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# Empirical Analysis of Chinese consumers' attitudes and Value Perceptions on luxury brands

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► **To cite this version:**

Mingyue Zeng. Empirical Analysis of Chinese consumers' attitudes and Value Perceptions on luxury brands. Business administration. COMUE Université Côte d'Azur (2015 - 2019), 2018. English. NNT : 2018AZUR0034 . tel-02022823

**HAL Id: tel-02022823**

**<https://theses.hal.science/tel-02022823v1>**

Submitted on 18 Feb 2019

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# THÈSE DE DOCTORAT

Analyse empirique des attitudes des consommateurs chinois et perceptions de valeur sur les marques de luxe

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Laboratoire GRM

Présentée en vue de l'obtention du grade de  
docteur en Sciences de Gestion  
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Soutenue le : 17 Décembre 2018

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Perceptions on luxury brands

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# Titre: Analyse empirique des attitudes des consommateurs chinois et perceptions de valeur sur les marques de luxe

## Résumé

Le marché du luxe chinois se caractérise par un grand désir pour les produits de luxe mondiaux au cours des dernières années, mais les valeurs sous-jacentes à ces intentions d'achat restent inconnues. Cette étude explore la perception de la valeur des consommateurs de produits de luxe dans le contexte chinois. Sur la base des données recueillies par une enquête auprès de 6 villes représentatives de Chine (N1 = 261, N2 = 644), les résultats résumés systématiquement un cadre de valeurs de luxe perçues par les consommateurs chinois. Les valeurs dérivées sont constituées par la valeur fonctionnelle, la valeur financière, la valeur individuelle et la valeur sociale. De plus, ces valeurs varient selon les facteurs démographiques tels que le sexe, l'âge, le revenu et la ville de résidence. Les résultats apportent en outre la preuve que les valeurs fonctionnelles et individuelles ainsi que celles des revenus affectent de manière significative la consommation réelle de produits de luxe. Basée sur des résultats, cette étude offre des implications théoriques et pratiques pour les marques de luxe mondiales ciblant le marché du luxe chinois pour le développement des affaires.

But: le but de cette étude est de comprendre le cadre des perceptions de valeur des consommateurs chinois et de tester la validité des échelles de valeurs. En concluant un tel cadre de perception de la valeur du consommateur chinois dans le marché du luxe, la thèse vise à identifier les principales valeurs influentes qui affectent la consommation de luxe.

Approche méthodologique: Sur la base de critique des documents, cette étude a d'abord recueilli des échelles de valeur de luxe. Afin de déterminer si de telles échelles de valeur conviennent au consommateur chinois, cette étude utilise une **méthode qualitative** en interrogeant les personnes dans le domaine pour résumer les échelles de valeur en vue d'une analyse plus approfondie. Après avoir identifié les valeurs de luxe possibles perçues

par les consommateurs chinois, cette étude fait des **recherches quantitatives** en utilisant des données de 6 villes chinoises avec un questionnaire conçu. La méthode FCA (Factor Component Analysis), une méthode d'analyse factorielle exploratoire, est utilisée pour analyser les données, et Structural Equation Modeling (logiciel Amos) est utilisé pour identifier la puissance influente des perceptions de luxe sur la consommation de luxe réel.

Résultats: En utilisant le test empirique des valeurs de luxe avec la méthode de modélisation des équations structurelles, cette étude trouve que le cadre des valeurs de luxe perçues par les consommateurs chinois inclut la valeur fonctionnelle, la valeur financière, la valeur individuelle et la valeur sociale (ostentatoire/du statut). De plus, la valeur individuelle et la valeur fonctionnelle affecteront considérablement la consommation de luxe. Alors que la valeur sociale affecte négativement les consommations de luxe.

Application pratique: Cette étude analyse les valeurs de luxe et fournit les caractéristiques du comportement des consommateurs déduits par les consommateurs chinois. Les consommateurs chinois font attention particulière aux valeurs fonctionnelles et individuelles / hédoniques, en même temps ils sont très sensibles et montrent une attitude contradictoire à la valeur sociale, certains consommateurs chinois de luxe évitent même d'être délibérément associés aux produits de luxe ou aux marques, cela pousse les commerçants dans le domaine du luxe à modifier leur stratégie de marketing dans le marché du luxe chinois. Ainsi, cette étude peut également fournir un aperçu du comportement des consommateurs chinois dans le contexte culturel chinois.

**Mots-clés : perceptions de valeur, consommation de luxe, Chine, comportement du consommateur**

# Title: Empirical Analysis of Chinese consumers' attitudes and Value Perceptions on luxury brands

## Abstract

The Chinese luxury market is characterized by a great desire for global luxury products in recent years, but the underlying values driving such purchasing intentions remain unknown. This study explores consumers' value perceptions of luxury goods in the Chinese context. Based on data gathered via a survey from 6 representative cities throughout China ( $N_1=261$ ,  $N_2=644$ ), the findings systematically summarize a framework of luxury values as perceived by Chinese consumers. The values derived are constituted by functional value, financial value, individual value, and social value. Moreover, these values vary across demographic factors such as gender, age, income and city of residence. The results further provide evidence that functional and individual values together with income significantly affect real consumption of luxury goods. Based on the results, this study offers theoretical and practical implications for global luxury brands targeting the Chinese luxury market for business development.

Purpose: the purpose of this study is to figure out the framework of value perceptions of Chinese consumers, and test the validity of the constructs of values. By concluding such framework of Chinese consumer value perceptions in luxury market, the paper aims at identifying major influential values that affect the luxury consumption.

Methodological approach: Based on the literature review, this study collected luxury value constructs first. And in order to find out whether such value constructs fit for Chinese consumer, this study use **qualitative method** to summarize the value constructs for further analysis by interview field people. After identifying the possible luxury values perceived by Chinese consumer, this study does **quantitative research** by using data from 6 Chinese Cities with designed questionnaire. The FCA (Factor Component Analysis) method, a method of exploratory factor analysis, is used to analyze the data, and Structural Equation



Modeling (software Amos) is used to identify the influential power of luxury value perceptions on real luxury consumption.

Findings: By empirical test of luxury values with the structural equation modeling method, this study finds that the framework of luxury value perceived by Chinese consumers includes functional value, financial value, individual value, and social (conspicuous/status) value. And individual value and functional value will affect the luxury consumption significantly. While the social value negatively affect the luxury consumptions.

Practical Application: This study analyzes the luxury values and provides the characteristics of consumer behavior held by Chinese consumers comparing with consumers elsewhere. Chinese consumers pay special emphasis on functional and individual/hedonic values, and at the same time they are very sensitive and show contradictive attitude to social value, some Chinese luxury consumers even avoid to be associated with luxury products or brands in public deliberately, which will push the marketers in luxury field to modify their marketing strategy in Chinese luxury market. So this study can also provide an insight look of Chinese consumer behavior with Chinese cultural background.

**Keywords: value perceptions, luxury consumption, China, consumer behavior**

## Acknowledgements

When finishing writing this dissertation, I really want to express my thankfulness from bottom of my heart to the persons who help me a lot during the agony and enjoyable period. First person is my supervisor David Huron, who instructs me in the dissertation writing with great patience and rigorous research attitude. I am deeply moved by his enthusiasm for the research work and encouraged by this scientific research spirit. Without his invaluable help and generous encouragement, the present dissertation would not have been accomplished. And I will thank my Chinese colleagues of university UIBE, who gave me a lot of inspiring ideas and provided academic atmosphere all the time. Finally I will thank my parents who always try their best to provide me a good environment to challenge any troubles and difficulties without bothered by daily chores. I am really grateful for the helps.

## Introduction

China has experienced dramatic economic development at an average of 8% annual growth rate since the reform and opening up policy began in 1978. Accompanying this rapid economic growth has been the desire among Chinese consumers for luxury goods.

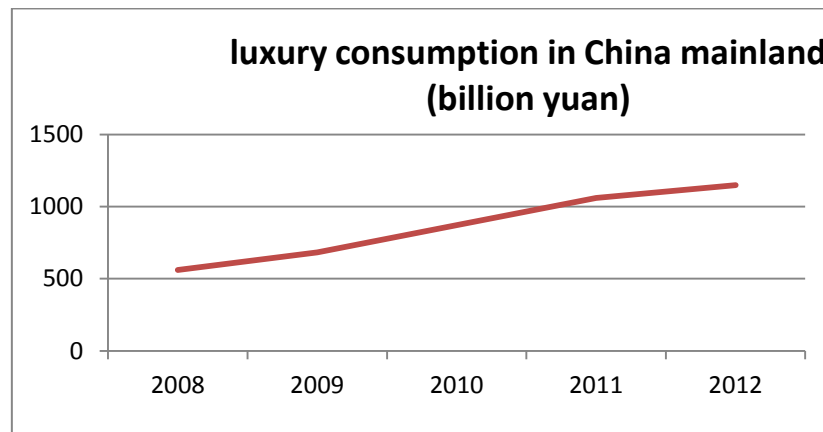
The development of luxury business in China has experienced two periods of time since 2008, in which year most of luxury brands began to set up their business in China. The first period is golden period for luxury business with impressively growth rate of 20%, and the time span is from 2008 to 2012. In this period, every element, economically and socially, is favor of the development of luxury business. Political stability provides the safe environment for the entry of western luxury brands and fast growing economy cultivate new richer craving for the premium brand names. And technology of internet and digital media pull the Chinese consumer close to the western products, brands, and even life styles. What's more, facing the economic downturn in western mature markets the luxury brands trade down their exclusive products to affordable luxuries in this emerging market. Under these favorable conditions, the consumption of luxury is increasing from 56 billion Yuan (around 6 billion euros) in 2008 to 115 billion Yuan (around 12 billion euros) in 2012 (Bain report) . And the growth rate is No.1 in the world for successive four years. The Conway Lee (partner, Ernst and Young) asserts during that period, “The fact that the Chinese luxury sector is able to create a ripple in the global luxury goods market even at its stage of infancy reflects the hunger that China has for luxury goods”<sup>1</sup> (Ernst & Young 2005). Statistics show that China has been the third largest consumer of luxury goods since 2005, following Japan and the United States, and surpass Japan to be No.2 in 2010. Even during the economic crisis in 2008, China still remains strong in luxury consumption when worldwide demands for luxury goods dropped dramatically. Most luxury companies focus on the wealthy Chinese consumer as their target market.

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<sup>1</sup> “China to be key area of growth for global luxury goods market”. Ernst & Young; September 14<sup>th</sup> 2005: <http://www.forbes.com/home/feeds/afx/2005/09/14/afx2223078.html>

Klups (2013) takes the Louis Vuitton Moet Hennessy group as example to examine the evolution of Asian market, and particularly Chinese consumer market over the 2008-2013, and shows that the emerging market niche transformed into a target for leading global luxury goods manufacture.

**Figure 1 - the luxury consumption in China 2008-2012**



Source: Bain & company luxury report on China

But since the year of 2012, the upward tendency of luxury consumption is held back to a moderate level. In this period, Chinese government put great efforts on fighting against corruption and the purchase luxury as gifts by officials is strictly prohibited. Under such circumstances, luxury products with conspicuous logos are deliberately avoided by some governors and celebrities. With the media's disclosure of corruption affairs, the products used by the government officials are widely discussed, the brand logos they used are associated with corruption in some sense, which is really harmful to the brands. The growth of luxury consumption in Chinese domestic market is slowing down.

In addition to the government measures against corruption, the financial factors are another main reason for the slowdown of domestic market. Since 2012, the exchange rate of euro currency to Chinese currency is decreasing dramatically from 9.5 yuan/euro to 6.7 yuan/euro.

**Figure 2 - the tendency of exchange rate of Chinese currency**



Source: Bank of China

The products abroad pricing with euro, such as food, hotel and luxury goods, are becoming comparatively cheaper for Chinese travelers. And under such favorable exchange rate circumstances, traveling abroad became popular among Chinese people these years. And Chinese travelers find the price difference of luxury products is obviously larger than any other normal products. Large price difference results in so-called “individual international trade” among Chinese luxury buyers. Almost half of luxury consumption happened abroad outside China.

The large price difference derives from two reasons. The first one is the increase of Chinese currency which can buy more products outside China as aforementioned, and second one is no change in price in Chinese domestic market although the Chinese currency increases but overseas luxury brand owners are not willing to lower their price.

Since pricing strategy of luxury business is somewhat different from others (Kapferer 1997), the price itself can be regarded as an indicator of brand positioning, and therefore high price implies the high status of brands. In order to sustain the high status of brand

image, western luxury brands entered into China with extremely high price from the very beginning of their entry. And usually these brands dare not lower their prices to avoid of lowering the brand image or positioning. So prices of luxury goods remains unchanged in Chinese domestic market in recent years even if the exchange rate is waving heavily. But with the change of exchange rate, luxury goods sold in western markets are often 30-60% cheaper than those in Chinese domestic market. The price difference drives huge consumption abroad and the phenomena of rushing out to purchase luxury goods by Chinese travelers are widely reported by western media, especially in Western Europe. Statistics from Bain and company shows that the total luxury consumption by Chinese consumer is 380 billion Yuan (around 50 billion euros) in 2014, and 55% of that happened in abroad markets, and this outflow tendency will expect to continue for a long time. Another research (Uibe2014) testifies that price difference itself between Chinese domestic market and abroad market can arouse the desire for luxury consumption by Chinese travelers. Facing with the fact that huge consumption flow out of China, Chinese government nowadays tries to draw some policies to attract such consumption inflow back.

But on the other side, the fact that China is still a developing country and Chinese household still earns comparative low per capita income seems contradictory to the aforesaid rosy performance of the luxury market. Some scholars believe the large amount of luxury consumption results from the large population. By any means this opinion is true since China has a population base of 1.3 billion people, and even only if the top 5% affluent people consumer luxury and would result in huge consumptions. But what drives the Chinese consumer such eager for luxury goods since 2008? Is the price difference or some other benefits? Is the consumer value of purchasing the luxury is same with their western counterparts? All of such questions remain unanswered.

In the literature of luxury consumption, Dubois (1994) provided a new concept of luxury consumption called “excursionist”. The main characteristic of the “excursionist” proposition is that luxury consumption happens occasionally in sharp contrast with their less wealthy lifestyles. And Dubois also mended that Excursionist is not a new type of

consumption, it is a matter of degree. The excursionist phenomenon is somewhat similar to tourists buying souvenirs to memorize their trips. This suggestion of “excursionist” behavior complies with fact of Chinese luxury consumer behavior considering the large amount of luxury products consumed in China and the low average income level, we can suppose safely that the “excursionist” phenomenon exists among Chinese luxury consumers and plays a key role in overall consumer behavior. So this research implies that there exists such a group of consumers who are not typical luxury consumers and who are not generally affluent, but they just buy luxuries on special occasions.

Based on the above description of Chinese luxury market, this study concludes that Chinese market is comparatively new to the luxury brands and is in its infancy stage, and large consumption happens abroad. So the consumer behavior must be very different from mature western buyers.

But what constructs underlines such behavior? Fewer researches are done in this field to analyze this huge consumption. The reasons for insufficient analysis may be lying into two aspects: first one is the theoretical and practical research in luxury academic field is comparatively underdeveloped and insufficient. Literature of luxury research are developed mainly in recent ten years, the theories of luxury management itself are not robust enough to explain cross-cultural consumer behavior. In the data base, such as EBSCO, the number of journals with theme of luxury is increasing sharply since 2007, while the literatures before 2007 are insufficient and rare before 2000.

The second reason may be that the foreign experts find it's hard to access to Chinese domestic market and often failed to understand the cultural background of Chinese society. For example, one extant research collected data at the place of “xinzhongguan” where is deemed by author as luxury shopping mall in Beijing. But actually, this shopping mall is surrounded by universities, and the targeting customers of the mall are young people and even no notable luxury brands in this shopping mall. The data will bias the research result by comparing with data from Paris luxury boutiques. What's more, the understanding of socio-cultural factors is another obstacle. China is believed as the typical collectivism

cultural society, and social value is highly emphasized. But the background and components of social value may be different from the views of western researchers. Some western experts list “owning luxury products before anyone else” is a kind of social value for the consumers, but on the contrary, this may be considered as very individualism in the eyes of Chinese people. The old saying “the bird which takes the lead can be easily shot” is deeply rooted in Chinese minds and nobody wants to be outstanding too much from his group. Also different with western world, the knight class has lower social profile than scholars who have massive knowledge. “To be a scholar is to be top of social ladder” is the common belief from ancient China and the taste of scholar class is regarded as the standard to the public. So the “horse” image that often appears on the famous logo such as Hermes, Longchamp, and Burberry doesn’t mean much for Chinese consumers.

Meanwhile, the socio-factor is of great importance for analyzing luxury consumption, since luxury products entail too much socio-cultural elements in its production, branding, consuming, and even purchasing process. The luxury itself is a cultural phenomenon in human society.

Therefore, in order to have a better understanding of Chinese consumer behavior, the thorough understanding of Chinese culture is of great necessity. So this study tries to delve deeply in Chinese socio-factors to reveal the consumer behavior behind huge luxury consumption.

In the extant literature of analyzing the consumer behavior of luxury consumption, the luxury values perceived by consumers are widely accepted as the tools to measure the purchase intentions.

Unlike other normal commodities, luxury goods hold different properties and are hardly defined and characterized by traditional or classical theory in marketing field. As many academic researches pointed out that “luxury” itself is an evolving concept and associating with subjective judgment. Researchers like Dubois (2005) trace the origin of word of English “Luxury”, French “Luxe”, Italian “Lusso” from its Latin term “Lexus” to show the



essence of luxury goods, that is “soft or extravagant living, indulgence”. But luxury is really ambiguous to have a clear boundary from common products. Nueno (1998) tries to use the price, typical managerial instrument, to define luxury and found the ratio of function over price is low, what the consumers really seek from luxury is the ratio of utility over price. The utility here refers to the combination of physical and psychological utilities, which means the luxury can bring physical and psychological needs simultaneously. Phau and Prendergast (2000) analyzed the exclusivity of luxury, and found that the exclusivity make luxury more desirable than normal products. Many researchers try to confine the luxury definition from different angles. Wiedmann (2007) concluded that luxury is a **subjective and multidimensional constructs**, which evaluation of the functional or physical aspects of luxury products is obviously inadequate to analyze the luxury consumption. Scholars, Kapferer (2008) also illustrate the attractive power of luxury product mainly deriving from its social or psychological facets. Since luxury is so subjective and multi-dimensional constructs, the luxury value perceived by consumers must be a multi-dimensional one and associated with subjective judgment.

After many definition provided by different scholars, further researches find that the consumer value perceptions towards a product will directly affect the purchasing intentions. Zeithaml (1988) defines “value” as the overall evaluation of products’ price, costs and benefits, quality and overall subjective worth. Because of the subjective nature of luxury products, such a “value analysis” can offer more theoretical and practical implications than analyses using other instruments, as Tynan *et al.* (2010) notes that only sufficient value perceived by consumers from luxury goods can compensate their high price. Moreover, because luxury is a multidimensional construct (Wiedmann *et al.* 2007) the overall value perceived by consumers represents an integrated value from the summation of different perspectives and different consumers will have different set of values even toward the same products.

In the literature, many researchers (Vigneron and Johnson, 2004; Smith and Colgate, 2007; Wiedmann *et al.* 2007; 2009; Tynan *et al.* 2010) propose the frameworks of luxury value in

a sophisticated format. And because the luxury is a multidimensional constructs, so the overall value perceived by the customers is an integrated value summing up from different perspectives, and “it is expected that different sets of consumers would have different perceptions of the luxury value for the same brands...” (Wiedmann, 2007, p.31) That means different luxury buyers expect different utility from the same brand or same product, someone buy it to impress others, someone buy it to gain social status, someone want to enhance self-image, maybe someone just want product with good quality and despite the brands difference, and maybe the else expect all of these benefits simultaneously. Regarding for the content of luxury value, Vigneron (1999; 2004) provides the famous BLI (Brand luxury index) system, and author proposed the two kinds of value including personal value and interpersonal value. **Personal value** contains hedonic value and extended-self value, and **interpersonal value** contains conspicuous value, uniqueness value and quality value. After that, many researchers enrich the elements of luxury values by including craftsmanship (Kapferer, 1997), perfectionism effect (Vigneron, 2004), exclusivity (Phau and Prendergast, 2000). And the elements of luxury value are thoroughly investigated. Wiedmann (2007; 2009) summarized the luxury value into four dimensions: **social, individual, functional** and **financial value**. The social value here includes conspicuousness value and prestige value. The individual value contains self-identity value, hedonic value and materialistic value. Functional value contains usability value, quality value and uniqueness value. The financial value mainly refers to price value. The Wiedmann (2009, 2012) also do the empirical analysis to test the validity of such classification of luxury values. The author proposed 150 items of values and collected 750 questionnaires to do the empirical testing. By using the Principal Factor Analysis, author reduces the 150 items into 10 main factors, followed by cluster analysis the 10 factors fall into 4 categories. By examining the contents of each dimension, the author testifies the validity of framework with four main dimensions of values. But regarding the overall value associating with subjective judgments is definitely influenced by different culture, and Wiedmann (2009) calls for the further research subjecting to cross-cultural context. And many scholars use luxury consumers’ value to investigate luxury consumption from different aspects. Schade *et al.* (2016) analyzes luxury consumer behavior among different

age-based groups, and finds the hedonic and utilitarian values are relevant across all age groups, while social value differs among different age groups. Stokburger-Sauer and Teichmann (2013) analyzes the gender factor in the luxury consumption, and provides evidence that women holds more positive attitude towards luxury products, and reason may lies in that woman holds higher symbolic and social value than men. Albrecht *et al.* (2013) highlights the role of functional value and hedonic value on the brand extension.

The cross-cultural research is necessary and important. Many researchers began to explore the homogeneity of the value perception under different cultural background. Some argues that with the high-speed development of technology and exchanging method of international trade, the homogenous tendency of consumption culture began to form, which will definitely lead to the homogenous value perception under different culture. On the other hand, another group of researchers believe that the local culture still act an important role in luxury value perception. Shukla (2012) empirically test the difference of luxury value perception in developed (UK) and emerging markets (India) and found the homogeneity and heterogeneity coexist in luxury value perception. Wiedmann (2012) collected data from 10 countries: Brazil, France, Germany, Hungary, India, Italy, Japan, Slovakia, Spain, and United State to test the validity of value framework under different cultural context. With the questionnaire data, the author proved that there are no significant differences across the countries regarding the dimensionality of luxury value and the importance of each value dimension may vary across countries.

Although the framework is widely accepted in the research field and empirical testing has already proven the validity of the framework. But Chinese consumers are not included in the above research. Since Chinese luxury consumption is No.2 in the world, this consuming group should not be omitted, especially for the luxury companies. By considering the special characteristics of Chinese luxury consumption, low brand awareness and consuming luxury abroad, the validity of aforesaid value framework is worth to be tested with Chinese consumers.

Besides the aforesaid characteristics, Chinese luxury consumers represent other special

traits different from their counterparts in other countries. The most of luxury consumers are 7-10years younger than their western counterparts. For historical reason, Chinese society almost has no affluent class in 1960s, and the social class is redefined afterwards and presents very dynamic characteristics. The generation of elder people who were born before 1950 didn't accept enough systematic education or training and have little chance to make great fortune due to poor economic environment. But for the generation of 60's or 70's, the recovery of "College entrance examination system" in 1978 provided the higher education opportunity again, and the policy of opening up to outside fostered the fast-growing economy. Under such favorable conditions, new richer began to emerge in Chinese society. At that time, General secretary Deng Xiaoping put forward the well-known ideas that "allow some people and some region to get rich first, for the purpose to get common prosperity faster". After 1980's, more favorable environment is created, and Chinese young people has more opportunity to make their fortune. So the top rich people are comparatively younger than those in western world and they seldom inherit fortune from their parents and make the fortune in very recent years.

Secondly, a lot of luxury buyers in China are not typical rich people and consuming luxury is not "art de vivre". Some of them are driven by the price difference between domestic market and abroad market. Some are attracted by the mystery stories of western luxury brands fabricating by marketing efforts. Some purchase luxury products to compensate the stressful working pressure. All of these traits lead to the different consumer behavior of Chinese consumers.

The characteristics of Chinese luxury consumer will fully discussed in Chapter 1 of literature review, and the unique characteristics result in their unique perception of luxury value different from those under other cultures. So this study will address the traits of Chinese consumers to test the validity of luxury values proposed by former researchers, especially Wiedmann's work (2007) of luxury consumer value.

In addition to testing the validity of luxury value framework with Chinese luxury consumers, the effect of luxury values on real luxury consumption is analyzed in this study.

In the literature, the common methodology to analyze the luxury value is the “Dimension reduction method” (Principal Factor Analysis) or “Cluster analysis method”. To be exactly, researchers will find out the motivations first which are behind luxury consumption in terms of value constructs by interviewing experts and people in luxury field to collect useful items associating with luxury products, and then followed by designing questionnaire by listing the items in the questionnaire and subsequently hand out to respondents. In the second step, after collecting the data, the researchers will generally process the numerous items and abstract the data into main factors by using statistical methods of dimension-reduction or cluster methods, so the abstracted factors will carry the meaning of original items but have more distinctive nature from each other. Renaming the factors is of great importance in this research methodology. Since after compressing the numerous items or constructs standing for the motives for luxury, the resulting abstracted factors are not related with each other and provide information about main dimension of motivation for luxury consumptions. This kind of methodology has great advantage in research luxury value. First of all, it helps the consort the massive sub-values for luxury consumptions into limited number of dimensions, which can show the essence of the driving force for luxury products. Second, limited number of values can divide luxury consumers into different groups, which provide segmentation tools for marketers to position their products.

But this methodology inevitably brings some shortcomings. The method in essence (dimension-reduction or cluster) divided data into different groups by comparing their similarities. In other words, this statistic method itself has some shortcomings. The essence of such kind of method compares the similarities, so the results are heavily depended on the items listed in the questionnaires. If the items are chosen from the very beginning are same in the questionnaire, after processed by such method, similar pattern of dimensions will be derived. It means if the chosen items are same under different circumstances, the outcomes should be same anywhere. And impacts of other factors, such as socio-cultural background, will not take into consideration by this method. So the design of questionnaire will be of great importance in this methodology of consumer behavior analysis. If the luxury value

items proposed across the countries are alike, after being dealt with dimension reduction or cluster method the extracted factors should definitely be alike, only the scores of different groups will vary across countries.

Despite the shortcomings of this methodology, the main contribution of massive works on luxury values analysis in the literature is forming a comprehensive value framework, and provides summary work of vast luxury related values. This contribution is milestone for the further research, which provides insightful way to access effectively to luxury consumption and forms a systematic framework to summing up values.

Based on the luxury values framework, the relationship between such luxury values and real luxury consumption is attracted attentions. Wiedmann (2012) called for the further research on the effect of such luxury values on the real consumption, otherwise the luxury values only take effects in the minds of consumers when they evaluate the luxury products, but not necessarily influence the final purchasing decision. Shukla (2012) tested the validity of luxury framework in cross-cultural context by comparing the data between India and UK, in which work the really consumption is involved into his proposed model. The result shows that some value dimensions are not relevant to the final consumption. This may be due to the deficiency of his proposed model, but his work pointed out the direction of further research, and the emphasis should be placed on how these luxury values affect the real consumption.

Besides the real consumption variables, the income factor is another decisive factor in luxury consumption. Dubois and Patrick (1993) proposed that real luxury consumption is jointly decided by income and socio-cultural factors together. The above mentioned luxury values are mainly derived from socio-cultural aspects while the income is also equally important in luxury consumption.

Scholars usually segment potential customers by using the income and luxury consumer value as key factors. Dubois and Patrick (1993) argued that both the premium price charged by luxury goods and income itself serve as a contributor to wealth, make income a

powerful segmentation variable in luxury market. Luxury products are not “necessities” as defined in microeconomics, the income level or purchasing power naturally become the decisive determinants in luxury consumer behavior. In Dubois (1993) quantitative analysis, vast data are employed to test the validity of two hypotheses: (i) “the higher the income of an individual, the higher the propensity to purchase luxury goods” and (ii) “the more positive the attitude towards cultural change, the higher the propensity to buy luxury goods”. The results confirm the validity of the hypotheses with statistical significance. The result shows that the income construct contributes 60% to the propensity to purchase luxuries and socio-cultural factors contribute the other 40%. This research also proved that the two factors are independent to each other.

So the income factor guarantees the possibility of luxury consumption. Including income factor within the luxury consumption model will improve the overall credibility. In the luxury markets, there always exist some customers who love luxury very much but can't afford to buy any, while some extremely rich people who doesn't have any affections towards luxury products. Psychological affections and economical availability are independent influential factors in Dubois' work, and the combination effect will jointly decide the final result.

Income factor is of great importance in the model of luxury consumption. But some scholars argue that income variable may be replaced or included in the financial value, or the factor of cost sacrifice (Smith and Colgate 2007) is the equivalence of income factor. But in this research the author believe cost is not equal to purchasing power then it can't replace income factor. What's more, some researches note that price value (Wiedmann 2007, 2009) is the indicator of financial value, and price value has two opposing influences on purchasing intention simultaneously. On one hand, high price means high cost sacrifice of money and the consumer will expect get more other values from luxury products to compensate the high price, and it may be a negative factor in final decision; on the other hand, high price denote the high status that the product can offer and good quality. Higher price may arouse stronger desire of consumers to buy. From this point of view, price value

is not an equivalence of income factor.

Besides luxury customer value and income factor, the luxury consumption may be adjusted by social norms or attitudes. Dubois (2005) listed three different attitudes towards luxury held by consumers in western context. The consumers' attitudes towards luxury products are correlated with the consumer values, and also provide insightful and inspiring approach to further understand the consumer purchasing behaviors. In the literature, Dubois concludes three kinds of attitudes towards luxury goods, and they are elitist attitude, democratic attitude and "people in distance" attitude when facing luxury products. The elitist attitude proposes a traditional vision about luxury products, and people who hold this attitude believe that luxury products are only appropriate for a small affluent people. It is easy to infer that elitist attitude emphasize the importance of exclusivity. However, democratic attitude believes that luxury can be mass produced and can be owned by large population. Therefore the "exclusivity" is not the essence of luxury products, for them other values maybe more important to luxuries. The people who are "in distance" to luxuries goods believe luxuries are far away from their daily life, which are almost no connection with them and they also show no interest on luxury products. What is interesting is that they even believe the fake products may be as good as the genuine one. The attitude segments provide more insightful instruments to analyze luxury products, especially for marketers. For example, the marketers may address the exclusivity to the "elitist attitude" people, and emphasize hedonic value to the "domestic attitude" and show the excellent functional value to the "people in distance".

The ideology and the social norms, even the origin of country, will deeply influence the attitudes of the consumers, then deciding their value perceptions on luxury products. Therefore attitude analysis is extremely useful and helpful in analysis of Chinese luxury markets, since Chinese consumers are new to the western luxury brands and the brand awareness is comparatively low. What's more, the country of origin will affect the attitude of Chinese consumers and result in different social value to affect the final consumption. For some Chinese consumer, the Chinese domestic luxury brands may offer more favorable



feelings and sense of association with culture or craftsmanship, and western brands may arouse the show off associations. Such different attitudes are finally reflected by luxury values seeking by consumers during the purchasing decision process. For Chinese domestic products, more individual or hedonic value are pursued, and for western products, more social value or icon consumption may be emphasized by the same group of Chinese consumers.

So deeply research on the attitude of Chinese consumer is of very much necessity, which should provide good preparation for understanding consumer values of luxury consumption. But this kind of research is inadequate in the literature over through the world, let alone the infancy stage of Chinese luxury market.

The research questions and motivations of this study are such as follows:

In view of huge luxury consumption by Chinese consumers, the consumer behavior of Chinese luxury consumer is worth to analyze for theoretical goal and practical usage, such as for the luxury companies to modifying their strategies in this market. So firstly, this study will delve more on special traits and attitudes held by Chinese consumers to well understand the foundation of their psychological judgment and physical requirements. Secondly, this study will sum up the value perceptions of Chinese luxury consumers, and compare consumer values with those of western consumers to show the differences. Such analysis will enrich the extant research by adding the Chinese cases in the research field to cover the blank. Thirdly, based on the literature, this study will proposed a comprehensive model to illustrate the decisive factors and their relationship with real luxury consumptions in Chinese market. The proposed model will provide quantitative relationship between factors and real consumption, and make the value perceptions analysis meaningful to real consumption more than categorizing them into different dimensions.

Based on the existing research of luxury values in the literature, this study aims at addressing the characteristics of Chinese consumer behavior to develop a comprehensive framework of luxury values and show the quantitative relationship between the luxury

values and luxury consumptions by Chinese luxury consumers.

So the research question of this dissertation is:

**What constitute consumers' values underlying Chinese consumers purchasing behavior for luxury products and to what extent these values affect the real luxury consumption?**

The structure of this study is such as follows:

Firstly the paper starts with a section (Chapter 1) of literature review and explores the extant researches on luxury value perception. Followed the review's work, the hypotheses were developed and formed based on the characteristics of Chinese consumer behavior in Chapter 2. Details of different luxury values will be discussed in Chapter 2. Then section (chapter 3) of the methodology framework and proxies for variables is followed. In the methodology part, the design of questionnaire is fully illustrated, and statistical method of PCA (Principal Component Analysis) method is used to process the data collected via questionnaires. Then an exploratory analysis on attitude is present in this part. Based on the statistical results (Chapter 3), a fully discussion will be explored in the Chapter 4 to show the meaningful findings deriving from quantitative relationship between luxury values and luxury consumptions. Model modification and model test are also presented in this chapter. Finally in the concluding section, the discussion of findings, the managerial applications and future directions are present.

## CHAPTER 1 - Literature review and theoretical background

In this literature review part, this research will examine the extant research results on luxury definition, the luxury values, influential factors in luxury consumption and the characteristics of Chinese luxury consumers.

### 1.1. Luxury is a subjective and multi-dimensional construct

Luxury itself is an evolving concept, and it is difficult to have a static and precise definition. The reason for this ambiguity partially lies in the strong involvement of human's subjective opinions. Since luxury is a subjective judgment made by individuals and is hardly an academic term, it is very difficult to restrict such a social and dynamic term to a static concept. However, many scholars have attempted to identify common characteristics of luxury products; and thus, luxury has become multidimensional construct.

Give the subjective nature of the concept, Kapferer (1997) provides a widely accepted and often cited description: "it is art applied to functional items". Cornell (2002) put forward that the obvious characteristics of luxury products are having "a strong element of human involvement". Regarding the traditional term often used in the field of marketing, ratio of functionality to price, Nueno and Quelch (1998) argue that for luxury goods, the ratio of intangible and situational utility to price is high, while the ratio of functionality to price is low. Concerning characteristics of luxury products, Dubois (1995) and Pantzalis (1995), and Phau and Prendergast (2000) claim that exclusivity is very important for luxury products. Other scholars introduce management points of view, such as Vigneron and Johnson (1999; 2004) and Wiedmann *et al.* (2007), who from the perspective of brand management define "luxury as the highest level of prestigious brands encompassing several physical and psychological values."

Despite the different opinions, there is unanimous agreement that luxury products are tightly connected with human's subjective judgments. This also implies that the acquisition of luxury products satisfies more psychological and social needs than simply fulfilling a

utility function, which leads luxury to ultimately be a multidimensional construct. Since the concept of luxury is too dynamic and subjective, value perception is explored as an effective tool to analyze the luxury products by the following scholars. And the value perception analysis in luxury field had been proved to have both academic and practical implications for understanding the essence of luxury.

## **1.2. Luxury value perceptions**

Since luxury is a multidimensional construct, the value provided by luxury goods can be characterized from several perspectives. Zeithaml (1988) define value as the overall evaluation of products, including the price, costs and benefits, quality and overall assessment of subjective worth. Based on Zeithaml's definition, value is not a single dimension scale to measure consuming goods, and it is a comprehensive evaluation of many features of the products. So the value analysis is quite fitful for luxury goods, since luxury itself is a multidimensional constructs.

Moreover, since luxury products are differ from the common products in many respects, Pathak and Lim (2017) proved that even from the brand name, the consumers can tell if it is a luxury brand or not due to the linguistic characteristics. So the consumer value and utility must differ greatly between luxury goods and common goods. Many scholars try to analyze the special and common values that luxury products may provide. Firstly, Nueno and Quelch (1998) finds that the traditional criterion of the ratio of functionality to price cannot bet used to value luxury goods. Then Phau and Prendergast (2000) and Dubois, B., and Paternault, C. (1995) find exclusivity value is extremely important for luxury goods. And many scholars try to analyze the special feature of luxury goods and put forward the diversified values that the luxury products can provided (see Table 1-1).

Smith and Colgate (2007) once summarize the following values on luxury consumption (Table 1.1):

**Table 1.1 Values on luxury consumption**

<b>Types of value</b>		<b>Theoretical sources</b>
<b>Utilitarian</b>		Excellence (Holbrook, 1999), craftsmanship (Kapferer, 1997)
<b>Symbolic/ expressive</b>	Outer-directed	Conspicuous consumption (Veblen 1899); bandwagon, snob and Veblen effects (Leibenstein, 1950; Vigneron and Johnson, 1999); perfectionism effect (Vigneron and Johnson, 2004); signs (Levy 1957; Kapferer, 1997); status/esteem (Holbrook, 1999; O'Cass and McEwen, 2004); prestige (Dubois and Czellar 2002); social identity (Vickers and Renand, 2003); uniqueness (Ruvio 2008; Kapferer, 1997); authenticity (Beverland 2006).
	Self-directed	Bandwagon effect (Vigneron and Johnson, 2004); personal identity (Vickers and Renand, 2003); aesthetics (Holbrook, 1999); self-gift giving (Mick and DeMoss 1990; Tsai, 2005); uniqueness Ruvio, 2008; nostalgia (Holbrook and Schindler 2003); authenticity (Beverland 2006).
<b>Experiential/ hedonic</b>		Hedonic effect (Hirschman and Holbrook, 1982; Vigneron and Johnson 1999); aesthetics (Holbrook, 1999); the experience (Holbrook and Hirschman, 1982; Carbone and Haeckel, 1994; Pine and Gilmore, 1998; Schmitt 2003; Poulsson and Kale, 2004; Prahalad and Ramaswamy, 2004; Prahalad, 2004; Carù and Cova, 2003).
<b>Relational</b>		Consumer–brand relationships (Fournier, 1998; Grönroos, 2006; Veloutsou and Moutinho, 2009); Brand community (Kozinets, 2002; Cova and Cova, 2001; Muñiz and O'Guinn, 2000).
<b>Cost/sacrifice</b>		Perfectionism effect (Vigneron and Johnson, 1999); exclusivity (Catry, 2003); Rarity (Catry, 2003).

Source: Smith et Colgate (2007)

Based on the diversified values of luxury products, some scholars began to categorize the values proposed by scholars in the extant literature. Some scholars proposed that luxury products can provide intangible value, which can be further divided into interpersonal value and personal value. Based on Mason's (1992) interpersonal value and Dubois' (1994) personal value of luxury goods, Vigneron and Johnson (2004) build a model naming brand of luxury index (BLI) and provide a consumer value framework that includes non-personal

values and personal values. In this model, the non-personal values further include conspicuousness, uniqueness, quality, and the personal values include hedonic and extended-self value.

Vigneron's BLI model can be regarded as the first one to systematically analyze luxury values and conclude values in a comprehensive framework format, which enhance the luxury analysis to a new and higher level. And ever since then, the value perception analysis for luxury products are not confined into a single value provided by luxury goods but a comprehensive value model subjecting to different aspects. But the BLI model is comparatively simple, and the content of the model is waiting to be improved by the following research.

Based on the Vigneron and Johnson's (2004) work, Wiedmann *et al.* (2007) analyze consumers' luxury value perceptions in a cross-cultural framework and identify four categories of values to form an integrated conceptual framework, which includes functional, social (conspicuousness, status), individual (hedonic, uniqueness) and financial value while eliminating the influence of other determinants, such as cultural differences. Smith and Colgate (2007) summarize a similar consumer luxury value framework based on five constructs: utilitarian, symbolic/expressive (outer-directed, self-directed), experiential/hedonic, and cost/sacrifice. Although the two models are well organized, they are still conceptual framework, which are not tested by empirical data.

So since Smith and Colgate's (2007) work, many empirical studies have emerged in different cultural contexts, the outstanding work are from Shukla (2011, 2012, 2015), Shukla and Purani (2011) compare differences in luxury value between consumers in the UK and consumers in India. Shukla (2012) compare the influence of value perceptions on luxury purchase intentions in developed and emerging markets. Shukla *et al.* (2015) find the variations in Asian consumers' value perceptions of luxury brands. And other scholars such as Roux *et al.* (2017) investigated the different performance on perceived values of male and female consumers facing luxury consumption. Ajitha and Sivakumar (2017) use the personal and social value to analyze specific industry of luxury, in their research work,

they analyze the cosmetic brands. Yang and Mattila (2016) try to conclude a valid framework of consumer value in the context of luxury hospitality services. And Debnath *et al.* (2016) explored the cultural value and brand values in India Market.

Based on the above discussions of the definition and perceived value of luxury goods, a summary of prior work on this topic is presented in Table 1.2.

Since the luxury market in China is in its infancy stage, sophisticated models or theories of luxury consumption is waiting to be tested and reaffirmed in China. Developing a luxury consumer value framework and identifying the constructs within this framework are key tasks in this study.

**Table 1.2 - Consumer value frameworks for luxury goods**

Types of value	Vigneron & Johnson (2004)	Wiedmann (2007)	Colgate (2007)
Functional/utilitarian	Non-personal perceptions (quality)	Functional value	Performance
Hedonic/experiential	Personal perceptions (hedonic)	Individual value (hedonic)	Sensory/emotional value
Symbolic/expressive	Non-personal perceptions (conspicuousness, uniqueness); personal perceptions (extended self)	Individual value (uniqueness); social value (conspicuous value)	Self-directed (uniqueness); outer-directed (conspicuous)
Cost/sacrifice		Price value	Personal investment risk

Source: Developed from Tynan *et al.* (2010)

### 1.3. Income in luxury consumption

Marketers usually segment potential customers in sub-markets by using the income as decisive factors. Dubois and Patrick (1993) argued that both the premium price charged by luxury goods and income itself serve as a contributor to wealth, make income a

powerful segmentation variable in luxury market, which description shows the important of income factor in luxury consumption.

What's more, luxury products are not "necessities" as defined in microeconomics, the income level or purchasing power naturally become the decisive determinants in luxury consumer behavior. In Dubois' quantitative analysis, vast data are employed to test the validity of two hypotheses: (i) "the higher the income of an individual, the higher the propensity to purchase luxury goods" and (ii) "the more positive the attitude towards cultural change, the higher the propensity to buy luxury goods". The results confirm the validity of the hypotheses with statistical significance. The result shows that the income construct contributes 60% to the propensity to purchase luxuries and socio-cultural factors contribute the other 40%. This research also tries to prove that the two factors are independent to each other or not.

In economics, the luxury product is defined by the indicator of "Income elasticity of demand". "In economics, the **income elasticity of demand** measures the responsiveness of the demand of a good to the change in the income of the people demanding the good. It is calculated as the ratio of the percent change in demand to the percent change in income" (Robert *et al.*, 2004) which can be defined as follows:

$$E_d = (\Delta Q/Q) / (\Delta I/I)$$

Where  $E_d$  is the income elasticity of demand,

$\Delta Q/Q$ : the percentage change of quantity demanded

$\Delta I/I$ : the percentage change of income

According to this indicator, different types of goods are defined as follows. When  $E_d$  is negative, the goods are defined as inferior goods; when  $E_d$  is zero, the goods are defined as sticky goods; when  $E_d$  is positive, the goods are normal goods, especially when  $E_d$  is larger than 1, the goods are defined as luxury goods. The definition of luxury product in economics shows the importance of income factor. Since luxury is defined as income



elasticity of demand ( $E_d > 1$ ), the responsiveness of demand on income is largest among all commercial products. The increase of income will greatly arouse the demand of luxury consumption, and the same time decrease of income will greatly diminish the demand of luxury consumption.

With the rapid development of Chinese economy, the income level is increasing correspondently. So the luxury consumption is aroused by the income than any other commercial goods. Comparing with mature luxury market, where the income level keeps unchanged for a long time, Chinese luxury is influenced heavily by the economic factor. So analysis the income effects on luxury consumption will reflect the dynamic change in Chinese luxury market.

According to the income factor, Dubois (1994) provide a new type of luxury consumer called excursionist, who are not typical affluent consumers and buy luxury for special occasions, such as celebrate a special moment or as a travel gift to memorize the journey experience. So the analyzing income factor has special importance in Chinese luxury market, since China is still a developing country and the overall income is comparatively low than western developed countries, adding income factor into analysis will provide complete and thorough understanding of Chinese consumers' behavior, and especially to understand the social value that the luxury products provide to luxury consumers.

## **1.4. Chinese consumers' attitude towards luxury products**

Besides the income factor, the attitudes of Chinese consumers towards luxury consumption are analyzed.

### **1.4.1. Luxury brands are imported from western world**

For most of Chinese consumers, the concept of "luxury" is imported from western world and used to be far away from their daily life. Since historical reasons, the Chinese modern industries were underdeveloped until 1980's, and no well-known domestic brands were in daily consuming industries at that time, let alone fashion market. After the reforms of

opening up to outside world since 1978, western brand names began to be acquainted by Chinese consumers gradually. But due to the low living standard, the luxury brands were not willing to migrate into this market. Until the year of 2005, it seems that all the conditions got ready all at once, and famous brands suddenly identified this emerging market and hurried into Chinese market to set up their business quickly. The result showed that Chinese consumers didn't disappoint these western famous brands, and Chinese market became new driving force for the further development of luxury brands. Bain & Company began to monitor the Chinese luxury market performance since 2009, which reports contain three major parts: the performance of Chinese luxury market, the tendency of Chinese luxury market, and factors for luxury brands succeeding in Chinese luxury markets. Bain's consecutive years of reports on Chinese luxury market show the great desire of Chinese consumer for western luxury products. The newly rich people are hunger for the icon of luxury life style. Pursuit for social status is the main driving force for such luxury consumption.

Although Chinese market shows great potential demand on luxury consumption, it is still not a major player in luxury world even now. An example may reflect the situation of Chinese luxury market. Since Davos Forum and French Haute Couture show are held every year in the period of Chinese Spring festival, while the Davos Forum wanted to change the date to attract more Chinese attenders. But French Haute Couture show had no consideration about the date of Chinese spring festival. Some Chinese critics and media note that "the Davos Forum may change the date to attract more Chinese business leader to attend, but French Haute couture show are still out of reach by Chinese people." Chinese market is still in its infancy stage, and no local brands or designers could offer great influence on global luxury market and even in Chinese domestic market.

Since Chinese luxury market is in its infancy stage, what's in Chinese consumers' mind when doing the purchasing decision on facing luxury goods is worth to analyze. So in order to find out the first impression of Chinese people on luxury goods, this study does an exploratory research on the "impression of luxury products" by Chinese consumers.

**Table 1.3 - the impression of luxury goods by Chinese consumers**

Impression of luxury goods	No. of respondents	% of respondents
Good quality with high price	358	55.7%
Expensive western brands	150	23.2%
Brands with special or unique handcraft	136	21.1%
Total	644	100%

Source: the author

Altogether 644 respondents provide the information on the “first impression of luxury products”. 320 male respondents account for 49.7% and 324 female respondents account for 50.3%. The statistical result shows that no gender difference exists in this question.

The results provide that for most of Chinese consumers the luxury goods are of good quality with high price, they define luxury from functional aspect. From this point of view, for most of Chinese consumer, there is no clear line separating luxury goods and high level goods. Luxury brands emphasize on the invisible value provided, and high level brands emphasize the excellent performance. From this survey, it reveals that functional value is a very important in Chinese markets, at least in present stage.

There are 23.2% Chinese consumers who simply regard luxury products as expensive western brands. For them luxury is unfamiliar things for them. There are foreign brands and sold in very high price.

There are also 21.1% respondents believe that luxury brands hold special or unique handcrafts skills. This is also from functional point of view.

From the above Table, it is safe to say that for most of Chinese people, the “luxury essence” of luxury products is derived from the high quality, western origin and special handcraft, while the quality are more than fifty percent.

#### **1.4.2. New buyers with long tradition of admiring art-pieces history**

Behind the huge consumption for luxury goods, most of Chinese consumers could not tell the advantage of western luxury brands and always couldn't pronounce rightly the western luxury brands they bought. As a result, Chinese market in recent years came to have a weird phenomenon that a lot of Chinese domestic products are named after weird western names which are totally no relationship with the products, only because the western names seem to be more fashionable than Chinese names.

But in historical view, Chinese people know luxury products very well in ancient times from socio-cultural angle. Especial in Tang Dynasty, Chinese ancestors emphasized the "art in functional items" and invented many special handcrafts skills in producing such items. Take Chinese "chinaware" as example, Chinese craftsmen developed many methods to produce beautiful chinaware and tried any means to make fantastic printing on the surface of chinaware. So the chinaware is not only a functional item in daily life, the craftsmen endow the cultural or aesthetic essence to it.

But switch to the nowadays western luxury brands, due to the difference of aesthetic taste between western and eastern world, Chinese consumers can't appreciate cultural icon behind, and for some products, they even can't tell the brand names they have purchased many times. So the consumer values derived from the luxury products are different from their western counterparts. At the same time, western luxury products can't satisfy people in socio-cultural aspects. If Chinese consumers grew up to be more mature, some western luxury brands would gradually loss the strong attraction to mature ones. Nowadays, such tendency began to emerge in Chinese market, many top rich consumers switch their attention to Chinese traditional products with special handcraft skills, and began to place their attention to Chinese traditional art pieces, and the price of antiques is increasing dramatically recently.

According to above discussion, on one side, the Chinese consumers may feel fresh and new to the luxury goods, but on the other side, the long history of civilization cultivated good

taste for these people. Once the top affluent people began to emerge, they will find such conflicts between their immature nature and their demanding desire.

Since luxury products mainly satisfy psychological needs than its functional fulfillments. The cultural difference and aesthetic taste will be major hinder for western brands' sustainable development in future. Since aesthetic ability is well established after 5000 years of evolution, it's hard to be trained easily by the brands. And some research works found that consumers from cities with long history are not sensitive to the price, but afraid of losing face if they are identified with bad taste in their high-end consumption.

So the attitude and consumer values of Chinese consumers are quite different with western consumers and even different with other Asian countries.

Shukla *et al.*(2015) analyzes the why some luxury brand firms unable to make money in Asian luxury markets and finds that the value perception are not all the same even in Asian countries. And if the brand firms treat the whole Asian luxury market as a homogenous one, they will not get expected economic returns.

Based on the above analysis, the Chinese luxury consumers are of great aesthetic background with low brand awareness towards western luxury brand names. They must be very demanding on hedonic value or sensory/aesthetic values. But such values provided by luxury brands may not be directly perceived by Chinese consumers. So the hedonic value and sensory value will be carefully examined in this research.

### **1.4.3. Impact of Chinese traditional ideologies on luxury consumption**

In Chinese traditional cultural, "luxury" is very negative adjective to demonstrate wasteful and bad lifestyle. It is well known that in Chinese Literature, Confucianism and Taoism are in the leading position. And Confucius once said in *The Analects of Confucius* that "luxury leads to arrogant, while thrifty leads to shabby. If I must choose one, I will choose shabby". While Lao Tzu who is the founder of Taoism said "thrifty can keep the good

interpersonal relationship”. So the dominant ideologies in China didn’t advocate for luxury lifestyle. Also the thrifty is regards as the base for virtues in China, since thrifty means virtues of restraint.

Besides advocating for thrifty, the “golden mean” is deeply rooted in Chinese minds for thousands years. For Chinese people, everyone knows the old sayings “leading bird can be easily shot.” Under such traditional ideology, Chinese people are very prudent to choose big logo brands, since obvious brand logos will make the owner outstanding in the crowd, and will “be easily shot”.

While in modern times of China, Maoism (Chairman Mao) also advocate thrifty lifestyle because at that time Chinese national economy was at very low level, and thrifty can help the country recover from the wars and save more resource for further development.

After the year of 1978, in which year the police of opening up to outside world was set out, Deng’s theory encouraged Chinese people to consumer high-end products and consumption at that time became one of main driving forces to economy.

Sun (2014) examines the traditional culture and political ideologies on materialism and on luxury consumption in Chinese context. The author proved the importance of political ideologies on luxury consumption, and also found China is in process of transition, transition of ideology and transition in the habit of luxury consumption.

This study also does an exploratory study on the attitude towards luxury products by Chinese consumers, and statistics show that still a lot of Chinese consumers nowadays deem the word “luxury” and the phrase “luxury products” as negative terms. The details of the statistics are such as follows:

**Table1.4 - semantics research on the word of “luxury”**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly negative	56	4.5	6.0	6.0
Negative	194	15.7	21.0	27.0
Neutral	619	50.2	66.8	93.8
Positive	42	3.4	4.5	98.4
Strongly positive	15	1.2	1.6	100.0
Total	926	75.1	100.0	

Source: the author

There are 926 respondents provide their answers on the attitudes towards the “luxury”, 426 persons of the respondents are male which account for 46%, and 500 female respondents are of 54% of the total sample.

The Table 1.4 presents that more than half people (66.8%) believe that the “luxury” is neutral adjective word, while altogether 27% respondents believe luxury is negative or strongly negative adjective words. This negative attitude shows the traditional value and political ideologies still have great influence on consumers’ attitudes towards the luxury lifestyle, which is not a virtue lifestyle in Chinese society even. And this negative attitude also affects the Chinese consumers’ attitude towards luxury products.

In the survey, there are around 6% respondents believe that luxury is positive adjective word, and 1.6% of them believe it is a very strongly positive adjective. This shows that there a small percent of people are favor of luxury lifestyle.

So the attitudes towards luxury are deeply influenced by social ideologies, and the attitude is the base of social values, which is also influenced by social ideology.

What’s more, the statistical results present significant differences on luxury attitudes among the respondents between male and female, across different ages and income levels. Such results imply that the demographic factors can mediate the attitudes towards the luxury goods

by Chinese consumers, and this study will include demographic factors into empirical research to perfect the final results, and get a complete profile of Chinese luxury consumers' attitude and values on luxury consumption.

The Details of the influence of demographic factors on consumers' attitude and values will be discussed in Chapter 4.

After the semantics research on the word of "luxury", this research further analyzes the semantics research on the term "luxury products", and try to find the Chinese consumers' attitudes towards "luxury products".

Then the attitudes towards luxury products are examined in this study and get the following statistical results:

**Table 1.5 - semantics research on the word of "luxury products"**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly negative	41	3.3	4.3	4.3
Negative	109	8.8	11.5	15.8
Neutral	717	58.2	75.4	91.2
Positive	71	5.8	7.5	98.6
Strongly positive	13	1.1	1.4	100.0
Total	951	77.1	100.0	

Source: the author

There are 951 respondents provide their attitudes on the term "luxury products", 432 persons of the respondents are male which account for 45.4%, and 519 female respondents are of 54.6% of the total sample.

The Table 1.5 presents that 75.4% respondents believe the "luxury products" are neutral term, but still 16% respondents altogether believe luxury products are negative or strongly negative terms. This negative attitude will keep consumers away from the luxury lifestyle and luxury consumption, which are not advocated in Chinese society even.

There are around 9% respondents believe that luxury products are positive terms and show favorable attitude towards luxury goods and 1.4% of them believe it is a very strongly



positive adjective. This shows that there a small percent of people hold favorable and affective attitude towards luxury goods.

What's more, there also have significant differences among respondents on luxury attitudes towards luxury goods between male and female, different age and income level groups. The Details of such difference with demographic factors will be also discussed in Chapter 4.

Since luxury products are only commercial objects, no positive or negative affections feelings should be involved. But on the contrary, Chinese people still associate negative feelings with luxury products. That's why Chinese people present unpleasant and negative attitudes when they saw government officials wear luxury brands in public, because in some persons' minds such behavior didn't set a good example or thrifty lifestyle for the people. And government official even avoid of wearing watch in public. So when Chinese government fights for corruption nowadays, the luxury industry is seriously affected. Lots of celebrities deliberately keep away from the luxury products which harm the luxury consumption largely. As a result many global luxury brands experience declining turnover in Chinese local market.

This study makes a cross analysis between the attitudes on "luxury" and on "luxury products". The relationship between the two attitudes are examined by statistical methods and gotten the following crosstab result (see Table 1-6).

The p value is 0.000 which shows the results are very significant. The attitudes towards luxury and attitudes towards luxury products are heavily correlated with each other. The respondents will hold same attitude towards the adjective word of "luxury" and attitude towards luxury products. This means that the attitudes towards luxury product are also influenced by social ideology, so the socio-cultural factors will finally affect the attitudes towards luxury products and brands.

In view of this phenomenon, many scholars or marketers once proposed some marketing tricks in Chinese market to weaken the "luxury" essence of global luxury brands. For

example they suggested that the global luxury brands should use “high level products” or “elite products” to describe their own brands, and avoid negative attitudes towards the luxury association by Chinese consumers.

But as a managerial definition, no word can replace exactly word of “luxury”. If a luxury brands weaken its luxury essence, it will be more harmful to the brands than the harmful influence brought by the negative attitudes of Chinese consumers. So such propositions are failed in practical operation.

But a lot of research institutes or associations adopted such suggestions and used “elite products” to refer to luxury products, and some scholars in luxury field used “high-level products” term to replace “luxury products” as research target in order to avoid of rejection and get their work published in Chinese journals.

All in all, such negative feeling will surely affect the social value of Chinese consumers. As typical collectivism society, such negative or unfavorable attitude will hinder the value perceived by Chinese consumers.

What’s worth to mention in Table 1-6 is that, most respondents who hold negative or positive attitudes towards the word “luxury” present neutral attitudes towards luxury products. This is rational view of luxury products, since “luxury products” are just physical item and not specific brand names, so there should be no favorable or unfavorable association with such phrase. Especially for the respondents who hold positive attitude towards the “luxury”, many of them choose neutral attitude towards luxury products.

In conclusion, based on the result of correlation relationship between the two attitudes (Table 1.6), the positive attitude towards the luxury lifestyle may lead to consumption for luxury goods, and the two attitudes are influenced by social ideology. And the luxury lifestyle is still deemed not a virtue lifestyle in nowadays Chinese society. So the marketers should carefully examine the word “luxury” to make their strategies in Chinese luxury market.

**Table 1.6 - Attitude to the word "Luxury" versus Attitudes towards luxury products Crosstabulation**

		Attitudes towards luxury products					Total	
		--	-	0	+	++		
Attitude to the word "Luxury"	--	Count	28	6	10	0	1	45
		% within Attitude to the word "Luxury"	62.2%	13.3%	22.2%	0.0%	2.2%	100.0%
-		Count	3	71	47	1	0	122
		% within Attitude to the word "Luxury"	2.5%	58.2%	38.5%	0.8%	0.0%	100.0%
0		Count	6	16	395	10	2	429
		% within Attitude to the word "Luxury"	1.4%	3.7%	92.1%	2.3%	0.5%	100.0%
+		Count	1	2	7	26	0	36
		% within Attitude to the word "Luxury"	2.8%	5.6%	19.4%	72.2%	0.0%	100.0%
++		Count	0	0	2	3	7	12
		% within Attitude to the word "Luxury"	0.0%	0.0%	16.7%	25.0%	58.3%	100.0%
Total		Count	38	95	461	40	10	644
		% within Attitude to the word "Luxury"	5.9%	14.8%	71.6%	6.2%	1.6%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1066.843 <sup>a</sup>	16	.000
Likelihood Ratio	505.760	16	.000
Linear-by-Linear Association	304.142	1	.000
N of Valid Cases	644		

a. 11 cells (44.0%) have expected count less than 5. The minimum expected count is .19.

Source: the author

## **1.5. The characteristics of Chinese luxury consumers**

Chinese luxury market, especially the Chinese wealthy people, presents the following new trends:

### **1.5.1. Government changed attitudes**

First and foremost trend in China is that the attitude is changing at the top government level. The Chinese traditional culture used to criticize luxury consumption, and advocates the virtue of thrift. But in recent years since 1978, the government tried to stimulate consumption and national economy. Zhong (2001) recorded this change of government's attitude in his research from the ethical and economic aspects to explain contemporary consumption trends in China. This change can influence the moral judgment of Chinese people and provide greater freedom and accommodating attitude for luxury consumption in China.

But nowadays, the top government holds back their attitude towards luxury consumption, and keep advocating thrifty lifestyle, which attitude change arouses many impacts on the final turnover of global brands that set business in Chinese domestic market. From this fact, it is also can derive that luxury consumption is affected by the socio-cultural factors, the government propaganda and ideology will be obvious influence factors which affect the luxury consumption.

### **1.5.2. Increasing number of affluent people in China**

Secondly, the explosive increase in the number of wealthy people in China. China has experienced dramatic economic development at an average annual rate of 9% since overall reform and opening up to the outside began in 1978. This economic growth has led to substantial poverty reduction from over 80 million of persons in the early 1980s to about 20 million in 2007 (persons live with less than 1 dollar per day, as defined by the World Bank).

But with the increasing income, the Gini coefficient has increased from 0.30 at the beginning of the 1980s to nearly 0.5 in year of 2005 (China Human Development Report, 2005). The economic development may enlarge the gap of income distribution as suggested by Kuznets' hypothesis. Kuznets' inverted-U hypothesis implies that economic development decreases the income inequality initially, then after a critical level of development, increases the inequality later. According to Kuznets' hypothesis the relationship between economic development and the income inequality presents a curve with an inverted-U shape, providing a graphic depiction in this social phenomenon. The Chinese present development witnesses the uneven development especially in urban areas. "In the next five to seven years, the number of Chinese wealthy households will increase faster than the GDP growth with the estimated rate of 16%, while in the developed countries this will increase at the same rate with the GDP." (Atsmon, Dixit, 2009, p.2) So the number of Chinese wealthy is increasing explosively, as Atsmon and Dixit put it, the wealthy people today were not rich five or six years ago, and the people who are not rich today may be wealthy people in 4 or 5 years and these new rich will account for 50% in the future.

The fast growing rate of wealthy people in China brings challenges to marketing department of global luxury companies. The low brand awareness is the main characteristics of this new affluent group.

### **1.5.3. Consuming large volume of luxury abroad.**

As discussion in the introduction part, Chinese people tend to purchase luxury abroad during vacation or business trips. And some travel agencies even deliberately designed "shopping tours" for Chinese mainland customers. For example, it often happened in the famous shopping resorts taking AVENUE DES CHAMPS ELYSEES as an example, in the luxury shops and departments there are crowds of Chinese tourists with large amount of consumption. This phenomenon might be the results of the following reasons: A. some luxuries are hard to obtain in China. Although some brands are well-known in China for a

long time, some products haven't entered into Chinese local markets, or some new models are not available in Chinese domestic market. Some Chinese stylists will go broad for such luxuries. B. Low prices outside Mainland China. Comparing with domestic prices, luxuries are cheaper abroad and in Hong Kong area. So for the tourists from Mainland China, the luxury products present comparatively lower price for them than other consuming products sold abroad.<sup>3</sup>) Counterfeits. Although the fake products sold in China are usually easy to be identified, the customers still believe in the high quality and genuine nature of luxury bought from abroad.

But this shopping abroad phenomenon is changing dramatically. Since China entered the WTO, the import tax and other restrictions had been phased out gradually. Combining with the aggressive entries of global luxury companies into Chinese markets, the price difference is adjusted a lot. And the survey from McKinsey quarterly report (2009): "Today, they (Chinese consumers) make 60 percent of these purchases (for luxury) in mainland China."

But the migration back tendency is stopped by the increasing of exchange rate of Chinese currency. The price difference is widened by the increasing of money exchange rate. Consumption outflow becomes new tendency after 2012 as discussed in Introduction part.

Besides consumption abroad, the following traits are merged about Chinese domestic market:

A. First to the market setting the standard. Since Chinese luxury market is comparatively new to foreign luxury brands, the first comer can be regarded as the standard setter, who can shape the taste of Chinese consumers and cultivate their brand loyalty.

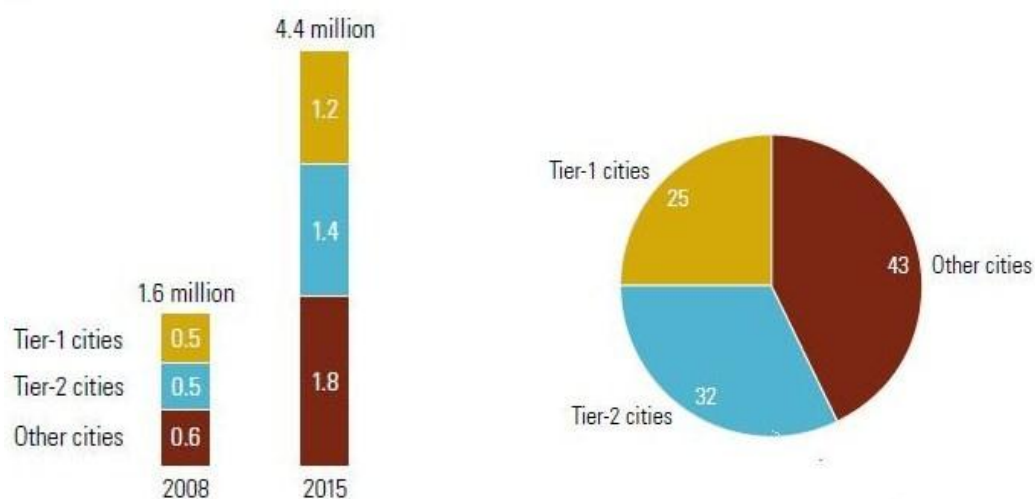
B. Geographic concentration of wealthy people in China. According to the McKinsey survey in 2009, the most affluent people in mainland China concentrated in Beijing, Shanghai, Guangzhou and Shenzhen, which are called first-tier cities. The fast development of second-tier cities have also drawn the attention of marketers of global luxury companies.

Figure 1.1 shows the estimated distribution of Chinese wealthy people and their increasing rate.

This geographic concentration of wealthy people in China makes this research easier to conduct the data collecting job. This research will collect data from the cities: Beijing, Shanghai, Guangzhou, etc. to represent overall behavior of wealthy group in China.

Wealthy Chinese households, by urban tier % increase from 2008 to 2015, by urban tier

**Figure 1.1 - the wealthy Chinese families' distribution from 2008-2015**



819 Chinese cities are grouped into 4 tiers according to level of total consumption and its potential future growth.

Source: McKinsey survey of wealthy Chinese consumers; McKinsey Global Institute analysis

#### **1.5.4. The characteristics of Chinese luxury consumers**

##### **A. Younger age**

The obvious characteristics of Chinese luxury consumers are the younger age. As

mentioned above, Chinese consumers are 7 years younger than their global counterparts. Statistics show that “some (the rich people) 80 percent are under 45 years of age (in China), compared with 30 percent in the United States and 19 percent in Japan.” (Atsman, Dixit, 2009, p.5). So the new rich group is new to the luxury markets and even new to their own fortune, other traits correspondingly, such as the functional values are highly valued by such new buyers and less emotional involved contrary to mature consumers who purchase the luxuries as part of “Art de vivre”. In order to cater to the needs of younger consumer, many global luxury companies had adjusted their marketing plan, such as Lancôme launching new lines of product for young consumers by addressing the importance of preventing wrinkles.

Besides highly valuing the function and quality of products, other major traits are derived from the comparatively young age wealthy people.

## **B. Immature and low brand awareness**

Chinese consumer behavior on luxury sector is far away from being mature. The large amount of consumption is partially attributed to the large population. The immaturity of Chinese consumers is mainly reflected by the low awareness of the luxury brands. Only the most famous brand names are known by the majorities in Chinese market. And the same time the purchasing frequency is comparatively low. The cultures or Brand DNA delivered by luxuries are not correctly recognized by most consumers, and pursuing life style or enjoying the purchasing experience is far beyond reach.

Bonetti (2014) proposes that long-term establishment and continuous interest and investment on the Chinese market will help to build strong retail strategy to finally increase and maintain brand awareness in China.



### **C. Collective culture prevalence:**

Besides the low brand awareness, Chinese consumers are also influenced by the traditional Chinese culture, for example, the collectivism culture is deeply rooted in Chinese people and strongly influences the consumer behavior. Being recognized as publicly welcomed image is especially important and pursued by most of Chinese elite people. For example, the Chinese people prefer the wide-accepted luxury goods to maverick products, products with classic image and high quality tend to be popular among Chinese consumers.

Because of the existing of “not to stand out” psychology derived from a collective culture, the reference group becomes especially important in Chinese luxury market. And reference group plays an important role in decision-making process of luxury purchasing.

### **D. Motives of luxury consumption**

Besides the immature nature and collective culture, the previous research of Chinese consumer behavior also showed that “status and self-reward are two particularly strong motivations in China” (Debnam and Svinos, 2008). In general, the conspicuous consumption is the first and foremost motive for luxury consumption, status consumption can be regarded as one part of conspicuous consumption. Since the economic reform has been for around 30 years, the new wealthy people can rebuild their social class by their possessions, and luxury products helped them a lot in pursuing social status. Conspicuous or status consumption is easily accepted as one major motive for Chinese luxury consumption.

While self-reward as the other main motive is worth to analyze. This motive might be mainly from the new lifestyle of young generation, which formed their subculture, generally described as “individualism”. They place high importance on self-indulgence as the reward for hard working.

## 1.6. Country-of-origin (COO) effects among Chinese consumers

Aaker (1992) proposed the brand equity comprising brand loyalty, brand awareness, perceived quality, brand association and other proprietary assets. Among other factors, origin-of-country has strong association with brand awareness, perceived quality and brand association, which make the origin-of-country very important to luxury companies. That is why most luxury companies began to give up the opportunity of outsourcing to low cost countries, and keep its original country-of-origin.

Phau and Leng's (2008) test the importance of origin-of-country among Australian teenagers. The results show supportive evidence that original-of-country is very important when identifying the luxury product by the customers. Also Piron (2000) made a comparison research between the commercial goods used in publicly vs. privately, and between luxury goods vs. necessities, and found that origin-of-country has strong effect for luxury products, while conspicuous consumption in publicly comes second. But Gabriela *et al.* (2018) do the research and try to find COO effect on perfume industry among Brazilian consumers, and finally obtain that the COO has minor influence which can be neglected. So the COO is not necessarily affecting final decision of luxury buyers.

But the origin-of-country has special meaning to Chinese consumers. As discussed before, the Chinese luxury consumers are comparatively young compared to their global counterparts. They are new to the luxury markets and no enough knowledge and low brand awareness to distinguish luxury products by traits of product itself. Thus the obvious information delivered by label became the easiest way to identify the luxury.

For specific luxury brands, this study uses Chinese brand Maotai (Chinese Spirit) and French brand Louis Vuitton as example to pre-explore the consumer value on County-of-origin. The results are showed in the Table 1.7.

**Table 1.7 - The consumer values when consume Chinese luxury brand “Maotai”**

<b>Items</b>	<b>Number of respondents</b>	<b>ratio</b>
A for social status	213	33.1%
B long history, good sensory value	231	35.9%
C. Conspicuous consumption	47	7.3%
D materislist, just for expensive things	17	2.6%
E high quality	136	21.1%
<b>Total</b>	<b>644</b>	

Source: the author

There are 951 respondents provide their information on the Maotai consumption, 432 persons of the respondents are male which account for 45.4%, and 519 female respondents are of 54.6% of the total sample.

The Table 1.7 presents that 35.9% respondents believe that the reason for Maotai consumption is because the long history and good sensory value of the products. And there are 33.1% respondents believe that Maotai consumption is to show social status in public. And 21.1% respondents regard Maotai as high level of quality.

Fewer respondents (around 10 percent of respondents) believe consuming Maotai are face consumption or a behavior of materialism just for expensive things.

What’s more, the result also presents significant differences on values perceived by different respondents groups subject to gender, age and income level. The Details of such difference with demographic factors will be also discussed in Chapter 4.

**Table 1.8 - The consumer values when consume French luxury brand LV**

<b>Items</b>	<b>Number of respondents</b>	<b>ratio</b>
A for status	237	36.8%
B good design, beautiful looks	168	26.1%
C conspicuous consumption	88	13.7%
D materislist, just for expensive things	26	4.0%
E high quality	125	19.4%
<b>Total</b>	<b>644</b>	

Source: the author

There are 951 respondents provide their information on the Louis Vuitton consumption, 432 persons of the respondents are male which account for 45.4%, and 519 female respondents are of 54.6% of the total sample.

The Table 1.8 presents those 26.1% respondents believe that the reason for Louis Vuitton consumption is because the good design and the beautiful outlooks of the products. And there are 36.8% respondents believe that Louis Vuitton consumption is to show social status in public. And 19.4% respondents regard Louis Vuitton as high level of quality.

Respondents (13.7%) believe consuming Louis Vuitton are face consumption and 4% respondents deem such consumption a behavior of materialism just for expensive things.

What's more, there also presents significant differences on values perceived by different respondents groups subject to gender, age and income level. The Details of such difference with demographic factors will be also discussed in Chapter 4.

In combination of Table 1.7 and Table 1.8, it shows that:

Sensory consumption, status consumption and high quality of products are three main driving forces for luxury consumption, whatever the products is western origins or Chinese domestic products. Such specific motives comply with consumer behavior of Chinese consumers. For most of Chinese consumers, they are hold unfavorable attitudes towards luxury products under influence of traditional ideology and government propaganda. But with the well trained aesthetic ability and collectivism society nature, they present their desires for sensory consumption for goods things and affiliation to their reference group by wearing the same level of branded products. What's more, with the increase of living standard, the good quality is pursued by Chinese consumers.

For the same reason, the face consumption or conspicuous consumption is not favored by most of consumers. And materialism for expensive things is even hold by fewer people.

But comparing between the consumptions of two brands, difference types of motives can

also be found. Among three main motives, for Chinese domestic products the percent ratio of sensory value (35.9%) and functional value (21.1%) are obviously higher than the percent ratio of Louis Vuitton consumption 26.1% and 19.4 respectively. While for status consumption, higher percent exists in Louis Vuitton consumption (36.8%) than Maotai consumption (33.1%).

What's more, conspicuous consumption and materialist are more in Louis Vuitton consumption 13.7% and 4% respectively than Maotai consumption 7.3% and 2.6% respectively.

The results show that the consumer value for domestic brand and western brand share the similar distribution among Chinese consumers. But the scores of different values vary slightly. Maotai brand enjoys a very good reputation in Chinese domestic market, most of respondents believe this brand has long history and good sensory value, can bring social status, and consuming Maotai is not a way to show off or merely pursuing expensive products. For Louis Vuitton, most respondents believe this brand is for status and for showy.

Based on the consumer value analysis in the literature, Colgate (2007) separate the luxury value into expressive consumption, hedonic or experience consumption, functional consumption and cost sacrifice. The Chinese domestic brands provide more values on functional and experience values, while western brands provide more value on expressive aspects.

### **1.7. Luxury values perceptions by Chinese consumers under luxury democratization**

The tendency of luxury democratization is vastly discussed in recent years by scholars and experts in luxury field, this section will analyze the Chinese consumers' values under such democratization.

### **1.7.1. The luxury democratization tendency**

In this literature part, this study discusses the definition of luxury, the values luxury goods may provide, the income factor, and the Chinese attitudes towards luxury and traits of consuming behavior. Now in this section, this study will discuss the possible value perceptions by the Chinese consumers.

First and foremost, the luxury democratization make it possible for most of less affluent consumers to entry the world of luxury consumption, and as a developing country, China becomes an important player in luxury market under such luxury democratization. Many scholars like Kapferer (2005) recorded such process of luxury democratization. Because of the trade down strategy of global brands and the development of world economy, the luxury goods are no longer belong to “the happy few” and more and more “common people ”began to consume luxury goods. The scholars (Fuchs *et al.*, 2013; Han, 2010) further analyze such democratization process and quick expanding of luxury market.

Under such tendency of luxury democratization, the traditional motives of luxury consumption met challenges. The accessible luxury goods with reasonable prices are no longer out of reach, and the consumer value provided by such luxury goods must be not the same with the traditional exclusive luxury goods with extremely high price. So the consumer values should be reexamined under such democratization.

From the view of the luxury firms, such democratization will increase the number of their consumers and subsequently the turnover and profit. But in the long run, their brands are facing the dilution risk, the “distance from public” of their distinguished brand is gradually shortened and the exclusivity feature is weakened, and in the long run the luxury brands may lose their halos to attract the consumers. According to the luxury definition discussed above, the ratio of intangible value to price is high while the functional value to price is comparatively low. If a luxury brand experienced brand dilution and lost it halo, the intangible value would definitely decrease and cannot afford to be sold at high price. So a major task for luxury firms in this democratization world is balancing the expanding of

business while keeping the brands exclusive status. Dubois and Paternault (1995, p.73) launched a dream formula for luxury brands, that is the desire or dream for a luxury brand is positively affected by the brand awareness and negatively affected by the purchase. The exact formula is such as follows:

$$\text{Dream}=0.58*\text{awareness} -0.59*\text{purchase} - 8.6$$

In this formula, the Dubois put the very important role on the brand awareness for the brand awareness, and believed the brand awareness is the driving force for luxury consumption. The following scholars (Dion *et al.* 2017, Han 2010) make it more specific on the driving force for luxury consumption. They believe the social status the brands can provide to the consumers is extremely important to keep the luxury essence especially under the tendency of luxury democratization. And the major task for luxury firms is trying to provide more luxury status for the consumers. From these points of view, the importance of social value of luxury consumption is highly addressed.

The Table 1.1 listed a lot of values and Table 1.2 classifies such values into major categories. The social value is an important factor in the Table 1.1 and 1.2. Compared with other values the luxury brands may provide, the social value mainly asserts its influence on the intangible value, which is the essence of luxury product. But with the luxury democratization, the social value changes its content largely.

### **1.7.2. The complexity of social value under luxury democratization**

Social value mainly refers to the value gained from social groups when consuming luxury products (Vigneron and Johnson, 2004; Smith and Colgate, 2007; Wiedmann, *et al.*, 2007; Tynan *et al.* 2010). Ever since the publication of the classic economics book “The Leisure Class”, the “conspicuous consumption” becomes the main content of social value of luxury products, and the top affluent people mainly consume luxury products due to such social driving force.

Christine Page (1992) records the evolution of the research work on conspicuous consumption. The author believed that the “conspicuous consumption”, and “bandwagon consumption” and even “snob effect” are all belong to the category of conspicuous consumption, and in this category also includes the status consumption. But O’cass (2004) believed that the status consumption should be divided from the conspicuous consumption, since the status consumption involved the important indicator self-monitoring (Gould 1993), while the conspicuous consumption has no such indicator in it.

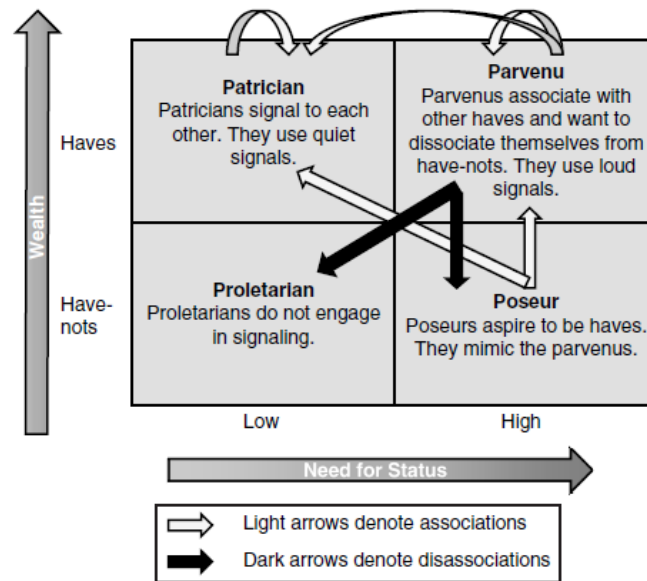
The separation of status consumption and conspicuous consumption is of great importance both in theoretical and practical field, especially under luxury democratization tendency. Since the luxury buyers are not the top rich people, while the self-monitoring factor plays more and more important role in less affluent people when they are consuming luxury products.

Research work of Han (2010) shows the importance of self-monitoring factor in the luxury consumption. Han (2010) proposed the definition of brand prominence, and divided the consumers into four taxonomies according to their wealth and need for status (see Figure 1.2).

In the figure, the author provided four kinds of consumers, and they are Patricians, Parvenus, Poseurs and Proletarians. Patricians and Parvenus are rich people, and Poseurs and Proletarians are not. And Parvenus and Poseurs are eager to gain the status, while Patricians and Proletarians don’t care about the status when purchasing luxury products. The author also found that the Parvenus try to disassociate with the not rich people, while on the contrary the Poseurs try to associate themselves with the rich people. In such relationship, we can find the Poseurs is trying to affiliate themselves to Patricians and Parvenus when purchasing luxury, and the traditional conspicuous consumption doesn’t have such affiliation feeling in it. So the status consumption will has more practical implication under luxury democratization tendency.



**Figure 1.2 - four groups of consumers**



Source: Han. *et al.* (2010, p.17)

Dion (2017) also believed balancing the status and democratization is the key task of luxury firms. But Dion (2017) believed the social status is not derived from the brand or product, while the social status is experienced by the consumer through the public interactions.

Since the luxury consumption shifted from the top rich people to the less affluent consumers, the status value provided by the luxury brands is adjusted by the firm's marketing strategy. And the social value mainly includes the conspicuous value and status value becomes more complexity than before.

### **1.7.3. The possible luxury values perceived by Chinese consumers.**

The Table 1.1 summarizes the consumer values, which are from the extant literature. Some values in this Table may be weakened nowadays during the democratization and some values may be strengthened. Table 1.2 illustrate the possible category of luxury values, Vigneron and Johnson (2004), Wiedmann (2007) and Colgate (2007) proposed three likely

classification of luxury values, all this classification are based on the theoretical research without empirical test and may be not suitable in Chinese context. This study will use the Chinese data to empirically test the classification of consumer values and provide the values frameworks for Chinese luxury consumers.

The possible luxury values perceived by the Chinese consumers are from the following aspects which are derived from the Table 1-1 and Table 1-2, and with the consideration of consuming characteristics of Chinese consumers.

First set of values is from the utilitarian aspect, which should comprise the quality, function and overall performance of the luxury goods. Second set of values is from the experiential aspects, which comprise the sensory, aesthetic and emotional values. Third set of values is from the social aspects, which associate public consumption. The last consideration may be lying in the price aspect, what kind of role the high price will play in luxury consumption.

Besides these values mentioned above, the income factor is another important factor in luxury consumption, especially in Chinese luxury market. According to the classification of Han (2010), in which research the consumers are divided into Patricians, Parvenus, Poseurs and Proletarians, and due to historical reason, there are no typical Patricians in Chinese society, and the rich people, even the top rich people are “new money” owner. But as Dion (2017) proposed that the “new money” can use their symbolic wealth to get the dominant position, so the relationship of Figure 1.1 may fail in Chinese context about that the Parvenus wants to associate themselves to the Patricians, since the Parvenus are too strong in capital means and no traditional Patricians existing. So the income or capital factor is very important.

What’s more, Han (2010) proposed that the Poseurs tend to consume the fake products, and the fake products are really big problems in Chinese luxury market, so the income factor which separate the rich people and the Poseurs are important to the analysis of consumer behavior.

So this study will explore the different values existing in the literature and include income factor into study to analyze completely the Chinese luxury consumer behavior.

## **CHAPTER 2 - Hypotheses Development and Methodology Framework**

Based on the work of literature review, this chapter will develop the hypotheses of this research and present the methodology framework used for analysis.

### **2.1. Procedure of Hypotheses Development**

This research tries to explore the consumer behavior of Chinese luxury consumers. Since the high-speed development of Chinese luxury market and the huge consumptions of luxury goods by Chinese consumers, such consumption is worth to analyze. What's more, Chinese luxury market is newly emerging market, and the average capital of income is comparatively low, so further the analysis of Chinese luxury consumer behavior has the theoretical and practical implications.

Since luxury good is special kind of commercial good, so the traditional method for analyzing consumer behavior is not fitful in luxury field. So the first task of this research is trying to find a key variable as a key to disclose the luxury consumer behavior.

The essence of luxuries differs from common commercial goods in many managerial aspects, and the key difference between the luxuries and the common products due to that luxury firms put high emphasis on “intangible value” other than “cost reduction” or “performance improvement” which are often in the core management of common commercial goods. And in order to achieve to provide intangible value, the luxury firms often borrow the experience of art management and in the real operation the luxury firms follow the management of “art pieces” to marketing their products, such as exhibition in the museums, financial support for modern art and cross-border cooperation with artist. Such different management strategy targets to bring more intangible value to consumers.

Besides the intangible value, the functional performance and practical utility are also important to luxury products. Since the intangible values are built on the basis of physical performance. So the functional performance can't be neglected. So the intangible value plus the functional value together will present the overall value provided by the luxury products.

In the extant research on luxury product, the scholars (Vigneron, 1999; 2000; 2004; Smith, 2007; Wiedmann, 2007; 2009; 2012; Shukla, 2011; 2012; 2015) use "value" as key tool to unveil the true face of luxury consumption. So the value is the key variable to analyze the consumer behavior on luxury consumption. Such Choice is very scientific, since value is an overall estimation of different aspects that a commercial product will provide. Luxury products are commercial goods with art essence within them, so the definition of value is very objective to describe the many features of luxury products. So this research will also choose the definition of value to analyze the consumer behavior of Chinese luxury buyer.

So the analysis of luxury consumer values are switched to analysis of consumer values of Chinese luxury consumers. In the extant literature, many scholars proposed individual value the luxury products provide, such as the exclusivity, the high social status, the hedonic value etc., and Smith (2007) summarized all these kind of values into a Table (see Table 1-1), which give this research great convenience to examine all the possible value that Chinese consumer will pursue when buying luxury products.

Besides the scatter luxury values, the scholars (Vigneron, 1999; 2000; 2004; Smith, 2007; Wiedmann, 2007; 2009; 2012) try to systematically the luxury values and propose value framework for luxury consumption. Such research result provide great implications for this research, in order to get an overall profile of luxury values of Chinese consumer, such framework are more comprehensive than the individual value to describe the consumer behavior. So this research further identifies the research aim as try to get a comprehensive luxury value framework for luxury consumers.

Although this research is based on the extant research result, this research makes many

breakthroughs than the existing work in theoretical and practical aspects. Since the above research works are all conceptive frameworks without real consumption data in the framework, such deficiency will be overcome by this research, so this research will be an empirical analysis of luxury values in essence.

What's more, in the extant work, the income factors are not included into the framework. Since luxury products are always priced much higher than the common goods, the financial means are extremely important at this time, so as to the luxuries are defined in Economics with the elasticity of income. Dubois (1993) proved that the income factor and socio-cultural factors jointly affect the luxury consumption. Han (2010) proved that the affluent people and less affluent people behavior differently on luxury consumption. According to all these facts, the income factor is really important in luxury consumption. What's more, the luxury consumption experienced democratization process and less affluent buyers began to consumer luxury goods largely. So the income factor is not only an important influencing factor, but also a segmentation factor to separate different targeting groups. So this research will emphasize the effect of income factor and include income factor as a major influencing factor in the model.

Based on the existing research of luxury values in the literature, this study aims at addressing the characteristics of Chinese consumer behavior to try to develop a comprehensive framework of luxury values and show the quantitative relationship between the luxury values, income factor and luxury consumptions by Chinese luxury consumers.

So this research will have the following research question: What constitute consumers' values underlying Chinese consumers purchasing behavior for luxury products and to what extent these values affect the real luxury consumption?

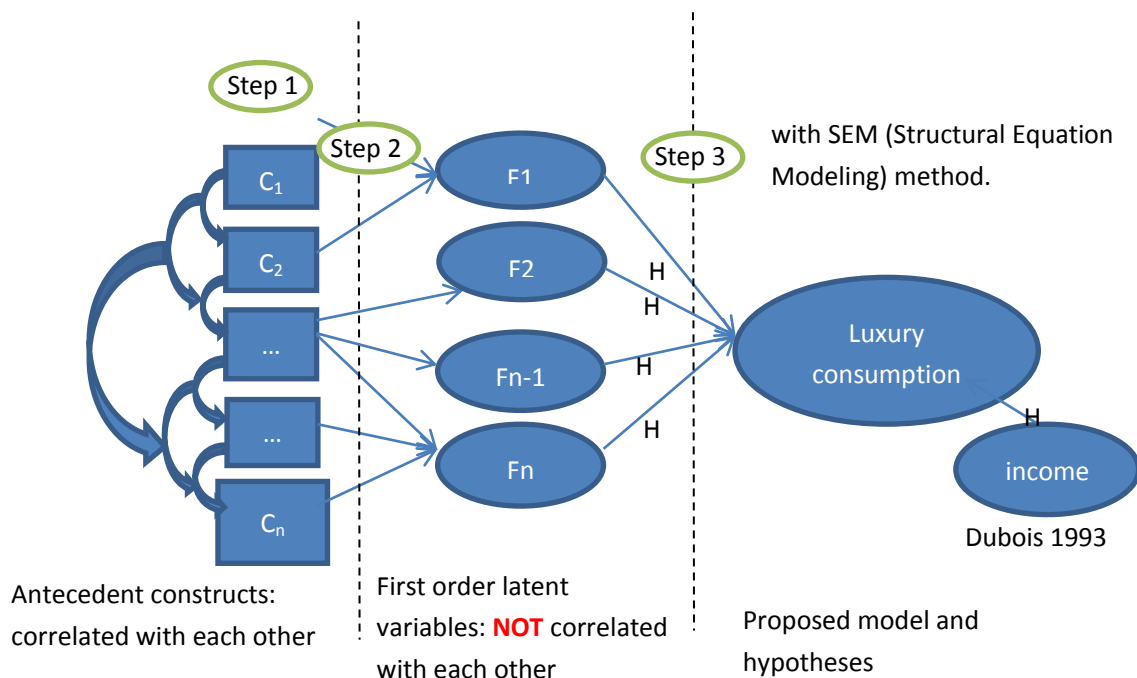
The research will began with reviewing the literature works. In the literature part, the study mainly discusses five main topics. A. the definition of luxury and luxury products; B. the consumer value is the effective approach to analyze luxury consumption; C. the income factor and consumer value jointly affect the luxury consumption; D. Characteristics of

Chinese consumer behavior and their influences on luxury consumer values; E. The luxury democratization tendency is prevailing in luxury field.

Based on the discussion of literature review part, this chapter will propose the whole framework and launch hypotheses accordingly.

This study designs the whole research process including **3 steps**, and the details are such as follows (Figure 2.1):

**Figure 2.1 - The theoretical framework**



Source: the author inspired by Wiedmann (2007)

### 2.1.1. Step 1: Identifying Chinese consumers' values on luxury consumption

This study will address the “values” as the key variable to analyze Chinese consumer behavior. Among the values, this research try to identify those proposed and discussed in the literature in Chinese context, and further try to conclude the pattern or framework of consumer values on luxury consumption by Chinese consumer.

As mentioned above, the Table 1-1 concludes the possible consumer values by the work of Colgate (2007), which provides vast values those exist in extant literature. This study will examine each value in this Table carefully and also delve more in the literature for other possible values to enrich the Table, and try to summarize all the values in Chinese context.

By identifying all the values mentioned in the literature, this study uses a qualitative research method, in specific by interviewing field people to get the luxury value constructs in Chinese context. That is this research does a qualitative research firstly on Chinese consumers' value perception by interviewing the scholars, experts, marketers and luxury buyers to obtain the information about the values Chinese consumers. The content of the interview are carefully prepared by the author. Some of the questions proposed by the author are based on the values in the literature, and some questions are open questions without any hint to the interviewees. In short, the main contents of questionnaire are inquiring the motives for luxury consumption. The motives are listed as constructs: reasons why people consume luxury product. The interviewees are altogether 23 field persons who are familiar with Chinese luxury market and also familiar with Chinese luxury buyers.

Based on the results of the interview, the author began to design the questionnaire by which to collect the primary data.

After carefully design the questionnaire, the author of this research began to collect data in person from the Chinese main cities to get first hand data for further analysis.

In order to provide comprehensive framework of luxury values performance in mainland China, the places to collect the data are carefully chosen. The sample place should also include tier-1, tier-2 and tier-3 cities, because different tier cities have different economic development levels and with different popular degree of fashion icons.

So the main task of Step 1 is trying to identify the luxury constructs by Chinese luxury consumers by questionnaires and in order to get more scientific results, a pre-study which is a qualitative research is done to design the questionnaire.

In this step, the constructs of luxury values are individual and scattered, and they are maybe correlated with each other, and they are vast in number. They are all possible values which may take effect when purchasing decisions are made when Chinese buyer facing luxury products.

The data are first hand variables and named as Construct 1, construct 2, construct 3 and so on, denoted as  $C_1, C_2 \dots C_n$  in the theoretical framework (Figure 2-1). And  $C_1, C_2 \dots C_n$  are individual values and correlated with each other.

The variables of  $C_1, C_2 \dots C_n$  are recorded and processed with software of Spss22 for further analysis.

The main work of methodology for this step is described in the Chapter 2.2.

### **2.1.2. Step 2: To extract the main dimensions of Chinese consumers' value perceptions**

The first step is trying to identify the values Chinese consumer perceived when doing luxury consumption. And after the step 1, this research can get raw data of the luxury values via questionnaire. As discussed above, such raw data are scattered and correlated with each other, so such kind of data can't be used directly and should be process for the future research.

This research aims at concluding the luxury values and further finding the relationship between luxury values and final luxury consumption. So the final result should be in a logic format pattern, which should be has the managerial and theoretical implications. What's more, since this research is finally trying to find the relationship between luxury values and luxury consumption, the quantitative relationship is expected to obtain from the data, so the data should be used in the model proposed, which require the data are not correlated with each other.

In statistics, the dimension reduction method is fit for the above requirements, and this research adopts the statistic method of principle component analysis to handle the raw data.



The principle component analysis (PCA) can extract the vast data into main dimensions and such dimensions are not correlated with each other.

To be exact, the PCA method is dimension reduction method to abstract main dimensions from huge amount of items. After abstraction, each dimension will have information containing one or more items from which it abstracts, and the dimension will be named after these items contained. The name designating process is the most meaningful stage in this method. Then the variables of new dimensions are given scores by the software immediately and limited number of dimensions will replace original items for further analysis.

So processed by such statistical method, the raw data will be extracted in a logic format which can provide usable implication. The new dimensions are given the new scores automatically by the software, and the newly obtained variables of such dimensions can represent the original raw data to be used to build the relationship with luxury consumptions.

So in the step two, after the job of data collection, the data are processed with the software Spss 22. The factor analysis (Principal Component Analysis) method is used to process the data.

The new data obtained in this step are processed variables and named as Factor 1, Factor 2, and Factor 3 and so on, denoted as  $F_1, F_2 \dots F_n$  in the theoretical framework (Figure 2-1). And  $F_1, F_2 \dots F_n$  are main dimensional values and not correlated with each other. And the number of Factors is determined by the software, usually the criterion for the n determination is that Eigenvalue is larger than 1.

The extant research results show that perceived values generally fall into four dimensions (Wiedmann, 2007; 2009; 2012) or five dimensions Colgate and Smith (2007), which means the number of factors is 4 or 5, i.e.  $n=4$  or  $5$ . So the value pattern derived from step 2 can be compared with the sophisticated conceptive model to find the common and different

characteristics of Chinese luxury consumer values.

Main work of this part will be explored in Chapter 2.5.2.

In this study, the constructs of consumer values for luxury consumption are collected directly by questionnaire, and then these value constructs are processed into principal dimensions by factor analysis. The dimension will be named after the constructs it is abstracted from and massive value constructs are reduced into principal dimensions with designated names and given scores. The new dimensions which are not correlated with each other become to be new variables waiting for be used to test the proposed model.

When the primary data is processed by PCA method, it will provide a result with multi-dimensional pattern, and this pattern is the value pattern obtained from information of Chinese consumers, which can be compared with the sophisticated model, proposed by different scholars such as Wiedmann (2007; 2009; 2012), Colgate and Smith (2007). Since these scholar just proposed conceptive pattern about consumer value, which Might affect the luxury consumption, but the causal relationship between the consumer value and luxury consumption is not empirical tested by such scholars. This research will fill this gap and identify the relationship between the value dimensions and final luxury consumption.

So the main task of Step 2 is the handle the raw data statistically, with the principal component method, the raw data obtained from the questionnaires is processed into a more logic format. The newly obtained data with scores are main value dimensions, which are named from the values they are extracted. Such dimensional values present the value framework of Chinese luxury consumers. So in this step, this research will get the values framework of Chinese luxury consumers, which is the partial goal of this research work. Further, the dimensional values with scores become new variables to replace the original raw data to do the quantitative relationship building.

### 2.1.3. Step 3: Proposing the hypotheses and model

The step 1 collects the raw data and the step 2 processes the data of step 1, and in the step 3, the hypotheses and targeting model will be proposed.

The final goal of this research is trying to build the relationship between the consumer values and the luxury consumption. The values obtained in Step 2 are dimensional values which can represent the raw values obtained by the questionnaires, so this research using the dimensional values ( $F_1, F_2 \dots F_n$  in the model) to build the quantitative relationship. So using the not-correlated data obtained in step 2, this dissertation proposed the following hypothesis model (see Figure 2.2).

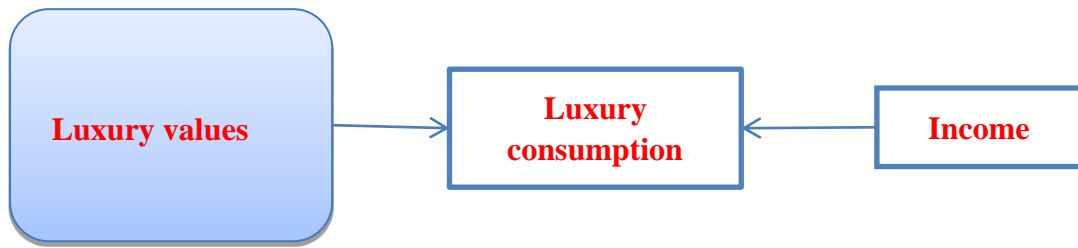
In this proposed model, this research proposes that the luxury consumption is affected by the luxury values directly, wherein the luxury values are a set of dimensional value ( $F_1, F_2 \dots F_n$ ).

What's more, as discussed in the literature part (chapter 1.3 income in luxury consumption), the income factor are extremely important in luxury consumption which are not neglected. Plus the income factor and the luxury values are not correlated with each other (tested by Dubois, 1993), so this research includes the income factor into analysis and proposes the following model (see Figure 2.2 and 2.3).

In the proposed model, the income factor and luxury values jointly affect the luxury consumption, where in the luxury values are value dimensions which are extracted from the raw data and the income value are income level which is collected together with the values in the step 1, and the luxury consumption is the real luxury consumption.

Thus, this study addresses the Dubois' work (1993) and proposes the rough framework of this dissertation as following:

**Figure 2.2 - The luxury value model proposed**

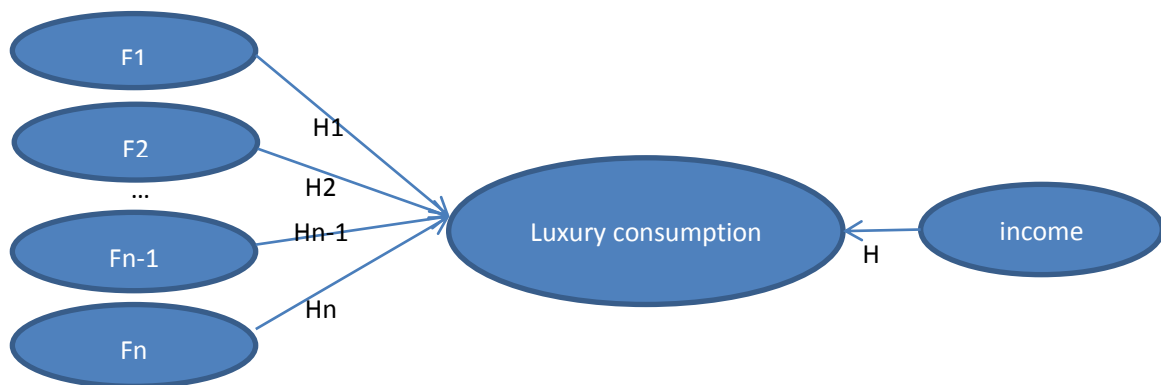


Source: the author

By substituting the luxury values in Figure 2.2 with its content of values dimensions and further specifying the model, the model is presented in the format of Figure 2.3.

Compared with the extant research work (see Table 1.2), the format of proposed model are similar with the conceptive models proposed by the Wiedmann (2007; 2009; 2012), Colgate and Smith (2007). The extant research results show that perceived values generally fall into four dimensions (Wiedmann, 2007; 2009; 2012) or five dimensions Colgate and Smith (2007), which means the number of factors is 4 or 5, i.e.  $n=4$  or  $5$ . So the research firstly proposed the number of  $n$  kinds of consumer values affect the luxury consumption.

**Figure 2.3 - The luxury value model proposed**



$F_n$ : Dimensions of luxury values

Source: the author

This step is the core part of this study and tries to test the proposed model with the data prepared in the former steps.

The statistical method to identify the quantitative relationship is SEM (Structural Equation Modeling) method. Such method is very convenient and provides visual result, which is largely used in marketing and management field.

Inputting the scores of dimensions derived from step 2 and income data collected from step1 into the proposed model by the software of AOMS22 to run the SEM. Using the statistical method of structural equation modeling (SEM) to analyze the data and evaluate the degree of fitness. In this statistical method, if the p value is large enough, it means that the data fit for the model very well. If the p value is small enough, it means the relationship of the data is significantly different with the relationship of the proposed model, so in this method, if the proposed model is reasonable and fit for the reality, and the p-value should be large enough.

The SEM methods also can tell the coefficient value of the relationship. So in this step, this study can not only obtain the degree of the fitness to test the validity of the proposed model, but also can obtain the coefficients of impact of different consumer values on final luxury consumption.

The results and analysis will be fully explored in Chapter 3 the result.

After the validity of proposed model is proved and coefficients are obtained by the step 3, this study tries to use another set of data collected also by questionnaires to test the validity and credibility of the empirical results.

By using the statistical method, this step examines the relationship between different consumer values and final luxury consumption.

Also in this step, a lot of information of implications and applications about the consumer values for marketing in Chinese market will provide. The results and analysis will be fully explored in Chapter 3 results of the research.

#### **2.1.4. The influence of demographic factors**

Besides the core task of this research to identify the proposed model, the demographic factors are also tested in this research. Since demographic factors such as gender, age and income level are important segmenting factors in the research of consumer behavior, and such factors will definitely affect the consumer value of luxury products. In order to have a comprehensive understanding of Chinese behavior in luxury market, this study in the last part to analyze the influence of demographic factors on the consumer value perceptions and final luxury consumption.

This study will analyze the demographic factors by using two set of data. By using the first set of data, this research will choose the demographic factors of gender, age, and income level and residence city as target variables, to find out the different impacts of these demographic factors on dimensional values which are abstracted in the process of step 2. For the second set of data, this research tries to conclude the impacts of demographic factors including gender, age, income level, educational level, on the consumers' attitude towards luxury products, and on the specific consumer values when facing luxury products.

With the analysis of demographic factors, the overall profiles of consumer behavior in Chinese luxury market will be concluded. Such profiles contain the main dimensions of consumer value, and influence of such consumer value plus impacts of demographic factors.

Fully analysis of results will be presented in Chapter 3 results of the research.

## **2.2. Methodology framework**

This study tries to find the attitude and value perceptions of Chinese consumers when buying luxury products. In order to test the validity of the model proposed in Figure 2.3, this study designs the whole research process including **6 steps**, the details of methodology and the data processing are such as follows:

### **2.5.1. Step 1: Collecting data of values for luxury consumption in Chinese market**

In order to collect the data, this study first to search in the literature to collect the values mentioned and studied in the literature. The questionnaire is carefully design for collecting the data. The main work of this step is described in the following section Chapter 2.3

Consumer's value can't be collected directly by the questionnaire, because such values are concluded and abstracted by scholars and they are not immediate motives for consumption. Wiedmann (2007) notes that social, individual, financial and functional values extensively exist in Consumer's motives across national boundaries. And no such research has ever done to in Chinese luxury market, the framework of Chinese consumer values are not build yet. So this study will do the research from the very beginning, and try to conclude consumer value perceptions of Chinese consumers first. Then based on the value perceptions obtained, this study further test the model proposed in Figure 2.3. So the main purpose of the first step is designing questionnaire to collect the motives of Chinese consumers to buy luxury products.

In order to provide comprehensive framework of luxury values performance in mainland China, the places to collect the data are carefully chosen. The sample place should also include tier-1, tier-2 and tier-3 cities, because different tier cities have different economic development levels and with different popular degree of fashion icons.

The main contents of questionnaire are inquiring the motives for luxury consumption. The motives are listed as constructs: reasons why people consume luxury product.

The data collected are recorded and processed with software of Spss22.

### **2.5.2. Step 2: Processing data with PCA method to obtain principal dimensions**

After the job of data collection, the data are processed with the software Spss 22. The factor analysis (Principal Component Analysis) method is used to handle the data. Main work of this part will be explored in Chapter 2.4.2.

The PCA method is dimension reduction method to abstract main dimensions from huge amount of items. After abstraction, each dimension will have information containing one or more items from which it abstracts, and the dimension will be named after these items contained. The name designating process is the most meaningful stage in this method. Then the new dimensions are given scores by the software automatically and limited number of dimensions will replace original items.

In this study, the constructs of motives for luxury consumption are collected directly by questionnaire, and then these constructs are processed into principal dimensions by factor analysis. The dimension will be named after the constructs it is abstracted from. So by using dimension reduction method, massive constructs are reduced into main dimensions with designated names and given scores. The new dimensions become to be new variables waiting for be used to test the proposed model.

### **2.5.3. Step 3: Comparing the value pattern with the sophisticated model**

After the abstraction of the value data, the result present in a main dimensional pattern, which can be compared with the extant conceptive model I the literature. The pattern of Chinese consumer values will be compared with sophisticate model to show the difference and unique characteristics of Chinese consumers' motives to buy luxury products.

### **2.5.4. Step 4: Identifying the relationship between values and luxury consumption**

This step is the core part of this study and tries to test the proposed model with the data prepared in the former steps.

Inputting the scores of dimensions derived from step 2 and income data collected from step1 into the proposed model by the software of AOMS22. Using the statistical method of structural equation modeling (SEM) to analyze the data and evaluate the degree of fitness.



If the p value is large enough, it means that the data fit for the model very well. If the p value is small enough, it means the relationship of the data is significantly different with the relationship of the proposed model.

The SEM methods also can provide the coefficient value of the relationship. So in this step, this study can not only obtain the degree of the fitness to test the validity of the proposed model, but also can obtain the coefficients of impact of different consumer values on final luxury consumption.

The results and analysis will be fully explored in Chapter 3.1.

#### **2.5.5. Step 5: Using another set of data to test the validity of results**

After the proposed model is determined by the step 3, this study tries to use another set of data collected also by questionnaires to test the validity and credibility of the results.

By using the statistical method, this step examines the relationship between different consumer value and final luxury consumption.

Also in this step, a lot of information of implications and applications about the consumer values for marketing in Chinese market will provide. The results and analysis will be fully explored in Chapter 3.2.

#### **2.5.6. Step 6: Testing the role of the demographic factors in the luxury consumption**

Since demographic factors such as gender, age and income level are important segmenting factors in the research of consumer behavior, and such factors will definitely affect the consumer value of luxury products. In order to have a comprehensive understanding of Chinese behavior in luxury market, this study in the last part to analyze the influence of demographic factors on the consumer value perceptions and final luxury consumption.

This study will analyze the demographic factors by using two set of data. By using the first set of data, this research will choose the demographic factors of gender, age, and income level and residence city as target variables, to find out the different impacts of these demographic factors on dimensional values which are abstracted in the process of step 2.

For the second set of data, this research tries to conclude the impacts of demographic factors including gender, age, income level, educational level, on the consumers' attitude towards luxury products, and on the specific consumer values when facing luxury products.

In this step, the overall profiles of consumer behavior in Chinese luxury market will be concluded. Such profiles contain the main dimensions of consumer value, and influence of such consumer value plus impacts of demographic factors.

Fully analysis of results will be presented in Chapter 2.4.

### **2.3. Sample and procedures**

This study collected data via questionnaires in the cities of Beijing, Shanghai, Xi'an, Suzhou, Qingdao, and Yancheng during the time period from August 2014 to December 2014. The author handed out the questionnaires in person at forums held by different banks or commercial institute in the aforementioned cities. The places chosen for data collection enable this study to reveal the whole luxury market throughout China, since the places cover most of Mainland China. And since the sample cities are regarded as the most prosperous centers of China, they can thus represent the Chinese luxury market geographically. The respondents of questionnaires are senior employees in the financial field, and their distinguished clients come from all over the mainland China. Altogether, the present study collected 261 valid questionnaires.

Altogether 240 respondents provide gender information in the questionnaire, 160 female respondents account for 66.7% and 80 male respondents account for 33.3% of total respondents.

This questionnaire also collects residence information of the respondents, 38 respondents come from tier-1 cities and account for 15.5% of total respondents. And tier-1 cities in China refer to Beijing, Shanghai, Guangzhou and Shenzhen, which are international cities and share international lifestyle as other international cities. The fashion information and icon are quickly accepted by such cities without any delay and most affluent people of

China live in tier-1 cities. 119 respondents come from tier-2 cities and account for 48.6% of total respondents. Tier-2 city in China refers to capital city of each province, and its economy are lag behind that of tier-1 cities but they are still economic and cultural center of different areas, the fashion information are well developed than surrounding cities, and income levels are higher than tier-3 cities. Altogether 88 respondents come from tier-3 cities and stands for 35.9% of total sample. Tier-3 cities economically lag behind tier-1 and tier-2 cities and so does the income level. But the cost of living is also lower than other two kinds of cities, and the affluent people of tier-3 cities have more disposable income comparatively. So the people with good salary will find it easier to live in tier-3 cities and have more spared money and time to purchase luxury products. So recently the tier-3 cities come to be new targets for luxury group to open new boutiques.

The age distribution of the respondents are such as follows, the respondents with age below 25 years old are 20 persons and account for 8.7%, the respondents with age between 25-29 years old are 45 persons and account for 19.5%, the respondents with age of 30-34 years old are 49 persons and account for 21.2, the respondents between 35-39 years old are 33 persons (14.3%), between 40-49 years old are 61 persons (26.4%), and above 50 years old are 23 persons and account for 10%. And 30 persons didn't provide the age information.

In view of the residence and age information collected by the questionnaire, the respondents of this study are evenly distribute across the three kinds of tier cities and different age group, and the attitudes and luxury perceptions they provide can be regarded as the objective reflection of Chinese consumers.

The questionnaire also collected the important information of income, the results are that 56 persons, 21.5% of respondents are earn monthly money below 5000 Chinese RMB (678 euros), and 49 (18.8%) persons are between 5000-9999 RMB (678-1355 euros), and 27 persons (10.3%) are between 10000-14999 RMB (1355-2033 euros), and 14 persons (5.4%) are 15000-20000 RMB (2033-2710 euros), while 23 persons (8.8%) are between 20000-29999 RMB (2710-4065 euros), and finally there are 25 persons whose monthly income are above 30000 Chinese RMB (more than 4065 euros). The exchange rate is that

one Euro equals to 7.38 RMB (December 2014), so the 30000 RMB equals to 4065 Euros. So the income distribution of income level is also evenly across different income levels.

The conclusion information of the respondents is list in Table 2.1A.

In order to test the model, this study also collected second set of data of consumer's value via internet during the period of May-June 2016. Altogether 1233 questionnaires are obtained. Table 2.1B provides the summary of the data collected. From the Table 2.1B, it shows that the respondents collected via internet are comparatively young, and the income level is obviously lower than the former sample, which reveal that internet respondents are younger people with lower income level.

The demographic information of the questionnaire divides into three parts, the gender, and age and income information. Among the 1233 respondents, 43.6 percent are male respondents and 56.4 percent are female respondents.

For age information, 741 persons are below 25 years old, and 130 persons are between 26-30 years old and 134 persons between 31-35 years old, and 92 persons between 36-40 years old, 78 persons between 41-45 years old, and 34 persons between 46-50 years old, while 24 persons are above 50 years old. The age of respondents is evenly across different age group.

As for the income information, 74.3 percent of the respondents are below 5000 RMB (which is 678 Euros according to exchange rate of June 13); only around 5 percent of respondents are above 15000 RMB (which is 2033 Euros according to exchange rate of June 13). So the income level is not evenly across the different income group, but it reflects the real situation of income level of Chinese consumers.

**Table 2.1A - Demographic characteristics of the survey respondents (December 2014- January 2015)**

Demographic factors	Number of respondents (frequency)						
Gender	Male 80 (33.3%)	Female 160 (66.7%)	Missing 21				
City of residence	Tier-1 cities 38 (15.5%)	Tier-2 cities 119 (48.6%)	Tier-3 cities 88 (35.9%)	Missing 16			
Age	<25 20 (8.7%)	25-29 45 (19.5%)	30-34 49 (21.2%)	35-39 33 (14.3%)	40-49 61 (26.4%)	>50 23 (10%)	Missing 30
Income	<5000 56 (21.5%)	5000-9999 49 (18.8%)	10000-14999 27 (10.3%)	15000-19999 14 (5.4%)	20000-29999 23 (8.8%)	>30000 25(9.6%)	Missing 67

Source: the author

**Table 2.1B - Demographic characteristics of the survey respondents (May 2016)**

Demographic factors	Number of respondents (frequency)						
Gender	Male 538(43.6%)	Female 695 (56.4%)					
Age	<25 741(60.1%)	26-30 130 (10.5%)	31-35 134(10.9%)	36-40 92 (7.5%)	41-45 78 (6.3%)	46-50 34 (2.8%)	>50 24(1.9%)
Income	<5000 916 (74.3%)	5000-9999 177(14.4%)	10000-14999 68(5.5%)	15000-19999 14 (1.1%)	20000-24999 14(1.1%)	25000-30000 11(0.9%)	>30000 33(2.7%)

Source: the author

## **2.4. Constructs development and Hypotheses proposed**

In this section, this research will present the procedure of constructs development and statistical methods used in the procedure, and propose the hypothesis model in the end of the chapter.

### **2.4.1. The original data collection and development**

In order to get more accurate result, this study does exploratory research by interviewing some experts and scholars in the field to obtain useful information to design the questionnaire. So constructs listed in the questionnaire are the result of discussion with experts in the luxury field based on the references of Smith and Colgate's (2007) questionnaire. The Table 2.2 shows the details of the questionnaire.

With the questionnaire, this study uses Likert-scale to collect the data. For each construct, the respondents will choose from five points options: from strongly disagree, disagree, neutral, agree to strongly agree. Transforming the data into 1 to 5 points respectively, the study obtains the data of these 20 constructs.

Then this study uses factor analysis (Principal Component Analysis) to explore the constructs with the software spss22 (see Table 2.3).

Four principal components are extracted with an eigenvalue larger than 1 (KMO (Kaiser-Meyer-Olk) = 0.85; Bartlett's test of sphericity=1014.10, sig. =0.000.) The KMO test shows the Principal Factor Analysis has statistically significant. C2, C4, C6 and C8 constructs are not included into these four components.

The scores of the four principal components are saved as new variables for further use in the hypothesis testing. Four constructs C2, C4, C6 and C8 that failed to fall into any of the four components are eliminated.

**Table 2.2 - Constructs listed in questionnaire**

No.	(label) Constructs
1	C1: I purchase luxury goods that reflect my own image.
2	C2: I will purchase the luxury products which reflect my own style which no connections with other people.
3	C3: The unique style of luxuries attracts me the most.
4	C4: I want to have some luxury products before anyone else.
5	C5: I don't like luxury goods owned by a lot of people.
6	C6: Luxury can help me to be fashion leader not a follower.
7	C7: In my opinion, owning genuinely good things is a really pleasant thing.
8	C8: Purchasing luxury can make me happy.
9	C9: In my opinion, the luxury good that I purchased is really useful.
10	C10: I believe that the luxury good that I purchased is very practical.
11	C11: In my opinion, a high price equals high quality.
12	C12: A higher price can increase my desire to buy a luxury good.
13	C13: Buying luxury goods will improve my social image.
14	C14: Uniqueness characteristics are very important to me.
15	C15: The higher price of a luxury good makes it more meaningful to me.
16	C16: I buy luxury goods to show who I am.
17	C17: I will buy luxury goods just because luxury goods provide social status.
18	C18: Owning luxury goods stands for having a fortune.
19	C19: If a luxury good can denote high social status, it will be worth more money.
20	C20: Luxuries are very important to help me feel more acceptable in my working environment.

Source: the author

**Table 2.3 - Results of Factor analysis**

Factors	(label) Constructs	Loading	Eigenvalues	% of Variance	Cronbach's a
Factor 1 (Social value)	C1: I purchase luxury goods that reflect my own image.	0.59	4.53	20.66	0.80
	C13: Buying luxury goods will improve my social image.	0.74			
	C16: I buy luxury goods to show who I am.	0.54			
	C17: I will buy luxury goods just because luxury goods provide social status.	0.70			
	C18: Owning luxury goods stands for having a fortune.	0.59			
	C19: If a luxury good can denote high social status, it will be worth more money.	0.73			
	C20: Luxuries are very important to help me feel more acceptable in my working environment.	0.61			
Factor 2 (Financial value)	C11: In my opinion, a high price equals high quality.	0.70	1.67	12.88	0.68
	C12: A higher price can increase my desire to buy a luxury good.	0.72			
	C15: The higher price of a luxury good makes it more meaningful to me.	0.67			
Factor 3 (Individual value)	C3: The unique style of luxuries attracts me the most.	0.74	1.48	11.66	0.59
	C5: I don't like luxury goods owned by a lot of people.	0.63			
	C7: In my opinion, owning genuinely good things is a really pleasant thing.	0.63			
	C14: Uniqueness characteristics are very important to me.	0.58			
Factor 4 (Functional value)	C9: In my opinion, the luxury good that I purchased is really useful.	0.71	1.13	9.87	0.5
	C10: I believe that the luxury good that I purchased is very practical.	0.80			

KMO (Kaiser-Meyer-Olk) = 0.85; Bartlett's test of sphericity=1014.10, sig. =0.00

Source: the author



#### **2.4.2. The main factor development and equivalence**

Based on the result of factor analysis (Table 2-3), the four factors obtained in the table are analyzed respectively.

##### **A. Factor 1 (Social value):**

The first component derived from the PCA analysis contains the constructs C1, C13, C16, C17, C18, C19 and C20, with the Cronbach's  $\alpha=0.8$ . The Cronbach value is larger than 0.5, which means the credibility of the constructs in the questionnaire.

Examining the content of each construct in the Table 2-3, C1 and C13 implies one's own and social image, C17 and C19 contains the information of social status. C18 shows that luxury is an indicator of fortune. And C20 reflects the information about the social circle. All these constructs associate luxury with social value, to be exact, luxury can enhance social image, be helpful in social and working environment, and also be an indicator of fortune which is expression of conspicuous consumption. So the first component indicates the value arising from status and conspicuous aspects, such as social image, public status, and fortune. Thus, this component can be named social value.

The extracted results show that social status and conspicuous consumption coexist in this component, which means they are more closely related to each other than to any other constructs and that they cannot be separated when the level of extraction does not reach a critical level (Eigen values is larger than 1).

The details of constructs contained in social value are listed in Table 2.4:

**Table 2.4 - constructs that are contained in Social value**

No.	(label) Constructs
C1	C1: I purchase luxury goods that reflect my own image.
C13	C13: Buying luxury goods will improve my social image.
C17	C17: I will buy luxury goods just because luxury goods provide social status.
C18	C18: Owning luxury goods stands for having a fortune.
C19	C19: If a luxury good can denote high social status, it will be worth more money.
C20	C20: Luxuries are very important to help me feel more acceptable in my working environment.

Source: the author

Social value mainly includes conspicuous value and status value, which is derived from social groups when consuming luxury products (Vigneron and Johnson, 2004; Smith and Colgate, 2007; Wiedmann *et al.*, 2007; Tynan *et al.*, 2010). Since the publication of Veblen's (1899) famous book, "The Theory of the Leisure Class", which proposes the concept of conspicuous consumption, luxury consumption and conspicuous consumption have been tightly bounded to each other. Christine Page (1992) summarizes the evolution of the term of "conspicuous consumption" into three stage, the first one is original Veblen's definition as such consumption must be "wasteful or possess no useful value, in order to reflect credibly of one's reputation" (Page 83, Christine Page 1992), then the "Bandwagon effect", that conspicuous is interpreted as preserving one's self-esteem, and last one is the "snob effect". O'Cass and McEwen (2004) divide conspicuous consumption into subcategories by separating status consumption from conspicuous consumption with the indicator self-monitoring (Gould's 1993), since only status consumption can be affected by self-monitoring while conspicuous cannot. O'Cass and McEwen (2004, p.34) define "status consumption as the behavioral tendency to value status and acquire and consume products that provide status to the individual" and define "conspicuous consumption as the tendency for individuals to enhance their image, through overt consumption of possessions, which communicates status to others."

From the above analysis, it shows that status value and conspicuous value are not identical values, and they are tightly related but have different inner mechanism. The separation (O’Cass and McEwen 2004) of status consumption from conspicuous consumption is of great importance. The status consumption has self-monitoring involved in this value, which is very important behavior in oriental collectivism background. With self-monitoring, not too showy are equal important with not lag behind too much. While conspicuous consumption has no such self-affiliation association.

In the exploratory study (see Table 1-6 and Table 1-7), the status consumption is main driving force for both Chinese domestic brand Maotai consumption and western brand Louis Vuitton consumption. But conspicuous consumption is not advocated by Chinese luxury consumers when facing both Chinese domestic and foreign brand. So it easily infers that status consumption will positively affect the luxury consumptions in China. The role of conspicuous consumption is unclear.

Since luxury consumption is mainly associated with psychological aspects, the social value of luxury products must be tightly associated with such psychological aspects, and since conspicuous consumption and status consumption are widely used to refer to luxury consumption, the present study proposes that such value is also valid in the Chinese context. So we propose the following hypothesis:

**H1: The perception of social value will positively affect luxury consumption.**

Then the second factor is such as following.

**B. Factor 2 (Financial value):**

The second component contains the constructs C11, C12 and C15 with the Cronbach’s  $\alpha=0.68$ . The Cronbach value is larger than 0.5, which means the credibility of the constructs in the questionnaire.

And all of these three constructs contains price information (see Table 2.3). “Price” in luxury market has more meaning than that in normal goods. Same with normal goods, high price of luxury goods stands for high quality, but unlike normal goods, high price in luxury also stands for worthy to invest and outstanding positioning place.

So the second component indicates the information relating to price, which belongs to the financial factor proposed by Wiedmann (2007). Thus, it is reasonable to name this component financial value.

**Table 2.5 - constructs that are contained in financial value**

No.	(label) Constructs
C11	C11: In my opinion, a high price equals high quality.
C12	C12: A higher price can increase my desire to buy a luxury good.
C15	C15: The higher price of a luxury good makes it more meaningful to me.

Source: the author

The financial value refers to the price value, including cost sacrifice and investment, of a product. Many researchers (Shukla 2012) have combined this value into functional value and generated new value of the ratio of the functionality to the price. Since many luxury products contain investment value, the present study follows Wiedmann’s work (2007) and names this value financial value in the framework.

In extant study, the price value has two opposite impacts on finally luxury consumptions. On one hand, high price denotes high status and high quality, while either high quality or high status will positively affect the luxury consumption. On the other hand, high price means large cost sacrifice, which will prevent the rational consumers from buying the products, even if the consumers are affluent ones.

Also in exploratory study (see Table 1.7, 1.8), the price value is not advocated by lots of respondents. **So the impact of price value is unclear in luxury consumption.**

Specifically, the following hypothesis is proposed first, and the validity of this hypothesis will be tested after.

**H2: The perception of financial value will positively affect luxury consumption.**

Then the third factor is such as following.

**C. Factor 3 (Individual value):**

The third component contains the constructs C3, C5, C7 and C14 with the Cronbach's  $\alpha=0.59$ . The Cronbach value is larger than 0.5, which means the credibility of the constructs in the questionnaire.

C3, C5 and C14 imply that luxury can bring uniqueness feeling to the consumer and C7 implies that owning luxury will bring happiness which is sensory feeling. So this component contains information nothing to do with quality, neither with social environment or financial needs.

So this component indicates the individual information related to uniqueness and hedonic value of products. Therefore, this component can be named individual value (table 2.6).

**Table 2.6 - Constructs that are contained in individual value**

No.	(label) Constructs
C3	C3: The unique style of luxuries attracts me the most.
C5	C5: I don't like luxury goods owned by a lot of people.
C7	C7: In my opinion, owning genuinely good things is a really pleasant thing.
C14	C14: Uniqueness characteristics are very important to me.

Source: the author

Individual value mainly relates to hedonic value and uniqueness value (Wiedmann *et al.*, 2007; 2009).

**Hedonic value** refers to sensory value and is associated with the individual value provided by luxury products (Wiedmann, Hennigs and Siebels, 2007). Hirschman and Holbrook (1982) define hedonic value based on the multisensory, psychological pleasure and enjoyment experience obtained when using a product. Undoubtedly, luxury products with tangible and intangible utility will provide a greater hedonic experience than normal products. Moreover, as with functional value, for Chinese consumers with low brand awareness, the hedonic value experienced by consuming luxury products is easier to perceive than many other types of value that relate to the brand.

And besides obviously perceived by Chinese consumers, hedonic value, or to be more concrete, the experience value are not against with Chinese traditional ideologies. Although thrift is advocated by the tradition culture, but experience value is somewhat private thing and not identified by public so easily. Especially, China has the long history of involving sophisticate handcraft skills in daily commodities and well trained aesthetic abilities in experience high-end commodities, so the experience value is advocated by Chinese consumers.

Evidence can also be gotten in exploratory study (see Table 1.7, Table 1.8), the sensory value of both Chinese domestics brand Maotai and Western brand Louis Vuitton are admired by Chinese consumers. The sensory value is another driving force for luxury consumptions by Chinese consumers. This study proposes that hedonic value or experience value will positively affect the luxury consumptions.

**Uniqueness value** concerns symbolic value related to self-directedness (Tynan *et al.* 2010) and is strongly associates with independent and interdependent self-constructs (Shukla 2012). Uniqueness is often an indicator of individualism, and consumers who emphasize uniqueness will tend to be independent of social pressure and will have their own opinions that cannot be easily changed by others (Wong and Ahuvia, 1998).

Since oriental cultural is regarded as typical collective culture, collective opinions are

more powerful than individual opinions. Therefore, within such a culture, consumers will place less value on the uniqueness of luxury products. However, with the development of internet technology, young generations, especially in international cities such as Beijing and Shanghai, have been deeply influenced by Western culture, and the lifestyles of young generations are homogenous throughout the world. In China, the young generation is called vividly “individualists in collectivists”.

Moreover, young generations are the main luxury buyers in the Chinese luxury market. Yuval A. and Vinay D. (2009) report that Chinese luxury consumers are 7-10 years younger than their global counterparts. Moreover, 80 percent of Chinese affluent people are under 45 years old, whereas only 30 and 19 percent of affluent people in the United States and Japan, respectively, are under 45 years of age. Thus, the uniqueness value of luxury products may attract such younger buyers. The uniqueness value may positively affect the luxury consumption in China.

Based on the above analysis, the present study proposes the following hypothesis:

**H3: Individual value will positively affect luxury consumption.**

Then the fourth factor is such as following:

**D. Factor 4 (Functional value):**

The last component contains only constructs C9 and C10 with the Cronbach's  $\alpha=0.5$ . The Cronbach value is equal to 0.5, which means the credibility of the constructs in the questionnaire.

C9 constructs means that luxury products have good performance like any other good commodity. And C10 also means luxury product is for practical needs. So this component is not unique with luxury products but fit for all premium commodities.

So this component implies the utility or functional value of products. All information

is strongly associated with quality or practical need. Thus, this component can be named functional value (table 2.7).

**Table 2.7 - Constructs that are contained in functional value**

No.	(label) Constructs
C9	C9: In my opinion, the luxury good that I purchased is really useful.
C10	C10: I believe that the luxury good that I purchased is very practical.

Source: the author

Functional value refers to value related to physical utilitarian fulfillment. Wiedmann, Hennigs and Siebels (2007) explain functional value as the core benefit and basic utilities of commercial goods. Related indicators include the quality, usability, reliability and durability of a product (Sheth *et al.* 1991). Quality is the foundation of the intangible value of luxury products, and the LVMH luxury group identifies quality control as a core managerial task and believes that the intangible value can only be safely ascribed to products with good performance (Wetlaufer 2001). Naturally, consumers expect luxury products to have high quality with an obviously high price.

Most global luxury brands originate from Western countries, and the Chinese market recently opened up to Western luxury products. Consequently, brand awareness is much lower among Chinese consumers than among mature Western consumers. Hence, functional value is the most obvious value that is easily perceived by consumers in such new markets with low brand awareness. Such immature behavior provides a chance for younger brand names. For most Chinese consumers, there is seemingly not much difference between traditional Western brands and newly emerging brands, and both brands are Western appearance.

In the exploratory study (see Table 1.3), it derives that for more than half of Chinese people and the “luxury essence” of luxury products is derived from the high quality. And high quality is main driving force when consuming both Chinese domestic



luxury brands Maotai and French luxury brands Louis Vuitton (see Table 1.7 and Table 1.8).

Thus, the functional value is very important in Chinese luxury market, and present study proposes the following hypothesis:

**H4: The perception of functional value will positively affect luxury consumption in Chinese luxury market.**

By using the factor analysis method, the constructs are extracted into four principal components: social, financial, individual and functional value which complies with the hypothesis that the luxury value model contains four dimensions, that is  $n=4$  (Figure 2.3). Thus, the proposed model (Wiedmann 2007) of luxury value with the four dimensions is valid in the Chinese context, which enables this study further explore the proposed four-dimensional model.

#### **2.4.3. Income and luxury consumption**

Dubois and Patrick (1993) demonstrate that the income power is the most decisive factor in the luxury market. Since luxury goods are not necessities as defined in microeconomics, income level or purchasing power plays an important role in luxury purchasing behavior. Dubois' empirical study confirms the statistically significant validity of the importance of income. The results show that the income construct contributes 60% to consumers' propensity to purchase luxury goods, whereas socio-cultural factors contribute the other 40%. This research also demonstrates that the two types of factors are independent of each other.

What's more, the rapid development economy and income level in China has witness the prosperous development of luxury industry in Chinese market. Thus, following the Dubois' work, the present study proposes the following hypothesis to test the validity of income as a factor determining luxury consumption.

Owed the Dubois' work, we propose following hypothesis to test the validity of income decisive role in luxury consumption.

#### **H5: Income will positively affect the luxury consumption**

After analyzing the four values obtained, this research will analyze the influential factors that may affect the luxury consumption.

#### **2.4.4. Demographic factors**

Although some scholars, like Atsmon and Dixit (2009 p.6) suggested that “Easily obtained demographic information—age, gender, and income, for instance—offers little help in separating China’s wealthy into segments with differing attitudes toward, say, borrowing, fashion, or obvious displays of wealth”. In classic marketing theories, the demographic factors are compulsory elements especially regarding specific item analysis. This research will employ demographic factors to test the roles of these demographic factors in driving Chinese luxury consumers’ behavior.

Male and female consumers might perform differently in their luxury consumption. O’Cass (2004) found the male place more emphasis on the conspicuous consumption, while no gender differences were found on status consumption. Since conspicuous and status consumption are the main motives for luxury consumption, so the gender issue possibly affects the consumer behaviors in Chinese luxury markets.

What’s more, one of the most obvious characteristics of Chinese luxury consumers is the younger age. Atsmon and Dixit (2009, p.6) put it “wealthy Chinese may generally be younger than their global counterparts, for example, but their attitudes are shaped less by age than by other differences.” Since 80% of Chinese wealthy people are under 45 years old, the concentration of age of wealthy people make this demographic less functional in Chinese market than in other countries.

Beside the age and gender, education, occupation and other demographic factors will be

considered to form complete and integrated consuming behavior profile to describe Chinese luxury consumers. So in this research, we proposed that:

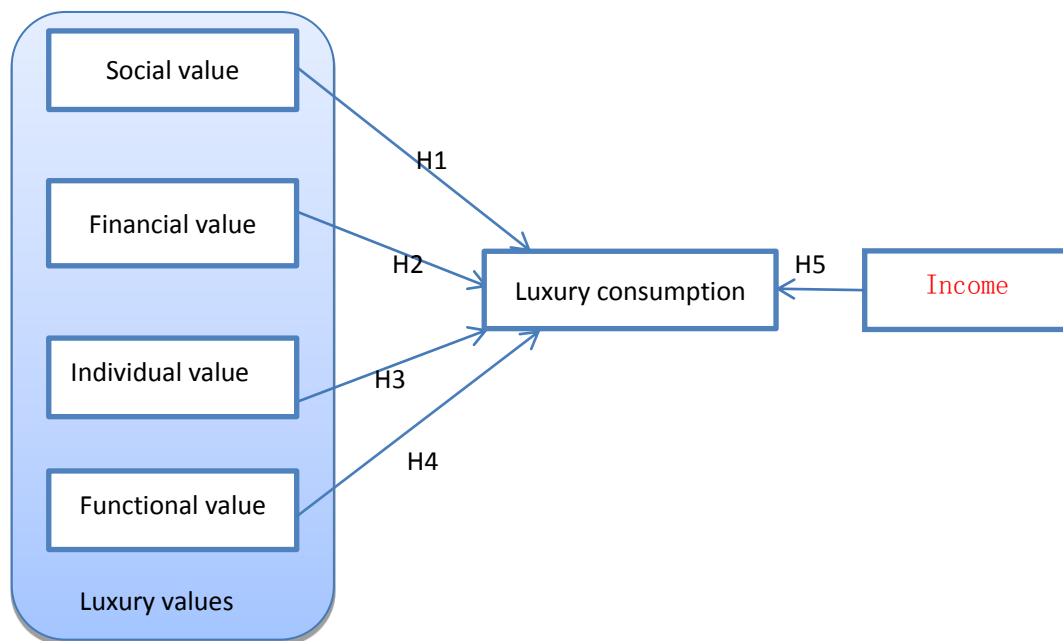
**H6: the demographic factor will affect luxury value significantly**

After the hypotheses development, the hypothesis model is proposed.

**2.4.5. Proposed model**

Based on above analysis, this study fully develops the rough model (Figure 2.4) into the following one to test validity of each hypothesis.

**Figure 2.4 - the luxury value model proposed**



Source: the author

In this model, income and luxury values jointly affect the luxury consumption, and they are independent to each other. By processed the raw data with the statistical method of Principal Component Analysis, the final luxury values perceived by Chinese consumers present a pattern of four dimensions, and the four dimensions are social value, individual value, functional value and financial value. Each value is supposed to positively affect the

luxury consumption. Data of luxury values, income and luxury consumption are fit in this model to test the relationship between each factor and luxury consumption.

## **CHAPTER 3 - Results of the research**

In Chapter 2, the consumer values for Chinese luxury consumption are successfully abstracted into four dimensions, which comply with the classic work of Wiedmann (2007), and obtaining the scores of new dimensions to test the validity of the hypothesis.

In this Chapter, this research will present the empirical result of the effect of value perceptions on luxury consumption, the effects of demographic factors on luxury consumption, and the effects of COO among Chinese consumers.

### **3.1. Results of the effects of value perceptions on luxury consumption**

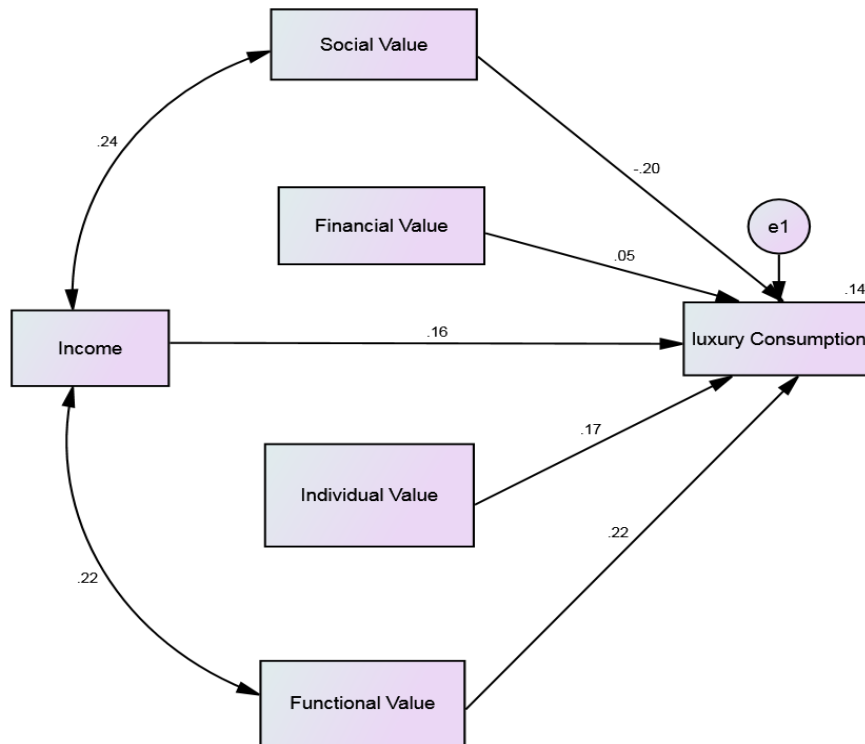
Firstly this study uses structural equation modeling (SEM with Amos software) to analyze the effects of four luxury values on luxury consumption. In the questionnaire, the question of “how many luxury goods do you own” was used to represent luxury consumption, and this data is measured in ordinal scale.

#### **3.1.1. The results of relationship between consumer values and real consumption**

Inputting the scores of value dimensions, income data and luxury consumption data, the Amos provides the statistical results as follows: RMSEA=0.859, chi-square=6.979, df=8 and p=0.539. Since p value is large enough, it manifests that the data do not significantly deviate from the model. What’s more, the indicator of fitness of RMSE is close to 1, which means the data fit for the model very well.

The results (see Figure 3.1 and Table 3.1) of the impact direction and weight show directly in the proposed model.

**Figure 3.1 - Influence of consumer values and income on luxury consumption**



Source: the author

**Table 3.1A - Regression weights for hypotheses**

Hypotheses	Content of hypotheses	Estimate	S.E.	C.R.	P	Result
H1	LUXURYCONSUMPTION<---Social	-0.20	0.14	-3.34	***	Not valid
H2	LUXURYCONSUMPTION<---Financial	0.05	0.13	0.88	.377	Not valid
H3	LUXURYCONSUMPTION<---Individual	0.17	0.13	3.00	.003	Valid
H4	LUXURYCONSUMPTION<---Functional	0.22	0.14	3.62	***	Valid
H5	LUXURYCONSUMPTION<---Income	0.16	0.09	2.22	.027	Valid

Source: the author

In the Table 3.1, subject to the hypothesis **H1: The perception of social value will positively affect luxury consumption**, the coefficient value is -0.2 with the p-value is less than 0.005, indicating statistical significance. The result means social value negatively affects luxury consumption. This statistical result may be due to the following reasons. The social value provided by luxury goods does not comply with the collectivism ideologies, which is deeply rooted in Chinese consumers' mind. What's more, the government propaganda of thrifty life may hold the consumers, especial the celebrities, from consuming luxury goods.

In conclusion, consumers who admit that luxury goods can bring high social image or status deliberately avoid purchasing luxury goods. This result might be biased due to the data credibility.

Regarding to the hypothesis **H2: The perception of financial value will positively affect luxury consumption**, the statistics result shows that the p-value is 0.377, indicating the effects are not significant statistically. The hypothesis is not valid. Price value thus does not make an effect with respect to final luxury consumption.

So in present stage, price value doesn't show great effects in Chinese luxury market.

In the result of statistical analysis, individual value positively affects consumer decisions (estimate coefficient is 0.17,  $p=0,003$ ). The hypothesis of **H3: Individual value will positively affect luxury consumption**, is valid. This result may seem paradoxical to most experts and marketers, since in traditional opinion, Chinese consumers are under collectivism cultural background. But it is very reasonable for individual value taking great effect on luxury consumption under collectivism.

Individual value is mainly divided into hedonic value and unique value. The unique value attracts young generations and hedonic value is widely accepted by Chinese consumers. Considering that the main consumers of luxury goods are younger consumers and that sensory pleasure is more obvious than other values, pursuing luxury goods may relieve

pressure for young people, and the phenomena of self-gifts of luxury goods is quite prevalent in China today.

For the functional value of hypothesis **H4: The perception of functional value will positively affect luxury consumption in Chinese luxury market.** The statistical results show that estimated coefficient of functional value on luxury consumption is 0.22 ( $p=0.000$ ), which means functional value positively and significantly affecting the final luxury consumptions. H4 is thus valid based on the statistical significance of this result.

This empirical result verifies the importance of functional value in the Chinese luxury market. Since awareness of foreign brand names is low in China, functional performance, as the most obvious factor, is the most salient factor that influences consumer decisions. So the brands who want to achieve good success in Chinese market, the functional aspect should be place in high position.

Finally this research examines the influence of income factor corresponding to the hypothesis **H5: Income will positively affect the luxury consumption.** The statistical result shows that the estimated coefficient of income factor is 0.16 with p value is 0.027, which indicates that income is a decisive factor that affects luxury consumption significantly, which is in accord with the findings of Dubois (1993). Income and social factors affect final luxury consumption jointly and independently.

### **3.1.2 Model modification**

Since the effects of financial value are not significant statistically (see Table 3.2), this study further modifies the model by removing financial value from the model. After processing the data with Amos software, the results of the modified model are as follows: RMSEA=0.893, chi-square=2.024, df=4, and  $p=0.731$ . The fitness indicator of RMSEA is greater than the original one (RMSEA=0.859) Thus, the modified model is better than the original model (see Figure 3.2).

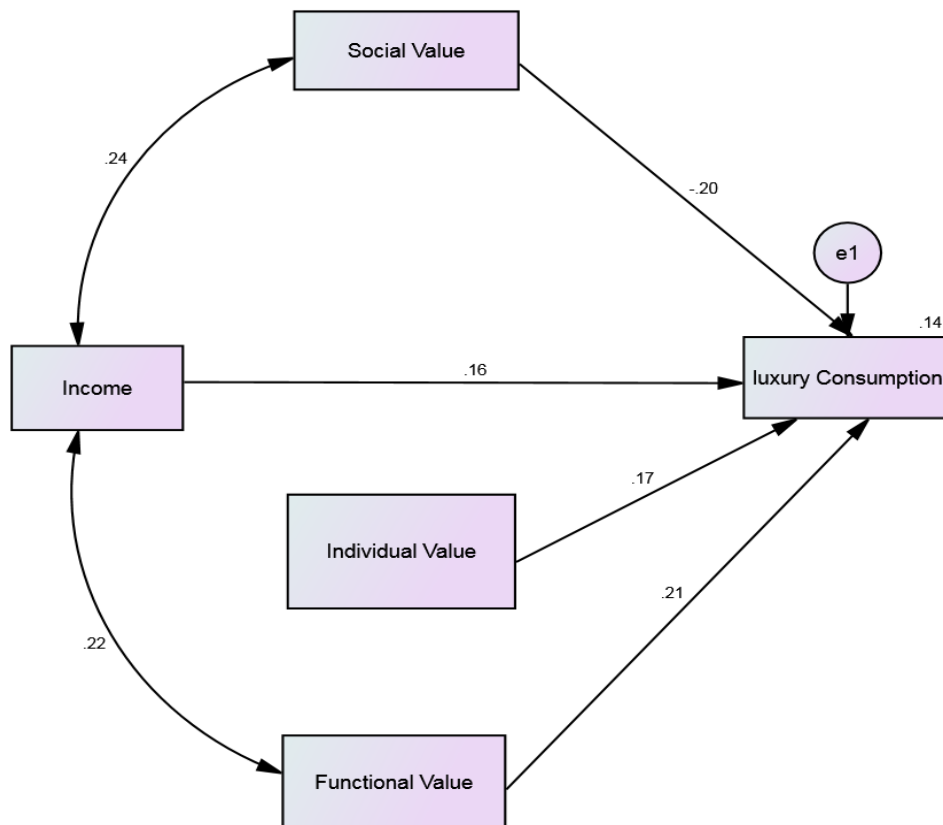


Figure 3.2 provides meaningful insights into Chinese consumer behavior.

First, the influential coefficients are 0.21, 0.17, 0.16, -0.2 respectively for functional, individual, income and social value. So consumer values of functional and individual value have more powerful influential effects than income, which indicates that not only rich people but also less affluent people buy luxury goods for physical and psychological needs.

Second, the most influential factors that affect luxury consumption are functional and individual values, which mean that Chinese people emphasize the hedonic value to enrich their life and enjoy pleasures of luxury goods, at the same time also giving realistic and practical concerns with the same importance.

**Figure 3.2 - Adjusted model: influence of consumer values and income on luxury consumption**



Source: the author

**Table 3.1B - Regression weights for hypotheses**

Hyp.	Content of hypotheses	Estimate	S.E.	C.R.	P	Result
H1	LUXURYCONSUMPTION<---Social	-0.20	0.14	-3.34	***	Not valid
H3	LUXURYCONSUMPTION<---Individual	0.17	0.13	3.00	.003	Valid
H4	LUXURYCONSUMPTION<---Functional	0.21	0.14	3.62	***	Valid
H5	LUXURYCONSUMPTION<---Income	0.16	0.09	2.22	.027	Valid

Source: the author

### 3.2. Test of proposed model

After the quantitative relationship model is determined, this study tries to use another set of data collected by the questionnaire to test the validity and credibility of the model.

Also in this step, a lot of information of implications and applications for marketing in Chinese market will be obtained.

**Table 3.2 - The main motives for choosing a luxury brand products**

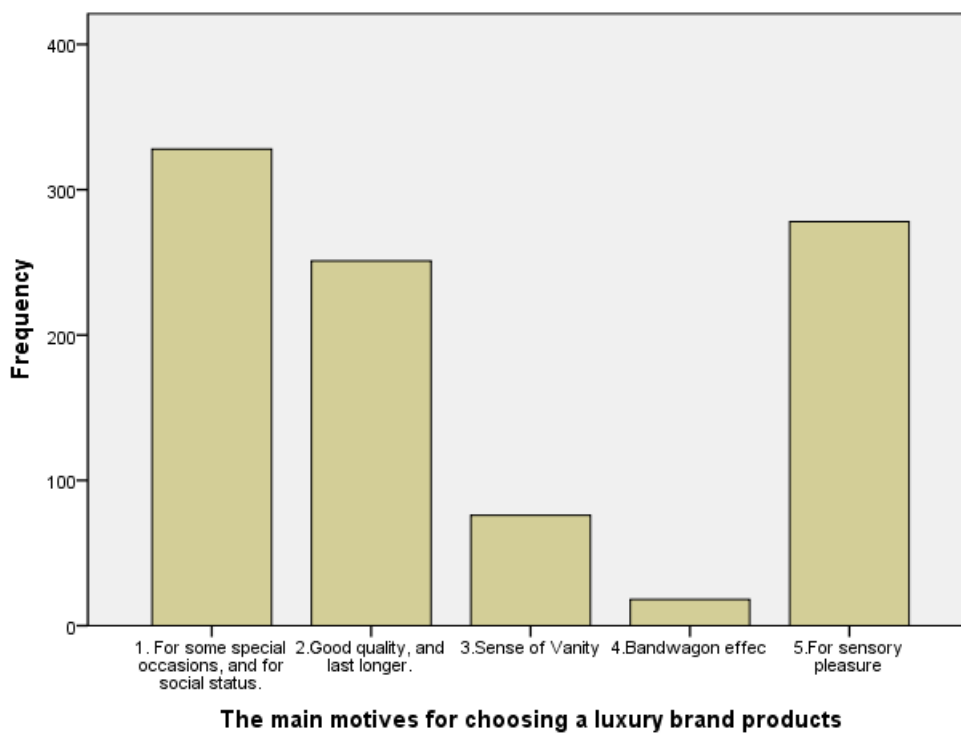
	Frequency	Percent	Valid Percent	Cumulative Percent
1. For some special occasions, and for social status.	328	26.6	34.5	34.5
2. Good quality, and last longer.	251	20.4	26.4	60.9
3. Sense of Vanity	76	6.2	8.0	68.9
4. Bandwagon effect	18	1.5	1.9	70.8
5. For sensory pleasure	278	22.5	29.2	100.0
Total	951	77.1	100.0	
Missing System	282	22.9		
Total	1233	100.0		

Source: the author

Altogether 951 respondents provide the information about the main motives for choosing a luxury brand products including 432 male respondents and 519 female respondents.

The Table 3.2 and Figure 3.3 show the results of main motives provided by the respondents.

**Figure 3.3 - Main motives for choosing a luxury brand product**



Source: the author

Based on the result of Table 3.2 and Figure 3.3, the following findings may be derived:

### **A. social value in luxury consumption**

Firstly, most of respondents choose “for some special occasions and for social status”, which are typical status consumption belonging to social value. In the proposed model, the social value has negatively effect on the final consumption, but in this survey results, status consumption is the No.1 driving force for the luxury brands

consumptions. So the proposed model seems to be invalid to the realistic situation.

The reason for such deviation is that the No.1 driving motive is status consumption which is a main part but not overall of social value, while social value is an abstract term which also includes conspicuous consumption. So the status consumption can't replace social value completely. And the conspicuous consumption doesn't have such driving effect as status consumption. From the Table 3-2 and Figure 3-3, only few people will choose vanity and bandwagon effect which an expression of conspicuous consumption of as their motives to consuming luxuries, and most of respondents who choose other motives may have very negative opinions towards this option. So the net value of social value of status consumption plus conspicuous consumption on final luxury consumption can't be judged from the second set of data.

But the validity of status consumption positively affects luxury consumption is proved by the data. As known in literature review, status consumption complies with Chinese traditional ideologies which mean keep one's social identity with reference people, neither too standing out, nor lagging behind too much. So in some special occasions, especially in formal occasions, the demand of dress code is not only a status requirement, but also a functional requirement in some sense. So the formal suits of luxury brands are purchased for this reason, in formal occasion to express the status affiliation. To some consumers, they are not purchase luxury to show off their status, they just buy high-quality suits to attend formal occasion, which they deem to be a public-admitted requirement. For them such purchase is fulfillment such requirement, even no feeling of affection and no preference on luxury brands.

In order to obtain more accurate results, there are should be some modifications in further research. In the present research, there are not enough constructs of motives in original questionnaires. Then after statistical processing of dimension reduction, the conspicuous consumption and the status consumption are not separated sufficiently. Plus the number of questionnaire collected is only 261 and the method of dimension reduction will lose some information, so the result of social value derived from the

original data is rough and not so precise. So in further modifications, the research should accumulate more questionnaires and more constructs should be included in questionnaires.

In conclusion, status consumption is a main driving force for luxury consumption, but the conspicuous consumption will have negative effects. The total effect of social value might be negative. Due to the insufficient original questionnaire, and credibility of information provided by respondents, this result may be biased. Finally, the fact that most of respondents choose this option reflects the “excursionist” nature of Chinese luxury consumers. For most of them purchasing luxury products are not according to their “art de vivre”, and they just purchased high-end luxuries for special occasions.

### **B. Functional value in luxury consumption**

Secondly, there are 26.2% respondents choose functional motive for luxury consumption, which is accordance with the proposed model. Functional value is very important in luxury consumption. As known in literature review, the functional value is the most obvious value perceived by consumers. For the infancy stage of Chinese market and immature of luxury buyers, the functional value is direct driving force for the final consuming behavior. Additionally the coefficient number of the proposed model shows the power of influence of functional value on real purchase.

### **C. Individual value in luxury consumption**

Thirdly, the option of sensory pleasure is chosen by 29.2% respondents. Sensory pleasure is typical expression of hedonic value, and Table 3-2 and Figure 3-3 show the importance of hedonic value in luxury consumptions.

Same with social value, the individual value is not divided sufficiently. As noted in Chapter 3.1.1, the hedonic value is not against collective culture which is prevailing in China society, but unique value is. So in the proposed model, the hedonic value

pushes the consumers to buy luxury while the unique value is deleted by the first step of data processing. So same with social value, the further modification should be added to increase the number of questionnaire collected and more constructs in the original questionnaires. By such modification, the status versus conspicuous motives in social value, as well as hedonic versus unique motives in individual value, can be separated completely. And each effect of such motives on really consumption will be obtained accurately.

#### D. Income factor in luxury consumption

Finally, this study uses the second set of data to test the model proposed in Figure 2-3 to show income factor effects in luxury consumption. The statistical method of correspondence analysis is used to test the validity of income factors on luxury consumption.

Altogether 951 respondents provide information on the luxury attitudes. Male respondents are 432 persons and female respondents are 519 persons. The income information is such as the following correspondence Table 3.3.

**Table 3.3 - Correspondence Table**

Income	Attitudes towards luxury products					
	Very negative --	Negative -	Neutral 0	Positive +	Very positive ++	Active Margin
<5000	30	73	479	43	9	634
5001-10000	7	21	135	14	0	177
10001-15000	2	10	49	5	2	68
15001-20000	1	3	9	0	1	14
20001-25000	1	0	9	4	0	14
25001-30000	0	0	9	1	1	11
>30000	0	2	27	4	0	33
Active Margin	41	109	717	71	13	951

Source: the author

In the above Table 3.3, most of respondents who earn monthly money under 5000 RMB, which is equal to 678 euros (the exchange rate is that one Euro equals to 7.38 RMB of June. 13, 2016), while the respondents who earn monthly money over 15000 (2034 Euros) accounts for less than 8% of overall respondents. We use “--” to “++” to represent the very negative attitude to very positive attitude.

Using the data of Table 3.3, this study uses correspondence analysis method to examine the relationship between income factor and attitude towards luxury. Correspondence analysis offers a geometric representation of the rows and columns of a two-way frequency figure. This analysis helps to understand the similarities between the categories of variables and the association among the variables. The closer distance between the variables shows close relationship of the variables.

In the Chart of correspondence analysis below, positive attitudes lie in the lower right of the chart, negative attitudes lie in the upper left in the chart. The factor of “very positive value” is far away from the other factors, which means the very positive attitude is held by very few people.

The coordinate of income of 25001-30000 RMB (3388-3846 euros) is close to the very positive attitude. The close distance means the close relationship of the two variables, which means the people with 25001-30000 RMB (3388-3846 euro) monthly hold very positive attitudes towards luxury.

The coordinate of >30000 RMB (>3846euros) and 20001-25000 RMB (2710-3388

euros) are close to the position of positive attitude.

And 10001-15000RMB (1355-2033 euros) is close to neutral position. This is very critical income level. The people who earn monthly money among 10001- 15000 (1355-2033 euro) are transition group who have neutral attitude towards luxury products.

The income level under 10000 RMB (1355 euros) will have negative to very negative attitude towards luxury products.

In conclusion, from the chart of correspondence analysis, it shows that income and luxury attitude are closely related, higher level of income people will hold more positive attitude towards luxury products, and most of people with monthly income of 10000-15000RMB (1355-2033 euro) will held neutral attitude towards luxury products.

But the attitude is not monotonically increase with income level in the chart, this may partially result from data bias, since the number of high level questionnaire is not sufficient enough, or may be because luxury attitude are not only affected by income factor, the other factors such as socio-cultural factors will affect luxury attitudes.



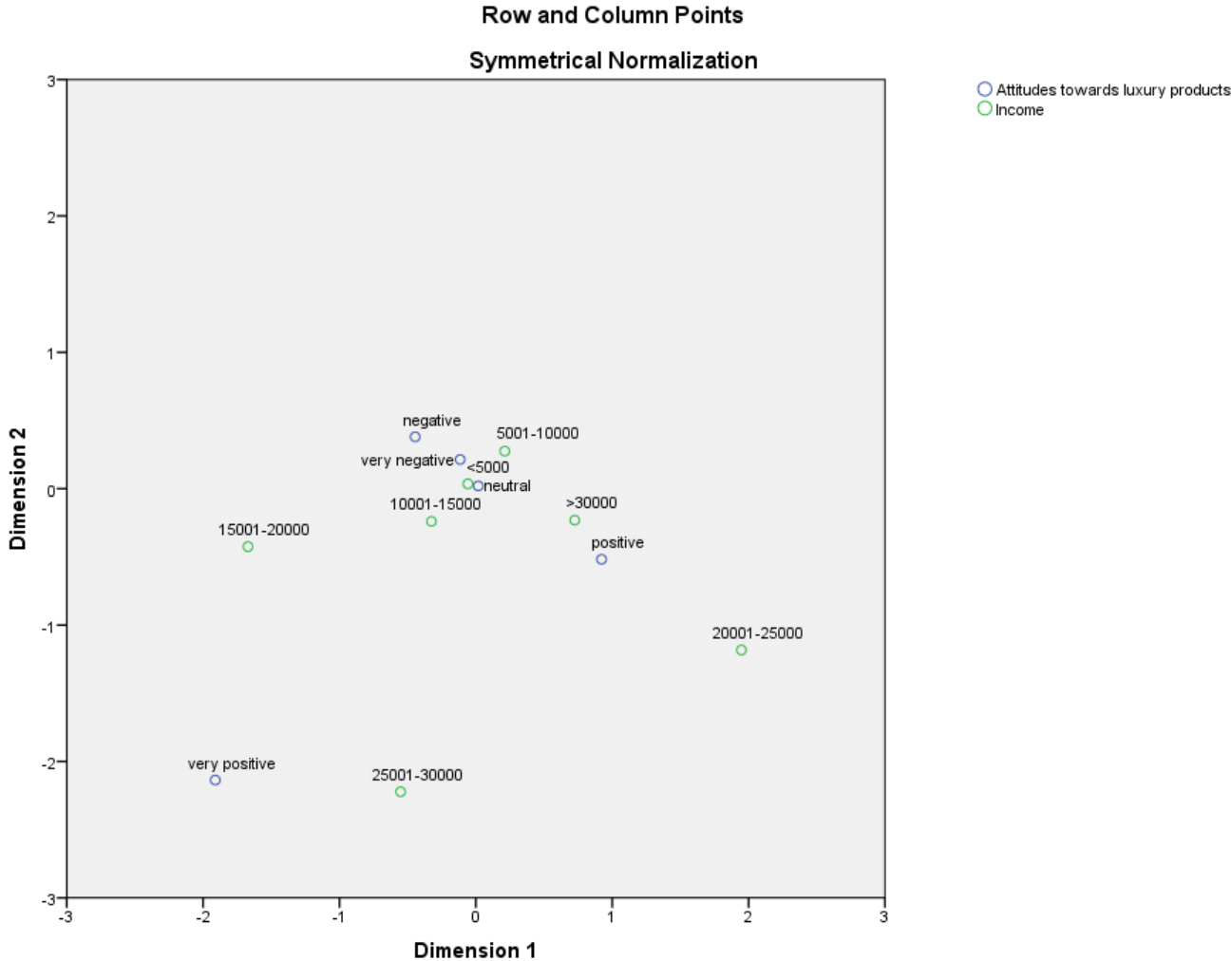
**Table 3.4 - Summary of Correspondence Analysis**

Dimension	Singular Value	Inertia	Chi Square	Sig.	Proportion of Inertia		Confidence Singular Value	
					Accounted for	Cumulative	Standard Deviation	Correlation
								2
1	.137	.019			.543	.543	.037	.350
2	.101	.010			.297	.841	.050	
3	.063	.004			.115	.955		
4	.039	.002			.045	1.000		
Total		.034	32.780	.109 <sup>a</sup>	1.000	1.000		

a. 24 degrees of freedom

Source: the author

Figure 3.4 - The correspondence analysis of the luxury attitude and income level



Source: the author

### **3.3. The effects of demographic factors on luxury value perceptions**

Besides analyzing the effects of luxury values and income on the luxury consumption, the analysis of effects of demographic factors on luxury consumption is analyzed in this section. This is another key task in this research. The underlying reasons for the importance of demographic factors in luxury consumption are that the demographic factors can affect the luxury values and demographic factors are traditional segmenting factors in marketing field.

#### **3.3.1. The demographic factors with consumer values**

In order to better understand the four consumer values, the present study uses one-way-ANOVA to test the effects of demographic factors, including gender, age, income and city of residence, on consumers' value perception (see Table 3.5).

##### **A. Effects of Gender factors on luxury consumption**

Gender is a very important factor in the academic field of consumer behavior. O'Cass (2004) found the male place more emphasis on the conspicuous consumption, while no gender differences were found on status consumption. Stokburger-Sauer and Teichmann (2013) propose that women have stronger intention and more favorable attitude towards luxury products than men.

This study explores the role of gender factor in the consumer values, and the statistical result shows that only individual value varies significantly ( $p=0.079$ ) between males and females, which indicates that males and females have different attitudes toward the hedonic or uniqueness value of luxury goods and that they pursue different values from the sensory aspects from luxury brands. There are no significant differences between males and females with respect to social, financial and functional value, with respective p value is 0.945, 0.410 and 0.146.

The difference of attitude and values between male and female may derived from the social divisions. More information will be tested in Chapter 4.3.2

### **B. Effects of age factors on luxury consumption**

Age is another important factor in marketing segmentation. Due to the rapid development of Chinese economy, the change, especially the change of socio-culture factor, is very fast. And the whole society is very dynamic, so as to the social class is very dynamic. Almost all top rich people are born in grass-root families in China. And due to the fast pace of social life, the 3-4 years of age difference may result in generation gap, the different age group must react differently to the social value.

In present study, social value significantly varies ( $p=0.002$ ) across different generations in China. But in other three values, there is no such of age difference existing, with  $p$  value of 0.613, 0.824, 0.657 for financial, value individual value and functional value respectively.

### **C. Effects of income factors on luxury consumption**

In Dubois work (1993) income and socio-culture will jointly and independently affect the luxury consumptions. And the contribution coefficient is 0.6 and 0.4 respectively for income and socio-cultural factors. The independent relationship between income and socio-cultural factors implies that the people with high income level might not want luxury products, but the buyers of low income might be eager for luxury goods. This independent phenomenon is accordance with the phenomena in Chinese luxury market.

But on the other side, the income level does have some impacts on socio-cultural factors. The income level provides precondition of the lifestyle and living standard. In marketing theory, the social class is always decided by one's education, income and occupation. So the income will definitely determine or have some effect on

socio-cultural factors.

This study test the relationship between income and socio-cultural factors, and finds income has a significant effect on social and functional value perceptions ( $p=0.016$  and  $p=0.033$ ). Different income groups will hold different social and functional value towards luxury products.

Since luxury goods are very expensive, income is a very decisive factor in luxury consumption. People with different income levels thus have different value perceptions of social and functional value.

#### **D. Effects of place of residence on luxury consumption**

Finally, city of residence affects Chinese consumers' social, individual and financial value perceptions ( $p=0.01$ ,  $p=0.087$  and  $p=0.031$ ). Since economy uneven development among regions in China, differences between tier-1, tier-2 and tier-3 cities are obvious in many respects, such as social values and local culture; thus, local consumers have different value perceptions of luxury goods.

Since social value and functional value are affected by income, the hypothesis of a correlation between social/functional value and income in the proposed model is applicable to Chinese consumers.

**Table 3.5 - Correlations between luxury value and demographic factors**

**ANOVA on GENDER**

	Sum of squares	Df	Mean square	F	Sig.
Social value	.01	1	.01	0.01	.945
Financial value	.68	1	.68	0.68	.410
Individual value	3.23	1	3.23	3.12	.079
Functional value	2.14	1	2.14	2.13	.146

**ANOVA on AGE**

	Sum of squares	df	Mean square	F	Sig.
Social value	17.50	5	3.50	3.86	.002
Financial value	3.50	5	0.70	0.72	.613
Individual value	2.14	5	0.43	0.44	.824
Functional value	3.31	5	0.66	0.66	.657

**ANOVA on INCOME**

	Sum of squares	df	Mean square	F	Sig.
Social value	14.18	5	2.84	2.86	.016
Financial value	7.42	5	1.48	1.51	.189
Individual value	4.31	5	.86	.79	.557
Functional value	11.71	5	2.34	2.50	.033

**ANOVA on CITY**

	Sum of squares	df	Mean square	F	Sig.
Social value	8.76	2	4.38	4.68	.010
Financial value	4.83	2	2.42	2.47	.087
Individual value	6.88	2	3.44	3.54	.031
Functional value	3.03	2	1.52	1.57	.211

Source: the author

### **3.3.2. Further exploring demographic factors in Chinese luxury behavior**

This study uses statistical methods to test the demographic factors in Chinese luxury market. The demographic factors discussed in this study mainly include gender, age, income and education level. And this study mainly analyzes the impacts of these demographic factors in attitude towards luxury products, luxury consumer values, etc.

The data is also collected value via internet during the period of May 2016. Altogether 1233 questionnaires are obtained. Table 2.1B provides the summary of the data collected. The demographic information of the questionnaire divides into four parts, the gender, age, educational level and income information. Among the 1233 respondents, 43.6 percent are male respondents and 56.4 percent are female respondents.

For age information, 741 persons are below 25 years old, and 130 persons are between 26 -30 years old, and 134 persons between 31-35 years old, and 92 persons between 36-40 years old, 78 persons between 41-45 years old, 34 persons between 46-50 years old, while 24 persons are above 50 years old. The age of respondents is evenly across different age group.

As for the income information, 74.3 percent of the respondents are below 5000 RMB (which is 678 Euros according to exchange rate of June 13), only around 5 percent of respondents are above 15000 RMB (which is 2033 Euros according to exchange rate of June 13). So the income level is not evenly across the different income group, but it reflects the real situation of income level of Chinese consumers.

## A. Gender factor

**Table 3.6 - Case Processing Summary**

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Gender * Attitude to the word "Luxury"	926	75.1%	307	24.9%	1233	100.0%
Gender * Purchasing luxury is a wasteful behavior	926	75.1%	307	24.9%	1233	100.0%
Gender * Most important factor during purchasing decision process	926	75.1%	307	24.9%	1233	100.0%
Gender * Opinions on luxury consumption	926	75.1%	307	24.9%	1233	100.0%
Gender * Which following behavior can be regarded as luxury consumption	926	75.1%	307	24.9%	1233	100.0%
Gender * Attitudes towards luxury products	951	77.1%	282	22.9%	1233	100.0%
Gender * The main motives for choosing a luxury brand products	951	77.1%	282	22.9%	1233	100.0%
Gender * Why are luxury products so expensive?	644	52.2%	589	47.8%	1233	100.0%
Gender * The impression about luxury products	644	52.2%	589	47.8%	1233	100.0%

Source: the author

This study will use the gender factor to test the information listed in the Table 3.6, including the general ideas on consumption, the attitude towards luxury and luxury products, and the luxury motives, etc.

The specific analyses are such as follows;

### **1. The attitudes towards luxuries of male and female respondents**

The gender factor is an important segmenting indicator. Stokburger-Sauer and



Teichmann (2013) analyzes the gender factor in the luxury consumption, and provides evidence that women holds more positive attitude towards luxury products, and reason may lies in that woman holds higher symbolic and social value than men.

The Table A-1 in Appendix shows that there is no significant difference between male and female respondents ( $P=0.211$ ) about impression of luxury brands in their minds. Most of respondents regard luxury products as branded products with high quality and high price simultaneously. However more male respondents believe luxury products are just foreign imported branded commercial goods with high price. Slightly more percent of female respondents believe luxury products have special skills or hand crafts in the products. But male and female respondents show different choice when facing daily consumption (Table A-2). The male respondents pay more attention on the ratio of price to utility and present more rational traits than female respondents.

And based on such general performance of male and female respondents, this study analyzes the attitude towards the word “luxury” and the term “luxury products” by male and female consumers. The statistical results are listed in Table 3-7A and Table 3-7 B. The attitudes towards luxury and luxury products are significantly different between male and female respondents with p-values are 0.006 and 0.000 respectively.

**Table 3.7A - Gender \* Attitude to the word "Luxury"**

Crosstab			Attitude to the word "Luxury"					Total
			--	-	0	+	++	
Gender	male	Count	37	96	264	23	6	426
		% within Gender	8.7%	22.5%	62.0%	5.4%	1.4%	100.0%
	female	Count	19	98	355	19	9	500
		% within Gender	3.8%	19.6%	71.0%	3.8%	1.8%	100.0%
Total		Count	56	194	619	42	15	926
		% within Gender	6.0%	21.0%	66.8%	4.5%	1.6%	100.0%

Chi-Square Tests	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.343 <sup>a</sup>	4	.006
Likelihood Ratio	14.403	4	.006
Linear-by-Linear Association	6.527	1	.011
N of Valid Cases	926		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.90.

**Table 3.7B - Gender \* Attitudes towards luxury products**

Source: the author

Crosstab			Attitudes towards luxury products					Total
			--	-	0	+	++	
Gender	male	Count	30	66	296	34	6	432
		% within Gender	6.9%	15.3%	68.5%	7.9%	1.4%	100.0%
	female	Count	11	43	421	37	7	519
		% within Gender	2.1%	8.3%	81.1%	7.1%	1.3%	100.0%
Total		Count	41	109	717	71	13	951
		% within Gender	4.3%	11.5%	75.4%	7.5%	1.4%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	27.929 <sup>a</sup>	4	.000
Likelihood Ratio	28.178	4	.000
Linear-by-Linear Association	14.497	1	.000
N of Valid Cases	951		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.91.

Although most of respondents, men or women, believe luxury is a Source: the author adjective word, the men's attitudes towards luxury are comparatively <sup>dispositive</sup> than women's attitudes. The portions of negative and positive attitude of male

respondents are both larger than those of female respondents. However, women's attitudes are comparatively concentrated on neutral views.

The same situation also happens on the attitudes towards luxury products. Women's attitudes are more concentrated than men's. Over 80% of female respondents choose neutral attitude towards luxury products. While the portion of respondents who hold negative or positive attitudes toward luxury products have more male ones.

In view of such different attitudes held by male and female respondents, they show different opinions on luxury consumption (Table 3.8, p-value=0.000) when being asked the question of if purchasing luxury products is wasteful behaviors. Female respondents show great objection on such opinion. But more male respondents than female ones admit that luxury consumption is wasteful behavior.

**Table 3-8 Gender \* Purchasing luxury is a wasteful behavior**

**Crosstab**

		Purchasing luxury is a wasteful behavior					Total
		agree strongly	agree	hard to say	disagree	disagree strongly	
Gender male	Count	44	75	182	108	17	426
	% within Gender	10.3%	17.6%	42.7%	25.4%	4.0%	100.0%
female	Count	18	47	266	149	20	500
	% within Gender	3.6%	9.4%	53.2%	29.8%	4.0%	100.0%
Total	Count	62	122	448	257	37	926
	% within Gender	6.7%	13.2%	48.4%	27.8%	4.0%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	34.168 <sup>a</sup>	4	.000
Likelihood Ratio	34.468	4	.000
Linear-by-Linear Association	18.935	1	.000
N of Valid Cases	926		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 17.02.

Source: the author

From the above analysis, it is safe to say that men and women hold significantly different attitudes towards luxury, luxury products and luxury consumption. Women hold more neutral attitudes towards luxury products, and hold more favorable attitudes towards luxury consumptions. While men show more disperse distribute of attitudes than women, and hold unfavorable attitude towards luxury consumptions.

## **2. The motives towards luxuries of male and female**

After testing the attitudes by male and female respondents, this study tests the different motives may be haven by male and female respondents.

The statistical results are listed in Table 3.9 and show that the distributions of motives for luxury consumption are significantly different between male and female respondents ( $p=0.033$ ).

**Table 3.9 - Gender \* The main motives for choosing a luxury brand products**

**Crosstab**

		The main motives for choosing a luxury brand products					Total
		1. For some special occasions, and for social status.	Good quality, and last longer.	Sense of Vanity	Bandwagon effect	For sensory pleasure	
Gender male	Count	169	102	39	8	114	432
	% within Gender	39.1%	23.6%	9.0%	1.9%	26.4%	100.0%
female	Count	159	149	37	10	164	519
	% within Gender	30.6%	28.7%	7.1%	1.9%	31.6%	100.0%
Total	Count	328	251	76	18	278	951
	% within Gender	34.5%	26.4%	8.0%	1.9%	29.2%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.502 <sup>a</sup>	4	.033
Likelihood Ratio	10.505	4	.033
Linear-by-Linear Association	4.349	1	.037
N of Valid Cases	951		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 8.18.

Source: the author

The status consumption, functional value and hedonic/experience value are three main driving forces for luxury consumptions for both men and women. But the distributions of them are different. More male respondents choose status consumption than female ones. And more female respondents choose functional value and experience value. In view of such distribution, it concludes that men emphasize more social value and women pay more attention on individual value and functional value.

**Table 3.10 - Gender \* Why are luxury products so expensive?**

**Crosstab**

			Why are luxury products so expensive?			Total
			high price just for the brand	high cost, high quality and handcraft	Imported brands	
Gender	male	Count	172	117	31	320
		% within Gender	53.8%	36.6%	9.7%	100.0%
	female	Count	143	150	31	324
		% within Gender	44.1%	46.3%	9.6%	100.0%
Total		Count	315	267	62	644
		% within Gender	48.9%	41.5%	9.6%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.724 <sup>a</sup>	2	.035
Likelihood Ratio	6.738	2	.034
Linear-by-Linear Association	3.362	1	.067
N of Valid Cases	644		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 30.81.

Source: the author

So under such motives, more male respondents believe luxuries are very expensive because of the brands, and more female respondents believe luxuries are expensive because the special skills and high cost. The significant different is listed in Table 3-10 (p=0.035).

### **3. The luxury consumptions of male and female**

Since attitudes and motives of male and female consumers are not the same, the consumption intention must be different accordingly.

This study tests the consumption conditions for luxury products, and finds more female person will buy luxury products at if the economic condition permission and in happy mood. However more male respondents will consistently stick to the thrifty than female respondents. The difference is significant with p-value is

0.013 (Table A-3). And more male respondents believe purchasing products of luxury brands are really wasteful behavior, and fewer female consumers think so. And the difference is also significant with p-value is 0.000 (see Table A-4).

In conclusion, Chinese male and female consumers behave differently towards luxury consumption. Most of female consumers concentrate to hold neutral attitudes towards luxury life and luxury products, however male consumers present disperse distribution of attitudes towards luxury and luxury consumptions. What's more, male consumers emphasize status consumptions, and female consumer's value functional value and individual values.

### **B. Age factors**

This study will use the age factor to test the information listed in the Table 3.11, including the general ideas on consumption, the attitude towards luxury and luxury products, and the luxury motives, etc.

**Table 3.11 - Case Processing Summary**

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Age * Attitude to the word "Luxury"	926	75.1%	307	24.9%	1233	100.0%
Age * Purchasing luxury is a wasteful behavior	926	75.1%	307	24.9%	1233	100.0%
Age * Most important factor during purchasing decision process	926	75.1%	307	24.9%	1233	100.0%
Age * Opinions on luxury consumption	926	75.1%	307	24.9%	1233	100.0%
Age * Which following behavior can be regarded as luxury consumption	926	75.1%	307	24.9%	1233	100.0%
Age * Attitudes towards luxury products	951	77.1%	282	22.9%	1233	100.0%
Age * The main motives for choosing a luxury brand products	951	77.1%	282	22.9%	1233	100.0%
Age * Why are luxury products so expensive?	644	52.2%	589	47.8%	1233	100.0%
Age * The impression about luxury products	644	52.2%	589	47.8%	1233	100.0%

Source: the author

The specific analyses are such as follows;

### **1. The attitudes towards luxuries across different age groups**

The age factor is also an important segmenting indicator. Schade *et al.* (2016) analyzes luxury consumer behavior among different age-based groups, and finds the hedonic and utilitarian values are relevant across all age groups, while social value differs among different age groups.

The Table B-1 in Appendix shows that there is no significant difference across



different age groups (P=0.316) about impression of luxury brands in their minds. Most of respondents regard luxury products as branded products with high quality and high price simultaneously. However the respondents of age group between 31 and 35 years old believe luxury products are just foreign imported branded commercial goods with high price. Slightly more percent of respondents of age group of 41-45 believe luxury products have special skills or hand crafts in the products.

But different age groups show different behaviors when facing daily consumption (Table B-2, p-value is 0.014). The respondents between 26-40 years old, who can be regarded as young generation, pay more attention on the high quality and brands famousness. The respondents below 25 do not share this traits may be due to their student identity with no regular salary and limited economic conditions.

**Table 3.12A - Age \* Attitude to the word "Luxury"**

			Crosstab					Total
			Attitude to the word "Luxury"					
			--	-	0	+	++	
Age	20-25	Count	25	107	287	9	6	434
		% within Age	5.8%	24.7%	66.1%	2.1%	1.4%	100.0%
	26-30	Count	9	26	86	8	1	130
		% within Age	6.9%	20.0%	66.2%	6.2%	0.8%	100.0%
	31-35	Count	4	21	100	7	2	134
		% within Age	3.0%	15.7%	74.6%	5.2%	1.5%	100.0%
	36-40	Count	9	12	63	6	2	92
		% within Age	9.8%	13.0%	68.5%	6.5%	2.2%	100.0%
	41-45	Count	9	14	46	6	3	78
		% within Age	11.5%	17.9%	59.0%	7.7%	3.8%	100.0%
	46-50	Count	0	8	21	4	1	34
		% within Age	0.0%	23.5%	61.8%	11.8%	2.9%	100.0%
	>50	Count	0	6	16	2	0	24
		% within Age	0.0%	25.0%	66.7%	8.3%	0.0%	100.0%
Total		Count	56	194	619	42	15	926
		% within Age	6.0%	21.0%	66.8%	4.5%	1.6%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	39.971 <sup>a</sup>	24	.022
Likelihood Ratio	42.652	24	.011
Linear-by-Linear Association	5.448	1	.020
N of Valid Cases	926		

a. 13 cells (37.1%) have expected count less than 5. The minimum expected count is .39.

Source: the author

**Table 3.12B - Age \* Attitudes towards luxury products**

**Crosstab**

			Attitudes towards luxury products					Total
			--	-	0	+	++	
Age	20-25	Count	15	46	357	35	6	459
		% within Age	3.3%	10.0%	77.8%	7.6%	1.3%	100.0%
	26-30	Count	12	17	95	5	1	130
		% within Age	9.2%	13.1%	73.1%	3.8%	0.8%	100.0%
	31-35	Count	2	14	104	12	2	134
		% within Age	1.5%	10.4%	77.6%	9.0%	1.5%	100.0%
	36-40	Count	5	11	68	7	1	92
		% within Age	5.4%	12.0%	73.9%	7.6%	1.1%	100.0%
	41-45	Count	7	10	52	6	3	78
		% within Age	9.0%	12.8%	66.7%	7.7%	3.8%	100.0%
	46-50	Count	0	6	24	4	0	34
		% within Age	0.0%	17.6%	70.6%	11.8%	0.0%	100.0%
	>50	Count	0	5	17	2	0	24
		% within Age	0.0%	20.8%	70.8%	8.3%	0.0%	100.0%
Total		Count	41	109	717	71	13	951
		% within Age	4.3%	11.5%	75.4%	7.5%	1.4%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	31.796 <sup>a</sup>	24	.132
Likelihood Ratio	32.032	24	.126
Linear-by-Linear Association	.424	1	.515
N of Valid Cases	951		

a. 14 cells (40.0%) have expected count less than 5. The minimum expected count is .33.

Source: the author

And based on such general performance of respondents of different age groups, this study analyzes the attitude towards the word “luxury” and the term “luxury products” by different age groups. The statistical results are listed in Table 3.12A and Table 3.12B. The attitudes towards luxury are significantly different across different age groups with p-values are 0.022 and no difference towards

luxury products, since p-value is 0.132.

Although most of respondents, men or women, believe luxury is a neutral adjective word, the older respondents hold comparatively negative attitude towards luxury lifestyle than young respondents. This reflects the evolvement of Chinese society, the elder people received more traditional education and regard luxury lifestyle is corrupted lifestyle, which is no benefit to the growth of people. But for the young people, the favorable living conditions and high quality of life is undoubtedly the aim of their all efforts. So the young generation hold positive attitude towards luxury and definitely hold more favorable attitude towards the social value provided by luxury products.

The significant difference doesn't happen on the attitudes towards luxury products. Since luxury products are physical objects, and no favorable or unfavorable feeling should be involved in them. But the tendency shows that more respondents with advanced age still hold negative attitudes towards luxury products. That is the portion of respondents who hold negative or positive attitudes toward luxury products have more elder ones.

But the statistical results may be not credible, since the number of respondents of elder people is not sufficient enough, so the individual opinion will affect the whole results since the sample is not large enough. But the tendency is clear that young people will present more favorable attitude towards luxury products.

In view of above different attitudes held by respondents from different age groups, they also show different opinions on luxury consumption (Table 3.13, p-value=0.019) when being asked the question of if purchasing luxury products is wasteful behaviors. Young respondents show neutral attitude on such opinion. More elder respondents admit that luxury consumption is wasteful behavior. But the elder people's attitudes are comparatively dispersed than younger people.

**Table 3.13 - Age \* Purchasing luxury is a wasteful behavior  
Crosstab**

			Purchasing luxury is a wasteful behavior					Total
			agree strongly	agree	hard to say	disagree	disagree strongly	
Age	20-25	Count	27	46	224	115	22	434
		% within Age	6.2%	10.6%	51.6%	26.5%	5.1%	100.0%
	26-30	Count	13	14	63	33	7	130
		% within Age	10.0%	10.8%	48.5%	25.4%	5.4%	100.0%
	31-35	Count	3	17	72	39	3	134
		% within Age	2.2%	12.7%	53.7%	29.1%	2.2%	100.0%
	36-40	Count	7	17	35	30	3	92
		% within Age	7.6%	18.5%	38.0%	32.6%	3.3%	100.0%
41-45	Count	11	16	30	20	1	78	
	% within Age	14.1%	20.5%	38.5%	25.6%	1.3%	100.0%	
46-50	Count	1	6	15	12	0	34	
	% within Age	2.9%	17.6%	44.1%	35.3%	0.0%	100.0%	
>50	Count	0	6	9	8	1	24	
	% within Age	0.0%	25.0%	37.5%	33.3%	4.2%	100.0%	
Total	Count	62	122	448	257	37	926	
	% within Age	6.7%	13.2%	48.4%	27.8%	4.0%	100.0%	

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	40.436 <sup>a</sup>	24	.019
Likelihood Ratio	42.826	24	.010
Linear-by-Linear Association	2.464	1	.116
N of Valid Cases	926		

a. 8 cells (22.9%) have expected count less than 5. The minimum expected count is .96.

Source: the author

From the above analysis, it reveals that different age groups hold significantly different attitudes towards luxury, luxury products and luxury consumption. Younger consumers hold more neutral attitudes towards luxury products, and hold more favorable attitudes towards luxury consumptions. While consumer with advanced age show more disperse distribute of attitudes than women, and hold unfavorable attitude towards luxury consumptions.

## 2. The motives towards luxuries of different age groups

After testing the attitudes by different age groups, this study tests the different motives may be hold by them.

The statistical results are listed in Table 3.14 and show that the distributions of motives for luxury consumption are significantly different across the consumers from different age groups with p-value 0.021.

**Table 3.14 - Age \* The main motives for choosing a luxury brand products**

		Crosstab						
		The main motives for choosing a luxury brand products						
		1. For some special occasions, and for social status.	Good quality, and last longer.	Sense of Vanity	Bandwagon effect	For sensory pleasure	Total	
Age	20-25	Count	189	121	27	6	116	459
		% within Age	41.2%	26.4%	5.9%	1.3%	25.3%	100.0%
	26-30	Count	47	35	9	2	37	130
		% within Age	36.2%	26.9%	6.9%	1.5%	28.5%	100.0%
	31-35	Count	36	35	12	3	48	134
		% within Age	26.9%	26.1%	9.0%	2.2%	35.8%	100.0%
	36-40	Count	23	23	12	2	32	92
		% within Age	25.0%	25.0%	13.0%	2.2%	34.8%	100.0%
41-45	Count	21	19	11	3	24	78	
	% within Age	26.9%	24.4%	14.1%	3.8%	30.8%	100.0%	
46-50	Count	6	12	1	1	14	34	
	% within Age	17.6%	35.3%	2.9%	2.9%	41.2%	100.0%	
>50	Count	6	6	4	1	7	24	
	% within Age	25.0%	25.0%	16.7%	4.2%	29.2%	100.0%	
Total	Count	328	251	76	18	278	951	
	% within Age	34.5%	26.4%	8.0%	1.9%	29.2%	100.0%	

### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	40.141 <sup>a</sup>	24	.021
Likelihood Ratio	39.116	24	.027
Linear-by-Linear Association	16.307	1	.000
N of Valid Cases	951		

a. 8 cells (22.9%) have expected count less than 5. The minimum expected count is .45.

Source: the author

The status consumption, functional value and hedonic/experience value are three main driving forces for luxury consumptions for all age groups. But the distributions of them are different significantly. Respondents of 20-25 years old choose status consumption than other groups. And more elder respondents choose functional value and middle aged group emphasize individual value or experience value when consuming luxuries. In view of such distribution, it concludes that younger aged people emphasize more social value and more elder age consumers pay more attention on individual value and functional value.

**Table 3.15 - Age \* Why are luxury products so expensive?**

**Crosstab**

		Why are luxury products so expensive?			Total	
		high price just for the brand	high cost, high quality and handcraft	Imported brands		
Age	20-25	Count	72	68	12	152
		% within Age	47.4%	44.7%	7.9%	100.0%
	26-30	Count	61	57	12	130
		% within Age	46.9%	43.8%	9.2%	100.0%
	31-35	Count	69	55	10	134
		% within Age	51.5%	41.0%	7.5%	100.0%
	36-40	Count	49	36	7	92
		% within Age	53.3%	39.1%	7.6%	100.0%
	41-45	Count	35	33	10	78
		% within Age	44.9%	42.3%	12.8%	100.0%
	46-50	Count	15	11	8	34
		% within Age	44.1%	32.4%	23.5%	100.0%
	>50	Count	14	7	3	24
		% within Age	58.3%	29.2%	12.5%	100.0%
Total		Count	315	267	62	644
		% within Age	48.9%	41.5%	9.6%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.234 <sup>a</sup>	12	.352
Likelihood Ratio	11.398	12	.495
Linear-by-Linear Association	.353	1	.552
N of Valid Cases	644		

a. 2 cells (9.5%) have expected count less than 5. The minimum expected count is 2.31.

Source: the author

This study also collected the data of what the high price mean for the consumers.

The results of Table 3-15 show that the intangible value of brand name is the main reason for the high price. Other from this reason, young people believe that high cost quality and special skills causes the high price, while elder people believe that foreign brand names charge extra money on the products and result in high price.

### **3. The luxury consumptions by different age groups**

Since attitudes and motives of different age groups are not the same, the consumption intention must be different accordingly.

This study tests the consumption conditions for luxury products, and finds more young consumers will buy luxury products at if the economic condition permission and in happy mood. However more elder respondents will consistently stick to the thrifty than young respondents. The difference is significant with p-value is 0.000 (Table B-3). And for almost all age groups, that purchasing high-end products is beyond ones purchasing power is really wasteful behavior (see Table A-4).

In conclusion, different age groups behave differently when consuming luxury products. Most of young consumers concentrate to hold neutral attitudes towards luxury life and luxury products; however elder consumers present disperse distribution of attitudes towards luxury and luxury consumptions. What's more, the young consumers emphasize status consumptions, and are willing to be a luxury buyer if the economic conditions permit and in good mood.

### **C. Income level factor**

This study will use the income factor to test the information listed in the Table 3-16, including the general ideas on consumption, the attitude towards luxury and luxury products, and the luxury motives, etc.

**Table 3.16 - Case Processing Summary**

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Income * Attitude to the word "Luxury"	926	75.1%	307	24.9%	1233	100.0%
Income * Purchasing luxury is a wasteful behavior	926	75.1%	307	24.9%	1233	100.0%
Income * Most important factor during purchasing decision process	926	75.1%	307	24.9%	1233	100.0%
Income * Opinions on luxury consumption	926	75.1%	307	24.9%	1233	100.0%
Income * Which following behavior can be regarded as luxury consumption	926	75.1%	307	24.9%	1233	100.0%
Income * Attitudes towards luxury products	951	77.1%	282	22.9%	1233	100.0%
Income * The main motives for choosing a luxury brand products	951	77.1%	282	22.9%	1233	100.0%
Income * Why are luxury products so expensive?	644	52.2%	589	47.8%	1233	100.0%
Income * The impression about luxury products	644	52.2%	589	47.8%	1233	100.0%

Source: the author

The specific analyses are such as follows;

**1. The attitudes towards luxuries of different income groups**

The income factor is another important segmenting indicator.

The Table C-1 in Appendix shows that there is no significant difference between respondents from different income levels (P=0.301) about impression of luxury brands in their minds. Most of respondents regard luxury products as



branded products with high quality and high price simultaneously. However 20% respondents believe luxury products are just foreign imported branded commercial goods with high price. Slightly more percent of respondents around of 20-30% believe luxury products have special skills or hand crafts in the products.

But respondents of different income levels show different choice when facing daily consumption (Table C-2). The respondents with monthly income below 5000 RMB (678 euros), pay more attention on the ratio of price to utility and consumers with monthly income above 5000RMB (678 euros) will began to emphasize the quality and brand names.

And based on such general performance of consumers with different income levels, this study analyzes the attitude towards the word “luxury” and the term “luxury products” by each income level group. The statistical results are listed in Table 3-17A and Table 3-17B. The attitudes towards luxury and luxury products are significantly different across different income levels with p-values are 0.000 and 0.109 respectively, and the difference of distribution of attitudes towards luxury is more significant than the attitudes towards luxury products.

**Table 3.17A - Income \* Attitude to the word "Luxury"**

**Crosstab**

			Attitude to the word "Luxury"					Total
			--	-	0	+	++	
Income <5000	Count		44	145	392	17	11	609
	% within Income		7.2%	23.8%	64.4%	2.8%	1.8%	100.0%
5001-10000	Count		6	20	137	14	0	177
	% within Income		3.4%	11.3%	77.4%	7.9%	0.0%	100.0%
10001-15000	Count		1	22	39	4	2	68
	% within Income		1.5%	32.4%	57.4%	5.9%	2.9%	100.0%
15001-20000	Count		1	0	12	0	1	14
	% within Income		7.1%	0.0%	85.7%	0.0%	7.1%	100.0%
20001-25000	Count		1	1	10	1	1	14
	% within Income		7.1%	7.1%	71.4%	7.1%	7.1%	100.0%
25001-30000	Count		3	1	7	0	0	11
	% within Income		27.3%	9.1%	63.6%	0.0%	0.0%	100.0%
>30000	Count		0	5	22	6	0	33
	% within Income		0.0%	15.2%	66.7%	18.2%	0.0%	100.0%
Total	Count		56	194	619	42	15	926
	% within Income		6.0%	21.0%	66.8%	4.5%	1.6%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	74.646 <sup>a</sup>	24	.000
Likelihood Ratio	74.560	24	.000
Linear-by-Linear Association	8.861	1	.003
N of Valid Cases	926		

a. 19 cells (54.3%) have expected count less than 5. The minimum expected count is .18.

Source: the author

**Table 3.17B - Income \* Attitudes towards luxury products**

**Crosstab**

			Attitudes towards luxury products					Total
			--	-	0	+	++	
Income	<5000	Count	30	73	479	43	9	634
		% within Income	4.7%	11.5%	75.6%	6.8%	1.4%	100.0%
	5001-10000	Count	7	21	135	14	0	177
		% within Income	4.0%	11.9%	76.3%	7.9%	0.0%	100.0%
	10001-15000	Count	2	10	49	5	2	68
		% within Income	2.9%	14.7%	72.1%	7.4%	2.9%	100.0%
	15001-20000	Count	1	3	9	0	1	14
		% within Income	7.1%	21.4%	64.3%	0.0%	7.1%	100.0%
20001-25000	Count	1	0	9	4	0	14	
	% within Income	7.1%	0.0%	64.3%	28.6%	0.0%	100.0%	
25001-30000	Count	0	0	9	1	1	11	
	% within Income	0.0%	0.0%	81.8%	9.1%	9.1%	100.0%	
>30000	Count	0	2	27	4	0	33	
	% within Income	0.0%	6.1%	81.8%	12.1%	0.0%	100.0%	
Total	Count	41	109	717	71	13	951	
	% within Income	4.3%	11.5%	75.4%	7.5%	1.4%	100.0%	

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	32.780 <sup>a</sup>	24	.109
Likelihood Ratio	33.070	24	.103
Linear-by-Linear Association	5.022	1	.025
N of Valid Cases	951		

a. 19 cells (54.3%) have expected count less than 5. The minimum expected count is .15.

Source: the author

Although most of respondents believe luxury is a neutral adjective word, and over 60% respondents in each income level group hold this attitude, the respondents of high level income group take more positive attitudes towards luxury comparing with lower income level group.

The same situation also happens on the attitudes towards luxury products. Over 60% of respondents in each income level choose neutral attitude towards luxury products. But with the increasing monthly income level, consumers show

great desire to luxury products. This phenomenon is very reasonable with the economics definition of “Luxury product” as the income elasticity of demand is larger than 1, the demand will change largely with the change of income. So the consumers with high level of income level show favorable attitude towards luxury products and can afford to buy the luxury products. But on the other side, even in the highest level group, there are some respondents providing negative attitudes towards luxury products. So the attitudes towards luxury products are not solely affected by income level, and the socio-cultural factors may also assert great influence on the attitudes.

But the fact that income does affect the attitudes on luxury products, which consequently affect the value perceived from luxury consumption. So the Dubois’s work (1993) is partially right, that income and socio-cultural factors will jointly affect the luxury consumption, but these two factors are not independent with each other. The change of income level will definitely affect the consumer values more or less.

In view of such different attitudes held by respondents of different income levels, they show different opinions on luxury consumption (Table 3.18,  $p\text{-value}=0.036$ ) when being asked the question of if purchasing luxury products is wasteful behaviors. Most consumers show great objection on such opinion.

**Table 3.18 - Income \* Purchasing luxury is a wasteful behavior**

**Crosstab**

		Purchasing luxury is a wasteful behavior					Total
		agree strongly	agree	hard to say	disagree	disagree strongly	
Income <5000	Count	45	83	301	154	26	609
	% within Income	7.4%	13.6%	49.4%	25.3%	4.3%	100.0%
5001-10000	Count	9	17	91	56	4	177
	% within Income	5.1%	9.6%	51.4%	31.6%	2.3%	100.0%
10001-15000	Count	5	13	26	22	2	68
	% within Income	7.4%	19.1%	38.2%	32.4%	2.9%	100.0%
15001-20000	Count	1	0	7	4	2	14
	% within Income	7.1%	0.0%	50.0%	28.6%	14.3%	100.0%
20001-25000	Count	0	2	10	1	1	14
	% within Income	0.0%	14.3%	71.4%	7.1%	7.1%	100.0%
25001-30000	Count	1	3	5	2	0	11
	% within Income	9.1%	27.3%	45.5%	18.2%	0.0%	100.0%
>30000	Count	1	4	8	18	2	33
	% within Income	3.0%	12.1%	24.2%	54.5%	6.1%	100.0%
Total	Count	62	122	448	257	37	926
	% within Income	6.7%	13.2%	48.4%	27.8%	4.0%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	37.846 <sup>a</sup>	24	.036
Likelihood Ratio	39.344	24	.025
Linear-by-Linear Association	4.008	1	.045
N of Valid Cases	926		

a. 17 cells (48.6%) have expected count less than 5. The minimum expected count is .44.

Source: the author

From the above analysis, it shows that consumers with different income level hold significantly different attitudes towards luxury, luxury products and luxury consumption. Consumers with high level of income hold more neutral attitudes towards luxury products, and hold more favorable attitudes towards luxury consumptions. And respondents with lower level income hold unfavorable attitude towards luxury consumptions.

## 2. The motives towards luxuries of different income levels

After testing the attitudes by different income level, this study tests the different motives may be haven by each income level.

The statistical results are listed in Table 3-19 and show that the distributions of motives for luxury consumption are not significantly different across different income level groups.

**Table 3.19 - Income \* The main motives for choosing a luxury brand products**  
Crosstab

		The main motives for choosing a luxury brand products					Total	
		1. For some special occasions, and for social status.	Good quality, and last longer.	Sense of Vanity	Bandwagon effect	For sensory pleasure		
Income	<5000	Count % within Income	238 37.5%	163 25.7%	53 8.4%	10 1.6%	170 26.8%	634 100.0%
	5001-10000	Count % within Income	51 28.8%	52 29.4%	14 7.9%	6 3.4%	54 30.5%	177 100.0%
	10001-15000	Count % within Income	17 25.0%	18 26.5%	5 7.4%	1 1.5%	27 39.7%	68 100.0%
	15001-20000	Count % within Income	6 42.9%	2 14.3%	1 7.1%	0 0.0%	5 35.7%	14 100.0%
	20001-25000	Count % within Income	4 28.6%	3 21.4%	1 7.1%	0 0.0%	6 42.9%	14 100.0%
	25001-30000	Count % within Income	5 45.5%	2 18.2%	1 9.1%	0 0.0%	3 27.3%	11 100.0%
	>30000	Count % within Income	7 21.2%	11 33.3%	1 3.0%	1 3.0%	13 39.4%	33 100.0%
	Total	Count % within Income	328 34.5%	251 26.4%	76 8.0%	18 1.9%	278 29.2%	951 100.0%

### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	20.985 <sup>a</sup>	24	.640
Likelihood Ratio	21.762	24	.593
Linear-by-Linear Association	6.101	1	.014
N of Valid Cases	951		

a. 19 cells (54.3%) have expected count less than 5. The minimum expected count is .21.

Source: the author

The status consumption, functional value and hedonic/experience value are also three main driving forces for luxury consumptions for all respondents. But the distributions of them are different. Around of 20-40% of respondents in each level groups choose the reason for luxury consumption is status consumptions. 10-30% of respondents consume luxury products for the high quality merits. And around of 30-50% of respondents consume luxury for sensory pleasure, especially in the high level income group, the percent of sensory pleasure increases.

**Table 3.20 - Income \* Why are luxury products so expensive?**  
Crosstab

			Why are luxury products so expensive?			Total
			high price just for the brand	high cost, high quality and handcraft	Imported brands	
Income <5000	Count	157	134	36	327	
	% within Income	48.0%	41.0%	11.0%	100.0%	
5001-10000	Count	87	73	17	177	
	% within Income	49.2%	41.2%	9.6%	100.0%	
10001-15000	Count	31	30	7	68	
	% within Income	45.6%	44.1%	10.3%	100.0%	
15001-20000	Count	10	4	0	14	
	% within Income	71.4%	28.6%	0.0%	100.0%	
20001-25000	Count	8	6	0	14	
	% within Income	57.1%	42.9%	0.0%	100.0%	
25001-30000	Count	6	5	0	11	
	% within Income	54.5%	45.5%	0.0%	100.0%	
>30000	Count	16	15	2	33	
	% within Income	48.5%	45.5%	6.1%	100.0%	
Total	Count	315	267	62	644	
	% within Income	48.9%	41.5%	9.6%	100.0%	

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.671 <sup>a</sup>	12	.810
Likelihood Ratio	11.334	12	.501
Linear-by-Linear Association	1.613	1	.204
N of Valid Cases	644		

a. 5 cells (23.8%) have expected count less than 5. The minimum expected count is 1.06.

Source: the author

There no significant difference across different income groups on why luxury is priced so high. More than half people believe luxuries are very expensive because of the brands, and around half respondents believe luxuries are expensive because the special skills and high cost. Fewer people believe luxury

is expensive just because they are imported (see Table 3.20).

### **3. The luxury consumptions of different income levels**

Since attitudes and motives of different income levels are not the same, the consumption intention must be different accordingly. This study tests the consumption conditions for luxury products, and finds very interesting results (see Table C-3)

Around 80% of respondents admit that it's reasonable to buy some luxury products if economic condition is ok. So the income factor is really the decisive one in luxury consumption. The ratio of this options increase slightly with the increase of monthly level. But less percentage of high income level people will buy luxury only for good mood, but respondents with lower level income will buy luxury products because of happy mood. This is another evidence of the trait of "excursionist" proposed by Dubois (1994). The less wealthy people consume luxury products in very special occasion or because of in good moods.

What's more interesting things is that high percent of the people with high income level will be stick to thrifty life. So the attitudes are not solely affected by income factor.

Finally, more respondents with lower income level believe purchasing luxury brands goods are really wasteful behavior, and fewer consumers with high income levels think so. And the difference is also significant with p-value is 0.032 (see Table C-4).

In conclusion, consumers with different income levels behave differently towards luxury consumption. Most of consumers with high income levels hold favorable attitudes towards luxury and luxury consumptions. The motives of different income levels has no significantly different on luxury motives. And the consumers with lower level of income may purchase luxury for good mood which an obviously trait of excursionist behavior.



### D. Education factor

This study will use the educational factor to test the information listed in the Table 3.21, including the general ideas on consumption, the attitude towards luxury and luxury products, and the luxury motives, etc.

**Table 3.21 - Case Processing Summary**

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Education * Attitude to the word "Luxury"	327	26.5%	906	73.5%	1233	100.0%
Education * Purchasing luxury is a wasteful behavior	327	26.5%	906	73.5%	1233	100.0%
Education * Most important factor during purchasing decision process	327	26.5%	906	73.5%	1233	100.0%
Education * Opinions on luxury consumption	327	26.5%	906	73.5%	1233	100.0%
Education * Which following behavior can be regarded as luxury consumption	327	26.5%	906	73.5%	1233	100.0%
Education * Attitudes towards luxury products	327	26.5%	906	73.5%	1233	100.0%
Education * The main motives for choosing a luxury brand products	327	26.5%	906	73.5%	1233	100.0%
Education * Why are luxury products so expensive?	327	26.5%	906	73.5%	1233	100.0%
Education * The impression about luxury products	327	26.5%	906	73.5%	1233	100.0%

Source: the author

The specific analyses are such as follows;

## **1. The attitudes towards luxuries by consumers with different educational level**

The educational factor sometimes is a very important segmenting indicator.

The Table D-1 in Appendix shows that there is no significant difference between respondents with different educational level ( $P=0.806$ ) about impression of luxury brands in their minds. Most of respondents regard luxury products as branded products with high quality and high price simultaneously. However 25% respondents believe luxury products are just foreign imported branded commercial goods with high price. Slightly less percent of respondents around of 20% believe luxury products have special skills or hand crafts in the products.

But respondents of different educational levels show different choice when facing daily consumption (Table D-2). The respondents with high school level pay more attention on the ratio of price to utility

And based on such general performance of consumers with different educational levels, this study analyzes the attitude towards the word “luxury” and the term “luxury products” by each educational level group. The statistical results are listed in Table 3.22A and Table 3.22B. The attitudes towards luxury are not significantly different across different income levels with p-values are 0.164 and attitudes on luxury products are significantly different with p-value of 0.094 respectively.

**Table 3.22A - Education \* Attitude to the word "Luxury"**

**Crosstab**

			Attitude to the word "Luxury"					Total
			--	-	0	+	++	
Education	High school	Count	6	10	31	3	2	52
		% within Education	11.5%	19.2%	59.6%	5.8%	3.8%	100.0%
	Undergraduate	Count	5	24	88	7	0	124
		% within Education	4.0%	19.4%	71.0%	5.6%	0.0%	100.0%
	Master	Count	4	27	97	6	1	135
		% within Education	3.0%	20.0%	71.9%	4.4%	0.7%	100.0%
	PhD	Count	1	1	12	1	1	16
		% within Education	6.3%	6.3%	75.0%	6.3%	6.3%	100.0%
Total		Count	16	62	228	17	4	327
		% within Education	4.9%	19.0%	69.7%	5.2%	1.2%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.628 <sup>a</sup>	12	.164
Likelihood Ratio	14.857	12	.249
Linear-by-Linear Association	1.613	1	.204
N of Valid Cases	327		

a. 9 cells (45.0%) have expected count less than 5. The minimum expected count is .20.

Source: the author

**Table 3.22B - Education \* Attitudes towards luxury products**

**Crosstab**

			Attitudes towards luxury products					Total
			--	-	0	+	++	
Education	High school	Count	6	8	34	3	1	52
		% within Education	11.5%	15.4%	65.4%	5.8%	1.9%	100.0%
	Undergraduate	Count	6	15	96	7	0	124
		% within Education	4.8%	12.1%	77.4%	5.6%	0.0%	100.0%
	Master	Count	1	21	102	8	3	135
		% within Education	0.7%	15.6%	75.6%	5.9%	2.2%	100.0%
	PhD	Count	0	1	13	1	1	16
		% within Education	0.0%	6.3%	81.3%	6.3%	6.3%	100.0%
Total		Count	13	45	245	19	5	327
		% within Education	4.0%	13.8%	74.9%	5.8%	1.5%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.771 <sup>a</sup>	12	.094
Likelihood Ratio	19.652	12	.074
Linear-by-Linear Association	7.274	1	.007
N of Valid Cases	327		

a. 10 cells (50.0%) have expected count less than 5. The minimum expected count is .24.

Source: the author

Although most of respondents believe luxury is a neutral adjective word, and over 60% respondents in each income level group hold this attitude, the respondents of high level educational group take more neutral attitudes towards luxury comparing with lower income level group, which show the rational aspect of the respondents with high educational level.

The same situation also happens on the attitudes towards luxury products. Over 60% of respondents in each income level choose neutral attitude towards luxury products. But with the increasing educational level, consumers show great rational attitude towards luxury products.

**Table 3.23 - Education \* Purchasing luxury is a wasteful behavior**

**Crosstab**

			Purchasing luxury is a wasteful behavior					Total
			agree strongly	agree	hard to say	disagree	disagree strongly	
Education	High school	Count	7	11	17	16	1	52
		% within Education	13.5%	21.2%	32.7%	30.8%	1.9%	100.0%
	Undergraduate	Count	5	14	67	34	4	124
		% within Education	4.0%	11.3%	54.0%	27.4%	3.2%	100.0%
	Master	Count	3	19	61	47	5	135
		% within Education	2.2%	14.1%	45.2%	34.8%	3.7%	100.0%
	PhD	Count	1	1	8	5	1	16
		% within Education	6.3%	6.3%	50.0%	31.3%	6.3%	100.0%
Total		Count	16	45	153	102	11	327
		% within Education	4.9%	13.8%	46.8%	31.2%	3.4%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.915 <sup>a</sup>	12	.091
Likelihood Ratio	16.972	12	.151
Linear-by-Linear Association	5.791	1	.016
N of Valid Cases	327		

a. 8 cells (40.0%) have expected count less than 5. The minimum expected count is .54.

Source: the author

In view of such different attitudes held by respondents of different educational levels, they show different opinions on luxury consumption (Table 3-23 p-value=0.091) when being asked the question of if purchasing luxury products is wasteful behaviors. Most consumers choose it is hard to say, especially the

PhD group.

From the above analysis, it shows that consumers with different educational level hold significantly different attitudes towards luxury products and luxury consumption. Consumers with high level of educational hold more neutral attitudes towards luxury products, and hold more favorable attitudes towards luxury consumptions.

## 2. The motives towards luxuries of different educational levels

After testing the attitudes by different educational level, this study tests the different motives may be haven by each educational level.

**Table 3.24 - Education \* The main motives for choosing a luxury brand products**

			The main motives for choosing a luxury brand products					Total
			1. For some special occasions, and for social status.	Good quality, and last longer.	Sense of Vanity	Bandwagon effect	For sensory pleasure	
Education	High school	Count	17	12	6	2	15	52
		% within Education	32.7%	23.1%	11.5%	3.8%	28.8%	100.0%
	Undergraduate	Count	36	37	12	1	38	124
		% within Education	29.0%	29.8%	9.7%	0.8%	30.6%	100.0%
Master	Count	48	42	7	1	37	135	
	% within Education	35.6%	31.1%	5.2%	0.7%	27.4%	100.0%	
PhD	Count	2	2	1	1	10	16	
	% within Education	12.5%	12.5%	6.3%	6.3%	62.5%	100.0%	
Total		Count	103	93	26	5	100	327
		% within Education	31.5%	28.4%	8.0%	1.5%	30.6%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.801 <sup>a</sup>	12	.093
Likelihood Ratio	17.206	12	.142
Linear-by-Linear Association	.347	1	.556
N of Valid Cases	327		

a. 8 cells (40.0%) have expected count less than 5. The minimum expected count is .24.

Source: the author

The statistical results are listed in Table 3-24 and show that the distributions of motives for luxury consumption are significantly different across different educational level groups

The status consumption, functional value and hedonic/experience value are also three main driving forces for luxury consumptions for all respondents. But the distributions of them are different. Around of 30% of respondents in each level groups except PhD group choose the reason for luxury consumption is status consumptions, 30% of respondents consume luxury products for the high quality merits, and around of 30% of respondents consume luxury for sensory pleasure. What's very interesting result is 62.5% respondents in PhD group choose sensory pleasure as their main motive for luxury consumption. This may be because that the respondents of PhD group don't care about the social value or some functional value, their experience is the utter thing they pursue.

**Table 3.25 - Education \* Why are luxury products so expensive?**

**Crosstab**

			Why are luxury products so expensive?			Total
			high price just for the brand	high cost, high quality and handcraft	Imported brands	
Education	High school	Count	28	19	5	52
		% within Education	53.8%	36.5%	9.6%	100.0%
	Undergraduate	Count	62	55	7	124
		% within Education	50.0%	44.4%	5.6%	100.0%
	Master	Count	66	62	7	135
		% within Education	48.9%	45.9%	5.2%	100.0%
	PhD	Count	9	7	0	16
		% within Education	56.3%	43.8%	0.0%	100.0%
Total		Count	165	143	19	327
		% within Education	50.5%	43.7%	5.8%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.393 <sup>a</sup>	6	.758
Likelihood Ratio	4.139	6	.658
Linear-by-Linear Association	.092	1	.762
N of Valid Cases	327		

a. 2 cells (16.7%) have expected count less than 5. The minimum expected count is .93.

Source: the author

There no significant difference across different educational groups on why luxury is priced so high. More than half people believe luxuries are very expensive because of the brands, and around half respondents believe luxuries are expensive because the special skills and high cost. Fewer people believe luxury is expensive just because they are imported (see Table 3.25).

### 3. The luxury consumptions of different educational levels



Since attitudes and motives of different educational levels are not the same, the consumption intention must be different accordingly.

This study tests the consumption conditions for luxury products, and the results are shown in Table D-3. Around 75% of respondents admit that it's reasonable to buy some luxury products if economic condition is ok. So the educational factor is really the decisive one in luxury consumption.

The respondent with education level of high school show different performance in this question. For them higher portion respondents believe even economic condition is permit, they also want to be stick to thrifty life. This may because the people with high school educational level are usually with lower monthly income and usually are elder people, they performs complying with the group with lower income level and elder people.

Finally, more respondents with lower educational level believe purchasing luxury brands goods are really wasteful behavior, and fewer consumers with high educational levels think so. And the difference is also significant with p-value is 0.045 (see Table D-4).

In conclusion, consumers with different educational levels behave differently towards luxury consumption. Most of consumers with higher educational levels hold neutral attitudes towards luxury and luxury consumptions. The PhD group show special trait both in their neutral attitude towards luxury products and in their main motives of pursuing sensory pleasure.

### **3.3.3. Country of origin and luxury consumption**

This study uses the Chinese brand name of Maotai and French famous luxury brand of Louis Vuitton to examine the consumer values perceived from the two brands by Chinese consumers.

In Chapter 1 of the present study, it reveals that Chinese people perceive social status, experience value and functional value from the both brands (see Table 1.7, Table 1.8).

By comparing each value of the two brands, Chinese consumers perceived more experience value and functional value from Chinese domestic brand comparatively, and more percent of conspicuous consumption and materialism value from French brand Louis Vuitton.

Further, this study addresses the importance of demographic factors to explore the luxury values perceived by Chinese consumers from these two brands. The demographic factors also contain gender, age, income factor and educational level.

For Chinese brand Maotai, the male and female respondents present different motives. The difference is statistically significant with p-value is 0.076 (see Table E-1A). Same with the results have discussed in Chapter 3.3.2, status value, experience value and functional value are three main driving forces for luxury consumption. And male consumers admire the social status value derived from the brand of Maotai, while female consumers emphasize experience value and functional value than male respondents. And there is also significant difference between male and female respondents when consuming luxury brand Louis Vuitton. The p value is 0.047 (see Table E-1 B). For Louis Vuitton, the three main driving forces are also social status value, experience value and functional value. But female respondents this time present more scores in each of three values, which show the very favorable attitude of female consumers towards LV brand. And 15.5% of male respondents assort the consumption of Louis Vuitton into conspicuous consumption.

**Table 3.26A - the different motives for two luxury brands (Men)**

			The main reason for consuming Chinese brand "Maotai"					Total
			for social status	Experience value	Conspicuous consumption	materialist	high quality	
<b>male</b>	Maotai	Count	147	144	36	11	94	432
		% within Gender	34.0%	33.3%	8.3%	2.5%	21.8%	100.0%
	LV	Count	165	104	67	16	80	432
		% within Gender	38.2%	24.1%	15.5%	3.7%	18.5%	100.0%

Source: the author

**Table 3-26B the different motives for two luxury brands (Women)**

			The main reason for consuming French brand "Louis Vuitton"					Total
			for social status	Experience value	Conspicuous consumption	materialist	high quality	
female	Maotai	Count	152	205	26	14	122	519
		% within Gender	29.3%	39.5%	5.0%	2.7%	23.5%	100.0%
	lv	Count	206	131	48	18	116	519
		% within Gender	39.7%	25.2%	9.2%	3.5%	22.4%	100.0%

Source: the author

By comparing the motives held by male and female respondents towards the two brands (Table 3.26A and Table 3.26B), it finds that the status value and conspicuous consumption increase a lot in LV consumption in both men and women's consumption, so the social value of foreign brands will sufficiently perceived by Chinese consumers, while experience value is the main motives for Chinese luxury brand.

The study further tests the motives towards the two luxury brands by different age groups. The results listed in Table 3.27A and 3.27B. For Chinese brand, there is significantly difference across different age groups with p value is 0.072 (see Table 3.27A). The people with advanced age weaken the status value of the brand and

emphasize the functional aspects of the products. There is no significant difference across different age groups, and the p value is 0.142 (see Table 3.27B).

**Table 3.27A - Age \* The main reason for consuming Chinese brand "Maotai"**

**Crosstab**

	The main reason for consuming Chinese brand "Maotai"					Total	
	for social status	long history, good sensory value	Conspicuous consumption	materialist and pursuing expensive thing	high quality		
Age 20-25	Count 152	168	25	13	101	459	
	% within Age 33.1%	36.6%	5.4%	2.8%	22.0%	100.0%	
26-30	Count 43	49	6	5	27	130	
	% within Age 33.1%	37.7%	4.6%	3.8%	20.8%	100.0%	
31-35	Count 39	56	15	1	23	134	
	% within Age 29.1%	41.8%	11.2%	0.7%	17.2%	100.0%	
36-40	Count 30	33	5	1	23	92	
	% within Age 32.6%	35.9%	5.4%	1.1%	25.0%	100.0%	
41-45	Count 23	22	9	3	21	78	
	% within Age 29.5%	28.2%	11.5%	3.8%	26.9%	100.0%	
46-50	Count 7	12	0	0	15	34	
	% within Age 20.6%	35.3%	0.0%	0.0%	44.1%	100.0%	
>50	Count 5	9	2	2	6	24	
	% within Age 20.8%	37.5%	8.3%	8.3%	25.0%	100.0%	
Total	Count 299	349	62	25	216	951	
	% within Age 31.4%	36.7%	6.5%	2.6%	22.7%	100.0%	

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	34.735 <sup>a</sup>	24	.072
Likelihood Ratio	35.348	24	.063
Linear-by-Linear Association	5.256	1	.022
N of Valid Cases	951		

a. 8 cells (22.9%) have expected count less than 5. The minimum expected count is .63.

Source: the author

**Table 3.27B - Age \* The main reason for consuming French brand "Louis Vuitton"**

**Crosstab**

			The main reason for consuming French brand "Louis Vuitton"					Total
			for social status	good design, beautiful looks	Conspicuous consumption	materialist and pursuing expensive thing	high quality	
Age 20-25	Count		200	106	45	14	94	459
	% within Age		43.6%	23.1%	9.8%	3.1%	20.5%	100.0%
26-30	Count		48	42	17	6	17	130
	% within Age		36.9%	32.3%	13.1%	4.6%	13.1%	100.0%
31-35	Count		50	30	22	6	26	134
	% within Age		37.3%	22.4%	16.4%	4.5%	19.4%	100.0%
36-40	Count		37	18	13	2	22	92
	% within Age		40.2%	19.6%	14.1%	2.2%	23.9%	100.0%
41-45	Count		23	22	8	3	22	78
	% within Age		29.5%	28.2%	10.3%	3.8%	28.2%	100.0%
46-50	Count		7	12	5	2	8	34
	% within Age		20.6%	35.3%	14.7%	5.9%	23.5%	100.0%
>50	Count		6	5	5	1	7	24
	% within Age		25.0%	20.8%	20.8%	4.2%	29.2%	100.0%
Total	Count		371	235	115	34	196	951
	% within Age		39.0%	24.7%	12.1%	3.6%	20.6%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	31.431 <sup>a</sup>	24	.142
Likelihood Ratio	31.731	24	.134
Linear-by-Linear Association	8.997	1	.003
N of Valid Cases	951		

a. 9 cells (25.7%) have expected count less than 5. The minimum expected count is .86.

Source: the author

By comparing the motives for the two brands, it finds that the top 3 motives for Chinese brand are clearly sensory value, social status value and quality value. The

conspicuous consumption and materialism behavior are comparatively rare during the consumption. But the motives for the French brand distribute more evenly than for Chinese brand. The conspicuous consumption and materialism behavior increase for French brand. Especial with the increase of age, the conspicuous consumption become very important motive for luxury consumption.

**Table 3.28A - Income \* The main reason for consuming Chinese brand "Maotai"**

**Crosstab**

			The main reason for consuming Chinese brand "Maotai"					Total
			for social status	long history, good sensory value	Conspicuous consumption	materialist and pursuing expensive thing	high quality	
Income <5000	Count		214	221	41	20	138	634
	% within Income		33.8%	34.9%	6.5%	3.2%	21.8%	100.0%
5001-10000	Count		49	75	12	4	37	177
	% within Income		27.7%	42.4%	6.8%	2.3%	20.9%	100.0%
10001-15000	Count		17	27	3	1	20	68
	% within Income		25.0%	39.7%	4.4%	1.5%	29.4%	100.0%
15001-20000	Count		3	5	2	0	4	14
	% within Income		21.4%	35.7%	14.3%	0.0%	28.6%	100.0%
20001-25000	Count		4	7	0	0	3	14
	% within Income		28.6%	50.0%	0.0%	0.0%	21.4%	100.0%
25001-30000	Count		3	6	1	0	1	11
	% within Income		27.3%	54.5%	9.1%	0.0%	9.1%	100.0%
>30000	Count		9	8	3	0	13	33
	% within Income		27.3%	24.2%	9.1%	0.0%	39.4%	100.0%
Total	Count		299	349	62	25	216	951
	% within Income		31.4%	36.7%	6.5%	2.6%	22.7%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.980 <sup>a</sup>	24	.580
Likelihood Ratio	23.980	24	.463
Linear-by-Linear Association	3.044	1	.081
N of Valid Cases	951		

a. 18 cells (51.4%) have expected count less than 5. The minimum expected count is .29.

Source: the author

**Table 3.28B - income \* The main reason for consuming French brand "Louis Vuitton"**

**Crosstab**

		The main reason for consuming French brand "Louis Vuitton"					Total	
		for social status	good design, beautiful looks	Conspicuous consumption	materialist and pursuing expensive thing	high quality		
Income	<5000	Count % within Income	263 41.5%	148 23.3%	71 11.2%	21 3.3%	131 20.7%	634 100.0%
	5001-10000	Count % within Income	58 32.8%	55 31.1%	26 14.7%	9 5.1%	29 16.4%	177 100.0%
	10001-15000	Count % within Income	26 38.2%	17 25.0%	8 11.8%	3 4.4%	14 20.6%	68 100.0%
	15001-20000	Count % within Income	4 28.6%	3 21.4%	4 28.6%	0 0.0%	3 21.4%	14 100.0%
	20001-25000	Count % within Income	4 28.6%	2 14.3%	4 28.6%	0 0.0%	4 28.6%	14 100.0%
	25001-30000	Count % within Income	3 27.3%	5 45.5%	1 9.1%	1 9.1%	1 9.1%	11 100.0%
	>30000	Count % within Income	13 39.4%	5 15.2%	1 3.0%	0 0.0%	14 42.4%	33 100.0%
	Total	Count % within Income	371 39.0%	235 24.7%	115 12.1%	34 3.6%	196 20.6%	951 100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	35.958 <sup>a</sup>	24	.055
Likelihood Ratio	35.268	24	.065
Linear-by-Linear Association	3.646	1	.056
N of Valid Cases	951		

a. 16 cells (45.7%) have expected count less than 5. The minimum expected count is .39.

Source: the author

When exploring the impacts of income factor on luxury consumption of the two brands, the opposite results are obtained. For different income groups, the motives for Chinese brand are not significantly different with p value is 0.58 (see Table 3.28A), but for French brand, there is significant different distribution of motives across the different income levels. And by comparing motives for two brands, the experience value is emphasized by Chinese consumers, while the social factors are pursued towards French brand.

**Table 3.29A Education \* The main reason for consuming Chinese brand "Maotai"**

**Crosstab**

			The main reason for consuming Chinese brand "Maotai"					Total
			for social status	long history, good sensory value	Conspicuous consumption	materialist and pursuing expensive thing	high quality	
Education	High school	Count % within Education	18 34.6%	13 25.0%	7 13.5%	2 3.8%	12 23.1%	52 100.0%
	Undergraduate	Count % within Education	37 29.8%	54 43.5%	10 8.1%	2 1.6%	21 16.9%	124 100.0%
	Master	Count % within Education	48 35.6%	46 34.1%	10 7.4%	3 2.2%	28 20.7%	135 100.0%
	PhD	Count % within Education	5 31.3%	5 31.3%	0 0.0%	0 0.0%	6 37.5%	16 100.0%
Total		Count % within Education	108 33.0%	118 36.1%	27 8.3%	7 2.1%	67 20.5%	327 100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.201 <sup>a</sup>	12	.430
Likelihood Ratio	13.174	12	.357
Linear-by-Linear Association	.008	1	.930
N of Valid Cases	327		

a. 7 cells (35.0%) have expected count less than 5. The minimum expected count is .34.

Source: the author



**Table 3.29B - Education \* The main reason for consuming French brand "Louis Vuitton"**

**Crosstab**

			The main reason for consuming French brand "Louis Vuitton"					Total
			for social status	good design, beautiful looks	Conspicuous consumption	materialist and pursuing expensive thing	high quality	
Education	High school	Count	20	14	7	5	6	52
		% within Education	38.5%	26.9%	13.5%	9.6%	11.5%	
	Undergraduate	Count	44	40	15	4	21	124
		% within Education	35.5%	32.3%	12.1%	3.2%	16.9%	
	Master	Count	63	25	15	5	27	135
		% within Education	46.7%	18.5%	11.1%	3.7%	20.0%	
	PhD	Count	5	2	4	0	5	16
		% within Education	31.3%	12.5%	25.0%	0.0%	31.3%	
Total		Count	132	81	41	14	59	327
		% within Education	40.4%	24.8%	12.5%	4.3%	18.0%	

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.404 <sup>a</sup>	12	.104
Likelihood Ratio	17.835	12	.121
Linear-by-Linear Association	.544	1	.461
N of Valid Cases	327		

a. 5 cells (25.0%) have expected count less than 5. The minimum expected count is .69.

Source: the author

Finally, the educational level factors are added to explore the different motives toward two brands. The results are listed in the Table 3-29A and 3-29B. There are no significantly different across respondents from different educational levels. The social status value, experience value and functional value again are the top 3 motives for Chinese brand consumption. And PhD group again show the rational aspect of their consumption, no conspicuous and materialism behavior have been found in this group facing Chinese brand.

And more social value including status value and conspicuous value are found in French brand consumption. Especially in the PhD group, 25% respondents choose

conspicuous consumption when facing French brand.

In conclusion, Chinese consumers mainly consume luxury products because the motives for social status, experience pleasure and good quality. But towards the domestic brand and western imported brands, the motives slightly vary accordingly. The social values of foreign imported brands are perceived by Chinese consumers, and to them luxury consumption is icon consumption. Even like the brand of Louis Vuitton, the design of the products attracts less attention than the logos. The conspicuous value, which is not the top 3 values for luxury consumption, accounts for a large portion of the motives for final decision. But for Chinese domestic brand, the functional value and sensory value are perceived sufficiently.

## **CHAPTER 4 - Discussion of Chinese luxury consumer behavior**

The newly emerging market is a notable force to the sustainable development of luxury industry. Rossi (2018) describes the prosperity of cruise industry, and find the East Asia and the South Pacific now act as a primary drive of growth. Among the East Asia luxury market, the Chinese luxury market performs outstandingly recent years, so the Chinese luxury market and the Chinese luxury consumers are worth to be carefully analysis.

In the literature part of this research, many existing findings in luxury field describe the characteristics of luxury products, the perceived values offered, the influence factors and the consumer behavior in luxury market, and based on the empirical results of this research, this part will discuss all these contents under Chinese luxury context.

### **4.1. Luxury goods are high quality commercial products for Chinese consumers**

According to the discussion in the literature part, the definition of luxury is very dynamic and evolving over time, and it is involved human' subjective opinions. Many scholars try to use different managerial concepts to confine the luxury definition and fail to cover the overall characteristics of luxury products.

Among all the managerial concepts, the following terms are often mentioned and discussed to describe the obvious characteristics of luxury products, such as the high price, exclusivity, prestige brand, invisible utility, etc. In Chinese context, based on the empirical result in Chapter 3, this research found the Chinese luxury consumers place extremely high quality feature as the most obvious characteristics of luxury

products. From the statistical result (see Table 1.3), over 50 percent of the respondents provide that luxury product are good quality with high price in their impression. So for the Chinese consumers the luxury products are firstly and foremost good quality commodities and vice versa the top quality products can be regarded as luxury goods by Chinese consumers. Such understanding of luxury product is not accordance of classic theory on luxury research. Some scholars, like Kapferer (1997) argues that the top quality products are not necessarily luxury goods, while the luxury goods are not necessary perfect in quality, the high end goods and luxury goods are completely two different categories of commodities and entail different management skills to deal with.

The extant findings show that the luxury products differ from common goods mainly in their intangible utility, which can fulfill the psychological need other than the functional utility. However the good quality is still in the field of functional utility, which are not the luxury brands try to impress the consumers with utmost effort. Such deviation from the traditional luxury definition reflects the immature nature of Chinese luxury consumers. In view of the development process of luxury industry in Chinese market, the time range is only ten years in sharply contrast to the history of luxury industry in western world, which experienced almost 100 years. So the luxury concept is not fully developed among Chinese consumers, who tend to evaluate the luxury product from the traditional quality aspect as usual commercial goods. Secondly, the cultural difference hinders the Chinese consumer to admire luxury aesthetic aspect since the design of luxury product always associate domestic culture and Spiritual civilization. For such reason, the functional aspect becomes very obvious, while the culture and aesthetic design are hard to be admired.

The above two main reasons result in such belief that places high emphasis on quality affects many aspects of Chinese luxury consumer behavior. Especially in the process of decision of luxury consumption, the functional value is the most influential factor that affects the final luxury consumption. Since the functional aspect is mostly valued

by Chinese consumer, so the accentuation of quality and utility performance has extremely importance for the brand competing for Chinese luxury consumers.

Besides placing high emphasis on quality and good performance of the luxury goods, Chinese consumer hold complex feeling towards luxury goods. Under the influence of traditional cultural and contemporary government propaganda, Chinese consumers held very contradictive attitude towards luxury consumption. On one side, they accept to consume high-end products when the economic condition permits. But on the other side, they feel luxury consumption is Not compatible with traditional virtues. Such contradictive attitude towards luxury consumption may result in very complex purchasing behavior which is hard to understand, e.g., the social value perceived by Chinese consumers is different and more complex than western consumers. But nowadays such attitudes are weakened in young generation and in international cities. The statistics show that the younger generation and more globalized consumers act more and more similar with the international consumers.

All in all, the culture difference and political propaganda make the originally complex definition of luxury products more complex among Chinese consumers. In Chinese consumers' minds, the most obviously characteristics of luxury goods are good quality and excellent performance in physical utility, which seems to deviation from the original intention of luxury brand. But in fact, the quality aspect is one of the most obviously attributes that consumer can observe and evaluate directly. So the marketing effort in such aspect should be highly valued by the brands who want to gain more Chinese consumers. Beside the quality aspects, the attitudes is another issue which should be carefully examined by the marketers in Chinese luxury market, since the feeling towards luxury is subtle, complex and contradictive for Chinese consumer in some sense than those in elsewhere. But with the full globalization process, such feeling may be mediated with the factor of age, income, residence place and educational level.

## **4.2. The luxury value framework of Chinese consumers**

As discussion in literature part, the attitudes held by the consumers are not enough to describe the consumer behavior, since the definition of luxury is not strictly an academic term, and scholars suggested use the term of value perceptions to analyze the luxury consumption. Compared with others managerial terms, value perception is more accurate and comprehensive to cover the luxury characteristics and to analyze luxury consumption. And value perception analysis in luxury field had been proved to have both academic and practical implications for understanding the essence of luxury.

In order to have a comprehensive understanding of Chinese luxury consumer behavior, the key task of this research is trying to identify the consumer values perceived by Chinese luxury consumers and synthesis the scatter values into a logical framework, and hence find quantitative relationship between the luxury values and luxury consumption.

This research using a qualitative method to identify the luxury values the Chinese consumer perceived. After interviewing 29 experts in the field, the research got the following key words to describe the luxury values may be held by Chinese consumers, they are self-image, uniqueness, exclusivity, opinion leadership, happiness, useful, practical, high price, social image, social status, token of fortune. The above mentioned values are most frequently mentioned in the interview, which can reflect the values perceived by Chinese luxury from the luxury products. From the list, the values perceived by the Chinese consumers are similar with consumers elsewhere. But such scattered perceived values obtained from the qualitative research don't provide many theoretical and practical implications to the academic and industrial world if without being further processed. Many scholars (Vigneron, 1999; 2004; Smith and Colgate, 2007; Wiedmann, 2004; 2007) suggested that the systematically framework of luxury values will more meaning both for theoretical and managerial

usage. Based on the extant research works, this research successfully synthesizes the scattered values into logical framework, and the statistical method used here is classical and sophisticated method of PCA (Principal Component Analysis).

The statistical results present in a model format (see Figure 3.1) which can be called luxury value framework. Such framework of consumer values perceived by Chinese luxury consumers are mainly divided into four dimensions, they are social, individual, product-function and product-price related values. Such value pattern complies with the Wiedmann (2007) conceptive framework. So the value framework proposed by the Wiedmann is suitable for Chinese consumers, and the Chinese consumer mainly perceived social value, individual value, functional value and financial value from the luxury products, and such four values drive them to do the luxury consumption.

In detail, this four-dimension-pattern of value framework shows that the driving forces of Chinese buyers for luxury consumption: Chinese consumers are affected by the social value which bring them social halo before others in the public, and they pursue the individual value which bring them excellent sensory pleasure and excellent experiences during the purchasing process and usage, they like the good utility performance of the luxury products, and they are also affected by the high price the goods are sold at.

For common commercial products in managerial field, the values provided by the commodity are mainly utility value and hedonic or experience value. But for the luxury products, the values are provided very complicated, which associated with one's social image, one's status, one's desire for materialism, and all these intangible values are hard provided by common products.

Compared with other framework existing in the literature, the five dimensions (quality, hedonic, conspicuousness, uniqueness, extended self) or some three dimensions are not suitable for Chinese consumers with the data collected by this research. But it is worth to note that this doesn't mean that these frameworks have no implications for

Chinese luxury consumer behavior, since the data of this research are limited in 261 samples, so the final value pattern may be biased by the data. With the increasing data sample, the dimensions are more accurate.

Besides the luxury value pattern, the key contribution of this research is the quantitative relationship between luxury values and real luxury consumption, which identify the influence and to what degree the luxury values will affect the final luxury consumption. So the following discussion will mainly analyze the effects the four main values on the real luxury consumption.

In order to obtain an comprehensive understanding of the relationship between luxury values and luxury consumptions, this research not only analyzes the luxury values but also take some important factors, such as demographic factors and income factors, which affects the luxury values into analysis to enrich the final findings. So in the following 4.3 section, this research will discuss all the possible factors that will finally affect the Chinese consumers' luxury consumption.



### **4.3. The impacts of luxury values on the luxury consumption**

In this section, this research will discuss the influence of luxury values on luxury consumption respectively and provide an overall picture about the Chinese luxury consumption.

#### **4.3.1. The perception of social value negatively affects luxury consumption.**

The social value is the most complicated value among all values in this research. In the final model obtained by the empirical results (see Figure 3-2), the relationship coefficient between the luxury consumption and social value is -0.2, which means social value negatively affects luxury consumption. The statistical p-value is less than 0.005, indicating statistical significance. The negative relationship between social value and the luxury consumption is valid statistically.

But such findings are opposite to the existing theory in the literature. Since the social value mainly refers to benefiting in the public, and in the academic field social values are mainly divided into conspicuous consumption and status consumption. Since the classic work of Veblen's *The Leisure Class* (1899), the social value is the major driving force to the luxury consumption, and the conspicuous consumption was once believed the only reason for luxury consumption in academic field before the democratization of luxury. Plus the collectivism is regarded as one of basic features of Chinese people, so many extant research works believe and argue that the conspicuous consumption, one of conspicuous consumption, is the underlying reason for upsurge of Chinese luxury consumption. So this negative relationship of statistical result may seem to be wrong whether from the angle of general theory or from the angle of Chinese specific case. But as discussed in the former parts of this research, the social value is the most complicated value which mixes too much subjective factors from politics, economy and traditional culture, and all these factors make the Chinese consumers hold very contradictory feelings to luxury consumption. In Chinese market nowadays, luxury

consumption is not a simple purchasing behavior for some persons who have social status in public. And such contradictive attitude towards luxury consumption may due to the following reasons:

#### **A. Social value does not comply with Chinese Traditional values**

As mentioned China is a typical society of collectivism, so many extant researches note that the social value of luxury products should be emphasized by Chinese consumers. But luxury product is a kind of very special products than normal goods, which social value does not comply with the collectivism ideologies of Chinese society. Social value in luxury researches mainly contains conspicuous consumption and status consumption. The former one is very important and regarded as main driving force for luxury consumption ever since it was proposed in the famous master work of Veblen's (1899) *theory of the Leisure Class*. Useless and wasteful are key words in conspicuous consumption. The successor Christine Page (1992) further the research on conspicuous consumption and describe the evolution of conspicuous consumption in three steps: from its original value to snob effect. From such description, it can be derived that the meaning of conspicuous doesn't comply with Chinese traditional collective culture. And the conspicuous consumption will have contradictory effects on luxury consumption. On one side, as general nature of human being, Chinese consumers are inevitably love luxury products, which can bring respects and admires of surrounding people, but on the other hand, too outstanding by overt possession is regarded as superficial and not advocated by Chinese traditional values.

While Contrary to conspicuous consumption, status consumption is self-monitor behavior. O'Cass and McEwen (2004) distinguishes status consumption from conspicuous consumption, since the former one is behavioral tendency to gain status to the individual, but the latter conspicuous consumption is behavioral

tendency for individuals to enhance their image by luxury consumption which communicates status to others. So the direction is different between these two definitions. While seeking status consumption comply with social norms of Chinese consumer which means not too outstanding and not too stand back.

Since the social values mainly contains the two values, conspicuous and status value, so the net effect is the sum of the two values. From the discussion above, the conspicuous value does not comply with Chinese traditional values which may be negatively affect the luxury consumption and social status value does comply with Chinese traditional values which will drive to the luxury consumption, so the net effect of the two values may be unsure, which will be depend on the competition of the two opposite forces. Herein the demographic factors will be decisive factors to determine the positive or negative effect the social value on the final luxury consumption. To be specific, the demographic factors including age, income, and the residence place will all have influence on social value (see Table 3-5), which means the consumer with young age, high income and live in metropolitan cities may be more globalized and deviate from the traditional values, for these people the conspicuous value even is a driving force for the luxury consumption, so the net effect of social value must be positive to the final luxury consumption. From this point of view, the samples in this research present the negative net effects on final luxury consumption, and other samples may provide different statistical result. So the future research on social value should pay more attention on the sample selection, which will provide more objective results on.

## **B. Government propaganda against the luxury consumption**

Chinese government always plays very important role in the luxury consumption. Under Deng's theory (Sun 2014), the Chinese market began to open up to outside world and consuming luxury western products became possible. But the government always advocate thrifty, especially nowadays, the

top government place negative attitudes towards the luxury consumption by the government staffs. In recently, the facts show that the fight against corruption has big influence on Chinese luxury market. A lot of consumers with high social status will not wear luxury icons to attract unnecessary attentions to his belongings. And the state leader and the government official deliberately avoid of wearing luxury brands especially in public.

So the demographic factors play important role herein again, such as the career occupation. The owners of private firms may have no such additional consideration on luxury consumption, for them the luxury products are merely commercial commodities. But for the staff in public bureau, the overt display of occupation will arouse unpleasant feelings of the public. In order to get proper social status, some consumers even give up some high-end consumption and choose to trade down their consumptions which product may be displayed in public.

### **C. Lie to the questionnaire**

Except the above two reasons, the result of negative relationship between of luxury consumption might be partially biased from the data collection and respondents did not provide genuine information, even when the questionnaire is anonymous. This may reflect some motives are somewhat contrary to the prevailing social norms. Some respondents who pursue the social value both conspicuous value and status value but conceal their motives of conspicuous value in the questionnaire, since which value is not advocated by the traditional values or the government.

This research also finds that for some respondents they refuse to provide information on income, social values, even age and gender information on anonymous questionnaires.

In conclusion, some consumers may admit that luxury goods can bring high social image or status however they may deliberately avoid purchasing luxury goods. This result might be result from the bias of the data credibility. In addition to such biased information, the traditional values and government propaganda for a thrifty lifestyle have deepened negative effects of social values toward luxury goods.

But the content of social value may be more complicated than conspicuous value and status value. Goffman (1967) believed that social status is expressed in people's daily interaction. So Dion, D., and Borraz, S. (2017) believes that the social status are not provided by the luxury products or the luxury brands, and the luxury brands do will educate and provide status to the luxury buyers through everyday social interactions. The authors believe that the social status is really presented by the interaction during the process of purchasing. Such social status value are taught and obtained by the sales encounter. Such opinion brings the new inspiration to the further research, that is the social value is also very dynamic and a process of self-image realization.

Beside the dynamic definition of luxury social value, Han (2010) provided another category of luxury consumers. He analyzed the luxury consumers in the United State, and found the consumers are divided into four groups (see Figure 1.2). In this Figure, the Patricians who are typical rich people with very good taste in luxury field, are prefer impressing other patricians to using quiet luxury brands but not show off in public. So the sub-lines of a luxury brand with quiet luxury logos are always priced high in the same brands family, which try to appeal the traditional rich people other than appeal to the masses. While the new money, Parvenus, they are trying to associate themselves to traditional rich people Patricians, and disassociate with poor people, the Proletarian and Poseur. So the loud brand names are welcomed by the Parvenus. So even for the rich people Patricians and Parvenus, the requirements for social value are differently.

The social value in this research is complicated, since in general for Chinese consumers conspicuous value is negatively affected the luxury decisions, while the status value is positively affected the luxury consumption, the net effect is worth to further analyze. Plus the above opinions, the status value is a dynamic value which is a self-evaluation process, and traditional rich people and the new money require different social status, the social value is the most complicated value but very important value to marketers to set their brand strategy in Chinese luxury market.

For most of Chinese luxury consumers, they are new money in luxury world and the loud logos are preferred than the quiet brands according to the Han's findings (2010), but since there are no Patricians class whom the new money wants to associate themselves with in Chinese society, so such findings may be not valid in Chinese market, plus the contradictive attitudes towards the luxury products, so the implications of Han's work are limited in China. So the implications of social value in marketing management should be carefully used. As mentioned above, different demographic factors sometimes are decisive determinants for social values. In view of this, the marketers should use more demographic factors to segment the luxury market and find proper marketing technics to provide maximum social value for each sub-segment markets.

#### **4.3.2. Financial value has no significant relationship with luxury consumption.**

In the proposed model (see Figure 3-2), the financial value has no relationship statistically with the luxury consumption. The statistics result shows that the p-value is 0.377, which means that the effects are not significant statistically. The hypothesis No.4 that financial value will positively affect the luxury consumption is not valid. Financial value (in other words price value) thus has no influence with respect to final luxury consumption.

The reason for price value is not so important in luxury consumption due to the

excursionist nature of most of Chinese luxury buyers, who are not typical affluent people. As proposed in Dubois work (1994) there is a kind of luxury buyers who are not consume luxury as their lifestyle, and purchase luxury only in some special occasions. In Chinese luxury market, the consumers are not typical affluent people and most of them purchased luxury in their journey abroad. So the price stands for high status are not fully recognized by Chinese people, let alone investment value.

So in present stage, price value doesn't show great effects in Chinese luxury market. What's more, generally speaking the materialists prefer the expensive things, and the high price itself can bring happiness to them than other values the products provided. But for Chinese consumers, the high price itself doesn't bring such values to them, and high price just implies the high quality and high quality may attract them greatly. So the price value indirectly affects the luxury consumption while such indirect affection is not significant.

What's more, "price" in luxury field is the technic tool for the brand positioning. High price implies high positioning place, so the price may have some influences on luxury consumption through social value.

So the marketer of luxury brand should use the price factor carefully, mainly though the social value and functional value to adjust their usage of price value.

#### **4.3.3. Individual value positively affects luxury consumption.**

In the result of statistical analysis in the proposed model (see Figure 3.2), individual value positively affects consumer decisions (estimate coefficient is 0.17,  $p=0,003$ ), the positive relationship is statistically significant.

This result of such positive relationship may seem paradoxical to most experts and marketers, since in traditional opinion, Chinese consumers are under collectivism cultural background. Pursuing individual value is not typical for consumers under

collectivism.

But it is very reasonable for individual value taking great effect on luxury consumption under collectivism for the following reasons. Individual value is mainly divided into hedonic value and unique value. Unique value is somewhat contradictory with collectivism but hedonic value is not. So the unique value and hedonic value should be analyzed separately.

**A. Unique value may drive Chinese young buyers to consume luxury things.**

As noted in the part of literature review, Chinese affluent people are 7-10 years younger than their western counterparts and the new riches are the main part of luxury consumers. In addition, according to Dubois (1994) excursionist behavior, young consumers may take part in the luxury consumption with low income level. Young generation will be the main force for luxury consumption. Due to the digital science and web technology, the young generation shares the similar lifestyle of western youth, especially in supper cities, such as Beijing, Shanghai, and Guangzhou etc. They see the American movies, enjoy global popular music, and surf on the internet and exchange ideas in international social platform. Their attitudes and values are affected and shaped greatly under the influence of numerical revolution and intellectual terminal such as PDA, intellectual mobile. So this young generation may be not regarded as typical collectivist as traditional Chinese people. They will pursue unique feathers the luxury products provided. So the unique value can be driving force for such young people.

**B. Hedonic value may be positive driving force for luxury consumption.**

Hedonic value doesn't comply with Chinese traditional ideology either. Chinese traditional value believes the tough environment can bring up perseverance



spirits to a person and perseverance is essential factor for a person's success, however hedonic lifestyle or comfortable environment will weaken the people's willpower. So there is old saying in China that "sapping one's spirit by seeking pleasures". Hence hedonic value is not supported in traditional value.

Although there are contradictory ideologies in Chinese traditional culture, hedonic value (or sometime called sensory value) is acceptable in collectivism culture, especially the target products are not too conspicuous or not used in public. Since hedonic value mainly refers to experience value, if the experience is not so overt, consumers will not resist the temptation of the excellence performance provided by the luxury products if the economy condition permit. The experience value provided by the luxury products is so private and the owner will be not criticized by others. That's why hedonic value will push the consumers to purchase the luxury product.

What's more, as indicated in the part of literature review of Chapter 2, Chinese scholar class sets the social standard from ancient times to today. So the abilities and skills of appreciating art pieces are regarded as good taste and noble traits, especially the art pieces are tightly relating with painting, handwriting, etc. Meanwhile, the instruments involved in such activities became the objects to be appreciated. Such as the handwriting brush, there are very famous brands for hundreds of years with very expensive price in China, which can be regarded as typical luxury products and brands nowadays.

In this sense, if someone loves to purchase extremely expensive writing instruments, favorable feeling will be a roused by the surrounding people, because such purchase implies the good taste of the buyer. The usage of such products shows the good taste of the owner. On contrary, unfavorable feeling may arouse when luxury leisure or sports instruments are purchased. That is why in Chinese extremely poverty area, the educational cost accounts for large ratio of the life expense. It is true in China nowadays society, parents are willing

to pay large of money on education, especially children's education. For example, many families spend their almost all the money to send their child to study abroad. Usually tuition fee of one year abroad will be many times of their yearly income. So it is safe to predict, the luxury products relating to children's education are more popular than children's fashion products.

What's worth to note is that there are four constructs in the original questionnaire are gotten rid of in the present four principal values during the data processed, they are:

C2: I will purchase the luxury products which reflect my own image.

C4: I want to have some luxury products before anyone else.

C6: Luxury can help me to be fashion leader not a follower.

C8: Purchasing luxury can make me happy.

Above four constructs are deleted by PCA method when the criterion is set that the eigenvalue value is larger than 1. If the eigenvalue is set smaller, let's say 0.8, the unique value and the hedonic value may be separated in the final model. And the constructs C2, C4, C6 and C8 may be included in the model and become the part of main factor. Examining the four constructs to find that C2, C4 and C6 are typical expression of unique value, and C8 is typical materialism. So the individual value in this study is weakened in unique part, since 3 constructs of unique values are deleted.

In conclusion, the unique value attracts young generations, and hedonic value for private products is widely accepted by Chinese consumers. Considering that the main consumers of luxury goods are younger consumers and that sensory pleasure is more obvious than other values, pursuing luxury goods may relieve pressure for young people, and the phenomena of self-gifts of luxury goods is

quite prevalent in China today.

Further, in the second set of data, many respondents choose the sensory pleasure as their main motive for luxury consumption, and the portion is around 29.2%. Sensory pleasure is typical expression of hedonic value, and Table 3.2 and Figure 3.3 further prove the importance of hedonic value in luxury consumptions.

Same with social value, the individual value is not divided sufficiently statistically. As noted in Chapter 3.1.1, the hedonic value is not against collective culture which is prevailing in China society, but unique value is on the contrary. So in the proposed model, the hedonic value pushes the consumers to buy luxury while 3 unique values are deleted by the first step of data processing. So same with social value, the further modification and research should be added to increase the number of questionnaire collected and more constructs in the original questionnaires. By such modification, the status versus conspicuous motives in social value, as well as hedonic versus unique motives in individual value, can be separated completely. And each effect of such motives on really consumption will be obtained more accurately.

In combination of the influences of individual value and social value in Chinese society, unique value and conspicuous value **may** negatively affect the high-end consumptions, while hedonic and status values may drive for such consumption, which also reveals the collectivism nature of Chinese society, although these natures is changing now as discussed above.

#### **4.3.4. Perception of functional value positively affects luxury consumption.**

The statistical results in the proposed model (see Figure 3.2) show that estimated coefficient of functional value on luxury consumption is 0.22 ( $p=0.000$ ), which means functional value positively and significantly affecting the final luxury consumptions.

H4 is thus valid based on the statistical significance of this result. This empirical result verifies the importance of functional value in the Chinese luxury market.

#### **A. Quality is conspicuous to Chinese consumers**

For most of Chinese people, Luxury products are imported from western world, the name, the pronunciation, the logo, and the design are not yet be familiar by Chinese consumers. But the quality and overall sophisticate appearance will attract consumers directly. There is a story which is very popular in Chinese market to praise the good quality of Louis Vuitton. The story says that a Louis Vuitton trunk was found in Titanic shipwreck. After hundreds years of burying in the bottom of the sea, it was found that all the products in the trunk were dry and protected very well even not a drop of water seeped into the trunk when the trunk was taken out of water. Believe it or not, Chinese consumers began to form very good image of perfect quality about Louis Vuitton trunk. And it helps the brand to build very good brand image in Chinese market and Louis Vuitton become the symbol of the luxury products.

#### **B. Luxury products' high price implies high quality**

Since the low brand awareness, the high price of luxury products implies good quality and excellent utility performance to Chinese consumers. Luxuries are different with normal goods in its art aspect, as Nueno and Quelch (1998) note that for luxury goods, the ratio of intangible and situational utility to price is high, while the ratio of functionality to price is low. So the high price is derived from intangible value not from its functional performance. But in fact, the quality of luxury products is very outstanding and as a basis for building up the intangible value. But due to cultural differences, the intangible values are hard to appreciate by Chinese consumers, while the good quality is easier to infer behind such high price.

In view of the emphasizing the functional value, for most of Chinese people, the differences between luxury products and premium products (Kapferer 1997) are not fully noticed. That's why a lot of brands with good quality are regarded as luxury products in Chinese luxury market but as normal or high-end products in other markets.

### **C. Pursuit of practical usage complies with Chinese traditional value**

The pursuit for good quality and functional performance is not contradictory with traditional cultural value, while other values may be.

It is naturally right for a commodity to have good quality and fulfill the functional utility. It's reasonable for consumers demanding for perfect quality in cost of high price. So if someone spends premium money to purchase a luxury product just for perfect quality, such purchasing behavior may be criticized as irrational behavior, but may not be criticized in moral level. But if conspicuous consumption happens, such behavior will take the risk of contradicting with traditional value in moral level.

In Chinese traditional cultural, noble class in China is always the intellectual class or scholar class. There is an old saying to express that nothing is noble except studying, which says "to be a scholar is to be the top of social ladder". And the values and ideologies of this noble class are the model for the whole society. So to value of inner or psychological thinking is respected, and to pay more attention to the outside physical fortune is regarded as superficial.

In view of such traditional ideologies, functional value of luxury products is of course to be the safe reason for luxury consumption.

### **D. Functional value is easily to be admitted by respondents**

Among all the consumer values, functional value is easily to be accepted by

respondents without any moral burden. Even sometimes functional value acts as excuse to cover for other values, such as individual value. For example, if a girl wants to buy a very expensive skirt just for the beautiful look to attract male attention, she may say the high price ensure the good quality and texture of the skirt.

In collecting the questionnaire, this study finds that some respondents do not want to provide personal information, such as income level, occupation and even residence. So some respondents don't want to provide their real opinions on luxury consumption even if the questionnaire is anonymous.

Finally, high quality and good utility performance are especially important in Chinese luxury market as the model proposed. Since awareness of foreign brand names is comparatively low among Chinese consumers, functional performance, as the most obvious factor, is the most salient factor that influences consumer decisions. So the brands who want to achieve good success in Chinese market, the functional aspect should be place in high position. Especially in introducing new products to consumers, the functional aspect should not be neglected by the brands.

But it is worth to note that although functional value is of such importance, luxury product is on earth luxury product and different from high-end brands. Only emphasis on functional value is far away from enough to attract consumers to buy, since the ratio of quality to price in luxury world is so low for a rational buyer.

#### **4.4. The effects of demographic factors on the luxury values**

This research tries to find the driving forces for luxury consumption by the key tool of luxury values. Using the statistical method, the luxury values obtained from the empirical result are social value, individual value, functional value and financial value. The functional and individual value positively affect the final luxury consumption, while social value negatively affect the luxury consumption, and the financial value has no direct influence on luxury values. But from the above discussion, the social value and individual value are complicated and are heavily affected by the demographic factors. So besides to identify the key luxury values, another key task of this research is trying to find the impacts and influence the demographic factors on luxury values and further on luxury consumption.

This study uses the statistical method to test the impacts of demographic factors including gender, age, income level, residence and educational level on the luxury values and consumptions, which demographic factors are often used as segmenting factors to divide the market in to targeting sub-market.

Useful results are obtained from demographic analysis.

First of all, gender factor is an important segmenting factor. This study explores the role of gender factor in the luxury values, and the statistical result shows that only **individual value** varies significantly ( $p=0.079$ ) between males and females, which indicates that males and females have different attitudes toward individual value. As mentioned above, the individual value mainly divided into the hedonic or uniqueness value obtained from luxury goods. And the hedonic value mainly refers to sensory or experimental value.

Extant researches find that male and female consumers behave very different in their attitude towards luxury products and their opinion towards luxury consumption. Hence such different attitude and opinion will affect the individual value.

Male consumers have more dispersed distribution of attitudes towards luxury than female consumers, which means some male consumers are very favorable for luxury products and luxury consumption and some are very unfavorable. On the contrary attitudes of female consumers are comparatively concentrated. And the average score of statistical results show that female show more favorable attitude towards luxury than male ones. What's more, male consumers emphasize status consumptions, and female consumer's value functional value and individual values.

Such difference between male and female results in the different behaviors when facing individual value, and such different behaviors provides implications for the marketers who want to address the importance of individual values to their consumers.

Secondly, age is another important factor to segmenting the luxury market. As mentioned above, since the rapid development of Chinese society, the generation gap widely exists among Chinese people. So the different age group behavior differently in social aspect and different generation may hold different attitudes towards Chinese traditional values, and younger generation tends to be more globalized and act more similar with western consumers. So consumers with different age may hold different attitudes towards luxury products and consequently require different social value on luxury consumption. In present study, social value significantly varies ( $p=0.002$ ) across different generations in China. And this research finds that elder consumers hold comparatively negative attitudes towards luxury consumption. In the section of 4.3.1, the complexity of luxury social value is deeply delved and this research found the demographic factors, especially the age factor, is the key influential elements which bring the complexity to the social value. And the analysis of these demographic factors is equally important to the analysis of luxury values. And marketers using the age factor to segment the market can obtain valid and effective sub-markets which hold similar social values within the market, and luxury brands can easily and effectively choose the targeting sub-market and launch effective marketing strategy



based on the social value this sub-market require.

The third factor is the income factor. This factor is not only a decisive and direct factor for final luxury consumption, but also affects other the major factor such as social value, and has direct and indirect effects on luxury consumption simultaneously. The model (see Figure 3-2) the income positively affects the final consumption with the coefficient value of 0.16 (p-value 0.027). Meanwhile, this study test the relationship between income and socio-cultural factors, and finds income has a significant effect on social and functional value perceptions (p=0.016 and p=0.033). Based on the correlated result, this research modifies the proposed model and correlates the income factor with other factors.

Since income is direct and indirect factors to the final luxury consumption, this research will spare an individual section 5.5 to discuss the income effects on Chinese consumer behavior in luxury market.

The forth factor is city of residence, in other words, where the consumer live. The research find the residence place affects Chinese consumers' social, individual and financial value perceptions (p=0.01, p=0.087 and p=0.031). Since uneven development economically among regions in China, differences among tier-1, tier-2 and tier-3 cities are obvious in many respects, such as life style and local culture; thus, consumers from different cities have different value perceptions of luxury goods.

From this aspect, the city of residence is very important factor for the marketers, and it will affect almost all the intangible values provided by the luxury brands. For international cities, the consumer behaviors are very similar with the western ones, but the tier-2 or 3 cities, they behave very differently. So the geographic factor may be the most effective segmentation factor to analyze the market than age, gender, and other factors. In order to achieve success in Chinese luxury market, different region should set different marketing strategy to carter different requirements.

And the fact that the luxury boutiques are mainly opened in the metropolitan cities also proves the important of this geographic factor. First of all, the metropolitan cities (tie 1 cities) are gathered most of affluent people. As mention in literature review part, Chinese affluent people concentrated in tie-1 cities, such dense concentration make the global luxury brands feel easy to find the potential luxury buyer who can afford luxury products. Secondly, the behaviors of tier-1 consumers are similar with western consumers which make the global brands feel easy to launch luxury marketing strategy without taking high risk. So the segmenting strategy the global brands used in China nowadays is geographic segmenting market. But with the saturate of existing markets and development of tie-2 or tie-3 cities, the global brands began to pay more attention to new markets. But before entry to the new markets in China, the marketer of global brands should bear in mind that the social value, individual value and the financial value, in other words all the intangible values are not identical with those required by the tie-1 consumers. So the consuming behavior of Chinese consumers is not same, especially among consumers live in different places.

The last factor is the educational factor, this factor may be indirectly affects other factors such as income factor. In this research, it is found that the respondents of PhD groups behave somewhat different from others respondents. They pursue experience value (belong to individual value) of luxury products and care less about the social value and even functional value.

Finally, since the second data collected automatically via internet, the samples in this research are concentrated in young people with comparatively low monthly income. So it is worth to note that some findings may be biased according to this sample. Especially in the discussion of age and income, some individual option may distract the result.

## **4.5. The effects of income in luxury consumption in Chinese luxury market**

The most obvious feature of a luxury product is the high price comparing with commercial products in the same category. So the luxury buyers are usually affluent people and they can afford the high price for the same functional goods. as Dubois and Patrick (1993) put it both premium price charged by luxury goods and income itself serve as a contributor to wealth, make income a powerful segmentation variable in luxury market. This section will address the importance of income factor to discuss the effects of income in luxury consumption.

### **4.5.1. Income is decisive factor for luxury consumption**

Luxury products are not “necessities” as defined in microeconomics. In economics, the luxury product is defined by the indicator of “Income elasticity of demand”. “In economics, the **income elasticity of demand** ( $E_d$ ) measures the responsiveness of the demand of a good to the change in the income of the people demanding the good. It is calculated as the ratio of the percent change in demand to the percent change in income.” (Robert S. *et al.*, 2004). When  $E_d$  is negative, the goods are defined as inferior goods; when  $E_d$  is zero, the goods are defined as sticky goods; when  $E_d$  is positive, the goods are normal goods, especially when  $E_d$  is larger than 1, the goods are defined as luxury goods. The definition of luxury product in economics shows the importance of income factor. Since luxury is defined as income elasticity of demand ( $E_d > 1$ ), the responsiveness of demand on income is largest among all commercial products. The increase of income will greatly arouse the demand of luxury consumption, and the same time decrease of income will greatly diminish the demand of luxury consumption.

So both in managerial field and economics field, the income is the decisive factor in luxury consumption. Dubois’s work found that the income construct contributes 60%

to the propensity to purchase luxuries and socio-cultural factors contribute the other 40%. This research also tries to prove that the two factors are independent to each other or not.

#### **4.5.2. Chinese luxury consumption is the result of increasing income level**

From the Dubois work and definition of Economics, the increase in income level will greatly push the luxury consumption. Since the historical reason, the income is the main resource of a person's fortune. With the rapid development of Chinese economy, the living standard and income level increase greatly, and China became a newly immersing luxury market for global luxury brands. Comparing with mature luxury market, where the income level keeps unchanged for a long time, Chinese economy is very dynamic and prosperous and Chinese luxury market is booming under such economy prosperity. So analysis the income effects on luxury consumption will reflect the dynamic change in Chinese economy development.

Since the high income group concentrated in metropolitan cities where the economy is booming in recent years, so the metropolitan cities are the center of affluent people, and luxury brands began to set up their business in such cities. From this respect, the development of luxury business in China is an economic phenomenon, and witnesses the rapid economic development.

#### **4.5.3. Income is indicator of new type of luxury buyers "excursionist"**

According to the income factor, Dubois (1994) provide a new type of luxury consumer called excursionist, who are not typical affluent consumers and buy luxury for special occasions, such as celebrate a special moment or as a travel gift to memorize the journey experience. So the analyzing income factor has special importance in Chinese luxury market, since China is still a developing country and the overall income is comparatively low than western developed countries, adding income factor into analysis will provide complete and thorough understanding of

Chinese consumers' behavior, and especially to understand the social value that the luxury products provide to luxury consumers.

From the characteristics of excursionists, it's safe to predict that there are many excursionists luxury buyers among Chinese luxury consumers and the income factor will be a decisive indicator to point out the excursionist.

#### **4.5.4 The quantitative relationship between income and Chinese luxury consumption**

This research examines the influence of income factor on luxury consumptions and on other luxury values.

In view of the quantitative relationship between luxury consumption and income, the statistical result shows that the estimated coefficient of income factor is 0.16 with p value is 0.027, which indicates that income is a decisive factor that positively affects luxury consumption significantly, which is in accord with the findings of Dubois (1993). Dubois notes that income and social factors affect final luxury consumption jointly.

Income factor is very important and a pre-conditional factor in luxury consumption. In Economics, luxury is defined as the  $E_d$  (**income elasticity of demand**) is greater than 1, while  $E_d$  of normal goods is between 0 and 1 and value of  $E_d$  of inferior goods is negative. From the respect of  $E_d$  indicator, it shows that income has greater effects on luxury consumption than normal goods and inferior goods. With the increasing of disposable income of Chinese consumer, the huge amount of luxury demand will follow naturally.

What's more, the coefficient weight is approximately equal to those of individual value and functional value. It means that the influential strength of these three factors may be approximately same on final luxury consumption

Meanwhile, this study test the relationship between income and socio-cultural factors,

and finds income has a significant effect on social and functional value perceptions ( $p=0.016$  and  $p=0.033$ ). Such statistical result means that different income level people have different requirements on social value and functional value. It is natural for the rich people that they will demand higher social status and higher functional performance from a luxury product. Based on the correlated result, this research modifies the proposed model and correlates the income factor with other factors.

So income is decisive factor to luxury consumption, it will affect the luxury consumption directly and may be the original driving force for the setting up of global luxury brands, and it is also an indirect influential factor to affect the final luxury consumption through the social and functional value.

#### **4.6. Country of Origin effects among Chinese luxury consumers**

In classic work of Aaker (1992), he proposed that the brand equity comprising brand loyalty, brand awareness, perceived quality, brand association and other proprietary assets. The origin-of-country has strong association with brand awareness, perceived quality and brand association which three assets are intangible values offered by a brand, so the origin-of-country is very important to luxury brands. Some scholars even criticize that the outsourcing behaviors of some luxury brands, and predict the intangible value will inevitably damage by such outsourcing in the long run, and outsourcing for cost reduction is short-sighted deed.

A lot of scholars analyze phenomena and effects of country of origin. Phau and Leng's (2008) test the importance of origin-of-country among Australian teenagers. The results show supportive evidence that original-of-country is very important when identifying the luxury product by the customers. Also Piron (2000) made a comparison research between the commercial goods used in publicly vs. privately, and between luxury goods vs. necessities, and found that origin-of-country has strong effect for luxury products, while conspicuous consumption in publicly comes second. But Gabriela *et al.* (2018) do the research and try to find COO effect on perfume

industry among Brazilian consumers, and finally obtain that the COO has minor influence which can be neglected. So the COO is not necessarily affecting final decision of luxury buyers.

This research analyzes the coo effect among Chinese consumers, and use two specific brands to test this effect. For specific luxury brands, this study uses Chinese brand Maotai (Chinese Spirit) and French brand Louis Vuitton as example.

The top three reasons for consuming Chinese brand Maotai are “experience value: long history and good sensory” (35.9%), “show social status in public” (33.1%), “good quality” (21.1%). While the top three reasons for consuming Chinese brand Louis Vuitton are “social status” (36.8%), “experience value: good design and the beautiful outlooks”(26.1%),“good quality” (19.4%).

The statistics show that experience value, status consumption and high quality of products are three main driving forces for luxury consumption, whatever the products is western origins or Chinese domestic products. But comparing between the consumptions of two brands, difference types of motives can also be found. For Chinese domestic brands consumer place highly value on the experience value, and try to appreciate the brand itself. While for the western brand, the social status requirement comes first to the Chinese consumers.

From this point of view, it is found that Chinese luxury consumers regarded Chinese domestic brands as luxury products in essence, while treated western brands as logos and tokens for social status. But it is worth to note that, since the Chinese Maotai and French LV are not in the same commercial category, so this comparison may be biased the final result.

Further, this study addresses the importance of demographic factors to explore the effects of coo. The demographic factors also contain gender, age, income factor and educational level.

The statistics show that the demographic factors do affect the consumption both on Chinese domestic brands and on Western luxury brands, but all the Chinese consumers perform the following traits regarding the two brands:

For Chinese consumers they feel conspicuous consumption when consuming western brands and the social value of western brands are sufficiently perceived by Chinese consumers, while experience value (belong to individual value) is the main motives for Chinese luxury brand.

#### **4.7. Conclusion: The characteristics of Chinese luxury buyers**

In this section, this research will conclude the characteristics of Chinese luxury consumers and provide an overall view of consumer behavior of Chinese luxury buyers.

##### **4.7.1. The luxury business is triggered by the increasing income level**

As discussed in this research, the income factor is decisive factor for luxury consumption, and income factor directly affect the luxury consumption. And since the metropolitan cities provide more opportunities for higher income, the affluent people concentrated in Chinese tie-1 cities where global luxury brands began to set up their business since 2005.

So the first characteristic of Chinese luxury buyers is the dense concentration in Tie-1 cities where the global luxury boutiques are opened. And consumers in such tie-1 cities (or residence place) act as their western counterparties and require similar values from luxury consumption.

And such similar consuming behavior results from the residence place and income level and further derive the development of economics, the uttermost underlying reason.



#### **4.7.2 The luxury values perceived by Chinese consumers**

The value framework of Chinese consumers presents four-dimensional format, which contains the social value, individual value, functional value and financial value. The individual value and functional value positively affect the luxury consumption, while the social value negatively affects the luxury consumption, and financial value has no significant statistical relationship with luxury consumption.

Generally speaking, Chinese consumer view luxury products as top-quality products and functional value is placed very high emphasis.

Among the four values, the social value and individual value is complex than functional value and financial value. The social value can further be divided into conspicuous consumption and status consumption. The conspicuous consumption doesn't comply with Chinese traditional values and may hinder the Chinese consumers to consume luxury products, while social status value comply with Chinese traditional values, and drive Chinese consumers to luxury products. And the effect of social value on luxury consumption is the net result of the two values, which is mediated and influenced by the demographic factors such as residence place, age, income level etc.

Same with social value, the individual value can be divided into hedonic value and unique value, and for some Chinese consumers two values have opposite effects on luxury consumptions. The net effect of individual value on luxury consumption depends on the competition of hedonic value and unique value, which is also mediated and influence by the demographic factor such as residence place, age, income level etc.

#### **4.7.3 The importance of demographic factors on luxury consumption**

The demographic factors are usually used as segmenting tool to divided markets into sub-markets. And the demographic factors have special meaning in Chinese luxury

market. The demographic factors will affect the four main values of Chinese consumers and finally affect the luxury consumptions. Such influence reveals the uneven development of Chinese economy in different areas. So the marketers of global brands which want to compete in Chinese luxury market should bear in mind the importance of demographic factors.

#### **4.7.4. The effect of country of origin widely exists among Chinese consumers**

Since the global luxury brands set their business in Chinese market for around 10 years, the awareness of luxury brands is low and different from their western counterparts.

Generally speaking, the statistics show that experience value, status consumption and high quality of products are three main driving forces for luxury consumption, whatever the products is western origins or Chinese domestic products. But in specific, Chinese consumers tend to perceive **social value** firstly from western luxury brands and perceive **individual value** from Chinese domestic brands. The country of origin affects the luxury values among Chinese luxury buyers.

## Conclusions and Managerial Implications

Based on the results of the research, this Chapter will make a conclusion about the Chinese consumer behavior subject to luxury products, and provide the managerial and theoretical implications in Chinese luxury market.

### 1. The value dimensions perceived by Chinese

This dissertation tries to explore the value perceptions by Chinese luxury consumers, which enrich the literature by adding the Chinese cases. And this research is regarded as the first attempt in Chinese luxury market subjecting to luxury value.

Firstly, this dissertation sums up the value dimensions perceived by Chinese luxury consumers with PFA (Principal Factor Analysis) and obtains four dimensions value in Chinese luxury market. By examining the content of each dimension, the four dimensions are named as follows: social value, individual value, functional value and price value.

Regarding the social value, which includes “improving social image”, “welcomed by working circle”, “express social status”, and “fortune token”. Comparing this dimension with social value of Wiedmann’s value framework, similar value pattern obtained, so the social value derived from Chinese case comply with that of sophisticate framework. The social value proposed by Wiedmann really exists in Chinese society. Among these social sub-values, the “welcomed by the working circle” and “token of fortune” contribution largely to social dimension than other constructs. So this reflects the characteristics of Chinese people. Under collectivism, the social value is highly emphasized, and among all values in social aspect, the working circle is most important reference group for social value, that means buying luxury in order to impress significant others is an decisive factor in social aspect. After “welcomed in working circle” the “fortune token” is second main sub-value contributing to social dimension. Due to historical reason, the new affluent generation seek fortune icon to

indicate their social class, as proposed by Kapferer (1997) luxury has the classification function as the fortune token. So the representative icon for fortune is another function the luxury brand can bring to the consumer. So under the collectivism cultural context, Chinese people want to buy luxury to impress significant others, to express their wealth, and present their social status, which behavior is homogenous throughout the world.

Considering uniqueness of individual value, in the minds of Chinese consumer it contains “matching one’s own image”, “owning before others” and “opinion leader”, while “matching one’s own image” contribute to this dimension more than other value constructs. This uniqueness value is somewhat different from that in western eyes. In Shukla (2012), “to be opinion leader” or “owning before others” are considered as social values, also in Vigneron’s (2004) work, it is concluded in non-personal perceptions. Puvio (2008), Smith and Colgate (2007), and Kapferer 1997 list it in expressive/symbolic value. So the uniqueness value associates with social and individual value and relates to symbolic meanings. But in Chinese traditional cultural, uniqueness is regarded very individualism. So after the principal factor analysis extracted this into individual value, the impacts of individual value become very complicated. This dimension reflects the effect of cultural background on the value judgment, “the lead bird can be easily shot”, which entails field people or marketers examining this dimension carefully to draw their luxury strategies.

Regarding to hedonic/experience of individual value, it contains “special style”, “pleasant feeling” which relating to values deriving from sensory feelings. Hedonic value mainly refers to the experience with the process of consuming a luxury product. Since the design and function of a product is generally more excellent than normal goods, so the process of consuming it should be pleasant to compensate the high price and with psychological fulfillment.

Subjecting to price value, it contains “high price implies high quality”, “high price indicates high status” and “materialism”. In this value, higher price will arouse desire

feeling towards the products, just because the price here as indicator for quality, status and materialism. So price becomes a dimension of value, higher price more value obtained. This value is seemingly paradox with traditional management skills. In the world of normal products, the marketers always stimulate sale volume by reducing the price, while on the contrary in the world of luxury, marketer may be enhance the price to stimulate sales. As the example of “Krug champagne” illustrates, when the sales is stagnating and brand status is surpassed by other brands, increasing price is effective method to promote sales and enhance brand image (Kapferer 1997). Price here is not the equilibrium of demand and supply as stated by classic economic theory, but a trick of marketing to positioning the brands in targeting consumers.

At last the functional value, it mainly contains “usefulness” and “good quality”. The quality is foundation of luxury product, on which the dream safely founded (Wetlaufer, Suzy (2001). No more dreams can set down on poor quality products. If the quality of luxury can’t be guaranteed, the extra value will vanish quickly, so the quality is the base of consumer values.

From the above discussion, we can find that the dimensions and sub-values are multi-related with each other. The price value relates to functional value since high price may be imply high quality, and price value relates to social value since high price indicates exclusivity and status, and also price value relates to hedonic and uniqueness value since high price associates with materialism. While social value relates to hedonic value since consuming luxury products with high status stimulate psychological pleasant. So the value dimensions are multi-related and should be considered as a whole.

From above analysis, it is safe to say the four dimensions value framework proposed by Wiedmann is also valid in Chinese luxury market. The social value, price value and functional value are similar in contents with the Wiedmann’s model. The only difference between the two frameworks is the individual value proposed in literature is divided into hedonic and uniqueness values in this dissertation. The main reason for

this discrepancy is that the all value constructs are multi-related. If the cultural influence is strong enough, Nuances of categories may occur.

## **2. Values and demographic factors**

Using statistical methods of one-way Anova and crosstab analysis, this research tests the effects of demographic factors in the value perception.

The first demographic factor is residence.

Due to uneven development of Chinese cities, the difference between cities are very obvious both in economic and cultural aspects. Generally speaking, Chinese cities are divided into three tiers, the first tier includes four most advanced cities, and second tier cities mainly refer to capital cities of different provinces. The else are third tier cities. And as discussed above, the affluent people are dense concentration on first or second tier cities, which place is also center place for luxury shopping mall. With different level of economic development and opening degree towards outside world, the attitude towards luxury must vary across cities. The statistics data show that, social luxury, price value, hedonic value and functional value varies significantly cross cities at 0.05 significantly level. This results means that different dweller results in different economic development and affects the psychological judgment for luxury products and people seek different value form the same product. While under the collectivism environment, the uniqueness value is unchanged throughout China.

Many researches test the gender effects on the value judgment and little difference occur due to the gender influence. But this research finds gender does affect the luxury value. Women hold more favorable attitude towards luxury products.

By examining age factor, interesting result is obtained. Since in recent hundred years, China's society is very dynamic and different generations always hold quite different opinions with each other. And the affluent people are young people in China. The

statistical result shows that the social value and uniqueness value varied significantly cross-generations. This provides insightful pictures about Chinese society and reveals many traits of Chinese consumer behavior. Since different generations grow up in different social environments, so the social norms or the social value is varied dramatically. Elder generations are more traditional and conservative, while the younger generations are more open and globalized. This represents directly in uniqueness value. Although in collectivism cultural context Chinese people show fewer tendencies on uniqueness value, and uniqueness value are not take effects on overall luxury consumption. But the difference of uniqueness value across generations can't be overlooked. It can expect that with the opening up to outside world the uniqueness value will take more and more effects on luxury consumption.

Although income and luxury value affect real consumption independently, but statistical result shows that income factor will affect uniqueness value, functional value and price value at 0.1 significant level. Although the statistical result is not significant at 0.05 level, but further research should dig more in this aspect, if the correlation relationship is determined, the total model should adjusted due to the relationship.

### **3. The effects of income and luxury values on the real consumption**

This research verified the validity of Wiedmann's work about the consumer value cross-culturally. Luxury value perceived by Chinese consumer are summarized into four dimensions, they are social factors, individual, financial and functional factors. Besides the summary of value perceptions, what's more important is that this dissertation proposed a model to analyze real luxury consumption with value perception and income factors. This is the main contribution of this dissertation. In literature, many scholars analyze luxury value without taking the real consumption into consideration or discard the income factor.

From the empirical result, the uniqueness value and price value are not affect real

luxury consumption significantly. For uniqueness value, under the collectivism cultural background, act as others is comparatively safe and the requirement for unique is not strong under the collectivism context. So the unique value doesn't drive consumer to buy luxury goods. The same for the price value, high price doesn't provide positive value for consumers to buy luxury in Chinese luxury market. On the contrary, Chinese consumers are very sensitive to price. One research (annual luxury report 2014) finds that Chinese consumers are sensitive to the price difference between Chinese domestic market and abroad market. The price differences are main driving force for abroad consumption. For Chinese consumer, high price may be imply high quality, but extremely high price can't be compensated by its associating values of good quality or high status, especially in that the price may be half cheap abroad. Under huge price difference, the representative effect of price for high quality and status is doubtful and fragile. So the price value doesn't work on the real consumption.

But the hedonic value does affect the real consumption in a significant way. Because low brand awareness of Chinese consumers, the social value derived from the luxury product are hardly be recognized and sometimes merely confined on the level of logo manifestation. But the experience is the direct feeling derived from luxury product. The aesthetic aspects of luxury products are so obvious than social meaning which is deeply hidden behind the brands. Another reason is that the experience pursue is less superficial than placing emphasis on face consumption. So the hedonic value is most important value to affect the real luxury consumption.

Similar to the hedonic value, the functional value affect the real consumption with almost the same power. The functional value is as obvious as hedonic value. And the emphasis on functional value is proof of pursuing high standard of living level by well-off Chinese consumers.

What's interesting of the result is that the social status value negatively affects the luxury consumption. This result means social value of status or conspicuous value



hinders Chinese consumers from luxury consumption. This phenomenon is quite hard to explain in traditional theory in luxury management field. But considering the fact of Chinese society nowadays, unfortunately the luxury in some sense is regarded as a corruption indicator of government officials, so the following phenomena will appear. A. the people who admit luxury can bring social status will conceal their true consumption even in this research questionnaire, and make biased of the result, B. some people who have higher social status deliberately avoid of consuming luxuries in public. But this findings provide some inspirations to marketers when they communicating the social value to their Chinese customers. To amplify the logo effect or emphasis on the obvious exclusivity arise the avoidance by some consumer, since the current government advocates the prudent and thrift lifestyle especially to officials. Many officials even don't wear their expensive watches in public presence.

The income also affects the real consumption, which is unrelated with the values. So the affected factors of total model is divided into two categories, one is consumer value, the other is income factor, this also conforms to the Dubois work (1993). But this study also finds that income factor and consumer are correlated with each other, which doesn't conform to the Dubois work. What's more, the contribution of income factor are not as large as 60% as proposed by Dubois, the power of influential is in the same level with experience value or functional value.

Finally, status consumption, hedonic/experience value and functional value are top 3 values for luxury consumption in China. In social value, the status value positively affects the final consumptions, and conspicuous consumption has unpredictable effects on final consumption. In individual values, the hedonic value positively affects the final consumption, and uniqueness value has unclear impacts on luxury consumptions.

#### **4. Theoretical contribution and managerial implications**

The findings have theoretical attribution, since this study can be regarded as the first

one to conclude luxury value perceived by Chinese consumers and identify the relationship between the luxury value and real luxury consumption.

At same time, the findings have managerial implications especially to the marketers in china's luxury market. To communicate luxury values to Chinese consumer, the luxury companies should bear in mind the special traits and influential cultural in this market and adjust their global marketing strategy. Firstly, to communicate social value to Chinese consumers, the emphasis will put on the reference people, especially the working circle, which influence the social value most. And the token of fortune effect can also be emphasized. While the obvious logo may be avoided to communicate too much in case of opposing feeling aroused. And the luxury brands may do some charities to enhance their social image.

At current stage, the value of uniqueness is not required by most of Chinese consumers, since the influential effect of social traditional social norms is somewhat strong, and this uniqueness value does not vary among Chinese cities. So in marketing strategy, the uniqueness aspect need not communicate heavily to consumers at present stage, but this value should not be neglected. Since the young generations show great difference on the requirement for uniqueness, this value may become more and more important in Chinese market. Some light luxury brands which target at young generation may communicate the unique nature of their products. While exclusivity luxury brand which target mature customers may focus efforts on noble and distinctive nature underlying the products and avoid of communicating the unique aspect instead of.

For price value, it's urgent for the luxury companies to adjust their price in mainland China and changing its pricing strategy accordingly. Otherwise, the pricing strategy will harm the brand image both in Chinese domestic market and abroad market. In around 2005 when luxury first came into Chinese market, the luxury companies found that there are no competitors in this market with local brands, and Chinese consumers are eager to buy luxury products. So the luxury is priced extremely high and targeted

the top rich people, and luxury companies are very demanding at locations and distributions, and even can get huge subsidies money back from the shopping mall by agreeing set business in it. But with the mature of Chinese luxury market, such pricing strategy is to some extent shortsighted and harmful for long development. Additionally due to the change of exchange rate of currency, the price gap between Chinese domestics market and abroad market are too obvious and the “international trade” by consumer themselves became popular. This is extremely harmful for brand image. Kapferer (1997) discuss the pricing strategy and suggest that there should not be great gap in price between individual markets. Firstly, the price value is doubted by Chinese consumers. Since high price is a marketing trick to positioning the high status of the brands, the price difference is contradictory to this strategy and result in the doubtful feelings by the consumers. If the price denotes the high quality and high status, the cheaper price abroad will prove that luxury is not with such high quality and high status, and the consumers felt themselves cheated in domestics market. So it is very hard to convince the consumer of high status of product and hard to positioning their product with price instrument next time. And what’s more important is that it is hard to cultivate loyalty in domestic market. By word of mouth, original domestic consumers will reduce their consumption gradually and ask their friends to buy luxuries abroad for them. With the commercial website, shopping abroad is very popular among Chinese consumers. But this shopping method reduces extra intangible value during the shopping process, the brand image lowered gradually. On the other hand, the price difference harms the luxury brand image abroad. With so many Chinese travelers crowded in the luxury boutiques, who are in a hurry travel process, it is hard to maintain the distinguished and relax manner to communication between sales person and consumer. The shopping process is in hurry and not a typical luxury one. This may degraded the brand image of both Chinese travelers and western domestic consumers. Facing so many Chinese consumers consume luxury product in a rush manner, it will harm the original image of western consumers and gradually refuse to consume such products which used to bring distinguished feeling even in the purchasing process. Reports said some luxury brands refused Chinese

consumers in their boutiques and arouse great conflict between brands and Chinese publics, such refuse is another shortsighted decision, and the basic reason is the existence of large price difference.

French brand name Chanel lowered its price in China in 2015, and cause great attention by marketers and media. Consequently, many voices uttered that Chanel experienced hard time in China and has to lower down its price. But from view of this research, Chanel is on the right way for long lasting development.

Besides social value and price value, the most important values emphasized by Chinese consumers are hedonic and functional values, which reflect the fact of immature nature of Chinese consumer. For them, the intangible value of luxury is not well developed yet or hardly enjoyed due to the cultural difference. On the contrary, the functional and sensory value maybe come more directly and easier to appreciate. So the marketers should bear in mind that communicating functional or sensory aspects of products may win the market share in China, this is extremely meaningful for younger brands to develop in China's market.

## **5. Shortcomings and future research**

This study found a good basis for the future research on luxury value in China's market. But this research have shortcomings as follows, since the constructs in the questionnaires as well as the number of questionnaire collected are not adequate enough, the further research may enrich the constructs to find sub-value effects and increase the quantity of sample to reduce the statistical bias issue. This dissertation list 20 value constructs by exploratory research, the value constructs are not enough to cover all values for Chinese consumers, so after the Principal Factor Analysis, the total part of explained by factors is comparatively low. The further research should pick up more value constructs and provide more comprehensive understanding of Chinese consumer behavior.

Enrich the constructs in original questionnaire may also bring more information to the main dimensions of consumer values. At present study, the conspicuous value and status value are not separated, and so did the hedonic value and uniqueness value. If the constructs were sufficient enough, the two pairs of value may be separated completely, and the impacts of different consumer value would be more definite than present results. In view of this, the category proposed by Colgate (2007) may be more reasonable, as the consumer values should be divided into functional/utilitarian, Hedonic/experiential, symbolic/expressive, cost/sacrifice value.

Secondly, the data collected is ordinal type such as the luxury consumption and income factor, which will reduce a lot of information than scale type data. So the further research can collect numeric data to do the empirical analysis.

Since this empirical research mainly subject to Chinese market and Chinese consumers, so the model proposed in this dissertation awaits cross-cultural data to test the validity. It is meaningful to do empirical research under cross-cultural context to modify the overall model, which will be of great reference for managerial field.

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## Appendix

**Table A-1 Gender \* The impression about luxury products**

**Crosstab**

			The impression about luxury products			Total
			high quality with high price	foreign brands with high price	special handcraft and skills involved brands	
Gender	male	Count	171	84	65	320
		% within Gender	53.4%	26.3%	20.3%	100.0%
	female	Count	187	66	71	324
		% within Gender	57.7%	20.4%	21.9%	100.0%
Total		Count	358	150	136	644
		% within Gender	55.6%	23.3%	21.1%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.115 <sup>a</sup>	2	.211
Likelihood Ratio	3.120	2	.210
Linear-by-Linear Association	.178	1	.673
N of Valid Cases	644		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 67.58.

Source: the author

**Table A-2 Gender \* Most important factor during purchasing decision process**

**Crosstab**

			Most important factor during purchasing decision process					Total
			good value for money	high quality	well-known brands	bandwagon	no more consideration	
Gender	male	Count	177	145	45	8	51	426
		% within Gender	41.5%	34.0%	10.6%	1.9%	12.0%	100.0%
	female	Count	199	178	48	1	74	500
		% within Gender	39.8%	35.6%	9.6%	0.2%	14.8%	100.0%
Total		Count	376	323	93	9	125	926
		% within Gender	40.6%	34.9%	10.0%	1.0%	13.5%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.573 <sup>a</sup>	4	.073
Likelihood Ratio	9.296	4	.054
Linear-by-Linear Association	.460	1	.497
N of Valid Cases	926		

a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is 4

Source: the author

**Table A-3 Gender \* Opinions on luxury consumption**

**Crosstab**

			Opinions on luxury consumption			Total
			It's reasonable to buy some luxury products, if economic condition is ok	depends on mood, I will buy luxury products if I am happy	always stick to thrifty	
Gender	male	Count	312	60	54	426
		% within Gender	73.2%	14.1%	12.7%	100.0%
	female	Count	385	80	35	500
		% within Gender	77.0%	16.0%	7.0%	100.0%
Total		Count	697	140	89	926
		% within Gender	75.3%	15.1%	9.6%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.701 <sup>a</sup>	2	.013
Likelihood Ratio	8.694	2	.013
Linear-by-Linear Association	4.898	1	.027
N of Valid Cases	926		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 40.94.

Source: the author

**Table A-4 Gender \* Which following behavior can be regarded as luxury consumption**

**Crosstab**

			Which following behavior can be regarded as luxury consumption		Total
			purchasing luxury brand	Purchasing behavior is beyond purchasing ability	
Gender	male	Count	81	345	426
		% within Gender	19.0%	81.0%	100.0%
	female	Count	50	450	500
		% within Gender	10.0%	90.0%	100.0%
Total		Count	131	795	926
		% within Gender	14.1%	85.9%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	15.388 <sup>a</sup>	1	.000		
Continuity Correction <sup>b</sup>	14.655	1	.000		
Likelihood Ratio	15.395	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Linear Association	15.372	1	.000		
N of Valid Cases	926				

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 60.27. b. Computed only for a 2x2 Table

Source: the author

**Table B-1 Age \* The impression about luxury products**

**Crosstab**

			The impression about luxury products			Total
			high quality with high price	foreign brands with high price	special handcraft and skills involved brands	
Age	20-25	Count	86	39	27	152
		% within Age	56.6%	25.7%	17.8%	100.0%
	26-30	Count	72	27	31	130
		% within Age	55.4%	20.8%	23.8%	100.0%
	31-35	Count	65	41	28	134
		% within Age	48.5%	30.6%	20.9%	100.0%
	36-40	Count	58	17	17	92
		% within Age	63.0%	18.5%	18.5%	100.0%
	41-45	Count	40	17	21	78
		% within Age	51.3%	21.8%	26.9%	100.0%
	46-50	Count	24	4	6	34
		% within Age	70.6%	11.8%	17.6%	100.0%
	>50	Count	13	5	6	24
		% within Age	54.2%	20.8%	25.0%	100.0%
Total		Count	358	150	136	644
		% within Age	55.6%	23.3%	21.1%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.769 <sup>a</sup>	12	.316
Likelihood Ratio	13.859	12	.310
Linear-by-Linear Association	.004	1	.951
N of Valid Cases	644		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.07.

Source: the author

**Table B-2 Age \* Most important factor during purchasing decision process**

**Crosstab**

			Most important factor during purchasing decision process					Total
			good value for money	high quality	well-known brands	bandwagon	no more consideration	
Age	20-25	Count	185	165	30	3	51	434
		% within Age	42.6%	38.0%	6.9%	0.7%	11.8%	100.0%
	26-30	Count	44	38	16	2	30	130
		% within Age	33.8%	29.2%	12.3%	1.5%	23.1%	100.0%
	31-35	Count	46	45	21	3	19	134
		% within Age	34.3%	33.6%	15.7%	2.2%	14.2%	100.0%
	36-40	Count	33	37	11	1	10	92
		% within Age	35.9%	40.2%	12.0%	1.1%	10.9%	100.0%
	41-45	Count	43	18	7	0	10	78
		% within Age	55.1%	23.1%	9.0%	0.0%	12.8%	100.0%
	46-50	Count	15	10	5	0	4	34
		% within Age	44.1%	29.4%	14.7%	0.0%	11.8%	100.0%
	>50	Count	10	10	3	0	1	24
		% within Age	41.7%	41.7%	12.5%	0.0%	4.2%	100.0%
Total		Count	376	323	93	9	125	926
		% within Age	40.6%	34.9%	10.0%	1.0%	13.5%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	41.567 <sup>a</sup>	24	.014
Likelihood Ratio	41.283	24	.016
Linear-by-Linear Association	.091	1	.763
N of Valid Cases	926		

a. 11 cells (31.4%) have expected count less than 5. The minimum expected count is .23.

Source: the author

**Table B-3 Age \* Opinions on luxury consumption**

**Crosstab**

		Opinions on luxury consumption			Total	
		It's reasonable to buy some luxury products, if economic condition is ok	depends on mood, I will buy luxury products if I am happy	always stick to thrifty		
Age	20-25	Count	342	65	27	434
		% within Age	78.8%	15.0%	6.2%	100.0%
	26-30	Count	102	19	9	130
		% within Age	78.5%	14.6%	6.9%	100.0%
	31-35	Count	99	27	8	134
		% within Age	73.9%	20.1%	6.0%	100.0%
	36-40	Count	62	15	15	92
		% within Age	67.4%	16.3%	16.3%	100.0%
	41-45	Count	49	7	22	78
		% within Age	62.8%	9.0%	28.2%	100.0%
	46-50	Count	24	6	4	34
		% within Age	70.6%	17.6%	11.8%	100.0%
	>50	Count	19	1	4	24
		% within Age	79.2%	4.2%	16.7%	100.0%
Total		Count	697	140	89	926
		% within Age	75.3%	15.1%	9.6%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	51.562 <sup>a</sup>	12	.000
Likelihood Ratio	43.027	12	.000
Linear-by-Linear Association	17.705	1	.000
N of Valid Cases	926		

a. 3 cells (14.3%) have expected count less than 5. The minimum expected count is 2.31.

Source: the author

**Table B-4 Age \* Which following behavior can be regarded as luxury consumption**

			Crosstab		Total
			Which following behavior can be regarded as luxury consumption		
			purchasing luxury brand	Purchasing behavior is beyond purchasing ability	
Age	20-25	Count	53	381	434
		% within Age	12.2%	87.8%	100.0%
	26-30	Count	24	106	130
		% within Age	18.5%	81.5%	100.0%
	31-35	Count	25	109	134
		% within Age	18.7%	81.3%	100.0%
	36-40	Count	14	78	92
		% within Age	15.2%	84.8%	100.0%
	41-45	Count	10	68	78
		% within Age	12.8%	87.2%	100.0%
	46-50	Count	3	31	34
		% within Age	8.8%	91.2%	100.0%
	>50	Count	2	22	24
		% within Age	8.3%	91.7%	100.0%
Total		Count	131	795	926
		% within Age	14.1%	85.9%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.235 <sup>a</sup>	6	.300
Likelihood Ratio	7.176	6	.305
Linear-by-Linear Association	.003	1	.959
N of Valid Cases	926		

a. 2 cells (14.3%) have expected count less than 5. The minimum expected count is 3.40.

Source: the author



**Table C-1 Income \* The impression about luxury products**

**Crosstab**

			The impression about luxury products			Total
			high quality with high price	foreign brands with high price	special handcraft and skills involved brands	
Income	<5000	Count	180	76	71	327
		% within Income	55.0%	23.2%	21.7%	100.0%
	5001-10000	Count	107	35	35	177
		% within Income	60.5%	19.8%	19.8%	100.0%
	10001-15000	Count	29	25	14	68
		% within Income	42.6%	36.8%	20.6%	100.0%
	15001-20000	Count	8	4	2	14
		% within Income	57.1%	28.6%	14.3%	100.0%
	20001-25000	Count	9	2	3	14
		% within Income	64.3%	14.3%	21.4%	100.0%
	25001-30000	Count	5	4	2	11
		% within Income	45.5%	36.4%	18.2%	100.0%
	>30000	Count	20	4	9	33
		% within Income	60.6%	12.1%	27.3%	100.0%
Total		Count	358	150	136	644
		% within Income	55.6%	23.3%	21.1%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.001 <sup>a</sup>	12	.301
Likelihood Ratio	13.734	12	.318
Linear-by-Linear Association	.015	1	.903
N of Valid Cases	644		

a. 6 cells (28.6%) have expected count less than 5. The minimum expected count is 2.32.

Source: the author

**Table C-2 Income \* Most important factor during purchasing decision process**  
Crosstab

			Most important factor during purchasing decision process					Total
			good value for money	high quality	well-known brands	bandwagon	no more consideration	
Income	<5000	Count	293	202	37	5	72	609
		% within Income	48.1%	33.2%	6.1%	0.8%	11.8%	100.0%
	5001-10000	Count	56	62	28	2	29	177
		% within Income	31.6%	35.0%	15.8%	1.1%	16.4%	100.0%
	10001-15000	Count	19	24	14	1	10	68
		% within Income	27.9%	35.3%	20.6%	1.5%	14.7%	100.0%
	15001-20000	Count	1	4	2	0	7	14
		% within Income	7.1%	28.6%	14.3%	0.0%	50.0%	100.0%
	20001-25000	Count	3	4	3	1	3	14
		% within Income	21.4%	28.6%	21.4%	7.1%	21.4%	100.0%
	25001-30000	Count	1	5	4	0	1	11
		% within Income	9.1%	45.5%	36.4%	0.0%	9.1%	100.0%
	>30000	Count	3	22	5	0	3	33
		% within Income	9.1%	66.7%	15.2%	0.0%	9.1%	100.0%
Total		Count	376	323	93	9	125	926
		% within Income	40.6%	34.9%	10.0%	1.0%	13.5%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	98.683 <sup>a</sup>	24	.000
Likelihood Ratio	90.924	24	.000
Linear-by-Linear Association	19.091	1	.000
N of Valid Cases	926		

a. 18 cells (51.4%) have expected count less than 5. The minimum expected count is .11.

Source: the author

**Table C-3 Income \* Opinions on luxury consumption**

**Crosstab**

			Opinions on luxury consumption			Total
			It's reasonable to buy some luxury products, if economic condition is ok	depends on mood, I will buy luxury products if I am happy	always stick to thrifty	
Income	<5000	Count	454	86	69	609
		% within Income	74.5%	14.1%	11.3%	100.0%
	5001-10000	Count	137	30	10	177
		% within Income	77.4%	16.9%	5.6%	100.0%
	10001-15000	Count	48	18	2	68
		% within Income	70.6%	26.5%	2.9%	100.0%
	15001-20000	Count	11	1	2	14
		% within Income	78.6%	7.1%	14.3%	100.0%
	20001-25000	Count	11	1	2	14
		% within Income	78.6%	7.1%	14.3%	100.0%
	25001-30000	Count	9	0	2	11
		% within Income	81.8%	0.0%	18.2%	100.0%
	>30000	Count	27	4	2	33
		% within Income	81.8%	12.1%	6.1%	100.0%
Total		Count	697	140	89	926
		% within Income	75.3%	15.1%	9.6%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	20.084 <sup>a</sup>	12	.066
Likelihood Ratio	22.368	12	.034
Linear-by-Linear Association	1.289	1	.256
N of Valid Cases	926		

a. 8 cells (38.1%) have expected count less than 5. The minimum expected count is 1.06.

Source: the author

**Table C-4 Income \* Which following behavior can be regarded as luxury consumption**

**Crosstab**

			Which following behavior can be regarded as luxury consumption		Total
			purchasing luxury brand	Purchasing behavior is beyond purchasing ability	
Income	<5000	Count	80	529	609
		% within Income	13.1%	86.9%	100.0%
	5001-10000	Count	33	144	177
		% within Income	18.6%	81.4%	100.0%
	10001-15000	Count	15	53	68
		% within Income	22.1%	77.9%	100.0%
	15001-20000	Count	1	13	14
		% within Income	7.1%	92.9%	100.0%
	20001-25000	Count	1	13	14
		% within Income	7.1%	92.9%	100.0%
	25001-30000	Count	1	10	11
		% within Income	9.1%	90.9%	100.0%
	>30000	Count	0	33	33
		% within Income	0.0%	100.0%	100.0%
Total		Count	131	795	926
		% within Income	14.1%	85.9%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.764 <sup>a</sup>	6	.032
Likelihood Ratio	17.995	6	.006
Linear-by-Linear Association	1.651	1	.199
N of Valid Cases	926		

a. 4 cells (28.6%) have expected count less than 5. The minimum expected count is 1.56.

Source: the author

**Table D-1 Education \* The impression about luxury products**

**Crosstab**

			The impression about luxury products			Total
			high quality with high price	foreign brands with high price	special handcraft and skills involved brands	
Education	High school	Count	30	13	9	52
		% within Education	57.7%	25.0%	17.3%	100.0%
	Undergraduate	Count	63	36	25	124
		% within Education	50.8%	29.0%	20.2%	100.0%
	Master	Count	82	34	19	135
		% within Education	60.7%	25.2%	14.1%	100.0%
	PhD	Count	9	4	3	16
		% within Education	56.3%	25.0%	18.8%	100.0%
Total		Count	184	87	56	327
		% within Education	56.3%	26.6%	17.1%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.026 <sup>a</sup>	6	.806
Likelihood Ratio	3.042	6	.804
Linear-by-Linear Association	.658	1	.417
N of Valid Cases	327		

a. 2 cells (16.7%) have expected count less than 5. The minimum expected count is 2.74.

Source: the author

**Table D-2 Education \* Most important factor during purchasing decision process**

**Crosstab**

			Most important factor during purchasing decision process					Total
			good value for money	high quality	well-known brands	bandwagon	no more consideration	
Education	High school	Count	25	11	7	1	8	52
		% within Education	48.1%	21.2%	13.5%	1.9%	15.4%	100.0%
	Undergraduate	Count	35	49	17	1	22	124
		% within Education	28.2%	39.5%	13.7%	0.8%	17.7%	100.0%
	Master	Count	48	54	18	1	14	135
		% within Education	35.6%	40.0%	13.3%	0.7%	10.4%	100.0%
	PhD	Count	5	5	2	0	4	16
		% within Education	31.3%	31.3%	12.5%	0.0%	25.0%	100.0%
Total		Count	113	119	44	3	48	327
		% within Education	34.6%	36.4%	13.5%	0.9%	14.7%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.008 <sup>a</sup>	12	.368
Likelihood Ratio	13.334	12	.345
Linear-by-Linear Association	.054	1	.817
N of Valid Cases	327		

a. 6 cells (30.0%) have expected count less than 5. The minimum expected count is .15.

Source: the author

**Table D-3 Education \* Opinions on luxury consumption**

**Crosstab**

			Opinions on luxury consumption			Total
			It's reasonable to buy some luxury products, if economic condition is ok	depends on mood, I will buy luxury products if I am happy	always stick to thrifty	
Education	High school	Count	32	10	10	52
		% within Education	61.5%	19.2%	19.2%	100.0%
	Undergraduate	Count	99	21	4	124
		% within Education	79.8%	16.9%	3.2%	100.0%
	Master	Count	112	13	10	135
		% within Education	83.0%	9.6%	7.4%	100.0%
	PhD	Count	12	3	1	16
		% within Education	75.0%	18.8%	6.3%	100.0%
Total		Count	255	47	25	327
		% within Education	78.0%	14.4%	7.6%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.400 <sup>a</sup>	6	.005
Likelihood Ratio	16.844	6	.010
Linear-by-Linear Association	5.838	1	.016
N of Valid Cases	327		

a. 3 cells (25.0%) have expected count less than 5. The minimum expected count is 1.22.

Source: the author

**Table D-4 Education \* Which following behavior can be regarded as luxury consumption**

**Crosstab**

			Which following behavior can be regarded as luxury consumption		Total
			purchasing luxury brand	Purchasing behavior is beyond purchasing ability	
Education	High school	Count	9	43	52
		% within Education	17.3%	82.7%	100.0%
	Undergraduate	Count	25	99	124
		% within Education	20.2%	79.8%	100.0%
	Master	Count	11	124	135
		% within Education	8.1%	91.9%	100.0%
	PhD	Count	2	14	16
		% within Education	12.5%	87.5%	100.0%
Total		Count	47	280	327
		% within Education	14.4%	85.6%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.036 <sup>a</sup>	3	.045
Likelihood Ratio	8.372	3	.039
Linear-by-Linear Association	4.265	1	.039
N of Valid Cases	327		

a. 1 cells (12.5%) have expected count less than 5. The minimum expected count is 2.30.

Source: the author



**Table E-1AGender \* The main reason for consuming Chinese brand "Maotai"**

**Crosstab**

			The main reason for consuming Chinese brand "Maotai"					Total
			for social status	long history, good sensory value	Conspicuous consumption	materialist and pursuing expensive thing	high quality	
Gender	male	Count	147	144	36	11	94	432
		% within Gender	34.0%	33.3%	8.3%	2.5%	21.8%	100.0%
	female	Count	152	205	26	14	122	519
		% within Gender	29.3%	39.5%	5.0%	2.7%	23.5%	100.0%
Total		Count	299	349	62	25	216	951
		% within Gender	31.4%	36.7%	6.5%	2.6%	22.7%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.460 <sup>a</sup>	4	.076
Likelihood Ratio	8.451	4	.076
Linear-by-Linear Association	.498	1	.481
N of Valid Cases	951		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.36.

Source: the author

**Table E-1B Gender \* The main reason for consuming French brand "Louis Vuitton"**

**Crosstab**

			The main reason for consuming French brand "Louis Vuitton"					Total
			for social status	good design, beautiful looks	Conspicuous consumption	materialist and pursuing expensive thing	high quality	
Gender	male	Count	165	104	67	16	80	432
		% within Gender	38.2%	24.1%	15.5%	3.7%	18.5%	100.0%
	female	Count	206	131	48	18	116	519
		% within Gender	39.7%	25.2%	9.2%	3.5%	22.4%	100.0%
Total		Count	371	235	115	34	196	951
		% within Gender	39.0%	24.7%	12.1%	3.6%	20.6%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.624 <sup>a</sup>	4	.047
Likelihood Ratio	9.600	4	.048
Linear-by-Linear Association	.108	1	.743
N of Valid Cases	951		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 15.44.

Source: the author

## Questionnaire:

Your occupation:

Gender:

Residence City:

Your Age:

A .below 25

B. 25 -30

C. 30-35

D. 35-40

E. 40-50

F. Above 50

Your Income (Chinese Yuan): A . below 5000

B.5000-10000

C. 10000-15000

D. 15000-20000

E.20000-30000

F. Above 30000

Please click on the right side		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	I purchase luxury goods that reflect my own image.					
2	I will purchase the luxury products which reflect my own style which no connections with other people.					
3	The unique style of luxuries attracts me the most.					
4	I want to have some luxury products before anyone else.					
5	I don't like luxury goods owned by a lot of people.					
6	Luxury can help me to be fashion leader not a follower.					
7	In my opinion, owning genuinely good things is a really pleasant thing.					
8	Purchasing luxury can make me happy.					
9	In my opinion, the luxury good that I purchased is really useful.					
10	I believe that the luxury good that I purchased is very practical.					
11	In my opinion, a high price equals high quality.					
12	A higher price can increase my desire to buy a luxury good.					
13	Buying luxury goods will improve my social image.					
14	Uniqueness characteristics are very important to me.					
15	The higher price of a luxury good makes it more meaningful to me.					

<b>16</b> I buy luxury goods to show who I am.				
<b>17</b> I will buy luxury goods just because luxury goods provide social status.				
<b>18</b> Owning luxury goods stands for having a fortune.				
<b>19</b> If a luxury good can denote high social status, it will be worth more money.				
<b>20</b> Luxuries are very important to help me feel more acceptable in my working environment.				

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