

# ***The Fusion of Fashion and Handicraft Cultural Heritage: The Impact of Consumer Identity on Brands' Differentiated Marketing Strategies in China***

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**Abstract:** Over the past two decades, the rise of China and other new economies has contributed to the large-scale growth of the fashion industry and consumerism. Since China has transformed from the 'world's factory' to the 'world's market', many more brands have noticed the Chinese consumer's needs and preferences. Millennials and Generation Z are the main purchasing groups who appreciate the sense of identity in fashion products and prefer those that reflect their traditional cultural heritage. Due to the importance of identity in marketing and retailing, academics are growing interested in this topic. This study aims to explore the impact of consumer identity on brands' differentiated marketing strategies in China under the fusion of cultural heritage and the fashion industry and to provide suggestions for appropriate solutions for fashion brands. Data were collected through an online questionnaire based on the driving effect of identity and identity consistency. According to the analysis, the conclusion is that consumer identity and brand differentiation always affect each other in the defined context of cultural heritage in the fashion industry. The findings of this research can help fashion brands achieve differentiation strategies to stand out in the globalized and highly homogeneous fashion market, as well as achieve long-term development in a mutually beneficial scenario of cultural sustainability heritage and commercial benefits.

**Keywords:** Craftsmanship, Cultural Heritage, Identity, Fashion Industry, Marketing Strategy

## **1. Introduction**

In an era of rapid technological and information interaction, globalization has accelerated the development of the fashion industry and multiculturalism, pushing countries, consumers, and cultures to try to form their own identities [1]. Over the past two decades, China has experienced a significant shift from the 'world's factory' to the 'world's market' [2]. And the rapid economic development has catalyzed Chinese consumers to spend more on fashion and luxury markets. Moreover, Chinese consumers are a huge and unique group with exclusive and distinctive cultural characteristics [3]. They pay high attention to cultural values and identity, influencing their purchase intention and decision-making.

According to the latest data from China's National Statistics Bureau, China's retail sales of apparel in domestic trade increased by 12.9% in 2023 compared to the previous year, indicating that the market demand for fashion products and services continues to increase [4]. This positive signal presents a greater opportunity for brands to think about differentiation, resulting in 71% of brands planning to increase expenditure on brand performance marketing to build stronger emotional links with their customers [5]. However, with the negative impacts of increased geopolitics, rising inflation, and weak consumer confidence, brands need to identify new value demands to boost and release sales to tackle the challenges of uncertainty.

In addition, Millennials and Generation Z are emerging as major consumer groups, most of them with multiple cultural identities, so it is important for them to choose products or services that express these identities. Recently, products with culturally distinctive elements have gained increasing interest and become an important way to deliver product aesthetics and traditional culture [6]. With the ever-increasing cultural self-confidence, consumers have higher loyalty and a stronger willingness to buy fashion brands that carry and respect different cultural characteristics.

With the revival of culture and increasing globalization, more and more traditional crafts are gaining notice from consumers. When tracing China's long cultural history, intangible cultural heritage should not be ignored. These skills not only carry the footprints of history but also demonstrate the essence of ethnic culture. Moreover, the protection and development of intangible handicraft cultural heritage is highly valued and promoted in China. National and local governments in China have transformed cultural heritage resources into products and services, containing multicultural attributes based on productive conservation to increase public awareness and support for cultural heritage protection [7]. At the same time, the fashion industry has gradually integrated the unique handicraft cultures from various regions to create differentiated marketing strategies to meet the consumer's identity in the targeted market. For example, in 2023, Fendi collaborated with China's minority, the Miao community, to combine traditional embroidery and silver jewelry, re-interpreting the classic Baguette handbag through culturally inspired local craftsmanship. And the Fendi Baguette' hand in hand' art exhibition was also launched in Beijing.

However, most fashion brands still limit the adoption of handicraft skills to a few product designs and advertisements and do not consider it deeply in the overall marketing strategy. Therefore, this study takes the integration and inheritance of handicraft cultural heritage with the fashion industry as an entry point for brand differentiation marketing and explores the impact of consumer identity on brands' differentiated marketing strategies in China. This theme not only has sustainable social values for the protection of intangible handicraft culture but also has important commercial marketing values. From the perspective of cultural sustainability, this study helps promote brands' publicity of intangible culture heritages in China and stimulates young consumers' interest in exploring traditional culture and sustainable inheritance. Brands can also balance commercial interests and social responsibilities to meet a more favorable and in-demand market for preserving and promoting intangible cultural heritage skills. From the commercial perspective, the fusion of fashion and handicraft culture enables their emotional connection with consumer groups through better targeting and differentiation positioning by utilizing the local culture of the target market. Dolce & Gabbana's misinterpretation of Chinese culture and advertising campaigns led to a serious decline in reputation and sales in China. It can be found that for those fashion brands wishing to penetrate the Chinese market, cultivating culture and identity will become a key factor in gaining a differentiated competitive advantage in the market.

## 2. Literature Review

### 2.1. Integration of Cultural Heritage and the Fashion Industry

In recent years, the fusion of crafts cultural heritage, and the fashion industry has become a popular topic. Research has shown that fashion development is a dynamic process of creativity and legacy. Engaging culture in the interplay of tradition and creativity blends traditional history with modern contemporary in new forms [8]. It also develops a consciousness of cultural sustainability and preservation of cultural heritage.

Since the survival and inheritance of handicraft traditional culture are challenged by large-scale industrialized production and the lack of interest from the younger generation, most brands tend to use handmade manufacturing with high-cost inputs and low outputs to present the combination of heritage culture and apparel. Although this approach can highlight the scarcity of the product, it results in a high price, making it difficult to flow in the mass market, which limits the promotion of its market influence and the culture behind the product. Compared with this approach, it is more recommended to adopt a design-oriented strategy now, integrating innovative traditional handicraft culture with modern design concepts to deliver the intrinsic cultural value and social significance of the products more broadly and acceptably, which is meaningful beyond the simple commercial income generation [9].

However, integrating cultural heritage into the fashion production pipeline is complex and requires a balance between innovation and cultural sensitivity. Under the influence of globalization, the problem of cultural appropriation has become increasingly serious, with the accompanying 'de-contextualization' of cultural elements. The integrity of traditional heritage culture has been eroded in the commercialization of brands, and its identity value has been gradually distorted and weakened. Although cultural appropriation has been publicly condemned on social media, most existing protection measures are only ideal. There is a need to promote not only specific laws but also specific protection measures within a comprehensive policy framework. Moreover, traceability and high ethical standards are needed to rationalize the appropriate use and respect for material culture and craftsmanship. Otherwise, brands will continue to 'copy and borrow' from local traditions [10].

### 2.2. Cultural Symbols and Brand Differentiation Strategies

As brands move towards internationalization, the uncertainties they face are increasing. In the highly competitive fashion industry, differentiation strategies are essential for brands to gain and maintain a unique competitive advantage. Product development and adaptation depend on marketing to communicate and present distinctive qualities, services, and shopping experiences [11]. According to research, open innovation and the ability to adapt to market needs to deliver value are vital to sustaining a differentiated competitive advantage. It involves continuous reorganization and a combination of resources to shift them from old to new competitive advantages [12].

In addition, a strong brand image and identity enables consumers to effectively differentiate between the brand and its competitors, contributing to the continuous enhancement of the brand's differentiated competitive advantage and adding value to the company's products and services [13]. Driven by dynamic internationalization and cultural homogenization, traditional cultural elements are being transformed into images or other elements in brand marketing for communication and promotion as an important part of local cultural identity [14]. Brands can combine consumer preferences and traditional culture to develop differentiated marketing strategies. Research has shown that the symbolism of traditional culture produces a significant sense of belonging and pride in brand marketing and product design based on customers' functional, sensory, and emotional experiences [15]. At the same time, traditional cultural symbols also bring a special brand image and value

connotation to the brand, so it can establish a deeper emotional link with consumers based on the product.

### 2.3. The Impact of Consumer Identity on Brands

The definition of identity is not limited to an individual scale but includes various dimensions such as ethnic, cultural, social, and national identity. Within the different dimensions, there is a shift in consumer demand for identity expression and construction. With increasing disposable incomes, the rise of hedonism, and the availability of products in large volumes, consumers expect to express their identities through attractive cultural and consumptive symbols [16]. This has created a series of 'identity-driven effects' that have pushed brands to redirect their marketing and retail strategies. There has been a gradual shift from a focus on the product's functional attributes to a greater focus on how the product brings intrinsic identity and emotional value to the consumer by incorporating elements of cultural context and lifestyle [17, 18]. However, while a high degree of emotional linkage and value overlap between brands and consumers can increase loyalty and drive purchase intention, once the relationship ends, consumers may develop extreme negative emotions, and the speed of spreading negative information and the amount of negative information that may accumulate pose a significant threat to the brand [19, 20].

Moreover, some different consumer identities and expressions exist in various target markets and cultural environments. Western consumers prioritize individualism and self-expression. Eastern consumers, who are imbued with national and collectivist values, show a stronger commitment to identity and cultural symbols [21]. So, understanding and grasping the identity needs of consumers in different markets can help brands better respond to cultural differences and promote long-term brand growth and the spread of differentiated images.

### 2.4. Research Gap

Although many scholars are working on cultural heritage and brand integration, there is limited research on the relationship between identity and differentiated marketing strategies. There is minimal discussion on the local cultural heritage of the target market and country in the existing marketing academics. Most of this literature focuses more on Western markets and general culture but ignores the rise of fashion and luxury market demand in China and the lengthy historical and cultural background behind it. This study aims to fill this gap by focusing on the intersection of fashion and traditional craft heritage, with the Chinese market as an example. It highlights the interaction between consumer identity and brand differentiation strategies, as well as the promotion of the sustainability of cultural heritage. It also provides practical suggestions for brands to achieve differentiation and sustainability to enhance market competitiveness and social responsibility.

## 3. Methodology

This study uses quantitative analysis to analyse the impact of consumer identity on brands' differentiated marketing strategies in China from the perspective of the fusion of fashion and craft cultural heritage. Data was collected using a web questionnaire containing 20 questions. To ensure the credibility and validity of the questionnaire analysis, this research refines the characteristics of traditional handicraft cultural symbols and the differentiated marketing of fashion brands. The questionnaire is divided into four parts, firstly collecting respondents' basic personal information, including gender, age, income and city of residence; next, assessing respondents' perceptions of the cultural heritage of handicrafts in fashion; then investigating the impact of traditional cultural elements on respondents' purchasing decisions and expression of their identities; and finally evaluating how the cultural heritage in fashion contributes to brand differentiation and loyalty, as well

as offering suggestions on cultural heritage promotion and preservation for brands. Except for the basic information, questions were designed to assess respondents' level of agreement with each item using a five-point Likert scale: strongly agree, agree, average, disagree, and strongly disagree. Also, the respondents covered different age groups and income levels to avoid the limitation of sampling that was too simple.

From 23 September 2024 to 12 October 2024, a total of 63 questionnaires were collected through the questionnaire platform 'Wenjuanxin' in 20 days, and after removing those questionnaires with obvious regularity of answers and those that took too short a time, 57 valid questionnaires were finally collected, with an effective rate of about 90.48%. The geographic distribution of the sample covers China's mainland, Taiwan, Hong Kong and Macao, which ensures the diversity of cultural backgrounds and the representativeness of the market characteristics. Therefore, the questionnaire results are not biased due to geographical constraints and disputes.

#### 4. Results

According to the survey results, the main respondents were aged 18-24, with 75.44 % indicating that young consumers have a high interest in this market. Female respondents accounted for 71.93 %, and male respondents accounted for 28.07 %, which indicates that women will play a leading role in fashion and cultural elements. The monthly income between CNY 5,000 and CNY 10,000 represents 71.51 % of the respondents, showing that most participants have a specific purchasing power and can afford higher-priced products combining culture and fashion.

From a consumer perspective, 64.91% of the respondents believe that fashion products with craft cultural heritage are gaining attention and recognition from consumers and the market. When making purchasing decisions and expressing their identities, 52.63 % said they are willing to pay higher prices for fashion products that incorporate the culture of handicrafts. Moreover, 63.16% believe that buying these products can express their identity, indicating that culture and fashion have become the most critical factors for consumers to measure the value of a brand and express themselves.

On the other hand, from the perspective of brand differentiation and loyalty, 62.86% of respondents believe that brands should promote cultural heritage more, especially in differentiated advertising and social media marketing, to build closer emotional relationships with consumers in their target markets. Meanwhile, integrating brands with cultural heritage also enhances consumer loyalty, with 56.14% saying that they are more likely to generate positive purchase interest in a cultural context.

Based on the summary and analysis of the data, it is found that consumer identity and brand differentiation constantly interact in the defined context of cultural heritage and the fashion industry. And also create a dynamic closed-loop relationship between commercial and cultural sustainability. The two core conclusions are as follows: first, the integration of craft cultural heritage drives consumer identity and significantly influences their purchase motivation; second, the use of craft cultural heritage positively affects brand differentiation in a specific cultural region.

#### 5. Discussion

Combining fashion and heritage culture in brand differentiation marketing has become an essential trend to enter the Chinese market. The findings of this research also validate this idea, showing that most respondents would pay for the products, services, and marketing of fashion brands that integrated with handicrafts culture. This discussion will provide insight into the reasons behind this trend, its impacts, and what can be implemented to sustain this cultural and business synergy.

Fusing cultural heritage elements promotes consumers' identity and significantly influences their purchase motivation. This can be attributed to the growing cultural confidence accompanying China's

economic power. According to the survey, most respondents were from Millennials and Generation Z. These young people have a strong need for a strong sense of identity and cultural pride and are always looking to express their individuality through unique products. Due to identity consistency, cultural heritage elements can significantly influence consumers' identification. They also prefer to seek products that reflect their ethnic and national characteristics, such as Chinese embroidery, colors, and patterns. So, the combination of fashion and craft heritage culture can resonate strongly with consumers and enhance national pride. Moreover, countries worldwide are shifting towards sustainable and ethical consumption practices [22]. By incorporating elements of cultural craftsmanship, fashion brands can attract consumers who value and protect traditional handicrafts and support regional cultures. At the same time, appropriate cultural inheritance benefits sustainable social development [23]. Innovation in traditional culture not only creates economic benefits but also provides financial and technical support for the protection of traditional crafts, resulting in a positive cycle.

The cultural heritage of handicrafts embraces various art styles, color mixes, and designs. The combination with fashion is more easily understood and accepted by the public than the simple and uninteresting introduction of projects. This approach brings consumers a new visual experience and contributes to preserving and continuing national characteristics and traditional culture. Meanwhile, the worldwide distribution of fashion products can also enhance the sense of identity of Chinese consumers in the international community. The adoption of intangible crafts in fashion products often means that more attention is paid to details and quality in the design and production of the products, as it takes a long time to be learned and inherited [24]. Consumers no longer only focus on the product's function and appearance, but also on the historical and cultural connotations behind the product when purchasing these products. This consumption preference habit also promotes sustainable purchasing, as the quality and design of such products tend to resist the time-test.

Brands can respond to the growing consumer demand for personalization and identity by launching products and service experiences based on craft heritage culture. Those involved can organize diversified marketing activities, use social media to build exclusive communities to interact with consumers, and organize offline experiential activities, such as themed pop shops of traditional heritage crafts culture to provide a platform for consumers to understand and experience the collection of fashion and cultural heritage. At the same time, it can also shoot documentaries or short videos to spread the design concept behind its products, creating a unique brand image and increasing brand exposure. On the other hand, brands can use traditional cultural elements and handicrafts to create a product collection, investing a lot of financial support and technological research and development, saving and passing on the endangered and extinct cultural heritage. This approach enhances social responsibility through innovative marketing strategies and establishes deep emotional resonance with consumers to consolidate the brand's market position.

Furthermore, this research also found that the integration of cultural heritage elements is based on a more profound exploration of the specific cultural regional content, thus positively influencing brand differentiation in the target market. It has been summarized through the academic literature that cultural uniqueness is essential for a brand to develop the market and increase competitive advantage in the industry [25], which is consistent with the findings of this study. Fusing cultural heritage elements provides brands with a unique visual identity and stylistic characteristics. When these elements are integrated with fashion products, they give a cultural value that distinguishes them from other brands. For example, Loewe's Early Spring 23 collection has received international acclaim for its monochrome glazed ceramics inspired by China's Ming and Qing dynasties. The products are delivered with a multi-language catalog of Chinese monochrome glazed ceramics. This not only makes consumers more accepting of the design inspiration but also positively affects the communication of Chinese porcelain culture to establish a favorable brand image and recognition.



Region-specific brand differentiation helps promote the fashion industry's innovative development [26]. Traditional cultural heritage provides fashion designers with rich inspiration in design ideas, choice of materials, and craftsmanship. However, when brands use local culture, they need to understand and design it thoroughly to avoid disrespectful and inappropriate behaviors, which could be a great disaster for the brand, especially in markets such as China, where is a high focus on traditional culture.

Combining cultural heritage elements can provide a differentiating advantage for fashion brands in a specific cultural region. Brands cooperate with local governments to create long-term fashion and culture tourism promotion programs to build on the double attraction of culture and tourism. In collaboration with the recovery of the tourism boom after the epidemic, fashion brands can invest in or partner with hotels to create special travel plans and accommodation projects themed on fashion and heritage traditional cultural crafts experiences in areas where heritage culture is gathered. Consumers can experience traditional culture immersivity and strengthen their sense of identity and loyalty to the brand. Most importantly, the brand should study the local cultural heritage, invite local artisans to work together, explore unique traditional elements in accordance with social values, and apply them to the product design. This ensures the correct use of local culture and helps the brand differentiate itself in a specific cultural region, thus providing a lasting relationship with consumers and boosting the brand's long-term development.

## 6. Conclusion

In conclusion, this research highlights the key role of integrating cultural heritage into the fashion industry as a brand differentiation strategy, especially in markets like China, where consumers place a high value on identity and cultural links. The findings confirm that combining elements of craft cultural heritage with the fashion industry can enhance brand loyalty and differentiated market positioning based on reinforcing consumers' identity and emotional connections. In particular, as Millennials and Generation Z consumers are emerging as major consumer groups, they are more likely to be attracted to fashion products that reflect traditional cultural values. At the same time, the research highlights the importance of respectfully incorporating cultural elements, as misunderstanding and misappropriating culture can seriously damage a brand in a given market. In addition, it is suggested that brands who seek to differentiate themselves from the intangible handicraft culture could collaborate more with cultural institutions and artisans to dig deeper into the spirit and philosophy behind the cultural symbols. This will help design and produce cultural heritage fashion products and services that are truly satisfying to the consumers rather than superficial. Eventually, this study appeals to fashion brands to balance commercial success with cultural sustainability by leveraging the growing interest in cultural heritage elements, thereby building long-lasting relationships with their target consumers and contributing to competitive differentiation in a globalized and homogenized fashion market.

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