Riding the waves of culture: understanding cultural diversity in business* (2nd ed.). London: Nicholas Brealey.
79. Usunier, J.-C., & Lee, J. A. (2005). *Marketing across cultures* (4th ed.). Harlow: Prentice Hall.
80. Wang, C. L., & Chen, Z. X. (2004). Consumer ethnocentrism and willingness to buy domestic products in a developing country setting: testing moderating effects. *Journal of Consumer Marketing*, 21(6), 391-400.
81. Wang, C. L., & Lin, X. (2009). Migration of Chinese consumption values: traditions, modernization, and cultural renaissance. *Journal of Business Ethics*, 88(3), 399-409.
82. Wasserstrom, J. N. (2013). *China in the 21st Century*. New York: Oxford University Press.
83. Wong, N., & Ahuvia, A. C. (1998). Personal taste and family face: luxury consumption in Confucian and Western societies. *Psychology and Marketing*, 15(5), 423-441.
84. The World Bank. Retrieved January 7, 2017, from <http://databank.worldbank.org/data/home.aspx>
85. Xue, H. B., & Wang, X. X. (2012). Face consciousness and decision-making styles: an empirical study of young-adult Chinese consumers. *International Journal of China Marketing*, 2(2), 60-73.
86. Yao, X. (2000). *An introduction to Confucianism*. Cambridge: Cambridge University Press.

87. Yau, O. H. M. (1988). Chinese cultural values: their dimensions and marketing implications. *European Journal of Marketing*, 22(5), 44-57.
88. Zeng, R., & Greenfield, P. M. (2015). Cultural evolution over the last 40 years in China: using the Google Ngram Viewer to study implications of social and political change for cultural values. *International Journal of Psychology*, 50(1), 47-55.
89. Zhan, L., & He, Y. (2012). Understanding luxury consumption in China: consumers perception of best-known brands. *Journal of Business Research* 65(10), 1452–1460.
90. Zhou, J. X., Arnold, M. J., Pereira, A., & Yu, J. (2010). Chinese consumer decision-making styles: a comparison between the coastal and inland regions. *Journal of Business Research* 63(1), 45-51.
91. Zipser, D., Chen, Y., & Gong, F. (2016, March). The modernization of the Chinese consumer. *McKinsey & Company*. Retrieved January 7, 2016, from http://www.mckinseychina.com/wp-content/uploads/2016/03/The-Modernization-of-the-Chinese-Consumer_EN.pdf

APPENDIXES

TABLE OF APPENDIXES

Appendix A: Interview questions	1
Appendix B: Interview A	2
Appendix C: Interview B.....	5
Appendix D: Interview C	8

APPENDIX A: Interview questions

1. Over the past few decades China has experienced rapid change in economic and technological environment. What are some of the visible changes between your generation and older generations? Which traditions and customs would you say are changing?
2. Confucianism is considered as a cornerstone of traditional Chinese culture. Some of the core values like Five Principles – ren (benevolence), li (propriety), yi (righteousness), zhi (wisdom) and xin (trustworthiness); filial piety and harmony are considered as the most important legacy of Confucianism. How do these values translate into everyday life? What was the importance of them in the past and now?
3. When you decide to buy something, where do you look for information? Do you ask family and friends for opinions about products or do you search for reviews on the Internet? Do you participate in writing reviews yourself?
4. Where do you buy most things, on the Internet or in the physical store? Is it different for different type of products?
5. What is the difference in terms of private and public or visible consumption in relation with foreign and domestic brands? What are the reasons to buy foreign or domestic brands over the other?
6. Compared to the older generation does younger generation show off with the brands or did the older generation also show with material things? Is younger generation more willing to express their individuality? What role does mianzi play in this?
7. Do you consider Chinese being loyal consumers to particular brands?
8. What do you think your grandparents and older generation think of the younger generation? Do you have any insight on that?
9. In your opinion, what is the main driving force of the change China is experiencing?
10. Do you think Chinese culture will disappear and Chinese will become same as Westerners?

APPENDIX B: Interview A

1. Over the past few decades China has experienced rapid change in economic and technological environment. What are some of the visible changes between your generation and older generations? Which traditions and customs would you say are changing?

I think now, economically speaking, the purchasing power of China is increasing. Maybe for my parents generation does not want to consume too much and they want to save money for the future because in the past, China was not safe politically speaking so they worried about their future and their salaries were very low, so they could not afford many things. For my generation, because we have greater purchasing power we like to buy more things and travel. Also, we have more opened and Western education and better social security so than did the older generation, so we feel safer and like to spend more. So economic development plays a big part that Chinese traditional culture is changing and sometimes people really worry that some old traditions are disappearing. I think it also depends on which city or region you are from. Take Shanghai for example, it is more like a Western city, especially the younger generation, people resemble Westerners. I think that traditional culture in rich cities and regions have changed. But if you go to central or western parts of China, where there are still some places really pore, there I think traditional culture still plays an important role. Also in the past, the family relationships where really tied with each other, and children would stay at home with the parents even when they got married. Nowadays, when children grow up and marry, they would like to live independently. They do not want to live with their parents. The big family stayed together. That is one of examples of some traditions that are changing, and it is changing even more rapidly than in the past. About education, I think it is still important for the Chinese. For example parents really worry about children's education so they are arranging some extra classes for them on the weekend and maybe even all the time. Maybe some children have seven days of classes. Some parents really worry about children's success.

2. Confucianism is considered as a cornerstone of traditional Chinese culture. Some of the core values like Five Principles – ren (benevolence), li (propriety), yi (righteousness), zhi (wisdom) and xin (trustworthiness); filial piety and harmony are considered as the most important legacy of Confucianism. How do these values translate into everyday life? What was the importance of them in the past and now?

These are the core values in our life that we learn in our childhood and are taught in school. People who have these qualities will be highly respected by the society. I think in the past these values were highly valued and propagandized by authorities through of thousand years. These were basic things for Chinese people in the past. Now, the importance is decreasing in modern society, because younger generations are facing more globalized and multicultural world with different values. For example, filial piety requires

children stay with parents and are not supposed to live in far away from their hometown. However, these things are changing a lot and younger generations are more independent. For other values, like collectivism is also an interesting and important value for Chinese people. Also, Chinese people, we tend not to be too different from our friends and don't like to be out of line.

3. When you decide to buy something, where do you look for information? Do you ask family and friends for opinions about products or do you search for reviews on the Internet? Do you participate in writing reviews yourself?

I will ask my friends opinions on this product. I think that younger generation maybe do not want to ask their parents opinions on things like before. Also, I would first look for some opinions or recommendation online because in China now the e-commerce has rally developed. I think the first choice for many young people is to go online, or maybe they ask their friends to search online together to decide which is a better product. I do also write comments myself.

4. Where do you buy most things, on the Internet or in the physical store? Is it different for different type of products?

My first choice is to buy things online and it is similar with my peers. I think maybe 80 percent of my friends choose to buy things online. Boys, we like to buy everything online, like clothes electronics and other stuff. For girls, their first choice is also buying online but they also like to spend some time to go to the shopping mall to buy things or just to spend time with their friends.

5. What is the difference in terms of private and public or visible consumption in relation with foreign and domestic brands? What are the reasons to buy foreign or domestic brands over the other?

I think basically speaking for visible products and the luxuries people prefer to buy foreign products, but for the home use products like food or appliances people buy domestic products. But I think this is changing, and it has changed even more so in the last three years. I think the reason for this is that domestic products are higher quality than before and maybe the difference between domestic and foreign brands is decreasing a lot. So people will find that maybe the domestic brands are the same quality but it is cheaper than foreign brand. For example my friends like to use the iPhone but this year with Chinese domestic mobile phone growing in quality, people like to buy Huawei. So, nowadays young generations' mindset has also changed. Also, Huawei is really popular in other countries. Because of the popularity in foreign countries Chinese see that it is a big recognizable brand so they will think they have a face to buy this product.

6. Compared to the older generation does younger generation show off with the brands or did the older generation also show with material things? Is younger generation more willing to express their individuality? What role does mianzi play in this?

I think the showing off is maybe the same for older and younger generation. It may be traditional and connected with the preservation of face. I think the mindset is the same and that Chinese people care very much about others people view or opinions. In the past people also liked to show off for their status, but we did not have famous brands like nowadays. But about showing your individuality, true for me and my friends, we do not like to show off in that regard. But I would say it also depends from person to person. In general I think younger generation still has the face mindset.

7. Do you consider Chinese being loyal consumers to particular brands?

Maybe for me, I do not have such a loyalty to certain products. Also I think my friends share the same idea; they will go from one product to another. If we think it is better, it is more rational to buy another product. We do not have a big loyalty to brands. The reason that we do not have deep loyalty may also be that with opening policy, we just choose products in terms of fashion and price. But it also depends on products, like some of my friends are really loyal to the iPhone and Apple products.

8. What do you think your grandparents and older generation think of the younger generation? Do you have any insight on that?

In terms of the consumption they would rather spend money on something that can preserve for a long time. They do not want to spend money for something like travelling and experience. They would think it is a waste of money for experiences or something like that. For young generation we are more likely to spend money on experience, travel or to have parties with our friends.

9. In your opinion, what is the main driving force of the change China is experiencing?

I think the most important reason is economic change and the power to spend.

10. Do you think Chinese culture will disappear and Chinese will become same as Westerners?

I think we will still preserve some of our traditional views. But it is true, that if you take Shanghai for example it is like a Western city, while in central and western part of China economically speaking where people are poor, the traditional view and values are more dominant and expressed.

APPENDIX C: Interview B

1. Over the past few decades China has experienced rapid change in economic and technological environment. What are some of the visible changes between your generation and older generations? Which traditions and customs would you say are changing?

One of the biggest differences is the Internet. The older generations are not familiar with it. The young people or us we have smart phones and laptops so people say we spend a lot of time on them. My parents are just starting to learn how to use it to connect with me. So this is totally different. Also my parents' and grandparents' generation or Chinese in general, are of the opinion that you have to buy a house or an apartment in your life because the house is very important for the Chinese. As for young people, we do not like to buy it, we like to rent, because this means if you have to move for work to another city or country, you would have to change your house or apartment. But for older people, they want to buy and own their own house. Even though the young people are moving away from home, it is still important to get together with the whole family, which happens only maybe twice a year during the important festivals, like the Spring festival (Chinese New Year) and Mid-Autumn festival to honour the moon. Sometimes parents still prefer boys than girls, especially in some areas in China. Regarding education, most parents in China wish us to go to university, so that kids get bachelor or master degree and most of them are sent to study abroad like America or to the top universities, so they can also show off but also for us to be successful. But because of the stories of successful people from the West, that tell you do not have to be the best in class to be successful we feel the same way.

2. Confucianism is considered as a cornerstone of traditional Chinese culture. Some of the core values like Five Principles – ren (benevolence), li (propriety), yi (righteousness), zhi (wisdom) and xin (trustworthiness); filial piety and harmony are considered as the most important legacy of Confucianism. How do these values translate into everyday life? What was the importance of them in the past and now?

Ren means harmony, thinking of others and caring about them. Li means respect. Yi means helping your friends when they need you. Zhi means learning from your daily life. Xin means being reliable and keeping trust. The five principles are the moral norms in our daily life. Young people should learn how to become a person who fit these norms. It's important for everyone no matter in the past or at the moment. But I think, actually all of these values are important for not only Chinese but also other nations. We cannot use only some values to summarize or introduce a nation.

3. When you decide to buy something, where do you look for information? Do you ask family and friends for opinions about products or do you search for reviews on the Internet? Do you participate in writing reviews yourself?

Mostly I will look for reviews and opinions online and maybe sometimes write a review by myself.

4. Where do you buy most things, on the Internet or in the physical store? Is it different for different type of products?

I buy mostly everything online. But I will buy clothes and shoes in a physical store because I need to try it and to see if it fits. But for other products like phones, computers and even snacks I will buy online. Almost everyone in China use Taobao, especially students, where we can buy everything, even for our parents. But I will go to a shopping mall to spend some time and maybe see something that I like and buy it, even if I did not plan it before.

5. What is the difference in terms of private and public or visible consumption in relation with foreign and domestic brands? What are the reasons to buy foreign or domestic brands over the other?

Young people like to have big names. Most of my friends prefer foreign brands, like some American, Korean or Japanese brands, but we also consider prices and quality and then decide which product to buy. But I think most people choose domestic products for home as they do not care so much about foreign brands. Also, domestic brands want to prove they have a good quality and change our mind about it but sometimes the foreign brands are of better quality. But still, we prefer buying for example some Japanese or Italian chocolates, but for drinks we prefer Chinese products, except Coca cola.

6. Compared to the older generation does younger generation show off with the brands or did the older generation also show with material things? Is younger generation more willing to express their individuality? What role does mianzi play in this?

I think it is the same. The only difference I would say is that the older generation showed things in person and now with the Internet we show it on the pictures. This is connected with the mianzi and I would say it is more powerful in the older generation. Younger generation is more willing to show their preferences and individuality, but within their social networks. Mianzi can show if you are successful by comparing your family, career, wealth and other things in your life with other people. Having mianzi means people live better than others and this can gratify their vanity.

7. Do you consider Chinese being loyal consumers to particular brands?

For me, I go from one brand to another, because of the price or quality. But some Chinese are becoming loyal to domestic brands just because they want to support it and because it is a Chinese brand. For example, Huawei has a lot of Chinese fans because they think it is the Chinese number one mobile brand and it is also recognizable around the world.

8. What do you think your grandparents and older generation think of the younger generation? Do you have any insight on that?

My grandparents think that young people spend too much time on phone or laptop, so they think we need to chat more with them and care less about phones. They think this is not good.

9. In your opinion, what is the main driving force of the change China is experiencing?

Economy became very powerful and globalization has given us more opportunity with world and to see other things.

10. Do you think Chinese culture will disappear and Chinese will become same as Westerners?

I think the harmony is very important in China and we want to establish society of harmony, with no complaints and to avoid problems. I think there are some stereotypes. Actually, Chinese have some values which people always connect them with Westerners. We are not becoming same as Westerners, we are just finding out these values that some people didn't notice before. The traditional culture will still exist and young generations can learn from it. And in the new century, young generations are becoming "new Chinese" not "Chinese like Westerners".

APPENDIX D: Interview C

1. Over the past few decades China has experienced rapid change in economic and technological environment. What are some of the visible changes between your generation and older generations? Which traditions and customs would you say are changing?

Maybe for my parents it is truer they will save their earnings to the bank, but for us, we are more likely to spend it as it comes. Also, our parents would rather stay at home and maybe clean the house, but for my generation, we will go out for example shopping, go to the movies or play together. My grandparents they emphasize more the levels of the family and the society. For example they will wait for the oldest to start to eat, so the others cannot eat. But for us this is not that important. Also many families have one child to whom they give much love to and allow the child may ignores the layers and they start to eat first. Also, my parents think education is very important. The parents want their children to go to middle school, high school then university, but for us it is exactable to go to some vocational (trade) school.

2. Confucianism is considered as a cornerstone of traditional Chinese culture. Some of the core values like Five Principles – ren (benevolence), li (propriety), yi (righteousness), zhi (wisdom) and xin (trustworthiness); filial piety and harmony are considered as the most important legacy of Confucianism. How do these values translate into everyday life? What was the importance of them in the past and now?

I think the five principles are still important in our daily life though they were initially created for maintaining the control of emperors. The principles require young people to be kind to others, stick to the friendship, have proper etiquette and behaviour, learn more knowledge and be honest. They are the basics rules of how to become a better person and how to deal with the relationship among people. In China, we attach more attention to the non-verbal communication and there are many words which have different meanings if you use them in different situations or even you change the pauses or intonation. We are more collectivistic though we are becoming more individualistic. We engage ourselves in the building of the society and country. We are team players.

3. When you decide to buy something, where do you look for information? Do you ask family and friends for opinions about products or do you search for reviews on the Internet? Do you participate in writing reviews yourself?

Most of the time I look for reviews about products online and occasionally I write a review myself, but some people post their opinions frequently.

4. Where do you buy most things, on the Internet or in the physical store? Is it different for different type of products?

I buy almost everything online, but for clothes I will choose some specific brands I have bought before so I will know the quality and the price of this brand. But sometimes I will go and try clothes first in the store and then try to find a good price online. I buy most of the things on Taobao, where you can find also some delicious foods, but I would not buy on it something that is expensive like jewellery, because we think it can be fake. But I do go to the shopping mall just to enjoy it.

5. What is the difference in terms of private and public or visible consumption in relation with foreign and domestic brands? What are the reasons to buy foreign or domestic brands over the other?

I prefer more Korean brands and actually if you go shopping there are many stores with foreign brands and few with domestic brands. So this is also one of the reasons that many people buy foreign brands. Also, the quality of foreign brands is better than domestic brands so we will usually compare the quality and price and choose the foreign one. Even if the domestic brands nowadays have better quality we still do think that iPhone is better than Huawei. But maybe now, we will choose some more domestic brands, especially cosmetics rather than Korean or Japanese, because the relationship with other countries is not that good right now.

6. Compared to the older generation does younger generation show off with the brands or did the older generation also show with material things? Is younger generation more willing to express their individuality? What role does mianzi play in this?

The people in my parents' generation, they would show off, but today we have internet to do it. The younger generation especially teenagers want to show their individuality, but we will have friends with the same taste.

Showing off just means showing a great mianzi. But actually everyone wants to have a good appearance in public if they have the conditions. Younger generation especially the people who have higher education pay less attention to mianzi.

7. Do you consider Chinese being loyal consumers to particular brands?

I do not think we are very loyal. I will maybe choose particular brands for clothes, and for example only one brand of Chinese water, but for other things it will mostly depend on price and quality. Also, younger people are more likely to accept new products while older generation they will choose things they are accustomed to.

8. What do you think your grandparents and older generation think of the younger generation? Do you have any insight on that?

My grandmother always says we spend too much money. For example when we take family pictures to make a photo book my grandmother thinks it is just a waste of time and money. Also, if we buy the clothes we do not tell her the actual prices.

9. In your opinion, what is the main driving force of the change China is experiencing? I think that the increase in living standard and the opportunity of having more choices have an important role. We should enjoy the life and not just save the money to the end.

10. Do you think Chinese culture will disappear and Chinese will become same as Westerners?

Maybe we will become similar in lifestyle, but same is impossible, as we are actually now advocating the traditional Chinese culture, so for us in the back of our mind we will still obtain traditional customs and culture. We also have some political classes, where we are thought we should be beneficial to the environment, not to spend over our budget and also to consume rationally.