



Why are Chinese consumers crazy for Apple?

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Chinese consumers are hungry for foreign brands but for Apple products, in particular, the demand is insatiable. What explains China's love affair with Apple? On January 13, Apple launched its latest smartphone—the iPhone 4S—in China. Hundreds of customers had queued overnight outside Apple's flagship store in Sanlitun in Beijing. That morning, the store failed to open on schedule, and soon after, Apple officially announced that the company would suspend all iPhone 4S sales at its Beijing and Shanghai retail stores. The crowd exploded. Some even threw eggs at the store's exterior. Apple defended its actions saying they wanted to protect the safety of consumers and employees. Among the hundreds gathered outside were gangs of scalpers (resellers of products at a price higher than the established value) that had hired a large number of workers and students to stand in line for them. For scalpers, the immense popularity of the iPhone in China means profits of around 500 yuan [approx. US\$80] for each resold new phone. They were well-organised: One gang had red ribbon wrapped around their arms; another wore yellow hats. Conflict between different gangs of scalpers erupted and the police were forced to intervene. To ensure safety and to control the situation, Apple decided to suspend all sales of the new iPhone. What explains this Chinese craze for Apple? Some go so far as to describe Chinese consumers as disciples of an "Apple Cult" and the late Steve Jobs

as its leader. While this analogy is not very appropriate, it does figuratively highlight the irrationality of Chinese consumer attitudes towards Apple products. Apple has consistently managed to create a frenzy in China each time it launches a new product, unmatched elsewhere in the world. In fact, many buyers lining up at Apple stores around the world are from China itself—they just couldn't wait for the new product to be launched later at home. Some of the extreme demand may be attributed to Apple's successful marketing strategy that intentionally caps supply thereby creating a thirst for the product. But this isn't unlike Apple's marketing strategy in other parts of the world. So what really differentiates the Chinese consumer? The fact that there is a large group of scalpers specialising in and profiting from Apple products, and that Chinese consumers are more than willing to pay a premium, begs the question. What I see in China is a large group of consumers increasingly indulging in their thirst for and worship of luxury goods. It's as if they've been brainwashed. Chinese consumers have become the world's most ardent worshippers of luxury brands such as Louis Vuitton, Bentley, Cartier and Hermès. They are willing to queue up around the world not only for Apple products but also for these other luxury products. In 2009, for instance, Chinese customers snapped up nearly a third of the luxury goods sold in the United Kingdom and 60 percent of luxury products sold in

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France. As for Apple, a large number of ordinary Chinese consumers obviously consider the iPhone a luxury item although whether a price tag of about 5000 yuan [approx. US\$800] is steep enough to be considered a luxury item is debatable. This mindset among the average Chinese consumer is understandable when you consider that an iPhone is the least expensive purchase that can bring them closer to experiencing high society, and is also most cost-effective in terms of satisfying vanity. There will always be young people that advocate vanity and that are obsessed with fashion in every society, in every country, and across every generation. It's not that big of a deal that China has the largest group of Apple fans or "fetishists" in the world. In any case, an Apple fetish is no less holy than the worship of God or other idols if we ignore concepts such as hedonism or distorted social values. The "fetishism" could be merely reflecting a reality: people are collectively turning themselves into Apple believers in a society where faith has been largely absent. *The article was first published at Harvard Business Review China in January 2012 and translated from Chinese by Aileen Huang.*

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