

Research on the Phenomenon of Modern Luxury Consumption

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Abstract: Along with the fast growth of the Chinese economy, the city's population continues to grow, and as the consumer becomes more mature day by day, the quantity of Chinese luxury consumers has obviously increased. This article analyzes luxury consumption by elaborating on the definition of luxury and the relevant situation of luxury consumption and by expounding on the development of luxury thinking. This paper will use the relevant knowledge of international trade, economics, and statistics to analyze the data collected through journal literature inquiry and network search. The result shows that the irreplaceable qualities of symbols, which might reveal a consumer's financial and social position, their expectation of receiving respect, and their capacity to connect with others, affect the level of luxury purchase. As luxury consumption has two sides, the state and government should regulate and control it. From this vantage point, the phenomenon of luxury consumption needs to be fairly and impartially assessed. The study of luxury consumption can guide consumers toward establishing a sustainable and healthy consumption concept.

Keywords: luxury goods, consumption phenomenon, consumption upgrading, supply and demand relationship

1. Introduction

Along with the rapid economic growth in China, the city's population continues to grow, and the consumer is becoming more mature. There has been a significant increase in the number of luxury consumers in China. In fact, the consumption of luxury has existed since ancient times. Geographically, it is a global phenomenon. Judging from the trend of development, luxury consumption is not a transient fashion. It is driven by fundamental and long term accumulation forces from both supply and demand. Moreover, the changes in the retail sector also contributed to the development of the luxury consumer. Luxury sales networks around the world have increased the sales of luxury goods, making it easier for consumers to buy these products. Christopher Bailey, a foreign scholar, wrote in "The Concept of Luxury: An Introduction and Historical Exploration" that the history of luxury is divided into the classical paradigm and modern paradigm. In ancient Greece, luxury had two meanings [1]. First, as a verb, it means tenderness. Second, as an adjective of race, it expresses extravagance and sensuality, as well as tenderness and laziness. In Rome during the period, luxury represented personal satisfaction with wealth. These satisfactions take three interrelated forms, and each form has defects harmful to society. Abundance has made interesting discussions on the old luxury and the new luxury. The essence of consumption is material rather than functional. Compared

with the old luxury, the new luxury attaches importance to consumption. The capability rather than the materiality of consumption is mainly reflected by the progressiveness of technology and the durability of products. Although Christopher Bailey believes that there are differences in the connotation of luxury in three different periods, they have one thing in common. In the classical paradigm, luxury is completely a moral word. But in modern times, luxury in capitalist society has been divorced from the meaning of morality, and some scholars even regard luxury as promoting capital. A driving force for the development of a socialist society is completely demoralized. Therefore, in this article, luxury can also be justified [2].

Domestic scholars, such as Professor Zhang Mengxia of the Capital University of Economics and Trade, believe that luxury consumption behavior is more prevalent. It is a “symbolic purchase behavior”. Professor Lu Taihong points out that luxury consumption can be regarded as the consumption of luxury with symbolic meaning. People get satisfaction from this kind of consumption, which is based on illusion, including possessive desire. This article analyzes luxury consumption by elaborating on the definition of luxury, the relevant situation of luxury consumption, and the development of luxury thinking. On the one hand, the study of luxury consumption can guide consumers toward establishing a sustainable and healthy consumption concept. On the other hand, it has a certain guiding significance in eliminating the negative impact of luxury consumption on the economy.

2. Definition of Luxury Goods

In the international community, the definition of luxury products is “a special kind of consumption product with other features that exceed people’s subsistence and development needs”, also known as non-necessities of life. Luxury has broad and narrow meanings. The broad meaning of luxury means consumption goods that exceed the consumer’s basic needs. The narrow meaning of luxury means the highest level of consumer goods in the structure of consumption. As a matter of fact, luxury is a relative concept, and its contents are constantly changing in the context of various social and economic conditions. Miers, a representative of the “Austrian School of Economics”, argues in “A Prosperous Country” that today’s luxury goods are essential for the future [3].

3. Background and Reasons for the Rise of Luxury Consumption

The first is the economic factor. The rapidly growing economic situation has created a large number of high-consumption people. At present, the high-income group has a considerable scale, thus forming an increasingly large luxury consumer group. The National Bureau of Statistics released the China Statistical Yearbook 2019 to disclose the data on income and proportion in China: monthly income between 100,000-500,000, 25 million people; monthly income between 500,000-1000 million, 5 million people; monthly income more than 5 million, 100,000 people. The second is social factor. In recent years, in post-industrial and post-materialistic western countries, luxury has been given a new meaning [4]. Showing off wealth is no longer a symbol of luxury, but a rare life experience. The consumption of luxury has become an art aesthetics of life. “Luxury” has long gone beyond the meaning of “corruption, waste, decadence and injustice”. It uses special material symbols to shape its own personality. Luxury and its consumption have become one of the driving forces of social progress and economic development. The third is the psychological factor.

Based on the “20/80 principle” of Italy’s statistician, 20 percent of the population owns 80 percent of the wealth, and this minority becomes the consumer of luxury brands. In accordance with Maslow’s requirement principle, these individuals need to be different and manifest, so they can satisfy their own needs with the best luxury products. Luxury, to a great extent, is the superposition of the substantial content product and the symbolic product. It is a symbolic consumption of a luxurious

lifestyle. It is a natural psychological requirement when people are confronted with a sudden increase in wealth, and they will choose luxury items to express their new economic and social position.

4. Analysis of Luxury Consumption Phenomenon

4.1. Effect Analysis

From the perspective of society and individuals, luxury consumption presents different effects. From an individual perspective, national consumption that is compatible with its own economic affordability can bring positive psychological feelings such as pleasure, comfort and glory to consumers. However, blind and impulsive consumption that exceeds the individual's economic affordability often drives consumers to regret, frustration, failure and other negative emotions after a short shopping "pleasure", and some consumers even pay a huge price for it. From a social perspective, consumption of domestic luxury goods can promote employment, stimulate consumption and increase GDP. Since the outbreak of COVID-19, the world's luxury goods market has been hit hard. By 2020, the market is estimated at around \$260 billion, down 30 percent from 2019. Following the easing of the epidemic in recent years, global consumption of luxury goods is expected to rise again to \$300 billion by 2021. According to Bain's data, the domestic market in China will make up about 20 percent of the world's consumption of luxury goods in 2020. The consumption of luxury accessories has largely boosted consumption and increased the GDP. It can be seen that the effect of luxury consumption on society and individuals is different, and its "positive effect" on society may be based on its "negative effect" on individuals.

4.2. Economic Analysis

From the perspective of economics, luxury consumption can be divided into "creative luxury consumption" and "non-creative luxury consumption." Creative luxury consumption refers to the production of better, more refined, more high-end, more luxurious and more desirable products through the creation and innovation of labor and technology. Because of its high technical content, good production technology and high cost, the price of this product remains high [5]. Compared with people's effective ability to pay, it belongs to expensive consumer goods. Therefore, it cannot enter the mass consumption class within a certain period of time. For example, when French wine was just launched, it was a high-end product that only members of the royal family tasted. From the perspective of political economy. According to the analysis, this kind of product at that time condensed human undifferentiated labor with greater value than similar products, so it belongs to "luxury goods." [6] The process of human life consumption is from low to intermediate, and then to advanced.

4.3. Consciousness Analysis

Luxury consumption is closely related to the following four senses:

1. Take care of oneself. With rapid economic development, the pace of work and life is getting faster and faster. Workers, especially working women with families, feel overworked. They reward themselves after a day's work, inject vitality into the exhausted body and relieve tension. Therefore, buying luxury goods can make them feel refreshed and better about themselves.

2. Interpersonal communication. Interpersonal communication is an important emotional activity but is also a luxury item. To appeal to the opposite gender, consumers buy clothes, underwear, jewelry, and other cosmetics to make themselves look younger and more attractive [7]. To build friendship and bond, they share good wine, restaurant food, cars, sports equipment, and travel; to take care of their families, they purchase convenient appliances, and so on.

3. Experience. Experience. Experience means to experience the world, gain new experiences, and expand one's personal vision. It includes adventure, learning knowledge, mastering knowledge, and having fun. Travel, a weight-loss spa, a car, sports equipment, dining out, a computer, and wine are all exploration items. Exploration includes not only real actions but also feelings and experiences. It can also provide consumers with a space for imagination.

4. Personal style. Individual style is the expression of individual taste, the uniqueness of oneself, maturity, and success. Clothing, underwear, fashion accessories, watches, automobiles, liquor, dining out, and travel are all kinds of products that enable the consumer to show his or her style, knowledge, taste, and value.

5. Reflection on Luxury Consumption

It is true that luxury consumption is essentially positive and moderate debt consumption is conducive to stimulating domestic demand. Stimulate economic growth. Consumerist culture has a growing impact on society with the help of fashion-driven visual narration of commodities, advertisements, and media. The contemporary western lifestyle has a strong impact on people's consciousness, and consumers' desire is at its most expansive moment. As a country of emerging consumerism in the world, China is one of the world's Xintiandi luxury countries. For young people in particular, the traditional concept of consumption has been replaced by the idea of appropriate luxury and overdrawn. "Spend the money of tomorrow to achieve today's dream", leading the trend in the consumption of debt [8]. At present, there is a noticeable tendency that some young people are completely divorced from their own affordability and actual needs, and indulge in irrational excessive praise, even at the expense of "leaving debt and high consumption", resulting in conspicuous consumption, wasteful consumption, high debt consumption, abnormal consumption and other bad consumption forms [9].

The emergence of the above-mentioned "consumer disease" has profound social reasons. Because people have been living in a state of material scarcity for a long time, they have formed the habit of attaching great importance to material resources and even using them as a means of showing off. When the problem of food and clothing is solved, many people's psychology has not been adjusted in time. At the same time, the deliberate speculation of businessmen to obtain high profits and the media's fancy rendering of high-end consumer behavior have also intensified people's material dependence and material worship psychology to a certain extent. Due to curiosity, conformity and comparison, young people are more likely to accept and follow such consumption behaviors.

The economic impact of luxury consumption can be summarized into the following three aspects: First of all, because China's luxury market has not yet formed, most luxury consumers will choose foreign luxury brands to meet their needs, and the outflow of consumption funds will have a negative effect on the growth of China's domestic demand. On the other hand, it may also cause conflicts between different income classes and affect social stability and unity. Secondly, the excessive growth of luxury consumption may have a misleading effect on producers. Stimulated by large profits, the factors of production are transferred to luxury production. Especially when the technical level cannot meet the high standard of "real luxury", producers can only make a big deal about the packaging, publicity and seasonality of products. Such short-term profit-seeking behavior is not conducive to the long-term development of manufacturers. It will also lead to a huge waste of social resources. Last, for consumers, it may promote irrational consumption behavior. Consumers may disrupt the normal consumption plan due to their blind pursuit of luxury goods, reduce the purchase volume of necessities or consume ahead of time, increase the difference in income distribution in different time periods, and generate economic burden. This not only reduces the efficiency of income use, but also is not conducive to maintaining the improvement of living standards. From this point of view, there

should be a fair and objective evaluation and understanding of the phenomenon of luxury consumption [10].

6. Conclusion

With the rapid economic growth and the continued maturity of consumers, luxury consumption has risen rapidly. Luxury consumption is determined by the irreplaceable characteristics of symbols, which can show the economic ability and social status of consumers, expect to obtain respect, and create an opportunity to communicate with people. Luxury consumption is a double-edged sword, and the state and government should guide and manage it. From this point of view, there should be a fair and objective evaluation and understanding of the phenomenon of luxury consumption. The positive aspects of its consumption upgrading and economic growth should not only be seen, but also be seen in terms of its harms and drawbacks, such as the outflow of consumer funds, intensification of class conflicts, and excessive debt consumption, to enhance awareness of responding to future economic and social crises. Of course, there are some imperfections in this paper, which need to be further improved in future research. For example, what is the contribution rate of luxury consumption to China's GDP, whether the current luxury consumption tax is reasonable, and how to define luxury consumption under the legal system. Of course, these must be designed and analyzed using consumer behavior, institutional economics, psychology, ethics and other theoretical methods.

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