



**THE IMPACT OF FOLKLORE CLUSTERS ON CUSTOMER  
PREFERENCES IN CHINA'S ECONOMY**

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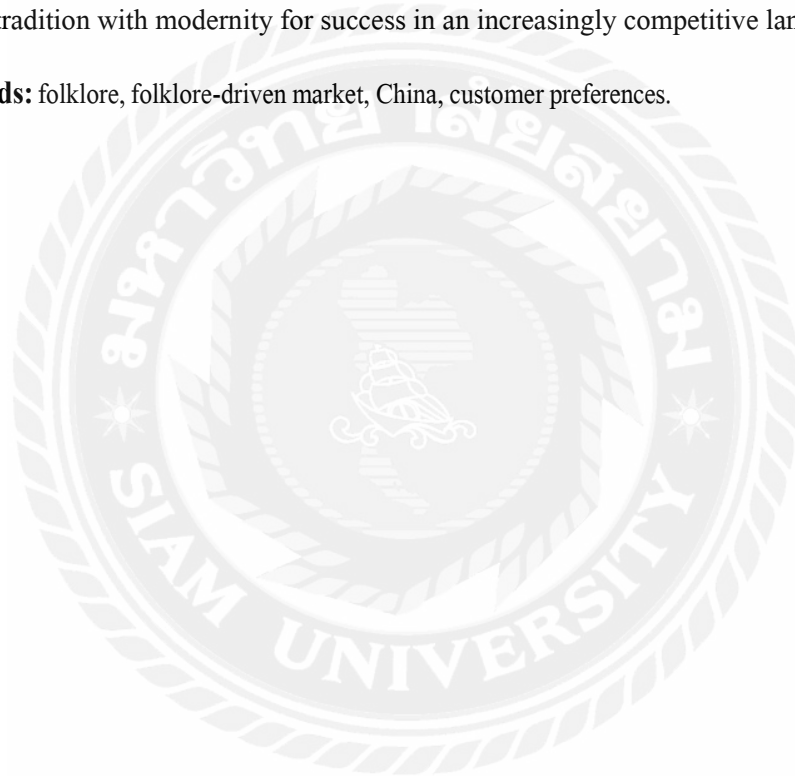
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### Abstract

This research investigates the Chinese folklore-driven market, which encapsulates consumer preferences and behaviors influenced by traditional customs and beliefs. It explores the interplay between folklore elements, which include yin-yang concepts, mythological symbols, festival practices, and consumer demand for culturally significant products. The study identifies key challenges, including under-commercialization, low visibility of folklore in product marketing, and the necessity for modernization to appeal to younger demographics. By analyzing the current conditions of the folklore market, the study seeks to highlight the economic potential and cultural significance of integrating folklore into contemporary products and marketing strategies. The significance lies in providing insights for international companies targeting Chinese consumers, emphasizing the importance of cultural localization, product innovation, and awareness of folklore's commercial value. This research not only contributes to economic growth within the folklore-driven sector but also fosters cross-cultural understanding and appreciation of Chinese heritage in global markets. It examines the dichotomy between niche and mass market approaches, highlighting how firms strategically tailor their offerings based on demographic insights and consumer preferences. The influence of the Chinese government's initiatives in promoting cultural preservation and supporting small and medium enterprises (SMEs) is analyzed, along with the importance of intellectual property rights in safeguarding traditional knowledge. The study also

delves into the significance of marketing and consumer engagement, emphasizing the effective use of digital platforms and immersive experiences to connect with audiences. Additionally, it discusses supply chain strategies, such as local sourcing and artisanship, which enhance product authenticity, alongside the challenges of scalability. The interconnectedness of the folklore cluster with tourism and media industries is highlighted, illustrating its role in cultural promotion and economic growth. The findings suggest that the folklore-driven market thrives through a combination of strong demand, innovative business strategies, and substantial government support, positioning firms that balance tradition with modernity for success in an increasingly competitive landscape.

**Keywords:** folklore, folklore-driven market, China, customer preferences.



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Shin Thant Shwe Yee

26.09.2023

## DECLARATION

I, SHIN THANT SHWE YEE, hereby certify that the work embodied in this independent study entitled “The Impact of Folklore Clusters on Customer Preferences in China’s Economy” is result of original research and has not been submitted for a higher degree to any other university or institution.

Shin Thant Shwe Yee

26.09.2024



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# Chapter 1

## Introduction

### 1.1 Background of the study

The folklore-driven market in China is the added value or consists of goods needed for folk customs, folk beliefs, and other spontaneous acts of the Chinese people. Chinese folklore is based on the spirit of “Ru Shi Dao,” which consists of a combination of the core of Taoism (Zhou Mu, 2024), i.e., based on the Yi, and later developed into the basic concepts of yin and yang and the five elements, which in short represent the original Chinese perspectives of the formation and principles of the universe, elements of Buddhism that were introduced from the 2nd century BC, and philosophical concepts from “the hundred schools” of the pre-Qin dynasty times in China, one of which is Confucianism, exerted a more far-reaching influence than the other schools as it was chosen by the emperor to serve as the primary ideological philosophy of the state during the Western Han Dynasty. The worldview, mythological system, concepts of good and evil based on Chinese folklore have had a profound impact on Chinese consumers' preferences, as well as giving rise to specific goods used for events such as character worship, prayers, commemorative events, and corresponding design styles in common merchandise. The influences it spread covers the world, mainly consisting of Chinese people, overseas Chinese, and Chinese immigrants, and people of the cultures that were heavily influenced by Chinese Culture (Zhang & You, 2019).

Such a consumer preference created a unique market, which we here name it the “The Chinese folklore-driven market”. It is defined as the additional consumption and consumer preference of a common merchandise compared to its peer for it has folklore elements, such as a “red jewelry for luck”, and goods specifically needed for folklore behaviors, e.g., fireworks for Chinese New Year (Cummins, 2021). The study of such a market among the Chinese could be of great use in localizing and personalizing the services and marketing of goods.

### 1.2 Problem of the Study

The problem of the Chinese folklore-driven market is the low current sustainability and under- commercialization, and the undervaluation of its commercial value, that is the investigation

of how can the Chinese folklore market cope with the modern world. In contrast, a successful



folklore-driven market would be Christmas and Santa Claus of the Western cultural, which was originally a festival of Christians but later evolved into a festival of gifting and reunion in modern days, is proven to have great values, in not only the west but the whole world.

Moreover, the high commercialization and proper valuation of the commercial value of how companies could use Chinese folklore in their products, or the companies that provide folklore merchandise will gain the favor of Chinese consumers and how their sales rise among Chinese customers. Firstly, as for the existing folklore market, how will the folklore market cope with modernization determines its survival among the young who are affected by modern views. Also, there occurs the problem of under-commercialization, which is due to a number of reasons, starting with market perception. Most international companies do not attach elements of Chinese folklore and holiday culture to their products in the Chinese market. Successful commercialization, such as Valentine's Day, has resulted in many people buying flowers and chocolates as well as Christmas gifts and accessories such as Christmas trees and socks. Those behaviors of Western culture are spread to the public through movies, TV shows, etc., and are used by major multinational companies in their goods and services and marketing campaigns, even if they are not the manufacturer of the Christmas tree. This is severely underestimated by international companies in the Chinese market, where cultural influence is one of the greater influences on consumer behavior. Localization of international companies in overseas markets by attaching local folklore is extremely important for their marketing strategies (De Mooij, 2019).

Another issue is the unawareness of its commercial value, which directly leads to under-commercialization. The unawareness of Chinese folklore commercial value is an issue that exists in many companies; however, it has been realized in the last few years since many companies would implant Chinese festivals and folklore presence in their marketing plan. One example can be BMW's commercial on New Year's Day on Tiger's Year (Ad nut, 2022), where a tiger is taking the wheel, and the commercial line combined perfectly with the local culture is the phrase "like a tiger with wings" that is originally used to describe that by obtaining something the already powerful becomes more powerful. Nevertheless, despite the arising awareness, it is still not attentive to most companies.

### **1.3 Objectives of the Study**

- 1) To investigate the current Chinese folklore market's infection to customers as well as its overall conditions in coping with modernization through marketing, innovation, and symbolization, in addition to its environment and challenges.
- 2) To examine how companies with an existing Chinese customer base, those aiming to attract Chinese customers, and those seeking to target Chinese clients globally, can achieve their vision and strategy by analyzing the effects of Chinese folklore on consumers and incorporating these cultural symbols into their products.
- 3) To explore the importance of Chinese folklore awareness in the global circumstances.

### **1.4 Scope of the Study**

The scope of this study involves conducting a comparative analysis between standard editions of products and those incorporating Chinese folklore symbols, assessing their sales performance among Chinese customers worldwide. Additionally, the study explored the extent of other cultural participants' engagement with Chinese folklore-infused products within different cultural contexts. By examining the level of acceptance, endurance, and affinity towards these products, the research aims to gain insights into the preferences and perceptions of the customers towards the Chinese folklore-driven market.

### **1.5 Significance of the Study**

This research examines the folklore-driven market in China consisting of goods created for folklore customs as well as the added consumer preference and consumer favors due to the folklore-inspired designs of common products, revealing its economic significance and offering new approaches to localization, design, customer service, and product promotion that are important for international companies operating in China.

By examining the under-commercialization and undervaluing of folklore-driven market in China, it provides valuable insights for manufacturers and businesses to leverage folklore in their product and marketing strategies and connect with consumers at a deeper cultural level. The study highlights the commercialization of folklore thereby opening up new business opportunities, localization centered on folklore as a product design element and marketing strategy as one of the

key corporate strategies when facing Chinese customers with a view to gaining their loyalty and favor. Overall, this study contributes to economic growth and cross-cultural understanding, and is critical to understanding and promoting the importance of folklore-driven markets in China.





## Chapter 2

### Literature Review

#### 2.1 Folklore

The convergence of selling cultural items and how it affects communities worldwide is a topic that shows the connection between business and culture. This is often seen in the International Folk-Art Market (IFAM), a standout example. It gives us a special way to look at what happens when cultural things are bought and sold (International Folk Art Alliance, 2017). In a bigger picture, this research looks at places where traditional art meets business.

Folklore is like a treasure chest of traditions that have been passed down through talking over many generations. But when these traditions become things that can be bought and sold, it gets complicated. People like Hallowell (1947) thought about how folklore is linked to stories, myths, rituals, and what people believe, but not a lot of research has really explored how folklore and culture connect (Bascom, 1953). This research tries to fill in that missing information by studying how folklore and business mix, and what happens when cultural things become products.

One thing that shows this is the Mentor to Market program. It helps artists learn about business and marketing so they can do better in the world market (Snell, 2015). This means that instead of just giving away things, the IFAM is trying to help in a way that solves problems for the long term.

On the contrary, the Chinese folklore-driven market still has a large market gap in China and among overseas Chinese communities. On the one hand, mooncakes, red ropes and other items used in folk culture still suffer from a lack of innovation and a low level of commercialization. On the other hand, products created with folk culture in context, such as accessories, video games, film and television productions, and even mobile phone cases printed with folk elements, face problems such as insufficient supply and poor marketing investment.

This research looks at how folklore and culture mix with business, uncovering all the

interesting and complicated things that happen when traditional stories turn into things people



buy. From the old stories that families have told for ages to the new things made from these stories, this study explores the many ways that culture and business meet.

## **2.2 Folklore Clusters**

### **2.2.1 Yin-Yang and Five Elements**

The concept of yin and yang originates from Taoism, and it signifies the inherent opposites of things. Yin and yang represent the two extremes of things, e.g., the sun reaching its zenith in a day is said to be the time of greatest yang, and the moon reaching its zenith is said to be the time of greatest yin. The five elements are the Chinese generalization of the inner elemental composition of things, which are divided into gold, wood, water, fire and earth. They mutually reinforce and restrain one another. In both theories, one should look for the most balanced and harmonious point. Extremes of yin, yang, gold and fire are considered bad and can bring harm to people.

As a result of these theories, many Chinese tend to acquire objects that change the yin and yang and five elements of themselves or their homes. For example, a person born to be fire-dominant will try to strengthen oneself by wearing wood-element accessories; a person born with too much wood choose to wear metallic accessory to weaken one's wood attribute; and a home with a lack of water element will often be placed a running water decorations or fish tanks to keep fish to balance its "field". This preference of Chinese consumers influences their decision-making when purchasing furniture, accessories, clothing and everyday items.

### **2.2.2 Chinese Mythology**

The Chinese mythological system is extremely rich and complex, spanning thousands of years of history and incorporating a wide range of cultural traditions and beliefs.

#### **Gods and Deities**

It mainly includes the creation of universe, which introduces characters like Pangu who is believed to split the chaos of the original universe with his axe and created earth, and Nvwa, who created humans with clay; Deities and immortals such as "The Three Emperors and Five Gods", "The Eight Immortals", and Taoist gods including Taishang Laojun (Laozi), Yuan Shi Tianzun,

etc. These reflects on the market as purely religious, merchandises in this category are incense, candles, and other items for worshipping.

#### Nature Worship and Animal Totems

Includes mountain and river deities, natural phenomena such as wind, fire, thunder, and lightning, and Chinese Zodiac, which are Rat, Ox, Tiger, Rabbit, Dragon, Snake, Horse, Goat, Monkey, Rooster, Dog and Pig, along with mythical creatures like Dragon (Loong), Phoenix, Kirin and Turtle. These tales heavily influence the choice of the Chinese consumers on the designs of products, as well as create special needs, such as a boost on red clothes with different zodiac designs each year, and specially made accessories for people who are in their “destined years”, which means the zodiac of the current year is the same as their zodiac.

### 2.2.3 Chinese Festival and Customs

Chinese festivals and customs are deeply influenced by traditional culture. They mainly include:

- Spring Festival: New Year's Eve, putting up spring couplets, setting off firecrackers, giving New Year's money, paying New Year's greetings, lion and dragon dances
- Qingming Festival: Sweeping tombs and paying homage to ancestors, trekking in the greenery
- Dragon Boat Festival: dragon boat races, eating rice dumplings
- Mid-Autumn Festival: enjoying the moon, eating mooncakes and carrying lanterns.
- Chrysanthemum Festival: Climbing to a high altitude, drinking chrysanthemum wine.
- Lantern Festival: watching lanterns, guessing riddles and eating dumplings.
- Qixi Festival: Cowherd and Weaving Maiden meeting, begging for prosperity.
- Laha Festival: drinking Laha congee.
- New Year's Day: worshipping the God of Zao.
- Winter Solstice: eating dumplings or soup dumplings

These Chinese festive customs are reflected in the market by the creation of certain special commodities dedicated to folklore, such as dragon boats, mooncakes and red envelopes. Meanwhile, the demand for certain goods or services during festivals is magnified, such as

fireworks for the Chinese New Year, and cleaning products for the cleaning of homes as required during certain festivals.

## 2.2.4 Traditional Chinese Medicine

Traditional Chinese medicine and its theoretical system has a long history and contains a wealth of philosophical ideas and practical experience. The basic theories of it mainly include:

Qi monism, i.e., the belief that Qi is the basic substance that constitutes everything in the universe and is the driving force of life.

Organ differentiation: Chinese medicine divides the major organs of the human body into organs (heart, liver, spleen, lungs, kidneys) and viscera (gallbladder, stomach, small intestine, large intestine, bladder, triple jiao), and believes that each of them has a specific function and is interconnected with each other; meridians, which is a system of channels within the body responsible for the operation of qi and blood, connecting the internal organs with various parts of the body.

Qi and blood: Qi is the driving force of life activities. Blood is the material basis for nourishing the whole body.

Fluids: nourish and nourish body tissues, involved in the excretion of metabolic wastes.

Etiology: internal and external factors of disease occurrence, such as the six elements (wind, cold, summer, dampness, dryness, fire) and the seven emotions (joy, anger, worry, thoughts, grief, fear, shock).

Disease mechanism: the internal mechanism of disease occurrence, including the imbalance of yin and yang, visceral dysfunction.

Diagnosis and treatment: Determine the treatment method according to the patient's specific symptoms and constitution.

Prevention: Emphasis on 'treating the disease before it occurs'.

Traditional Chinese medicine has had a profound effect on the consumer preferences of the Chinese in their approach to food. Due to its theories, the Chinese people attach great

importance to food health issues and the medicinal value of food. In the Chinese food industry, people are more inclined to buy additive-free, natural and medicinal foods. It is worth noting that most Chinese food manufacturers are aware of consumer demands and are happy to produce and market healthy, additive-free foods, whereas international food companies operating in China generally do not have a similar strategy.

## 2.2.5 Confucianism

Confucius was a great philosopher and educator in ancient China, and his thoughts and philosophy had a profound impact on China and even the East Asian cultural group. Confucius lived during the Chunqiu Period (770 B.C. to 476 B.C.), and his teachings came to be known as Confucianism.

The main theories and philosophies of Confucianism are:

Ren: Emphasizes care and compassion for others.

Manner: Emphasis on the importance of observing social norms and etiquette, and the belief that etiquette is not only a regulation of behavior, but also a demonstration of moral cultivation.

Filial Piety: Filial piety and respect to one's parents is an aspect that Confucius attaches great importance to, believing that filial piety and respect for one's parents is fundamental to being a human being.

Mediocrity: advocates the principle of moderation, avoiding extremes and pursuing a state of balance and harmony.

Education: advocates the principle of 'education for all without discrimination' and believes that education should be available to all, rich and poor alike.

Personality of a Junzi: Describes an ideal state of personality, in which a Junzi should be of high moral character, knowledgeable and talented, humble and courteous.

Confucianism has shaped Chinese consumer preferences mainly in the tourism industry, the health care industry for the elderly, and the education industry, corresponding to the Confucian concepts of filial piety and teaching without discrimination, respectively.

In the travel industry, due to the rise of China's economy, more and more people are able to travel, and influenced by filial piety, people tend to bring their parents along or to cover the cost of their parents' travel. Reflected in consumer preferences is a growing demand for tourist attractions for the elderly as well as seniors tour groups.

### **2.2.6 Chinese Mahayana**

Chinese Mahayana Buddhism is an important branch of Buddhism developed in China, which is deeply rooted in Chinese culture and folklore, and its influence on Chinese folklore is to promote the concept of good and evil in its teachings. Buddhism promotes abstinence from killing, and as a result vegetarian culture has spread and developed widely in China. Many people become vegan on specific days, such as the first and fifteenth days of the year, or observe fasts throughout the year. The Buddhist concepts of karma and reincarnation are deeply rooted in Chinese people's minds, influencing their moral values and attitudes towards life. As a result, China's vegan food market, as well as the market for religious goods, is in huge demand and surges at certain times of the year.

### **2.2.7 Ancestor Worship**

Chinese ancestor worship is an integral part of the long history of Chinese civilization, and it has deeply influenced the values, morals, and customs of the Chinese people. In the market, this practice has prompted art creators to place these stories and figures in their works, including literature, theatre, and film, enriching the expression of Chinese culture and winning the consumers' favors and loyalty. For example, the game 'Black Myth: Wukong,' based on the Monkey King from Journey to the West, was released on 20 August 2024. It has achieved phenomenal commercial success, with achievements including its online player count reaching 2,415,714 in a matter of days, and being the number 1 top seller on the gaming platform Steam.

## **Chapter 3**

### **Research Methodology**

#### **3.1 Research Design**

This study investigated how Chinese folklore affects what people buy and market trends. It focused on how stories, symbols, and traditions can be used in product design and advertising to connect with younger consumers, especially Millennials and Gen Z.

The research examined examples of brands that have used folklore well, showing what works best to attract customers and build loyalty. It also explored how teaching about folklore can help people appreciate it more. By studying these areas, the research aimed to give helpful ideas for businesses that want to use Chinese folklore in their products while meeting modern market needs. Overall, this study delved into the link between folklore, what people like to buy, and economic growth in China.

#### **3.2 Data Collection**

This study used the qualitative method. Data collection from case studies, observations, and fieldwork on the folklore market in China were used as the primary source, and existing literature, PowerPoints, articles, and e-books from e-libraries relevant to the folklore market in China were used as secondary methodology.

A qualitative approach was used, focusing on descriptive data collection and thematic analysis. Instead of numerical data and statistics, this study emphasized identifying patterns through narratives and themes. Qualitative tools help document and interpret the findings. This methodology explores how folklore items impact the market cluster in China, particularly in terms of employment and economic effects, by focusing on qualitative data, influencing factors, findings, and research sources.

#### **3.3 Content Analysis**

The study method involved content selection and analysis, focusing on key themes of folklore elements, influencing cultural and economic factors, consumer behavior, and references to



historical and modern impacts. It categorizes the analysis into Keywords, Influencing Factors, and Findings with Sources and References to explore the impact of folklore on customer preferences, regional economic development, tourism, product branding, and market dynamics in China. The analysis also examined how government policies, globalization, and digital platforms contribute to the development of folklore-driven markets. The following table provides a comprehensive framework for this study.

<b>Keywords</b>	<b>Influencing Factors</b>	<b>Findings/ Sources/ References</b>
Folklore	Cultural Preservation	(Bindas & Ricciardelli, 2017)
	Tourism Attraction	(Richards, 2018)
	Entertainment Adaptation	(Flew, 2016)
Folklore-driven Market Cluster	Cultural Institutions and Organizations	(Chung et al., 2022)
	Cultural Tourism	(Yan, 2021)
	Market Competition and Collaboration	(World Bank Group, 2019)
Chinese folklore	Cultural Heritage	(Luo & Shenkar, 2006)
	Government Policies	(Nolan, 2001)
	Market Potential	(Luo & Shenkar, 2006)

Table 1: Content Analysis of Folklore Impact in China's Market

# Chapter 4

## Findings

The Chinese folklore-driven market is thriving due to a combination of strong demand, strategic business approaches, and robust government support. Companies that can effectively balance tradition with modernity, while aligning with government policies, are well-positioned to succeed in this culturally rich and increasingly competitive market.

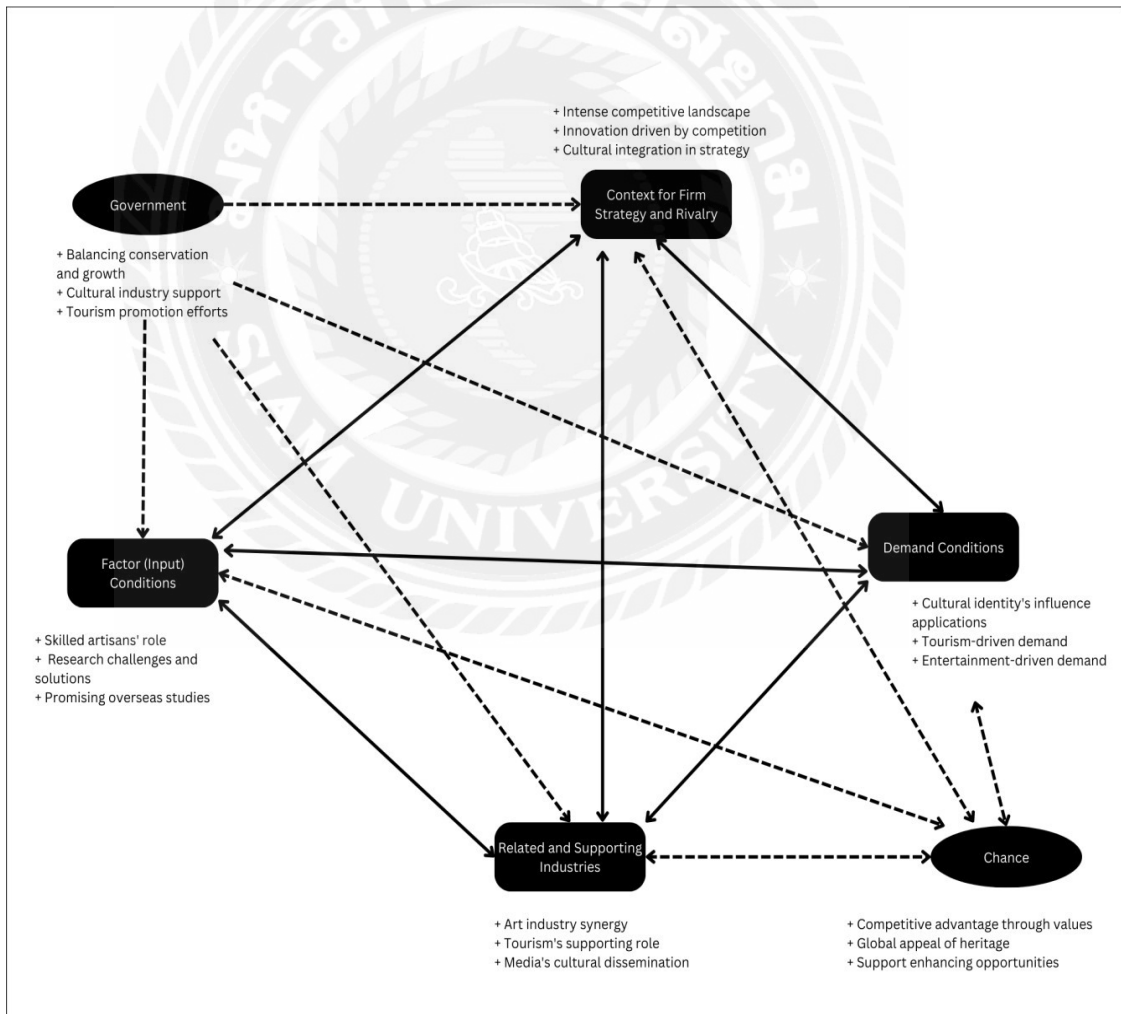


Figure 1 - Folklore-driven Market in China

## 4.1 Factor (input) Conditions

### 4.1.1 Other Influencing Factors (Focus on internal factors)

**Cultural institutions and organizations** in China's folklore-driven market cluster play a vital role in preserving, promoting, and appreciating traditional cultural heritage. They curate exhibitions, organize events, and facilitate research on folklore and traditional arts. These platforms support artisans, performers, and cultural practitioners, fostering a dynamic ecosystem for the cluster's growth. Additionally, they raise awareness and educate the public about the significance of cultural traditions, creating a sense of identity and pride. Their efforts sustain China's Folklore-driven market cluster and ensure the continuity of its rich cultural heritage (Chung, C., et al. 2022).

**Cultural tourism** is a significant pillar of China's folklore-driven market cluster, supported by favorable policies for sustainable growth. With increasing domestic and international tourists, the industry fosters cultural exchange and enhances global recognition of Chinese culture. During the 14th Five-Year Plan, the integration of culture and tourism will be emphasized, utilizing cultural resources to drive regional economic development. Intercultural communication is vital for tourists, and effective translation helps bridge cultural gaps. By promoting understanding and communication, cultural tourism contributes to the cluster's growth and mutual appreciation between tourists and host regions (Yan, 2021).

**Market competition and collaboration** are other influencing factor of China's folklore-driven market cluster. To address productivity challenges and foster new drivers of growth, China needs to promote efficient allocation of resources, encourage innovation, and create a level playing field for all investors. Emphasizing fair competition and removing distortions in the economy will spur creativity and advancements in the cultural tourism industry. Additionally, collaboration between government institutions, private enterprises, and international partners is crucial to leverage regional development and integration, enhance market competitiveness, and embrace economic globalization. By combining market-driven approaches with strategic cooperation, the cluster can unlock its full potential and achieve sustainable and innovative growth in the cultural tourism sector (World Bank Group, 2019).

## 4.1.2 Economic Factors

**Economic Growth and Consumer Spending:** China's rapid economic growth has increased disposable income and consumer spending, particularly in urban areas. This has led to a growing demand for culturally significant products, including those that incorporate elements of Chinese folklore.

**Globalization and Cultural Export:** The globalization of Chinese culture, particularly through the Chinese diaspora and international trade, has created opportunities for exporting folklore-driven products. However, the market's potential remains underutilized due to a lack of awareness and marketing strategies tailored to international audiences.

## 4.1.3 Technological and Innovation Factors

**Innovation in Product Design:** There is a need for innovation in the design and marketing of folklore-driven products. Incorporating modern design elements while preserving traditional symbolism can help make these products more appealing to a broader audience.

**Digital and Online Platforms:** The rise of e-commerce and digital marketing provides opportunities to reach a global audience and promote Chinese folklore-driven products. Leveraging these platforms can help address the under-commercialization issue and enhance market visibility.

## 4.1.4 Social and Demographic Factors

**Demographic Shifts:** The Chinese population is undergoing demographic changes, including an aging population and a growing middle class. These shifts influence consumer preferences, with older generations valuing tradition and younger generations seeking a blend of modernity and tradition.

**Cultural Identity and Heritage:** A renewed interest in cultural identity and heritage among younger Chinese consumers is driving demand for products that celebrate and preserve

traditional folklore. This trend is particularly evident in the popularity of folklore-themed entertainment, such as video games and films.

Besides factors mentioned above, in this cluster in China, skilled artisans, craftsmen, performers, and cultural experts play a crucial role. However, challenges exist in the curriculum of folklore programs, with limited emphasis on integrating audio-visual recording in fieldwork and insufficient focus on ethics. Admission exams often lack relevance to current issues, and students' research topics may be constrained by their advisors' specialties. Additionally, time limitations for completing MA or PhD theses restrict in-depth research (Zhang, 2018).

The study of folklore in Overseas Chinese communities, exploring the continuity and change of Chinese cultural identity, is challenging and lacks sufficient research. The concept of "Cultural China" from philosophical and anthropological perspectives provides a foundation, but folkloristic studies on this topic are scarce (Zhang, 2009; Zhang, 2015). Limited scholars with linguistic competence and resources hinder the development of this area. However, a pioneering anthropological/folkloristic project supervised by Bingzhong Gao at Beijing University has enabled several doctoral dissertations based on fieldwork abroad in the past decade, showing promise for further exploration in this field.

**Investing** in the folklore-driven market cluster in China presents challenges similar to traditional finance. The "folklore of finance" reflects beliefs leading to investment failures, like overconfidence and short-term focus. Achieving alpha, or returns above benchmarks, is increasingly difficult. Successful investment requires challenging prevailing beliefs, setting realistic long-term goals, and maintaining discipline. Advisors play a crucial role in guiding investors towards sound decision-making (Sullivan, 2014).

## 4.2 Demand Condition

Folklore market generally associates and supplies the following sectors of economies. The folklore industry refers to the sector that revolves around traditional stories, customs, and beliefs passed down through generations within a particular culture or community. The demand condition within the folklore industry can be influenced by various factors, including cultural trends, tourism, educational initiatives, and entertainment preferences. Here are some key aspects that contribute to

the demand condition within the folklore industry: There is a growing consumer interest in products and experiences rooted in Chinese folklore, driven by a resurgence of cultural pride and nostalgia. Younger generations, particularly in urban areas, are increasingly drawn to products that reflect traditional Chinese culture but are presented in a modern and innovative way. The tourism sector, both domestic and international, significantly contributes to the demand for folklore-inspired goods and services, especially during cultural festivals and events.

### 4.2.1 Cultural Identity

Folklore plays a significant role in preserving and expressing a culture's identity. As communities and individuals seek to connect with their roots and heritage, there is a demand for folklore-related products, services, and experiences (Bindas & Ricciardelli, 2017). This demand arises from a desire to celebrate and maintain cultural traditions and narratives. As well as Symbolism and Superstition. Chinese consumers often seek products that embody traditional symbols believed to bring good luck, prosperity, health, and happiness. For example, red is associated with good fortune, and products featuring this color, especially around Chinese New Year, are in high demand. Similarly, items related to Feng Shui, such as specific home decor or jewelry, are sought after for their perceived ability to balance yin and yang or enhance the five elements.

### 4.2.2 Seasonal and Festival-Driven Demand

**Festivals and Holidays:** Demand for folklore-driven products spikes during major Chinese festivals like the Spring Festival, Mid-Autumn Festival, and Dragon Boat Festival. Products such as mooncakes, red envelopes, fireworks, and festival-specific decorations see significant sales increases during these periods.

**Traditional Events and Life Milestones:** Apart from festivals, life events such as weddings, births, and significant birthdays also drive demand for culturally significant

products. For instance, items like red jewelry, traditional wedding attire, and symbolic gifts are popular during these occasions.

**Tourism and Travel:** Folklore often attracts tourists and travelers interested in experiencing authentic cultural expressions. Folklore festivals, performances, museums, and guided tours can attract visitors looking to immerse themselves in the local traditions and stories. The demand for folklore experiences is particularly significant in regions known for their rich cultural heritage (Richards, 2018).

**Entertainment and Media:** Folklore themes are often adapted and incorporated into various forms of entertainment. Movies, TV shows, and video games that incorporate Chinese folklore play a significant role in shaping consumer demand. For example, the popularity of folklore-based games or films can lead to increased demand for merchandise and related products, as seen with the success of the game "Black Myth: Wukong." (Flew, 2016)

**Education and Research** (Giorgetti, Arslan, & Campbell, 2020): Educational institutions and researchers often explore folklore as a subject of study. Folklore collections, research materials, and academic programs related to folklore can create a demand for resources, publications, and educational services. Additionally, educational initiatives aimed at preserving and passing down folklore traditions can fuel the demand for educational materials and workshops.

### 4.2.3 Market Segmentation and Customer Preferences

**Generational Differences:** Older generations may prefer more traditional folklore-driven products, whereas younger customers might favor modern interpretations of folklore, such as contemporary fashion accessories or digital products (e.g., video games) that incorporate traditional symbols and stories. Understanding these generational differences is crucial for targeting different market segments.

**Urban vs. Rural Preferences:** Urban customers, who are generally more exposed to global influences, might prefer a blend of modern and traditional elements, while rural

consumers might lean more toward traditional folklore products that align with long-standing customs and practices.

#### 4.2.4 Economic and Social Influences

**Rising Disposable Income:** As China's middle class grows, there is an increasing willingness to spend on culturally significant and high-quality products. This trend is particularly evident in the luxury market, where folklore elements are incorporated into premium products such as jewelry, clothing, and home decor.

**Globalization and Cultural Export:** The demand for Chinese folklore-driven products is not limited to China. The global Chinese diaspora and increasing interest in Chinese culture abroad contribute to international demand for these products. For example, Chinese New Year celebrations around the world drive demand for traditional goods and decorations.

**Cultural Preservation and Revitalization:** Folklore can be seen as a valuable cultural resource, and efforts to preserve and revitalize traditional practices and stories can contribute to the demand within the folklore industry. Organizations and initiatives focused on documenting, archiving, and promoting folklore may require funding, support, and resources, thus driving demand for related products and services.

**Customer Awareness and Perception:** There is a growing awareness among Chinese customers, particularly younger generations, of the importance of preserving and celebrating cultural heritage. This awareness increases demand for products that not only reflect folklore but also support cultural preservation.

**Cross-Cultural Exchange:** With the increased interconnectedness of cultures globally, there is a growing interest in exploring folklore from different regions. This demand for cross-cultural exchange can lead to collaborations, translations, and adaptations of folklore between different communities and countries, further contributing to the demand for folklore-related content and experiences



## 4.2.5 Innovation and Product Development

**Modern Interpretations of Folklore:** Consumers are increasingly interested in products that reinterpret traditional folklore in a modern context. This includes fashion items, tech gadgets, and home decor that blend traditional elements with contemporary design, appealing to both tradition-conscious and trend-conscious consumers.

**Personalization and Customization:** There is growing demand for personalized products that allow consumers to express their individual connection to folklore. For example, custom jewelry or clothing featuring zodiac signs or other traditional symbols is becoming increasingly popular.

## 4.2.6 Market Conditions

**Under-Commercialization:** Despite the cultural significance of folklore, the market for folklore-driven products in China is under-commercialized. Many products lack innovation, and there is insufficient marketing investment to fully leverage the commercial potential of Chinese folklore in both domestic and international markets.

**Modernization Challenges:** The market faces challenges in modernizing folklore-driven products to appeal to younger generations who are influenced by global trends and modern lifestyles. The ability to adapt traditional folklore to contemporary tastes and trends is crucial for the market's sustainability.

## 4.2.7 Customer Preferences

**Symbolism in Products:** Chinese customers have a strong preference for products that incorporate elements of folklore, such as zodiac signs, mythological figures, and symbols representing good fortune, health, and prosperity. These preferences influence a wide range of products, from jewelry and clothing to home decor and electronics.

**Health and Wellness:** The principles of Traditional Chinese Medicine (TCM) significantly influence customer behavior in the food and wellness sectors. Products that are

perceived as natural, additive-free, or possessing medicinal properties are highly valued by Chinese customers.

### 4.3 Firm Strategy and Rivalry

The Chinese folklore market has two forms of presence, domestic and global. Domestically, the Chinese folklore market, as the Chinese economy soars and Chinese consumers have more purchasing power, has been constantly innovating. Moon cakes, for instance, the moon cake flavors have adapted stuffing's that young people are fond of, which include fruit flavors, buttercream flavors, and so forth. As an attempt at novel packaging, "to attract Chinese Millennial and Gen-Z consumers, today moon cake manufacturers mainly draw inspiration from the web: Guochao, secret gift boxes, and collaborations with cartoon characters of the recent past are currently the main trends in China's moon cake market." ("How Brands Are Biting into Chinese Mooncake Culture," 2021).

Apart from ongoing innovation, the middle festival and its folklore attract international brands as an inspiration, many brands, such as Gucci and Dior, released their mid-autumn festival gift box with four moon cakes, each of which has a letter writing, combining together to be "Dior". Such festival editions of gift boxes from luxury brands are plenty (Lam, 2021). Now a look at the challenges: the outer environment of the folklore products. The folklore culture can co-exist with modern cultures like pop or be a strong rival to them, depending on the overall cultural tolerance. In fact, folklore can benefit from modern culture, such as movies based on folklore, rapid spread due to online social networks, and more (Barnett, 2017). Companies in this market tend to focus on differentiation by blending traditional cultural elements with modern design and technology, aiming to create unique products. Rivalry is intensifying as more firms enter the market, leading to innovation in product offerings and marketing strategies. However, companies that can maintain authenticity while appealing to contemporary tastes tend to have a competitive edge. Strategic partnerships, such as collaborations with local artisans or cultural institutions, are common and help firms enhance the cultural credibility of their products. IN both forms, firms compete and strategize in the following aspects.

### 4.3.1 Innovation and Product Differentiation

**Cultural Authenticity vs. Modern Appeal:** Firms often compete by striking a balance between cultural authenticity and modern appeal. Companies that can blend traditional Chinese folklore elements with contemporary design or functionality tend to stand out. This could involve integrating folklore motifs into modern fashion, technology, or lifestyle products. The ability to innovate while respecting cultural traditions is a critical competitive edge.

**Exclusive Collaborations and Limited Editions:** Brands frequently engage in exclusive collaborations with designers, artists, or cultural institutions to create limited-edition products that incorporate folklore elements. These collaborations help differentiate products in a crowded market and cater to consumers' desires for unique, culturally significant items.

### 4.3.2 Brand Reputation and Cultural Authority

**Established vs. Emerging Brands:** Established brands with a strong cultural heritage often have an advantage in this market, as they are seen as more credible and authentic. However, emerging brands can compete by offering fresh, innovative takes on folklore or by highlighting niche cultural elements that larger brands might overlook.

**Cultural Expertise and Storytelling:** Firms that demonstrate deep knowledge of Chinese folklore and can effectively tell the stories behind their products often gain a competitive advantage. This storytelling helps to create an emotional connection with consumers, enhancing brand loyalty and perceived value.

### 4.3.3 Market Segmentation and Targeting

**Niche vs. Mass Market:** Companies might choose to focus on niche markets, such as luxury folklore-inspired products or items targeting specific cultural festivals, versus attempting to capture the mass market. This decision is often influenced by the brand's positioning and resource capabilities. Niche targeting allows for deeper engagement with a specific consumer segment, whereas mass-market approaches may require more significant investment but can yield broader reach.

**Demographic Targeting:** Firms may tailor their strategies based on the demographics of their target audience. For instance, younger consumers might be more attracted to modern or fusion

designs, while older generations may prefer traditional and authentic folklore products. Companies that successfully segment their audience and customize their offerings accordingly can gain a competitive advantage.

#### 4.3.4 Regulatory Environment and Government Support

**Government Initiatives:** The Chinese government often promotes cultural heritage and traditional practices, which can benefit firms operating in the folklore-driven market. Support might come in the form of grants, subsidies, or favorable regulations for businesses that contribute to preserving and promoting Chinese culture.

**Intellectual Property and Cultural Heritage:** Firms must navigate the complex intellectual property landscape, especially concerning traditional knowledge and cultural symbols. Companies that can secure IP rights or develop unique interpretations of folklore may gain a strategic advantage by protecting their innovations from competitors.

#### 4.3.5 Marketing and Consumer Engagement

**Digital and Social Media Strategies:** Effective use of digital platforms and social media is crucial in this market. Firms that can create viral campaigns, engage influencers, and build online communities around folklore themes often gain a competitive edge. Social media allows for direct interaction with consumers, enabling firms to tailor their products and messaging based on real-time feedback.

**Experience-Driven Marketing:** Companies increasingly focus on creating immersive experiences, such as pop-up events, interactive exhibits, or themed retail spaces, that allow consumers to engage with folklore in a tangible way. These experiences help to differentiate brands and create lasting impressions on consumers.

#### 4.3.6 Supply Chain and Production Strategies

**Local Sourcing and Artisanry:** Some firms differentiate themselves by sourcing materials locally and working with traditional artisans. This strategy not only supports the local economy but also enhances the authenticity and cultural value of the products. Artisanry often appeals to consumers who value craftsmanship and are willing to pay a premium for high-quality, culturally significant goods.

**Scalability and Mass Production:** Conversely, firms aiming for broader market penetration might focus on scalable production methods that allow them to offer folklore-driven products at more accessible price points. The challenge here is maintaining cultural integrity while achieving economies of scale.

### 4.3.7 Cultural and Historical Background

**Chinese Folklore and Traditions:** The deep-rooted traditions and folklore of China, including Taoism, Confucianism, and Mahayana Buddhism, form the foundation of the Chinese Folklore-Driven Market. These traditions shape consumer preferences, such as the desire for products that embody concepts like Yin-Yang balance, the Five Elements, and the symbolism of animals from Chinese mythology.

**Festivals and Customs:** Chinese festivals, such as the Spring Festival, Dragon Boat Festival, and Mid-Autumn Festival, drive seasonal demand for specific products. These festivals create a surge in demand for goods like mooncakes, red envelopes, and firecrackers, all of which are rooted in Chinese cultural practices.

## 4.4 Related Supporting Industries

The folklore cluster in China is intricately related to and provides essential support to the **art industry**. It manifests in various artistic expressions, including interior and exterior architectural designs, popular installations, and traditional costumes. These artistic elements showcase the rich cultural heritage and creativity of Chinese communities. Additionally, folklore holidays, festivals, and performances serve as vibrant cultural events that celebrate and promote traditional customs, providing a platform for artists and performers to display their talents. Ethnographic museums play a crucial role in preserving and displaying artistic heritage, contributing to the preservation and promotion of Chinese art. The folklore cluster acts as a wellspring of inspiration and creativity, nourishing the art industry with its diverse and captivating cultural expressions (Iordache & Dorobantu, 2008).

The **tourism industry** in China is closely related to the Folklore-driven market cluster as it leverages the rich cultural heritage and traditional customs to attract both domestic and international tourists. Festival Tourism, a unique tourism product, plays a vital role in this relationship. Festivals, rallies, fairs, expositions, and cultural events within the Folklore-driven market cluster offer visitors an immersive experience of the authentic cultural practices of various Chinese communities. These festivals and cultural events, based on the region's specific themes and held regularly or irregularly, draw large numbers of tourists from outside the region. They contribute significantly to the local economy and help shape the tourism image of the area, making it a top destination for travellers seeking an enriching cultural experience. The Folklore-driven market cluster showcases traditional festivals that have been passed down through generations, as well as modern festivals tailored to market demand and consumer behaviour. By intertwining cultural significance and economic benefits, Festival Tourism within the Folklore-driven market cluster emerges as a powerful force in enhancing the tourism industry and promoting the cultural soul of China's diverse communities (Chen, Huang, Ren, & He, 2011).

The **media industry** in China supports the Folklore-driven market cluster by promoting traditional cultural practices and elements through television, radio, films, cartoons, and magazines. These media platforms showcase festivals, rituals, and customs, fostering cultural identity and pride. The industry also disseminates folklore to a wider audience, keeping these traditions relevant in modern times. Moreover, folkloric themes are creatively integrated into music, art, and literature, enriching the overall cultural vibrancy of the Folklore-driven market cluster in China (Denby, 1971).

## 4.5 Government

China places great importance on preserving its folklore-driven market clusters, which hold significant historical and cultural value. These clusters, cherished for their traditions and heritage, have been officially recognized and protected through comprehensive inventories and registrations. Balancing the need for economic development with conservation efforts poses a challenge, but China is determined to find sustainable solutions. They manage tourism to ensure the sites are not overcrowded or harmed. Additionally, steps are taken to safeguard these areas from the effects of climate change. Collaborating with other countries, China

actively participates in knowledge exchange, learning from global practices while sharing its own experiences. This commitment stems from the desire to safeguard this exceptional cultural heritage for future generations and contribute to the preservation of cultural diversity worldwide (Mingkang, 2016).

The Chinese government is promoting the Cultural and Creative Industries in folklore-driven market clusters by diversifying policies for each sector and establishing more cooperation with Western companies to compete in the international market. With the country's improving economic situation and a growing urban middle class, there is a favourable environment for the development of these industries. The government has opened the market to SMEs in sectors such as publishing, architecture, and industrial design, where previous policies were more protectionist, strategically supporting them in the 12th Five-Year Plan. While some challenges remain, such as intellectual property rights protection, the creative industries are experiencing significant growth and attracting financial capital support. As technology advances, the consumption and access of creative content through the internet and mobile devices have become essential factors in this sector's expansion (EU SME Centre, 2014).

On industrial protection, the Chinese government has been strengthening intellectual property (IP) laws to protect cultural heritage and traditional knowledge. This is particularly important in the folklore-driven market, where the misuse of cultural symbols and practices can lead to significant legal and reputational risks. Firms that adhere to IP regulations and respect cultural heritage are more likely to receive government support and avoid legal disputes. Along with cultural content regulations, where the government regulates the content and presentation of cultural products, ensuring that they align with national values and do not offend cultural sensitivities. Companies must navigate these regulations carefully to avoid censorship or penalties. This regulatory oversight can influence product development and marketing strategies, encouraging firms to create culturally respectful and government-approved products. The Chinese government also provides financial support to businesses in the cultural sector, particularly those that contribute to the promotion of Chinese culture. This can include grants, low-interest loans, and other forms of financial assistance. Such support helps businesses, especially small and medium-sized enterprises (SMEs), to innovate and

expand their operations in the folklore-driven market; and make investment in cultural infrastructure, such as museums, cultural centers, and heritage sites, indirectly supports the folklore-driven market by creating venues for showcasing folklore-inspired products and experiences. These infrastructure projects also help attract tourists, both domestic and international, boosting demand for culturally significant goods and services.

Another approach of the visible hand to promote this market is through education and talent development. The government promotes cultural education in schools and universities, ensuring that younger generations are knowledgeable about Chinese folklore and traditional arts. This emphasis on cultural education helps create a market for folklore-driven products, as educated consumers are more likely to appreciate and seek out culturally significant items. Meanwhile it often provides training programs and workshops for artisans and craftsmen who specialize in traditional Chinese arts and crafts. By nurturing these talents, the government ensures a steady supply of skilled workers who can produce high-quality folklore-inspired products. This support helps maintain the authenticity and craftsmanship of products in the market.

The Chinese government has facilitated Tourism Development in folklore-driven market clusters by relaxing travel restrictions and reducing formalities and barriers for cross-border travellers after joining the WTO in 2001. The global competition and the country's rapidly developing business environment have also attracted more international business travellers, contributing to the prosperity of the tourism industry. Additionally, economists believe that hosting events like the Beijing Olympic Games has fostered an increase in tourism numbers by showcasing China's rich culture and history to the world. To further boost profits and attract inbound tourists, the government has set multi-year plans, including measures like stepping up tourism promotion, developing more leisure facilities, and reducing air pollution. These initiatives, along with the country's continuous modernization, are expected to fuel the growth of the tourism industry in China for the foreseeable future (Zhou, 2019).

The Chinese government plays a crucial role in supporting the folklore-driven market through cultural preservation policies, financial incentives, and infrastructure development. Government initiatives, such as cultural festivals and education programs, help sustain and grow the market by promoting Chinese folklore and ensuring the continuation of traditional arts and



crafts. Regulatory oversight, particularly in intellectual property protection and content control, ensures that cultural products align with national values and are respectful of traditional culture.

## 4.6 Chance

China's Folklore-driven market cluster gains competitive advantages from its deep-rooted traditional cultural values, including harmony, benevolence, righteousness, courtesy, wisdom, honesty, loyalty, and filial piety, which play a crucial role in shaping the cluster's identity and appeal. The emphasis on harmony allows for proper coordination and balance, promoting unity and compatibility among different elements within the cluster. Benevolence, righteousness, and loyalty foster strong connections and a sense of community, leading to trust and commitment among stakeholders. Courtesy and wisdom encourage ethical practices and resourcefulness in decision-making, further enhancing the cluster's reputation. Moreover, the value of filial piety emphasizes respect for cultural heritage and elders, contributing to the preservation of traditional folklore and authenticity in the cluster's offerings. These cultural values collectively provide a unique and attractive proposition for both domestic and international audiences, setting the Folklore-driven market cluster in China apart and giving it a competitive edge in the global market (Lihua, 2013).

The competitive advantages of the folklore-driven market cluster in China stem from its unique cultural heritage, strong local institutional systems, and synergy with related industries. Drawing inspiration from Michael Porter's theory of competitive advantage, the cluster's success is attributed to factors like traditional values, demand conditions, and strategic rivalry among firms. Overall, the cluster thrives by offering authentic folklore experiences to a large and appreciative domestic market while attracting global interest (Zhao, Watanabe, & Griffy-Brown, 2009).

China's folklore-driven market cluster enjoys large domestic and international appeal due to its rich cultural heritage and traditions. The cluster's offerings, including traditional arts, music, crafts, and cultural experiences, resonate with both the vast domestic population and a growing global audience interested in Chinese culture. The popularity of Chinese folklore, such as traditional festivals, dragon and lion dances, and martial arts, adds to its widespread appeal. With the Chinese government's support for cultural and creative industries, technological advancements facilitating the dissemination of folklore content, and the country's soft power and cultural influence

on the global stage, the folklore-driven market cluster attracts a diverse range of consumers and contributes to China's position as an attractive destination for cultural tourism and creative endeavours (China Daily, 2022).



## **Chapter 5**

### **Conclusion and Recommendation**

#### **5.1 Conclusion**

This research examines how Chinese folklore influences the market. It establishes that folklore plays a significant role in understanding consumer preferences and purchasing behavior. The research highlights various aspects of Chinese folklore, such as yin-yang concepts, mythological stories, and festival practices. These elements are crucial for understanding why consumers choose specific products.

The study presents several factors that impact the folklore market, including economic conditions, technological advancements, and cultural identity. It emphasizes how seasonal and festival-related demand can create unique opportunities for businesses and underscores the necessity for innovation in product development to appeal to diverse consumer tastes. The significant role of government support in promoting cultural preservation and protecting folklore is also discussed.

The findings are synthesized to offer recommendations for businesses aiming to connect better with Chinese consumers. Suggestions include conducting thorough research to understand consumer preferences, integrating folklore into product designs, and launching campaigns to raise awareness about these cultural traditions.

In summary, this research demonstrates how combining traditional folklore with modern business strategies can help companies succeed while preserving and celebrating Chinese culture. Future studies could further explore innovative approaches to merging folklore with contemporary market practices.

#### **5.2 Recommendation**

##### **5.2.1 Comprehensive Consumer Research and Cultural Analysis**

To gain a comprehensive understanding of the Chinese folklore market's impact on consumer behavior and coping mechanisms with modernization, rigorous consumer research

should be conducted (Smith et al., 2020). This research should encompass diverse demographics, including the younger generation, which is heavily influenced by modern views (Jones & Wang, 2018). By delving into the preferences, attitudes, and purchasing patterns of consumers in response to folklore-driven products and services, researchers can unearth insights into the market's adaptation and appeal (Li & Chen, 2019). Collaborating with cultural experts and scholars to analyze the evolution of traditional folklore symbols in contemporary contexts can provide a nuanced perspective on how these symbols have integrated into modern consumer culture (Zhang & Liu, 2021).

## **5.2.2 Integration Strategies for Businesses**

To effectively integrate Chinese folklore symbols into products and marketing strategies, businesses should undertake thorough market analyses (Wu & Chang, 2017). This involves identifying market segments both domestically and internationally where folklore-driven products could resonate (Chen & Li, 2016). By collaborating with cultural experts and scholars, businesses can ensure that the integration of folklore symbols is respectful and authentic, enhancing consumer engagement and loyalty (Zhou & Wang, 2019). Case studies showcasing the successful incorporation of folklore can serve as blueprints for other companies, highlighting the tangible benefits of leveraging cultural identity in marketing strategies (Yang & Zhang, 2020).

## **5.2.3 Awareness Campaigns and Educational Initiatives**

To emphasize the importance of Chinese folklore awareness, awareness campaigns and educational initiatives should be promoted (Liu & Wu, 2018). These initiatives can include workshops, seminars, and collaborative events that bring together academia, businesses, and cultural institutions (Wang & Chen, 2021). By showcasing how successful companies have effectively utilized folklore symbols in marketing, these events can underline the commercial value of cultural identity in consumer behaviour (Luo & Li, 2019). Collaboration between academia and businesses can lead to the creation of educational materials that underscore the significance of Chinese folklore, fostering a greater understanding of its impact on purchasing decisions (Zhang & Zheng, 2022)

### 5.3 Future Research Guideline

The future research in the folktales on customer and economic demand in China presents a multifaceted opportunity for exploration. Firstly, it is necessary to define and clarify what constitutes a folktale in terms of cultural practices, geographic scope, and links to local industries. Focus on understanding how these clusters, rooted in traditional practices, influence consumers behavior, particularly in shaping preferences for culturally significant products and services. Additionally, the role of folklore in branding and marketing is critical. Understanding consumer perceptions of cultural authenticity is vital, as authenticity often influences customer preferences for folklore-based products. Investigating the role of government policies in supporting the growth and sustainability of folklore clusters, such as analyzing of how public policies, heritage preservation initiatives is also important. Lastly, investigating the impact of folklore on cultural tourism, and conducting longitudinal studies to track the long-term evolution of folklore clusters, will offer valuable insights into their sustained influence on consumer preferences and economic growth over time. Research should focus on understanding of the dynamic relationship between folklore, consumer behavior, and economic development in China.

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