

# A GENERATIONAL COHORT MODEL FOR CONSUMERS IN CHINA: THE RISE AND FALL OF THE GREAT GATSBY?

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## ABSTRACT

*Generational cohort segmentation is an integral part of target marketing. People within a cohort share similar values and attitudes, stemming from shared life experiences. These commonalities among people within a cohort can serve as a valuable source of consumer insights to marketers. One of the commonly used generational cohort model divides consumers into baby boomers, generation X, generation Y, and generation Z. However, given the peculiarity of each country's national history, it is unlikely for the model to be applicable in China. Hence, we proposed a Chinese generational cohort model in this paper that divides consumers into three main groups: the era with limited choice, the great Gatsby and the dreamers.*

**Keywords:** *Generational Cohort; Consumer Segmentation; Consumer Demographics; China.*

## Introduction:

With its 1,357 billion people, the People's Republic of China is the world's most populated country. The country had a GDP of USD 9,240 trillion and an annual GDP growth rate of 8 % as at 2013. It is the second largest economy in the world, and it represents a great business opportunity for companies able to break into the market.

Market segmentation strategy is a vital part of a successful marketing strategy. A company needs to break down its target market into segments – groups of people that share similar wants and needs and then choose the segment it is best equipped to target. It is important for marketers to be well informed about the characteristics and personality traits of the consumer segments they want to sell their products to. One of the commonly used segmentation categorization is the generational cohort model (Baby Boomers, Generation X, Generation Y and Generation Z). Generational cohorts are comprised of people born during a specific period of time and whose life courses correspond to

each other (Parment, 2013; Rindfleisch, 1994). People within different generational cohorts are defined by external events occurring when they come of age, so-called generational markers. The age a person reaches his or her adolescence is usually between 17 and 23 years (Schewe, 2005). Stemming from their similar life experiences, people within a generational cohort have been found to share similar values, preferences, attitudes which remain relatively constant throughout the rest of their lives (Schewe, Noble & Meredith, 2000). Hence, market segmentation provides marketers with valuable consumer insights. Nevertheless, given that similarities of people within a generational cohort stem from shared life experiences, such as political, social and political developments, it might indicate that the American cohort model cannot be applied globally. The events that have shaped the American generational cohorts would not have affected the equivalent Chinese age group in the same ways or at all. For many years, especially during the early years of communism under Mao Zedong, China was impeded from Western countries and remained

untouched by the developments that shaped their generational cohorts. Due to the lack of cultural and historical ties between China and the West, the American generational cohort is likely to have limited applicability in the Chinese context. Hence, an understanding of the country's history is important to understand the Chinese generational cohorts.

In this research, we will propose a theoretical generational cohort model of Chinese consumer behavior via a dialectic approach. According to Ryder (1965), "each cohort has a distinct composition and character reflecting the circumstances of its unique origin and history" (p.845). We will therefore define generational cohort as the outcome of defining moments of distinctive history and social change. According to Schewe and Meredith (2004), a "defining moment" contributes to the development of shared attitudes within each cohort. These "defining moments" need to have societal consequences in order to be cohort forming (Schewe & Meredith, 2004).

In this paper, we first reviewed the literature on the Western generational theory model (baby boomers, generation x, generation y, generation z) and illustrated the dependence of the theory on the historical backdrop of the western states and hence its limited applicability to the Asian context. Then, we reviewed the literature of modern China history to identify the major events that had happened, and how these political, economic and social factors could contribute towards the shaping of the unique characteristics of each Chinese generational cohort.

#### **Western Generational Cohort Model:**

One commonly used generational cohort segmentation method by western scholars is the Baby Boomers, Generation X, Generation Y and Generation Z model. People within these different generational cohorts share common personality traits, hopes and dreams and therefore purchasing behavior (Timmerman, 2007).

#### **Baby Boomers:**

"Baby Boomers" refers to the people born during the postwar period, which occurred between 1946 and 1964 (Hogan, Perez & Bell, 2008). The "Baby Boom" was a period of remarkably high birth rates which lasted for over two decades. In 2014, there were 77 million of them living in the United States, and their spending was estimated to be \$2 trillion per year (Ferguson & Broghaugh, 2010).

This cohort can be divided into two groups: The Leading-Edge Boomers and the Trailing Edge Boomers (Gilliam, Chatterjee & Zhu, 2010; Reisenwitz & Iyer 2009). Common values of these two Boomer groups include personal development, psychological growth, health and wellness, sustainability of the environment, social responsibility

and the aspiration to make a difference or creating a legacy (Green, 2006). However, given the different societal and economic circumstances these two Boomer groups came of age in, seeing the Boomers as one monolithic group would likely to be a mistake.

The Leading-Edge Boomers were born right after World War II had ended, between 1946 and 1954. They comprised 321,521,000 people, which made up for 17.4% of the United States adult population (Schewe, Noble & Meredith, 2000). The early Baby Boomer generation or "Victory Babies" was often described as a generation full of hopes, optimism and dreams, much like the overall Western spirit that blossomed during the years following the long war (Howe & Strauss, 1992). Most of this generation's parents, the GI Generation lived through poverty and famine during the Great Depression, and they had also suffered the long years of war (Elder, 1998). This instilled in them a great desire to provide for their children (the Baby Boomers) with everything they did not have for themselves when they were growing up.

A majority of Leading-Edge Boomers grew up in traditional families with a stay-at-home mother (MetLife Mature Market Institute, 2009). The Leading-Edge Boomers reached their adolescence in the beginning of a decade of substantial social unrest and changes in the country (MetLife Mature Market Institute, 2009). The Vietnam War was seen as the most influential event to them (DeVaney, 1995) and it shaped their zeitgeist significantly. Other major events that shaped this generation profoundly were the assassinations of Kennedy, Martin Luther King and Robert Kennedy (Schewe, Noble & Meredith, 2000). However, despite the social turmoil, the first Baby Boomer cohort grew up under good economic circumstances as it was an era in which the global economy was recovering (Schewe, Noble & Meredith, 2000). This generation was told that nothing was impossible for them to achieve (Timmerman, 2007). The Leading-Edge Baby Boomers were often described as impassioned idealists and social activists (Green, 2006). They started the sexual revolution, drug experimentations, protested against the Vietnam War and participated in campus sit-ins (Timmerman, 2007).

The Older Boomers rarely saved money (Ferguson & Brohaugh, 2010) and preferred instant gratification (Aisbett, 2012; American Management Association, 2014). They worked long and hard to increase their monetary returns and used this money for pleasure (Timmerman, 2007). Until today they value their individualism, the indulgence of the self as well as realism and skepticism (Beutell & Wittig-Berman, 2008).

The Trailing Edge Boomers grew up under different circumstances. These Younger Boomers were born between 1956 and 1964, came of age from 1973 to 1983, and represent about 36% of the total Boomer

cohort (MetLife Mature Market Institute, 2009). As they grew up, times were changing. The number of latchkey children was increasing (Schewe & Noble, 2000), and more and more women entered the workforce. Also the divorce rate had increased substantially by the end of the 1960s (DeVaney, 1995). Watergate was a defining moment to this generation and people's faith in institutions as well as the idealistic nature of the older Boomers had diminished over time (Schewe, 2000).

Younger boomers exhibited a narcissistic obsession with themselves (Schewe, Noble & Meredith, 2000). Like the older boomers, the younger boomers were spenders. However, the reason behind their consumption behavior was different. During their era, the economy experienced a downturn. The inflation rate was high, the real interest rate hit a record low of 4% and debt became a means of lifestyle maintenance (Schewe, Noble & Meredith, 2000). This generation was less likely to believe that the world was full of opportunities (MetLife Mature Market Institute, 2009) and until today they are more realistic in nature.

#### **Generation X:**

Generation X are people born between 1965 and 1979 (The Nielsen Company & BoomAgers LLC, 2012). The generation reached adolescence between 1984 and 1994. This cohort was named after the 1991 coming of age novel *Generation X* by Douglas Coupland. Another name for this cohort is Baby Bust Generation (Yu & Miller, 2005). This cohort is smaller in number than the one before them and their successors. The often overlooked Generation X is the demographic bridge between the Baby Boomers and the Millennials, two larger cohorts that were very distinct in their nature (Taylor & Gao, 2014).

People from this ethnically diverse generation learned to live with, and eventually prosper with, the differences brought by many life changing inventions such as the introduction of computers, cell phones and the internet. They were also the first generation who had a greater share of women than men graduating from colleges (Eisner, 2005). This Generation is often referred to as the "lost generation" as divorce became more common and both parents often worked outside home. The children were often left home alone and forced to be self-sufficient and autonomous. Pertaining to their behavior and values, this generation was often described as being skeptical and more conservative, sometimes even pessimistic, in both their saving and spending behaviors (Timmerman, 2007). Just as this generation was about to enter the workforce, the economy receded at the end of the 1980s, and the competition for jobs intensified (Taylor & Gao, 2014). Despite their rocky start into adulthood and working life, they showed an entrepreneurial spirit that was unlike any other cohort (Schewe, 2005). They are very comfortable with change, as they grew up

during this period of substantial and rapid changes in society and technology. Members of this generation desire balances in their lives, and they often put the quality of their personal life ahead of work life (Debevec, Schewe, Madden & Diamond, 2013). However, this generation delayed parenthood and marriage more than any generation before them (Williams, Page, Petrosky & Hernandez, 2010). As consumers they thoroughly research a product extensively on the internet before they buy it. The quality of a product is the most important decision factor for them. They prefer detailed explanation of a product and its benefits over creative advertising. They do not like hype, overstatement and hypocrisy.

#### **Generation Y:**

People from Generation Y, often called Millennials or Echo-Boomers, were born between 1977 and 1994 (Bush, Martin & Bush, 2004). They were the first global generation who was equally affected by news from abroad and home (Debevec et al., 2013). With about 76 million members, they were the second-largest generational cohort in the United States and their economic influence amounted to approximately USD \$600 billion per year (Kennedy, 2001). By 2017, this generational cohort will have more spending power than any other generation (Bazaarvoice, 2012), and their annual projected income is \$3.45 trillion for 2018 in the U.S. alone (Oracle Financial Services Corporation & Efma, 2010). Generation Y consumers grew up during an economically stable and politically peaceful time. This generational cohort was described as the best educated and most culturally diverse generation in history (Wolburg & Pokrywczynsky, 2001). Being the first generation to grow up in a technology immersed era, they are a media and technologically savvy generation, and they were not easily fooled by advertising tactics (Noble, Haytko & Phillips, 2009). They were shaped by events such as the 9-11 terror attacks in New York, and those people born in the late 1980s claimed that the Tsunami that flooded Thailand on Boxing Day 2004 to be influential to them (Parment, 2013). They have a 'carpe diem' attitude and their ascribed personality traits were expressiveness, innovativeness and curiosity. They do not share the same sense of frugality and symbolism of personal accomplishment as their parents and grandparents (Baskin, 2010). However, they carry more college debt than their parents (Parker, 2012), which often causes them to postpone or hesitate from major purchases (Baskin 2010).

87% of Generation Y consumers rely on the opinions of other consumers and they tend to look for customer product reviews on the internet. It was observed that these anonymous consumer conversations have a bigger impact in their purchasing decision than the opinions of friends and family (Rosales, 2012). The

peer-oriented Generation Y was also found to be less brand-loyal than the Generation X (Oracle Financial Services Corporation & Efma, 2010; Reisenwitz and Iyer, 2009).

### Generation Z:

Generation Z refers to those who were born after 1995. This generation makes up one quarter of the U.S. population, and with 361,000 babies born into this generation every day, the size of this generational cohort is still growing (Tulgan, 2013). This generation is often characterized as realistic as opposed to their optimistic predecessors. A potential reason behind the formation of this trait is the fact that this population is living in a world traumatized by events such as the 9/11 terrorist attack and Great Recession (Williams & Page, 2011). These events cause them to be more careful and security minded, but also inspired them to strive to improve the world (Anatole, 2013). Experiencing the Recession first-handedly and watching people lose their jobs and financial security, this generation is more careful with money and spending in particular. Generation Z worries about their financial future, and they save as much as they can (TD Ameritrade, 2013). They are a security-conscious generation that is looking for long-term value in a product. When a product offers the stability and safety they are looking for, they are likely to be brand loyal. Unlike the peer-oriented Generation Y, this generational cohort is more focused on the value and features of a product than on the reputation of its brand (Slaughnessy, 2014).

Growing amidst technological innovation, this generation is the most technology savvy generation to date. 76 % of people from Generation Z stated that they use technology to reach their goals (Slaughnessy, 2014). Online marketing becomes even more important than before when targeting this consumer cohort that has never known a world without social media and smart phones. They are globally aware and keep informed about developments all over the world.

### Chinese Generational Cohort Model:

Each cohort's personality is shaped by events that occurred when they came of age. However, the historic events that have influenced the generations in Western countries, and consequently affected their behavior and attitudes in significant ways, may have had little or no effect to the corresponding generations in China. For many years, especially during the early years of communism under Mao Zedong, China was behind what is often referred to as "bamboo curtain" (meaning it was impeded from Western countries). After Mao Zedong's death in 1976, a series of economic reformations was commenced by his successors. This is a vital reason that the members of the similarly aged Chinese generations show different

buying and spending patterns than their Western counterparts. Given that the values and attitudes of consumers are shaped by the defining moments of a country, it is unlikely to for the western generational cohort model to be applicable to the Chinese market. Hence, in this section, we propose a Chinese generational cohort model based on the defining moments of China's history.

### Pre- Consumerism:

#### The Era of Limited Choices (1949-1976)

##### China under Mao Zedong (1949-1976)

On October 1st of 1949, Mao Zedong formally assumed the position of the Communist Party Chairman, and he proclaimed the founding of the People's Republic of China (PRC) on Tiananmen Square in Beijing. The Chinese saw him as a visionary, romantic revolutionary and above all powerful figure (Teiwes, 2001). During his years of leadership, which lasted until his death in 1976, Mao Zedong fundamentally reshaped the country. Change in the country was necessary, as China's economy and people were exhausted after the long years of war and conflict, and low agricultural production and food shortages were persistent problems of this time (LeFleur, 2010). We call this period the "pre-consumerism" generation. This generational cohort overlaps with the period in which Mao Zedong had authoritarian power over China's public policy.

**The Early Years (1949-1951).** In 1951, Mao announced the beginning of the *sanfan*, the "three anti-movement". The three "antis" were waste, corruption and inefficiency (Lynch, 2008). The accused were mostly managers, state officials and Party members. They were publicly denounced, investigated and humiliated once they were found guilty. The campaign succeeded in rooting out many corrupted practices, such as bribery, used by Chinese businesspersons and public administrators. In 1952, the *sanfan* was expanded into *wufan*, the "five anti-movement". The five antis were industrial sabotage, tax evasion, bribery, fraud and theft of government property (Teufel Dreyer, 2015). The *wufan's* target was the bureaucratic socialist class. The reason for this was that the *sanfan* had revealed that most of the government corruptions took place in agencies that dealt with economic matters and had ties to the bourgeoisie (Teufel Dreyer, 2015). The investigations were handled by Worker's organizations enlisted by the Party to investigate the employer's business practices (Waller & Whitfield, 2014). As in the preceding *sanfan*, those accused were humiliated in group criticism sessions. During these sessions they were forced to either confess their crimes or denounce others. Those who were found guilty faced enormous fines, had their property confiscated, and were sent to labor camps (Waller & Whitfield, 2014).

During the civil war, the communists had promised the peasants a land redistribution in order to gain their support (about 80% of the population was engaged in agriculture) (Teufel Dreyer, 2015). After coming to power, the Party kept this promise and dispossessed millions of landlords on the countryside, which started the socialist transformation of the agriculture. Some landlords were allowed to keep a part of the land on the condition that they became peasants, but the majority was put on public trial and denounced as enemies of the people (Lynch, 2008). While this land reform put an end to the landlord's strong influence and forged a bond between the peasants and the Party, it worsened the food shortage problem of the country as the peasants lacked the relevant production management skills of their former landlords.

In order to deal with these arising problems, the government began to push the farmers towards collective arrangements. Mutual aid teams were set up in 1951. These were temporary groups of three to five common peasant households that shared production tasks and resources at planting and harvesting time (Lawrence, 2004). The members retained title to their land and farm assets such as transport vehicles, and drafting cattle remained under private ownership. However, in 1956, the government introduced the agricultural producer cooperatives policy, which constituted all land and other means of production to fall under collective ownership. The payment for land share was abolished and income was solely allocated by labor contributions (Lawrence, 2004). While these policies had forged the cornerstone of the Chinese's collectivism, the collectivistic system lowered the people's incentive to work hard. Consequently, the farmers' income declined, and serious food shortages were resulted (Teufel Dreyer, 2015).

**The First Five Year Plan (1952-1956).** Mao introduced China's First Five Year Plan in 1952, which was modeled after Lenin's Five Year Plans in the USSR and aimed to modernize the country's heavy industry. A large number of Soviet engineers, technicians, planners and scientists traveled to China to help formulate the plan and eventually implement it. With the Soviet's help, many new industrial facilities were developed and installed (Worden, Matles Savada & Dolan, 1989). However, the USSR's experts help did not come free of charge and was paid for in commercial concessions. In order to be able to afford these costs, the PRC had to take out high interest loans (Lynch, 2008). During the first two years after the plan was implemented, it successfully "saved" China's inflation. The country's inflation rate dropped from 1000 % in 1949 to 15 % in 1951 (Lynch, 2008). This was mainly achieved by cutting public expenditure, raising tax rates on the urban population and introducing the Renminbi as new currency (Lynch, 2008). The industrial output increased at an annual rate of 19 % and the national

income grew at a rate of 9 % per year during the years the plan was in effect (Worden et al., 1989).

**The Great Leap Forward (second five year plan; 1958-1962).** The aim of this campaign was to accomplish the economic and technical development at a much faster pace than the first Five Year Plan before it had (Worden et al., 1989). Mao had always been impressed by grand projects, and a project's size mattered to him more than its economic value (Lynch, 2008). When the second Five Year Plan was implemented, Chinese planners figuratively spoke of two soldiers that would lead the country to its economic victory – General Steel and General Grain. They were convinced that producing increased food supplies and steel production would be sufficient to turn China into a successful economy (Lynch, 2008). However, the plan was not successful due to the effects of these extreme collectivistic policies. The loss of property, personal possessions and a private family life lead to strong disapproval in the population. Mao had overestimated the enthusiasm towards the socialist cause of the Chinese population. People reacted with passive resistance and even active sabotage by destroying property and slaughtering their farm animals rather than turning them over to the communes (Waller & Whitfield, 2014). Eventually, the local peasant communities had no way of preventing the famine that was about to follow during which many thousands of people starved to death (Short, 2000). The crime rate exploded, as people saw no other way than to steal and rob in order to provide food for themselves and their families. Peasants who were caught trying to hide food for themselves and others were sent to labor camps. It has been reported that some people even had to turn to cannibalism in order to avoid starving to death (Branigan, 2013). In 1961, 6 million tons of wheat were imported to China, and financial incentives for peasants to work harder were introduced by allowing them to cultivate private plots and keep few small private farm animals (Waller & Whitfield, 2014).

The Socialist Education Movement (1962-1966). By 1962, the production output had returned to its level from before the Great Leap Forward. The Taiwan government released a series of documents which they. Retrieved by infiltrating a commune near the coast of Fujian Province. The documents also showed an "unhealthy tendency" among the cadres, who misused their authority, were increasingly corrupt and wasted collective monetary for their own amusement (MacFarquhar, 1999). After the revelations of these so-called *Lianjiang* documents, the Party started efforts to reintroduce communist orthodoxy through a new mass campaign: the Socialist Education Movement (Teufel Dreyer, 2015). This movement aimed to eradicate corruption and increase morale among the Party cadres. To accomplish this, work teams of over 10,000 higher-level cadre members

were sent to the rural countryside to investigate the local leadership and locate those guilty of crimes and corruption (Waller & Whitfield, 2014).

**The Cultural Revolution (1966-1976).** The Great Proletarian Cultural Revolution, commonly called Cultural Revolution, was a political propaganda campaign launched by Mao Zedong. The main aim of this campaign was to reaffirm his authority and reshape the Chinese society according to his will and vision (Lynch, 2008). After the disastrous consequences of the Great Leap Forward, Chinese leaders such as Zhou Enlai and Deng Xiaoping had introduced economic reforms that Mao Zedong did not approve of. He thought of them as being pragmatic and going against pure communism. An example for this would be the allowing of peasants to farm their own plots of land (Spence, 2012). As a key point of his strategy, Mao and his allies began recruiting young high school and university students as Red Guards.

By August 1966, China had descended in chaos and hardly anywhere stayed untainted. The Red Guards chased down, humiliated, tortured and sometimes even killed all those whom they thought to lack the revolutionary spirit. Anyone showing signs of “decadent tendencies”, such as wearing Western clothes, jewelry or make up, was likely to be manhandled and publicly humiliated (Lynch, 2008). Private homes were ransacked and jewelry and foreign currencies were confiscated or destroyed. Thousands of Chinese were imprisoned or sent for reeducation to the country side. Traditional architecture and religious buildings in particular were destroyed. In absence of guidelines for identifying “true communists”, everyone became a target. People accused their friends and families in order to protect themselves, and nobody was safe (Spence, 2012). Rival factions of Red Guards battled each other and most production had stopped, which brought the country close to an economic as well as social collapse (Lynch, 2008). Mao Zedong finally drew back from his radical policies in August 1967 when he realized China was about to verge into anarchy (Waller & Whitfield, 2014).

#### **Mao Zedong Impact on Consumer Behavior:**

During his 27 years as China’s supreme leader, Mao Zedong fundamentally reshaped the country and its society. During Mao’s governance, the role of women in China was changed significantly and emancipation took place. Women’s rights and opportunities were forwarded, and it provided a framework for women to obtain equal rights with men (Waller & Whitfield, 2014). During the Mao era, the literacy rate rose from 20 % in 1949 to 70 % in 1976 (Clare, 2002). Another improvement took place in the health care system, which was in bad condition when the Communists came to power in 1949 (Teufel Dreyer, 2015). Campaigns were launched in which teams of cadres went into villages and towns to elucidate the

population about hygiene, sanitation and how to avoid diseases (Clare, 2002). A special emphasis was placed on improving the quality of drinking water (Waller & Whitfield, 2014). These campaigns gradually lead to a decrease in death rates.

#### **Discussion:**

Consumerism was essentially non-existent during this period as spending could attract unwanted governmental attentions. Consumers tend to focus on basic commodities and necessities that they need for their daily lives. There was a shortage of supply for most products, and the choices that were available to the consumers were limited. The consumption patterns of individuals who came to age at this period are characterized by frugality, collectivism, and nationalism. Individuals tend to not stand out as being different, and consumers have a tendency to avoid foreign products to avoid becoming the next target of attack. They were able to make the best out of limited resources, and their consumption behavior could best be described as routine behavior. To push the country forward and ensure that it could get into the pace of sustainable growth, the Chinese leaders after Mao focused their efforts on the liberalization and reformation of the country’s economic system.

#### **The Golden Age of China Consumerism The Great Gats by (1976-2011):**

After Mao’s death, China went through a series of economic reformations and experienced high economic growth. People were becoming more and more affluent, and the consumers’ appetite for better quality and wider range of products increased. It was like the *Great Gatsby* of the movie. A young person, so rich, wealthy and generous in his spending it attracted the attention and admiration of the world. In China, scholars like to call the modern China the China after *gaigekaiifang* (economic reformation and liberalization). It started when Hua Guofeng first tried to liberalize the economy in 1976.

**China under Hua Guofeng (1976-1981).** After Mao’s dead, Hua Guofeng was appointed Chairman of the Central Committee on 7 October 1976 (Berliner & Pathak, 2012). Due to a lack of financial resources after the Cultural Revolution, Hua Guofeng permitted foreign investment from capitalist countries such as Germany and Japan. The results of this economic program were disappointing and his set targets were not met. This was especially due to the disruption in higher education that the Cultural Revolution had caused and the scarcity of trained experts that resulted from it. Another initiative launched during Hua’s tenure was the introduction of the One-Child Policy in 1979 (Zhang & Goza, 2006), which allowed Chinese couples to only have one child in order to prevent further population growth. He also released and

rehabilitated nearly 300,000 prisoners, including Deng Xiaoping. During Hua's period Deng Xiaoping gradually reassumed political power. He was quickly rehabilitated as Vice Premier and Vice Chairman of the CCP and soon also Head of the People's Liberation Army. Hua Guofeng's strong commitment to Maoism was not shared by the majority of the Party members anymore which is why he gradually lost political control. In 1981 he resigned from his post as Chairman of the CCP having realized he had no political allies (Berliner & Pathak, 2012).

**Economic reforms by Deng Xiaoping (1981-1989).** After Hua Guofeng resigned his post as Premier and Chairman in 1981, Deng Xiaoping became the Chairman of the Military Committee, and he emerged as the dominant force in Chinese politics (Berliner & Pathak, 2012). Over the years, he was the dynamo behind the country's accelerated modernization. Deng was an experienced and skilled politician who received genuine popularity among the communist central party members (Lynch, 2008). The support and respect he received was confirmed when he was given the honorary title of "paramount leader" by the Party.

Deng Xiaoping was determined to reform and modernize the PRC's economy even if much of the Socialist economy had to be dismantled in order to achieve growth. He reintroduced the Four Modernizations program in December 1978 and compassed its adaption as an official policy of China. The Four Modernizations program was an ambitious economic program outlined by Deng's mentor Zhou Enlai in 1975, which was aimed to transform China into an advanced industrialized country by the year 2000 (Oden, 1973). The Four Modernizations were to take place in science and technology, the industry, the agriculture and national defense.

As part of his efforts to reform the PRC's agricultural sector, Deng announced that farmers would only have to sell a specified amount of their produces at state-set prices, and they could keep their surpluses to themselves or sell at the free market (Teufel Dreyer, 2015). This new system served as incentive for the peasants to produce more. The old system was gradually dismantled. By 1984, 98 % of farmers had adopted this new system and outputs were significantly increased. In Guangdong Province for example, produces doubled between 1978 and 1982 (Berliner & Pathak, 2012). In 1985, China even became a net exporter of grain (Teufel Dreyer, 2015).

After increasing agricultural outputs, in 1982, Deng opened the China market to international trade, and he encouraged joint-ventures between Chinese and foreign companies (Lynch, 2008). Deng Xiaoping set up the first Special Economic Zones (SEZ) of China. The first group of SEZs were set up in Shantou, Xiamen, Shenzhen and Zhuhai and in 1984, the successful experiment was extended to 14 additional cities (Berliner & Pathak, 2012). Their impact on

China's economy was substantial. Between 1978 and 1989, international trade flourished with exports increasing by 500 % and foreign investment quadrupled (Lynch, 2008). Millions of workers migrated to the SEZs and the money they sent back to their villages helped raising the living standards in the countryside as well (Berliner & Pathak, 2012). Investing in China was attractive to multinational companies as the Renminbi was devaluated and taxes reduced.

The introduction of so-called town and village enterprises (TVEs) was another successful effort of Deng's policies to boost the country's industry. People were able to establish businesses such as grocery stores, carpentry shops and so on. These small businesses generated jobs that were not under state-control and people were now able to sell their goods and products outside their home districts. The success of this system was significant. In 1985 17 million small businesses were registered, and by 1992 100 million people were employed in 20 million TVEs (Berliner & Pathak, 2012).

The third modernization was to take place in science and technology. In order to develop and achieve advances in this field it received strong governmental funding. Scientists and engineers were allowed and even encouraged to travel abroad in order to gain and bring knowledge back to the country.

Deng believed that education was the foundation that would lead the country to modernization (Oden, 1973), which is why he substantially reformed the country's education system. Deng's educational policy resulted in an extremely elitist system in which students were rigorously tested from an early age. This system put much pressure on the country's students. Only a small amount of students passed the entrance exams to university, which resulted in only 0.5 % of the country's college-age students receiving higher education (Teufel Dreyer, 2015). Additionally, students became increasingly worried about their professional future given the prevailing high unemployment corruption as a means of achievement (Berliner & Pathak, 2012).

**China under Jiang Zemin and Zhu Rongji (1989-2005)**

Jiang Zemin took over the presidency of China and the position of Commander in Chief of the armed forces in 1993. After Deng's death in 1997 he became the country's paramount leader (Encyclopædia Britannica, 2015). The effects of Deng's economic reformation were starting to materialize. Jiang Zemin continued Deng Xiaoping's efforts to modernize the Chinese economy and to promote its rapid growth (Tisdell, 2009). He recognized the importance of scientific and technological progress to the future of China's economy, and he allowed economic elites to participate in political decision makings. After his death in 1997, Deng Xiaoping left Jiang a country with a bright economic future. Most of the economic

matters and policies during the Jiang Era were handled by the country's Prime Minister Zhu Rongji. During his career as premier, which lasted from 1998 until his retirement in 2003, Zhu Rongji achieved remarkable advances in the PRC's economy and steered China into a sound program of renewed reform (Naughton, 2002). One of the most noticeable achievements was China's accession to the World Trade Organization (WTO). The entry to the WTO had played a huge role in fostering China's substantial growth, as it increased the flow of foreign investment into China even further, turning China into the hub of global manufacturing (Zhang, 2015).

Coming to power in the wake of the Tiananmen Demonstrations, Jiang's main political goal was to achieve social and political stability. Among his other political was the sustainment of economic growth while at the same time dealing with dislocations and instabilities that were caused by the rapid growth (Teiwes, 2001). Regional disparities existed between the rich industrial coastal regions and the country's interior regions in particular. The number of nongovernmental enterprises (NGOs) in the PRC had increased substantially by the mid-1990s and the government feared losing control over them as an increasing amount of these NGOs did not register and thus existed outside the law (Teufel Dreyer, 2015). Hence, the government passed out a set of restrictive laws in 1998 which disestablished many of the country's NGOs for various reasons such as poor management and interference in social. Major political efforts were also made to fight corruption. A major campaign that was started in 1993 showed first successes between 1994 and 1995 and led to the removal or even arrest of many corrupt politicians (Fewsmith, 2008).

Despite the success of Deng's reform and the rapid economic growth, the high costs of the rapid economic growth posed a challenge for Zhu and Jiang. High unemployment rates, a rising crime rate, rampant corruption, uncontrolled urbanization and overpopulation as well as social inequalities and environmental issues were all problems that arose with the fast industrialization of the country (Lewis & Xue, 2003). Large disparities arose and the gap between rich and poor got wider. The urban areas, especially those cities located on the coast had experienced greater development than the inland regions and urban areas. Thus, diminishing these inequalities was among Zhu's economic challenges.

During this period, the country experienced deflation, and the declining prices became a major issue. As a way of keeping the economy growing, the government introduced a fiscal stimulus package which included large public works projects (Teufel Dreyer, 2015). These projects however increased waste and corruption rather than decreasing interest

rates and therewith stimulating private consumption (Zweig, 2001).

Zhu's political program also included reforming the ailing SOEs. His 1997 reform for the SOEs was called "grasping the big and letting go the small" (Zheng & Chen, 2007). It aimed at curbing public bureaucratic interference for all but the larger SOEs (Zweig, 2001). This was achieved by further developing the big SOEs into cross-regional, multi-ownership enterprises while supporting the small and medium sized enterprises (SME), especially those with a technological focus, to develop and become more specialized (Zheng & Chen, 2007). Large enterprise groups would help China achieve international competitiveness and support the country's economic security.

Overall, China experienced significant growths in terms of its economic condition, education, housing and nutrition during this period (Wang, 2004). For example, the country's illiteracy rate declined from 22.9 % in 1982 to 6.7 % in 2000, and in both rural and urban areas, the housing size per capita increased by 3 times (China Statistical Bureau, 2001). Despite the arising inequality, it should be noted that the living standards of the majority of the Chinese population had improved significantly since the start of Deng Xiaoping's economic reforms 1979.

#### **China under Hu Jintao (2005-2013)**

In September 2004 Hu Jintao took over the Chinese ruling party's Chairmanship from Jiang. Hu Jintao was trying to find a middle ground between those voices in the ruling party that feared a decaying of Socialist ideology and that demanded a greater support for workers and peasants (Teufel Dreyer, 2015). In previous years, the ruling party's ideology had been influenced and put under pressure by various domestic and international factors such as the downfall of the Soviet Union and China's economic globalization which increased the country's exposure to Western culture. During Hu's leadership, the ruling party experienced a re-emphasis on ideology (Holbig, 2009). Hu's adopted a two-pronged national strategy to promote a steady and stable long-term economic growth and a more equitable distribution of its benefits: "Scientific Approach to Development" and "Constructing a Harmonious Socialist Society" (Naughton, 2005). He was concerned with population growth, urbanization, education, the social welfare system, income and employment (Fan, 2006).

During his leadership, Hu emphasized personal qualifications in the promotion of individuals (Fewsmith, 2007). The country's education system was decentralized and commercialized (Wu & Zheng, 2008). In 2006, it was announced that more than 50 million students from the western rural parts of China would be exempted from tuition fees, and the program was subsequently expanded to include an additional 100 million students (Teufel Dreyer, 2015). As a result, the gross rate of enrollment in China's higher

education institutions increased to 22 % by 2006 from 1990's 3.3% (Wu & Zheng, 2008).

For the first time the Chinese government appeared strongly committed to protection of the environment. However, in response to the 2008 financial crisis, the Chinese administration was forced to give priority to economic measures in order to protect the Chinese economy (Sano, 2011). Hence, the Chinese government had limited success in the solving of environmental issues over the years (Hilton, 2012).

The government was aware of the flaws of the prevailing health system and the additional challenges the gradually aging population brings. The 2002 severe acute respiratory syndrome (SARS) outbreak had reminded the Chinese government of the grave impact a disease's outbreak could have on the economy, and it had raised awareness of the flawed public health system in the government and population alike (Kaufman, Kleinman & Saich, 2006). In 2009, a plan aimed at providing basic health care for everyone was introduced, and by 2011, 92 % of the population had received basic coverage (Teufel Dreyer, 2015).

Efforts were also made to improve social equality. For example, the government provided social safety nets for the rural population, raised the minimum wage, increased the number of government-funded social welfare and health care system, and built social housings (Fan & He, 2013; Jarrett & Ramsey, 2011). At the end of Hu's tenure, China's economy had risen steeply and China had become the world's largest exporter, the world's largest importer, the holder of the largest foreign reserves and the second largest economy (Brown, 2011).

China continued to enjoy great economic progresses during Hu's leadership. The Chinese economy had more than quadrupled and the living standards of the majority of the population had been improved significantly (Simpson 2012). In 2002, China became the sixth largest economy in the world and the economy broke through the 10 trillion RMB mark for the first time (Zheng & Tok, 2007). In 2005 China overtook Great Britain and became the fourth largest economy and finally, in 2008, it surpassed Germany (Teufel Dreyer, 2015). Between 2002 and 2010 the economic growth rate was at an impressive 10 % per year (Teufel Dreyer, 2015). In his report given at the Fourth Session of the eleventh National People's Congress on March 5 of 2011, Premier of the State Council Wen Jiabao stated that the country's productive forces and overall national strength had improved significantly (Wen 2011).

The Hu Jintao administration introduced many politics aiming to improve the quality of living of Chinese people, and it had contributed toward the closing of the continuously widening gap between rich and poor. However, in 2012 when he left office, corruption and inequality were still a major concern, and the

population's concern about these issues had actually grown between 2008 and 2012 (Pew Research Center's Global Attitudes Project, 2012). According to the results of Pew Research Center Global Attitudes Project, many Chinese adults saw corruption of government officials as a big problem.

### **Discussion:**

China had experienced a series of economic and political reformation over the years. Starting from Hua Guofeng, the Chinese leaders had gone a long distance in improving its economic condition, education system, healthcare system and so on. With the aid of the media and technological advances made in the communication industry and transportation industry, the country is exposed to western ideas and products. In contrast to the last generational cohort, consumers who came of age during this era had much more choices than the predecessors, and were more affluent. Hence, they could afford a more lavish lifestyle – something that was beyond sheer imagination of the previous generation.

This was the perspective of China that was most widely known by the modern business world. A large developing market, full of rich consumers who were hungry for more consumption. Investment and development opportunities were abundant. We decided to term this generational cohort after the name of the movie "The Great Gatsby" because it resembled how the main character had first appeared in the movie. Young, rich, charming, and full of mystery, he attracted the world's attention by his wealth and lavish lifestyle. Everybody was trying to befriend him, and everybody was trying to get an opportunity to get near him.

However, the astonishing economic growth was accompanied by societal problems such as corruption and greater rich-poor disparity. Knowing that the potential effect that these factors could have on the nation's instability, the recent Chinese leadership has taken actions to tackle these issues.

### **Post- Consumerism – The Dreamers**

**(2012 – Present)**

#### **China under Xi Jinping (2012- present)**

In November 2012, Hu Jintao formally retired and Xi Jinping assumed Chairmanship. 59 year-old Xi Jinping will have a ten year tenure in power before he faces the mandatory retirement in 2022 (Dotson, 2012). Li Keqiang assumed the position of prime minister. In the same month, Xi Jinping announced his ideological concept and guiding principle, "the Chinese Dream", which has been extensively promoted across the media and society from thereon (Forde, 2013). Its goal is to build a "wealthy, powerful, democratic, civilized, and harmonious socialist modernized nation" by 2021 (Fewsmith, 2013). An important part of this

strategy is the goal to double the GDP per capita by 2020 in order to achieve higher living standards among all citizens (Kuhn, 2014).

The Chinese Dream, which is defined as the rejuvenation of the Chinese nation, consists in four parts: strong China, civilized China, harmonious China and beautiful China (Kuhn, 2014). Strong China pertains to improving the country's political, diplomatic, economic, military and scientific strengths. Civilized China emphasizes equity and fairness, a rich culture and high morals. Harmonious China focuses on the harmony between social classes. Beautiful China is about building a healthy environment with low pollution. In addition, Xi's administration also focuses on issues related to urbanization. The Premier Li Keqiang sees urbanization as the cure to rebalancing the economy towards social equity and higher living-standards (Brødsgaard & Grünberg, 2013).

Amongst the most notable policies of the Xi's administration is its obsession with fighting corruptions. In 2013 he launched an extensive campaign to tackle corruption, during which over 200,000 government officials had been investigated for corruption, and which even the ruling party's heavyweights were not spared (Drysdale, 2015). Alone in 2013, 182,000 officials had been punished for disciplinary violations (Zhan, 2014). The campaign later shifted its focus to the military, which has long had a reputation for corrupt behavior. China sees a clear shift to the rule of law under Xi Jinping.

In response to the administration's tough stance on corruption fighting, corrupt individuals had "toned-down" their behaviors a lot. For example, many high-class entertainment facilities that targeted corrupted officers' pockets had closed down. The sales of many luxurious brands had fallen, and the market was forced to readjust its focus. For example, in the past, many individuals would give top-notch Chinese spirit, desktop calendar, and solid-gold moon cake as festival gifts to senior executives of state-owned enterprises and senior officers. The sellers of these products essentially went out of business in recent years as not many senior officers still "dare" to accept such gifts.

While critics argued that there had not been a further privatization of state-owned enterprises yet, China's productivity continues to improve (Laurenceson, 2015). In 2014, Xi Jiping began to put considerable emphasis on specific strands of the economic reform agenda (Naughton, 2015). In June 2014, the country's biggest fiscal reform in 20 years was approved, which shall be completed by 2016 (Kroeber, 2014). The reform's main aim is on the restructuring of the tax system to reduce local government's revenue shortfalls and to encourage them to promote consumer services rather than heavy industry businesses (Kroeber, 2014). Another major policy measure aims to improve the situation of the country's rural population, which had been feeling rather overlooked

and disadvantaged over the past decades. A new system of property rights for agricultural land is introduced to provide protection to farmers and to create a clear system that can support, rent, lease and mortgage land to those in need (Naughton, 2015).

Thus far, during the years of Xi's leadership, China experienced rising tensions with Japan and the other South East Asian neighbors. However, most disputes were averted very quickly. In order to improve social equality several social policies create a living environment that is more conducive for the city migrants were introduced (Veg, 2014).

### Discussion:

As the current Chinese administration has just taken over the steering of the country, we could not gather too much information to present and base our discussion on. However, based on our observations, we believe that China has entered the next phase of economic development. The last generational cohort was an extravagant one. It was characterized by lavish, irrational, and unsustainable spending. For example, based on our private conversations with senior executives who have worked with senior executives from Chinese enterprises, one typical business dinner could easily go into tens of thousands of RMB per night in the past because "nobody cares". However, things are "much better now". Those top-notch entertainment facilities are closing down one by one, and they were replaced by facilities that could be afforded and frequented by the commons.

If the government is successful in its fight against corruption, we believe that this might become what the Chinese government has been purporting – *xinchangtai* (the new norm). However, this would mean that the "inflated" consumption patterns that were partly supported by corruptive and illegal activities would be replaced by the "real consumption" patterns of the Chinese consumers. This would inadvertently mean a restructuring of the Chinese market. The only question that's left is: at the end of the market's restructuring, will China awaken from its dream, or will China realize it?

### Conclusion:

Convinced that the western generational model is not applicable to the Chinese market, we reviewed the history of the country and proposed a Chinese generational cohort model. We believed that the leadership of the Chinese government exerted a strong influence on the consumption patterns of the Chinese consumers via the type of policies they preferred. In this research, due to the use of macro-level data, we could only come up with an archetype model for the Chinese consumers. Future researchers should carry out more research to uncover the distinctive characteristics of consumers from each generational cohort.

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