

Doctoral Thesis

**LUXURY BRAND MARKETING: CONSEQUENCE OF  
CHINESE CONSUMER BEHAVIOR**

MARKETING LUXUSNÍCH ZNAČEK: KONSEKVENCE CHOVÁNÍ  
ČÍNSKÝCH SPOTŘEBITELŮ

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## **ABSTRACT**

China's GDP became the second highest in the world in 2012. Chinese luxury brand market is developing rapidly, which sees great potential. The main objective of doctoral thesis is to create a new model for providing guidance in marketing practices for European luxury brands enterprises which focus on Chinese market. The research does a comprehensive analysis on a series of real behavior of Chinese luxury consumers to examine their general patterns, characteristics and predict the future trends of their luxury brands purchase behavior. The main objective is supported by several subobjectives: (a) to determine the demographic characteristics of Chinese luxury consumers; (b) to determine Chinese purchase behavior characteristics on luxury products; (c) to analyze the influencing factors of Chinese luxury consumption; (d) to analyze the Chinese luxury consumer motivation. On the basis of primary and secondary market data collection, the research develops a quantitative research scale. And then the research conducts sampling and uses SPSS analysis, to achieve the empirical research results about Chinese luxury brand consumer behavior. On the basis of influencing factors analysis, the research establishes a model to test the significant difference under different demographic characteristics. The research results innovatively present community motivation in Chinese luxury consumer motivation model, which is thus extended to three levels – individual motivation, community motivation and society motivation. Scientific and marketing practical knowledges are both obtained, and it recommends the European luxury brand enterprises: (a) to focus on consumer community motivation; (b) to pay attention to influencing factors differences; (c) to analyze luxury brand consumer basic behavior. An application of luxury brand marketing strategy on Chinese market is developed on the enterprise of traveling and tourism agency.

## ABSTRAKT

Hrubý domácí produkt (HDP) Číny se stal v roce 2012 druhým nejvyšším na světě. Čínský trh s luxusními značkami se rychle rozvíjí a představuje tak velký potenciál. Hlavním cílem doktorské dizertační práce je vytvoření nového modelu realizovatelného v marketingových postupech evropských podniků, které produkují luxusní značky se zaměřením na čínský trh. Výzkum spočíval ve zpracování komplexní analýzy skutečného chování čínských spotřebitelů při nákupu luxusních značek a výzkumu vedoucích spotřebitelských vzorů a charakteristik, a dále v predikci budoucích trendů chování spotřebitelů při nákupu luxusních značek. Hlavní cíl je podpořen několika dílčími cíly: (a) determinovat demografické charakteristiky čínských spotřebitelů nakupujících luxusní značky; (b) determinovat behaviorální charakteristiky čínských spotřebitelů nakupujících luxusní produkty; (c) analyzovat faktory, které ovlivňují spotřebu luxusního zboží v Číně; (d) analyzovat motivaci čínského spotřebitele při nákupu luxusních značek. Sběr dat studie vycházel z primárních a sekundárních zdrojů, a byla stanovena stupnice pro měření kvantitativního výzkumu. Výsledky empirického výzkumu chování čínských spotřebitelů při nákupu luxusních značek vzešly ze stanoveného vzorku spotřebitelů, pro jehož vyhodnocení byla použita analýza SPSS. Model testování signifikantního rozdílu podle různých demografických charakteristik byl stanoven na základě analýzy ovlivňujících faktorů. Výsledky výzkumu inovativně prezentují společenskou motivaci čínského spotřebitele při nákupu luxusních značek v modelu chování čínských spotřebitelů při nákupu luxusních značek, který je tak rozpracován do tří úrovní - individuální motivace, společenská motivace a sociální motivace. Výzkum přispěl k získání vědeckých i praktických znalostí v oblasti marketingu a doporučuje evropským podnikům produkujícím luxusní značky: (a) soustředit se na společenskou motivaci spotřebitele; (b) věnovat pozornost faktorům, které ovlivňují rozdíly; (c) analyzovat základy chování spotřebitelů při nákupu luxusních značek. Marketingová strategie luxusních značek pro čínský trh je aplikována na podnik cestovní kanceláře.

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## **EXTENDED ABSTRACT**

Since China's reform and opening, with the development of Chinese economic and personal income increase, the GDP reached 51.93 trillion RMB (about 8.26 trillion USD) in 2012. It's the second highest in the world. People have higher expectation on product quality. Their lifestyle becomes better and delicate. The demand for luxury brands arrives at a high level. Chinese luxury brand market is developing rapidly, which sees great potential.

The main objective of the doctoral thesis is to create a new model for providing guidance in marketing practices for European luxury enterprises which focus on Chinese market. The research does a comprehensive analysis on a series of real behavior of Chinese luxury consumers to examine their general patterns, characteristics and predict the future trends of their luxury purchase behavior. The main objective is supported by several subobjectives: (a) to determine the demographic characteristics of Chinese luxury consumers; (b) to determine Chinese purchase behavior characteristics on luxury products; (c) to analyze the influencing factors of Chinese luxury consumption; (d) to analyze the Chinese luxury consumer motivation.

Research on luxury brands consumer behavior has great significant influence on society and public benefits. It helps the government to develop laws and regulations in luxury industry, increase financial revenue, etc. It also forecasts Chinese luxury consumption tendency and guides Chinese luxury marketing, advertising, brand building, public welfare and so on. On one hand, there is a huge difference between luxury products and necessities from the perspective of economic, marketing and sociology. Although there are already discussions on consumer purchase process, influencing factors and motivation in the classical consumer behavior theory, difference exists between luxury and necessities consumption in information searching, influencing factors and motivation. On the other hand, China has unique social culture background and Chinese consumers have special characteristics which cause huge difference compared to European consumers in influencing factors and motivation, and also in the consumption structure. It is necessary and meaningful to do research on Chinese luxury consumer behavior. The doctoral thesis does profound analysis on Chinese luxury consumer behavior from consumers, products, influencing factors and motivation.

The research firstly reviews and summarizes relevant literature about luxury brand consumer behavior. On the basis of market data collection, it adopts expert interview, focus groups, case studies and other qualitative research methods, and develops a quantitative research scale. The research conducts sampling and uses SPSS analysis, to achieve the empirical research results about Chinese luxury consumer behavior, which includes luxury consumers, luxury products, influencing factors and luxury consumer motivation. Based on the early research results of Euramerican scholars and Chinese luxury consumer behavior characteristics, the thesis innovatively puts forward the community motivation for luxury consumption behavior. The hypothesis is validated by the use of structural equation modeling, by which theoretical innovation is achieved.

According to the review of Chinese domestic and international literatures, many scholars have been doing research about luxury consumption from sociology, economic, taxation, marketing and other perspectives, but there is rare systematic research related to consumer behavior. Some literatures focus on a few details or aspects of this field, however, most of the materials are only investigation or reports.

The doctoral thesis analyzes Chinese luxury consumer behavior, including consumers, products and basic consumption behaviors. And also it does the significance testing based on demographics characteristics. Some conclusions are found: Chinese luxury consumers include people from different genders, ages, education backgrounds, occupations, income levels, etc. They are mainly personnel in companies of institutions aged between 21~30, with bachelor degree and earning 5000~10000RMB monthly.

Basic consumption behavior of Chinese luxury consumers has the following characteristics: the luxury purchase frequency is mostly once in a few years; most of them purchase for personal use; purchase channels are mainly high-end shopping center in mainland China. About the luxury products, especially purchase inclination in the future, there is a trend changing from tangible into intangible products.

Part of the luxury consumer demographic characteristics aspects of consumer behavior, such as a luxury purchase frequency and purpose of purchase, there is a significant difference.

The research results show there is difference between various influencing factors. The first level influencing factors in descending order are: culture factor, society

factor, marketing factor and personal factor. The second level influencing factors in descending order are: culture, lifestyle, family, promotion, role/status, opinion leaders, advertisement, subculture, self-concept and face. There are two factors which enterprises are more able to control, promotion factor and advertisement factor. The former has more influence than the latter. These conclusions above are significant to deeply understand Chinese luxury consumer behavior.

Based on previous research about luxury consumer motivation and combined with the characteristics of Chinese local culture, this study innovatively presents community motivation which influences luxury consumption behavior, and verifies the assumptions. They are supported by the results. Based on the previous society motivation and individual motivation, Chinese luxury consumer motivation structure is extended to three levels – individual motivation, community motivation and society motivation.

On the basis of the first-order model of the above established Chinese luxury consumer motivation, the research further develops and validates the second-order model of Chinese luxury consumer motivation. In the model, there are 12 first-order factors. They are quality, taste, hedonism, self-gift giving, inner self expression, integration, bandwagon, status identity, symbolization, flaunt, identity and snob. These 12 factors are divided into 3 second-order factors, which are individual motivation factor, community motivation factor and society motivation factor. About the correspondence, individual motivation factor refers to quality, taste, hedonism, self-gift giving and inner self expression; community motivation factor refers to integration, bandwagon, status identity, symbolization and flaunt; society motivation factor refers to identity and snob.

The second-order model further discusses various factors in the first-order model. The goodness of fit of the second-order model of Chinese luxury consumer motivation is reasonable and acceptable. It indicates this second-order model is accurate to explain Chinese luxury consumer motivation.

This study conducts depth analysis and research on Chinese luxury consumer behavior, and gets a lot of useful conclusions. Especially on Chinese luxury consumer influencing factors and luxury consumer motivation, scientific knowledge and marketing practical knowledge are gained.

The research in these thesis has some following features: (a) the research based on previous research achievements stands on the perspective of social progress,

which can promote further meaningful research about luxury consumer behavior; (b) the research considers Chinese special social and cultural background, concerning the differences between Chinese and European consumers about their luxury consumption behavior; (c) the research integrates theory with practice to bring suggestions and new concept to luxury enterprises.

Scientific and marketing practical knowledges are both obtained. It recommends the European luxury brand enterprises: (a) to focus on consumer community motivation to play a reference group influence; (b) to pay attention to influencing factors differences to effectively use enterprise resources; (c) to analyze luxury consumer basic behavior to develop marketing strategies. An application of luxury brand marketing strategy on Chinese market is developed on the enterprise of traveling and tourism agency.

In the meantime, the research also has its limitations: (a) Limitation of sample data; (b) Limitation of sampling respondents; (c) Lack of luxury brand classification investigative research. Therefore, follow-up study suggestions are: (a) Consumer behavior research on the basis of luxury classification; (b) Similarities and differences of luxury consumer behavior under between European and Chinese cultural background; (c) Longitudinal study on evolution and trends of luxury brand consumer behavior. (d) Theoretical studies combined with luxury brand enterprises.

## **ROZŠÍŘENÝ ABSTRAKT**

Od zahájení reformy v Číně dosáhl v roce 2012 hrubý domácí produkt (HDP) díky rozvoji čínské ekonomiky a růstu osobních příjmů 51,93 trilionů RMB (asi 8,26 trilionů USD). To jej činí druhým nejvyšším na světě. Lidé očekávají vyšší kvalitu výrobků. Jejich životní styl se stává lepším a vybranějším. Poptávka po luxusních značkách se drží na vysoké úrovni. Čínský trh s luxusními značkami se rychle rozvíjí a představuje tak velký potenciál.

Hlavním cílem doktorské dizertační práce je vytvoření nového modelu realizovatelného v marketingových postupech evropských podniků, které produkují luxusní značky se zaměřením na čínský trh. Výzkum spočíval ve zpracování komplexní analýzy skutečného chování čínských spotřebitelů při nákupu luxusních značek a výzkumu vedoucích spotřebitelských vzorů a charakteristik, a dále v predikci budoucích trendů chování spotřebitelů při

nákupu luxusních značek. Hlavní cíl je podpořen několika dílčími cíly: (a) determinovat demografické charakteristiky čínských spotřebitelů nakupujících luxusní značky; (b) determinovat behaviorální charakteristiky čínských spotřebitelů nakupujících luxusní produkty; (c) analyzovat faktory, které ovlivňují spotřebu luxusního zboží v Číně; (d) analyzovat motivaci čínského spotřebitele při nákupu luxusních značek.

Výzkum chování čínských spotřebitelů při nákupu luxusních značek má velmi významný vliv na společnost a veřejný prospěch. Pomáhá vládě vytvořit zákony a předpisy pro luxusní průmysl, zvýšit finanční příjmy, atd. Dále předpovídá budoucí trendy spotřeby čínského luxusního zboží a poskytuje poradenství v oblasti marketingu, reklamy, budování značky, veřejného blaha, apod. Na jedné straně zde existuje obrovský rozdíl mezi luxusními produkty a základními životními potřebami z hlediska ekonomiky, marketingu a sociologie. Ačkoli již probíhají diskuse o procesu nákupního chování spotřebitele, ovlivňujících faktorech a motivace v rámci klasické teorie chování spotřebitele, existuje rozdíl mezi spotřebou luxusního zboží a základními životními potřebami pro vyhledávání informací, ovlivňujících faktorů a motivace. Na straně druhé má Čína jedinečné sociálně-kulturní zázemí a čínští spotřebitelé mají specifické vlastnosti, které způsobují obrovský rozdíl ve srovnání s evropskými spotřebiteli, jak v rámci ovlivňujících faktorů a motivace, tak ve struktuře spotřeby. Je nutné a důležité zkoumat chování čínských spotřebitelů při nákupu luxusního zboží. V této doktorské práci je zpracována hluboká analýza chování čínských spotřebitelů při nákupu luxusních značek podle spotřebitelů, produktů, faktorů ovlivňujících motivaci.

Ve studii je nejprve přezkoumána a shrnutu literatura zaměřená na chování spotřebitelů při nákupu luxusních značek. Na základě sběru dat na trhu byl výzkum proveden formou hloubkových rozhovorů, skupinových diskuzí, případových studií a byla stanovena stupnice pro měření kvantitativního výzkumu. Byl proveden odběr vzorků a byla použita analýza SPSS za účelem dosažení výsledků empirického výzkumu v oblasti chování čínských spotřebitelů při nákupu luxusního zboží, který zahrnuje spotřebitele, luxusní zboží, a faktory ovlivňující motivaci spotřebitele při nákupu luxusních značek. Na základě výsledků dřívějších průzkumů euroamerických odborníků a charakteristiky čínských spotřebitelů při nákupu luxusních značek, tato práce představuje inovaci společenské motivace pro chování čínského spotřebitele při

nákupu luxusních značek. Hypotéza je ověřena modelováním pomocí strukturální rovnice, čímž je dosažena teoretická inovace.

Podle čínské i mezinárodní literatury provádí mnoho odborníků výzkum spotřeby luxusního zboží z hlediska sociologie, ekonomiky, daní, marketingu apod., ale systematický výzkum v oblasti spotřebitelského chování je spíše výjimečný. Část literatury se zaměřuje na vybrané detaily a aspekty v této oblasti, nicméně většina existujících materiálů jsou pouze šetření nebo zprávy.

Disertační práce analyzuje chování čínského spotřebitele při nákupu luxusních značek podle spotřebitelů, výrobků a základního spotřebitelského chování. A rovněž provádí testování významnosti na základě demografických charakteristik. Lze uvést některá zjištění: mezi čínské spotřebitele luxusních značek patří lidé různého pohlaví, věku, vzdělání, povolání, příjmů, atd. Jedná se především o zaměstnance v podnicích ve věku mezi 21 – 30 let, s bakalářským vzděláním, kteří vydělávají 5000 - 10000 RMB měsíčně.

Základní chování čínských spotřebitelů při nákupu luxusních značek má následující charakteristiky: frekvence nákupu luxusního zboží je většinou jednou za několik let; zpravidla jde o nákup pro osobní potřebu; nákupní kanály jsou převážně v čínských luxusních nákupních centrech. Co se týče koupě luxusních značek, zejména do budoucna, mění se trend z hmotných na nehmotné produkty.

Součástí spotřebitelských demografických charakteristik při nákupu luxusního zboží jsou aspekty spotřebitelského chování, jako je například frekvence nákupu a účel nákupu, což značí významný rozdíl.

Výsledky výzkumu ukazují, že existuje rozdíl mezi různými ovlivňujícími faktory. Ovlivňující faktory jsou na první úrovni uvedeny v sestupném pořadí: kulturní faktor, společenský faktor, marketingový faktor a osobní faktor. Na druhé úrovni jsou ovlivňující faktory uvedeny v sestupném pořadí následovně: kultura, životní styl, rodina, propagace, role/postavení, autority utvářející veřejné mínění, reklama, subkultura, sebepojetí a vzezření. Existují dva faktory, které jsou podniky schopny více kontrolovat, a tím je faktor propagace a reklamy. Propagace má větší vliv než reklama. Tyto závěry jsou podstatné pro hlubší pochopení chování čínského spotřebitele při nákupu luxusních značek.

Na základě předchozího výzkumu v oblasti motivace spotřebitele při nákupu luxusního zboží a v kombinaci s charakteristikami čínské kultury, tato studie inovativně představuje společenskou motivaci, která ovlivňuje chování



spotřebitele a potvrzuje předpoklady hypotézy, jež jsou podpořeny zjištěnými výsledky. Na základě předchozí individuální a společenské motivace je struktura motivace čínského spotřebitele při nákupu luxusního zboží rozšířena do třech úrovní - individuální motivace, společenská motivace a sociální motivace.

Na základě prvořádového modelu výše uvedené motivace čínského spotřebitele, výzkum dále rozvíjí a potvrzuje druhořádový model motivace čínského spotřebitele. Model obsahuje 12 prvořádových faktorů: kvalita, chuť, hédonismus, obdarovávání, vnitřní sebevyjádření, integrace, módní trend, status osobnosti, symbolizace, chlubitost, osobnost a snobství. Těchto 12 faktorů lze rozdělit do 3 druhořádových faktorů, kterými jsou faktor individuální motivace, společenské motivace a sociální motivace. Co se týče vzájemného působení, faktor individuální motivace souvisí s kvalitou, chutí, hédonismem, obdarováváním a vnitřním sebevyjádřením; společenský motivační faktor se týká integrace, módních trendů, statutu osobnosti, symbolizace a chlubitosti; sociální motivační faktor představuje osobnost a snobství.

Druhořádový model se dále zabývá různými faktory prvořádového modelu. Dobrá shoda (goodness-of-fit) druhořádového modelu motivace čínského spotřebitele při nákupu luxusního zboží je opodstatněná a přijatelná. To znamená, že pomocí tohoto modelu lze přesně vysvětlit motivaci čínského spotřebitele.

Tato studie provádí hloubkovou analýzu a výzkum v oblasti chování čínského spotřebitele při nákupu luxusního zboží a přináší řadu užitečných závěrů. Zejména pokud jde o faktory ovlivňující čínského spotřebitele při nákupu luxusních značek a jeho motivaci, přispěl výzkum k získání vědeckých poznatků a praktických znalostí v oblasti marketingu.

Tento výzkum může být charakterizován následovně: (a) výzkum založený na předchozích úspěších v této oblasti spočívá na sociálním pokroku, který může podporovat další významný výzkum chování spotřebitelů při nákupu luxusního zboží; (b) výzkum bere v úvahu specifické čínské sociální a kulturní zázemí, zejména pokud jde o rozdíly ve spotřebitelském chování mezi čínskými a evropskými spotřebiteli; (c) výzkum integruje teorii s praxí, aby tak přinesl návrhy a nový koncept pro podniky s luxusními značkami.

Výzkum přispěl k získání vědeckých i praktických znalostí v oblasti marketingu. Umožňuje tak evropským podnikům s luxusním zbožím: (a) soustředit se na občanskou motivaci spotřebitele pro ovlivnění referenční skupiny; (b) věnovat

pozornost rozdílným ovlivňujícím faktorům pro efektivní využití firemních zdrojů; (c) analyzovat základní chování spotřebitelů při nákupu luxusních značek pro rozvoj marketingových strategií. Marketingová strategie luxusních značek pro čínský trh je aplikována na podnik cestovní kanceláře.

Zpracovaná studie má svá omezení: (a) limitovaný vzorek dat; (b) limitovaný vzorek respondentů; (c) nedostatek investigativního výzkumu v oblasti klasifikace luxusních značek. Proto jsou navrženy oblasti k návaznému výzkumu: (a) Výzkum spotřebitelského chování na základě klasifikace luxusních značek; (b) Podobnosti a rozdíly spotřebitelského chování při nákupu luxusního zboží mezi evropskou a čínskou kulturou; (c) Dlouhodobá studie vývoje a trendů spotřebitelského chování; (d) Teoretické studie podniků luxusních značek..

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## **LIST OF ABBREVIATIONS**

SPSS	Statistical Product and Service Solutions
RMB	Ren Min Bi (China currency)
USD	U.S. dollar
KMO	Kaiser-Meyer-Olkin
FMCG	fast moving consumer goods
AMA	American Marketing Association
UIBE	University of International Business and Economics
4W1H	why, what, when, who and how
3W1H	what, when, who and how
AIO	activitys, interests, opinions
HCR	HuiCong Research
SD	Semantic Differential
AVLS	attitudes, values and lifestyles system
CAD	Computer-aided Design

# 1. INTRODUCTION

## 1.1 Research background

More and more "luxury" comes into people's life. China has had a tradition of thrift since ancient times, but as an aggregation of culture, emotion and taste, the luxury consumption phenomenon still objectively emerges. It is worth our attention and study.

Since the 80's of last century, China has maintained rapid economic growth in three decades, along with the further prosperity of the culture. People live in peace; their living standard improves; their material and spiritual civilization has greatly developed. In this development history, consumption has played a very important role. In 2007, consumption for the first time was over investment and became the first factor driving China's GDP growth (Zheng Chengcheng, 2011). people's pursuit on the "refined" (referenced herein from Sombart's initial statement of luxury, 2005) goods are gradually met and further enlarged. Sustained, rapid and stable development of the economy increases the income, because of which more and more people can afford to pay high price for luxury. According to international experience, once per capita GDP exceeded 1,000 U.S. dollars, the consumption structure will transfer into development, hedonism, and more high-end consumption merge into people's live, with which a lot of luxury in the past will gradually transformed into a necessity for residents. China will become one of the fastest growing, most promising and most lucrative luxury market in the world (Zhang Xiaoming, 2006).

In the meantime, Chinese whose cluster culture is based on ethics are naturally different from European consumers in the aspects of thinking, value and behavior (Zhang Shizhi, Zhang Xu and Yilun Xu, 2011). Growing up in a number of social cultures such as "face culture", "family culture", "human culture", and "relationship culture" from generation to generation, Chinese people have a unique behavior principles and consumer characteristics (Cao Zixia, 2006). When dealing with issues and human relationships, there is a saying that "Chinese find it difficult to understand Europeans, and Europeans also find it difficult to really understand Chinese" (Sun Yue, 2008). Similarly, differences in culture, tradition, and environment cause a huge difference between European and Chinese luxury consumer behavior. Although there are already some researches on luxury consumer behavior, to deeply understand

Chinese luxury consumer behavior, the study must be taken in the specific cultural background and environment.

## **1.2 Statement of the problem**

In classic marketing and consumer behavior studies, only a few are dedicated in luxury. Traditional classification of products is mostly according to product category, circulation channels, and products to be purchased, resulting in research achievements on “tangible products and intangible services”, “direct sales and distribution”, “physical site and online shopping”, “durable goods and fast moving consumer goods (FMCG)”, “industrial organization buyers and individual buyers”, and so on. But few scholars classify the products from consumer psychology (Sun Yue, 2008).

Although the researches in the field of economics start from the consumption income elasticity point of view, referring to the difference of consumer income demand curve on general goods and inferior goods, those really devoted to luxury goods are very rare.

Even though some of the researches in the field of economics explain luxury consumption by mathematical models and diagrams, we can easily find that ignoring individual differences, individual emotions and cultural background results in many defects to understand the luxury consumer behavior.

On these three backgrounds mentioned above, the study on Chinese luxury consumer behavior is significant.

## **1.3 Luxury consumption in Occident and in China**

### **1.3.1 Luxury consumption in the USA**

A retail consumer report from the United States showed that Americans' spending on luxury is increasing. In addition to high-income earners who always prefer the luxury lifestyle, middle-income earners are more inclined to buy high-grade products. Experts in this field pointed out that many Americans have become prosperous, so that they are now in pursuit of a better quality of life. In addition, the traditional high-income class remains a high desire on luxury consumption. The marketing general manager of National Retail Federation Pam Danziger (2004) said that the expansion of the luxury consumer groups is changing this market. Danziger (2004) said that more and more middle-income

class is buying high-end brands. At the same time, many mid-range brands start to offer luxury products. (Economic information, 2006)

The latest luxury consumption trend of U.S. super-rich consumers is yacht. It can give the owner an important value: Individual exclusive. The chairman of world's top yacht manufacturer Ferretti Group, Norberto Ferretti, said his customers like to take a private yacht and a feeling of freedom. To entertain the guests on a yacht is far more special than to take them to their own villa. And most importantly, to own a yacht is the flag of those super-rich who are different from the normal rich. It can be seen from the rapid development of the yachting industry, there is a new round of arm race launched in the wealthy. In the U.S., the number of millionaires increased to more than 200 million. It's more difficult for these wealthy people to show they are different. Many people set their sights on the ultra-luxury products, to highlight their unique status. Today, the super-rich and enterprise services for this population is creating a whole new set of high-end products, the price of which is not even a millionaire can afford. The specification of large yachts rises from typical 80 to 110 feet in the 1990s to more than 150 feet. Since 1997, the luxury yacht market size has expanded more than twice, with some of which the value is more than one hundred million U.S. dollars. There are also dozens of yachts more than 200 feet under construction. (the Wall Street Journal, 2004)

### **1.3.2 Luxury consumption in Europe**

The situation of European luxury market shows relatively a downward trend. Variety of luxury brands, once in a fanatical pursuit by Occidental people: they were following the favor of Napoleon Queen on Louis Vuitton handbags, proud of using Christian Dior's retro fabric clothing, mimicking Jacqueline Kennedy's pink Chanel suit ... in the 21st century, however, the luxury consumption of European countries began to decline. Statistics show that, despite the world's top ten luxury brands are produced in Europe, only 16% of the global luxury consumption is in Europe. Joram Melander, a famous fashion designer in Sweden has been working a long time to design personalized clothing for the luxury brands. He told that more than a dozen years ago, his design was mainly for the European, later for Japanese customers more. In the past two years, more people from Russia, India and China turn to him. (Global Times, 2006)



### **1.3.3 Luxury consumption in China**

According to the empirical data of some European countries, USA and Japan and other developed countries, the growth rate of a national luxury consumption would probably be about twice more than the rate of its GDP (Zhang Li, 2012). When Chinese people come to a sudden increase in wealth, they do not hesitate to choose “the sign of wealth” – a luxury to show their new economic and social status, which is a very natural psychological need.

According to the estimates of China Brand Strategy Association, the population of mainland Chinese luxury consumers has reached 13% of the total, which is about 160 million. Chinese personal savings in the bank balance is approximately 20 trillion RMB, 80 percent of which is held by 20% families of the total. These families can afford luxury. China's luxury market is greatly potential. Its proportion of total global sales is not big, but the rate of increase is highest in the world. Some years ago, luxury consumption in China in the global marketplace only made up a 1 percent share. The accounting firm Ernst & Young study estimated that 10-13 million people were consuming luxury of 2 billion dollar, to calculate the per capita 1200-1600 RMB. This data is reasonable, for only small parts, accessories of luxury. (Zhang Yange, 2005)

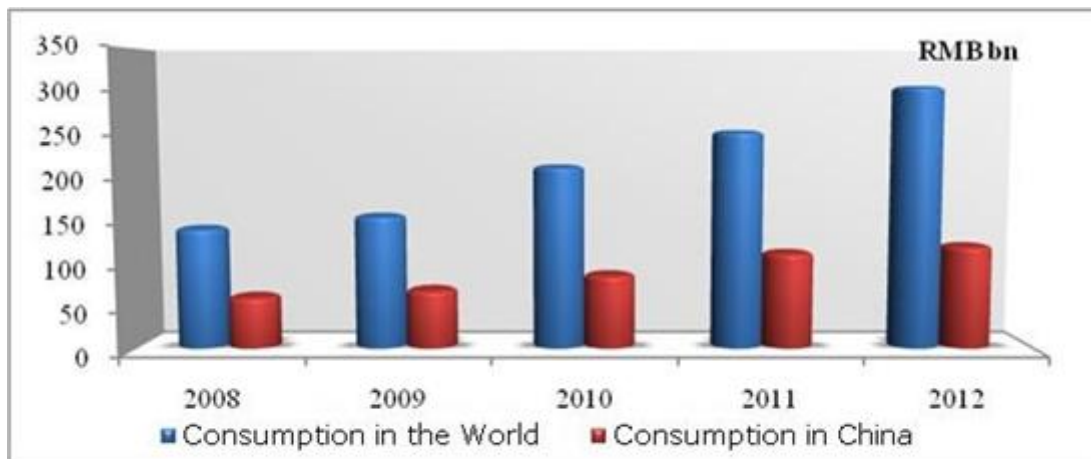
Among luxury consumers, there are perennial or occasional ones. Occasional consumption, such as a commemorative ring for marriage, world famous watches as a birthday gift, and so on, was already there years ago, and even decades ago. It's estimated that the population capable of perennial luxury consumption out of these 10-13 million people is about 500-650 million, which belongs to a primary stage of luxury consumption. And mass luxury consumption era is coming. The report from "Goldman Sachs" shows that: from 2004, the Chinese luxury consumption has already accounted for 12% about global sales (including the luxury consumption in domestic and outside China). China has become the world's third largest country in luxury consumption. Chinese luxury era is coming. Scheduled for 2015, China will surpass the United States and Japan to become the biggest purchaser in global luxury market. (Zhang Yange, 2005)

Luxury consumption, as an era, it doesn't come all of a sudden within one or two years, but a decade or even two decades. From this perspective, there is a huge space in Chinese luxury market. In 2020, China will achieve its goal of building a moderately prosperous society, when per capita GDP is 3,000 dollar.

In developed cities like Shanghai, Beijing, Shenzhen, Guangzhou, Suzhou, Wenzhou, etc, per capita GDP will even exceed 15,000 dollar. The population of these cities is more than 300 million. This huge group is becoming the basis of the potential luxury consumers. Zhan Zhao'an, the president of Montblanc Asia Pacific region, stresses that: "Although the largest luxury consumer countries are the United States and Japan at present, China will become the world's largest luxury consumer market in 5-10 years." (Zhang Yange, 2005)

The reason why China is becoming the world's largest luxury is because China becomes a new, dynamic market due to its development. The way and speed of getting wealth is undergoing tremendous change, which influences people's consumption. A hundred years ago, to become a billionaire, decades of effort and accumulation is even not enough. This process is extremely difficult, which for the ordinary is hard to imagine. Old Rockefeller, the founder of the Rockefeller family in the early 20th century, who became a billionaire after decades of efforts, ever said: "You do not know how many sleepless nights I had, worried about the results. All wealth that was got couldn't compensate this worry day and night. " (Zhang Yange, 2005) The way they accessed to wealth makes them very sparing in consumption.

In the 21st century, however, people have more and more means getting wealth, which is accumulated faster and faster: Some people rely on capital operation, merger and acquisition, and become billionaires in just one year; some people get unexpected wealth overnight because of a ten-dollar lottery ticket; some people earn up to 10 million dollar per year as a professional manager.... For these people, the acquisition of wealth is so "simple" and rapid. Because of that, they take premature consumption as granted, without considering the price.



Source: ResearchInChina China Luxury Apparel and Accessories Market Report, 2012-2015

Figure 1: Total Luxury Consumption of Chinese Consumers, 2008-2012

Source: China luxury apparel and accessories market report, 2012-2015 (2013)

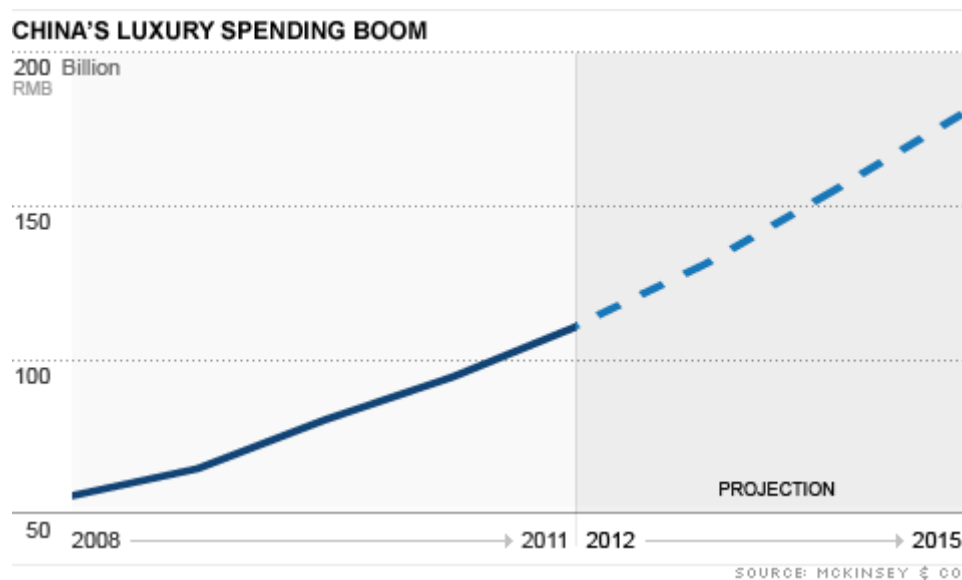


Figure 2: China's luxury spending boom

Source: McKinsey & Co (2012)

## 2. DEFINITION OF LUXURY

In Oxford Dictionary, luxury is defined as “A thing that is expensive and enjoyable but not essential”. Ci Hai (a Chinese authoritative dictionary) interprets luxury as: not frugal, too much. The Interpretation of the "Consumer Dictionary of Economics" is: luxury, also known as luxury consumption materials, are those consumption goods the demands of which increase in a greater proportion than necessity, compared with income. The scope that luxury covers changes with the development of social productivity and the raise of

consumer income level. Luxury in one period may become the necessities in another period. (Hu Yanni, 2006)

## **2.1 Luxury concept from economics point of view**

Luxury derived from the Latin word for "light" (Lux) (ChinaSSPP, 2009). Understanding from the literal, luxury means shiny, bright, attractive, enjoyable articles. From the economics point of view, the definition of luxury is often compared to the necessity. Adam Smith (2006) in *The Wealth of Nations* only gives the definition of necessities, and all items other than necessities are classified as luxury. Based on the definition in economics, as incomes rise, the demand for commodities is growing, but the growth rate of demand is higher than that of revenue. This commodity is a luxury. Its Engel curve is concave.

Simon Kemp (1998) indicated by variables and data analysis that the price elasticity of luxury is higher than necessities. Vigneron and Johnson (1999) defined luxury brand as the highest level of prestige brand, which contains a series of tangible value and psychological value such as conspicuous value, uniqueness value, social value, hedonic value and quality value. Vickers and Renand (2003) indicated by the analysis on three dimensions of luxury – pragmatism, empiricism, and symbolic, that luxury is radically a symbol of identity and social status. Now, thanks to the globalization and internationalization of economy and culture, there appears the international concept of luxury. Simon Nyeck (2004) indicated that the definition of luxury related to lifestyle or the way of existence, and also pleasure and desire.

Luxury is internationally defined as "consumer goods over the range of people's survival and development needs, with a unique, rare, exotic features, and also known as non-necessities." (ChinaSSPP, 2009) Luxury is high-level consumption, some luxury at the same time are development materials. In this sense, luxury consumption is not a synonym for "show off" or "waste"; luxury consumption is not abnormal high consumption, either. Luxury in terms of economics refers to the highest ratio of value and quality, while from another point of view, luxury is a product with the highest ratio of intangible value and tangible value. The luxury consumption itself is a kind of symbolic consumption in luxury lifestyle. Luxury highlights the interests of the non-functional; its brand creates a social identity atmosphere making people believe this symbol represents the value of luxury.

## **2.2 Luxury concept from marketing point of view**

On the division in marketing, products are mostly divided into tangible products and intangible services, consumer goods and industrial supplies, general consumer goods and consumer durables; but there is no specific distinction for general necessities and luxuries. Kotler (2009) pointed out that product is anything able to provide for the market to meet needs and desires. Products in the market include physical goods, services, experiences, events, characters, locations, property, organization, information and creative products. Kotler (2009) further pointed out that in the scheme of market supplies, five levels should be considered, each of which adds more customer value and constitutes a customer value hierarchy. The first level is key interests, i.e. basic services or benefits. The second level is transformation from core interests into basic products, namely, the generic product level. The third level is expected products, i.e. a default set of properties and conditions that the buyers expect when purchasing. The fourth level is the augmented products, including added services and benefits. The fifth level is the potential products, which is all the additional part of the product that may eventually be realized and will be converted. From the perspective of marketing, the significant difference between luxury and necessities is that necessities are mostly used to meet the needs of the consumer's first level and second level, while luxury items are more in order to meet consumer's third, fourth and fifth needs level.

Quelch (1998) defined luxury brand as those brands the product price of which had lower functional utility but higher intangible and situational utility. With regards to this definition, "functional utility" refers to the effectiveness of product practical features for consumers; "intangible and situational utility" brings effectiveness to consumers with intangible factors such as culture, society and psychology.

On the basis of comprehensive consideration of the above-mentioned elements, Zhu Jiang (2006) indicated that luxury brand can be defined as: luxury brand refers to a brand of which the price, quality, technology and other aspects of its products are much higher than other brands with similar products, and the intangible utility offering to consumers is much higher than the actual function. They are top brands recognized by all social classes. Luxury includes physical and non-physical products – they can be cars, watches, clothing and cosmetics; they can be also hotel services, etc. Luxury, according to personal, social,

economic and environmental situation, can be divided into absolute luxury and relative luxury.

### **2.3 Luxury concept from society point of view**

In his book “Luxus Schafft Wohlstand”, Reitzle Wolfgang (2003) defined luxury and pointed out that luxury is a lifestyle, and is an integration of tangible materials and intangible values, product image and brand. Vorgan Laci Le believed that luxury is a lifestyle integrally or partly considered as luxurious by the society. It’s mostly determined by the products or services. In 1997, Kapferer (1997) defined a semiotic interpretation and sociological meaning of the word "luxury": the symbol of fine art used in functional products. It means not only the pure substances, but also a synonym of top-grade.

### **2.4 A summary of luxury definition**

In most of the classic marketing and consumer behavior textbooks, consumers’ products were considered as abstract and homogeneous. However, scholars have found that although the classic marketing and consumer behavior framework helps us to understand most of the principles that exist in the business community and the market economy, usually a variety of goods in some aspects are different from the traditional (or "classic") point of view, sometimes even to the contrary. Scholars have considered it necessary to classify the products. Various scholars commence the study on commodity marketing and consumer behavior according to different classification criteria. (Sun Yue, 2008)

In the classification of these products, most of the standards are according to product category, circulation channels, purchase approach and so on, becoming classification such as "tangible products and intangible services”, “direct sales and distribution ” , “site purchase and network shopping”, “durables and FMCG”, “organization buyers and individual buyers", etc. But no matter how, the existing research seems not enough to make comprehensive and profound understanding on luxury, not enough to do better in luxury marketing and have an insight into consumer behavior (Sun Yue, 2008). So we have to separately discuss issues related to luxury, more accurately and profoundly understand luxury consumer behavior. It helps to improve the theoretical system of classical marketing and consumer behavior, and helps to provide a theoretical guide and reference for the production and sales of luxury companies.

## **2.5 The luxury definition based on this research**

Various disciplines such as sociology, economics, marketing and consumer behavior hardly have separate intensive research on luxury consumer behavior. On the other hand, there is a huge difference to define luxury from different perspectives. This thesis studies the luxury consumer behavior from the perspective of consumer behavior. Luxury is defined as follows:

Luxury is a commodity which is able to bring a better experience to individuals, with which people are generally obsessed, with noble characteristics universally recognized, and the symbolic significance of which is much more than its functional benefits.

This definition is from the Chinese perspective. The concept of luxury is different between Chinese and European and American. Chinese consider apparel, perfume, handbag and watches as luxury, while occidentals consider house, cars and family travelling as luxury.

## **3. CONSUMER BEHAVIOR**

### **3.1 The theoretical basis of consumer behavior**

Consumer behavior is a theoretical and applied discipline mutual penetrated by many disciplines of economics, management science, sociology, psychology, marketing and so on. It's one of the most important and the basic disciplines in market economy. In the rapidly changing market environment, the business personages and theoretical academic scholars are paying more and more attention to consumer behavior. The business personages mainly expect through more and more profound understanding of consumer needs and their basic behavior, to stand out in the fierce market competition. And scholars in the field of economics, management science, and sociology also increasingly launched a lot of researches on complex consumer behavior. So far, consumer behavior hasn't formed a recognized discipline system, and still continues to develop and change (Sun Yue, 2008).

### **3.2 The development of consumer behavior**

As a subject with short history, the research on consumer behavior originated in the 1950s. Before this time, the theoretical study was first basically limited within the scope of economics as the research on customer needs. According to the changes of utility or demand preference due to the change in price, income and quantity supply, the economists developed a series of models to explain the causes and process of consumer choice. However, this method has significant limitations. It particularly can not explain influence of mental activity on the purchase process – before, during and after the purchase. Therefore, it's lack of persuasion in the actual application process. Since 1950s, the study of marketing theory has greatly drawn lessons from the viewpoints and methods in psychology, behavioral science, sociology and biology (especially neurophysiology), which took consumer behavior research into a new stage. Some universities in the United States began to open the course Consumer Behavior in the 1960s. In 1968, Engel, Kolfat and Blackwell published the first textbook named "Consumer Behavior". In 1970, an academic research groups – “Consumer Research Association” was established. Professional research journal “Journal of Consumer Research” started its publication in 1974. At present, except for Journal of Consumer Research, there are other academic journals of consumer behavior research published in the United States, such as



"Journal of Marketing Research", "Journal of Marketing", "Journal of Advertising" "Advances in the Consumer Research", etc. (Sun Yue, 2008)

### **3.3 The basis of consumer behavior**

Consumer Research is also known as consumer behavior research. The American Marketing Association (AMA) defined consumer behavior as – a dynamic process of interaction among perception, cognitive, behavioral and environmental factors, a behavior base on which human perform trading functions in their life (Bennett, 1989). Modern marketing scholars began to introduce research methods from other disciplines. For example, from the perspective of cognitive psychology, they raised a number of concepts which are not consistent with the principles of economics, including the difference of subjective utility, bounded rationality, satisfaction goals, as well as organizational conflict caused by value difference between company members; they learned concepts from cognitive psychology such as cognitive dissonance between consumer behavior and organizational behavior and cognitive conflict; they also borrowed concepts and theories in the social sciences, such as social stratification, class, innovation diffusion theory, and the included theories of opinion leaders and individual influence (Sun Yue, 2008).

Consumer behavior research is built on a wide range of theoretical basis, and it needs to draw concepts and theories from many disciplines. In European consumer behavior research there are basically two directions. The first is positivism which believes that consumer buying process can be divided into several stages, on each of which can be done the phased study on consumer perception, cognition, learning, attitudes, decision-making, feedback process. The second is interpretivism, which believes that consumer behavior is influenced by situation, and there is no common law of behavior. The characteristics of individual consumer behavior is related to the environment. This direction of research is difficult to draw objective conclusions due to the influence of the researchers' subjective factors. Therefore it's not yet widely used. (Yang Xiaoyan, 2003)

From the research level, the European consumer research is processed in macro and micro levels. On the macro level, consumer behavior is related to the concept of consumer lifestyle. It is usually descriptions of consumer demographic characteristics and consumer behavior characteristics. This kind of research is mostly descriptive research. In Chinese consumer behavior

research at present, the majority is the study of lifestyle. The method is to measure the four dimensions proposed by Engel et al – attitude, activity, viewpoint and demographic characteristics, so as to describe consumer lifestyle. On the micro level, most of the research is interpretive research, in which consumer behavior is often connected to consumer awareness, attitude, purchase intention and decision-making process. It's mostly interpretive research which focuses on the explanation and description of information communication, purchase decision-making, product use, brand attitude and aspects alike. For marketers, consumer decision-making is easier to directly be observed. Therefore, in the eyes of the marketers, consumer behavior is more likely to be demonstrated by advertising awareness, information communication and purchase decision. Consumer behavior can be seen as consists of two parts. The first is the actions of consumers, and the second is the consumers' purchase decision-making process. The purchase decision is the mental activity and behavior tendencies before use and disposal of the products and services purchased by consumers. It's a formation process of consumer attitude; and consumer action is a practical process of purchasing decisions. The consumer purchase decision-making process is involved in the intersects of various disciplines of knowledge, and cognition, attitudes and motivation is currently the important aspects of the study. (Yang Xiaoyan, 2003)

### **3.4 Luxury consumer behavior**

#### **3.4.1 Luxury consumer behavior from the culture's point of view**

China is the largest developing country in the world and there are tens of millions of citizens who have not solved their problem of food and clothing. We can say that China is a "poor" county. However, "poor country" is going forward to the luxury era, becoming the world's third largest luxury consumer, and will soon reach the "world's first". To purchase luxury, Chinese consumers are mostly concentrated on clothing, jewelry, cosmetics, automobiles, etc. It's "commodity-driven consumption", while consumers in Europe and the United States prefer "experience-driven consumption" such as travelling, cuisine and private services. To understand these differences, it is necessary to understand the difference between China and Europe, from the cultural point of view. (Li Si, 2007)

The analyst Yue Zheng from Price Waterhouse Coopers pointed out that there are two differences between China and developed countries luxury consumption.

First, luxury consumers in China are mostly young people under the age of 40; in developed countries, this market is dominated by middle-aged and elderly people aged 40~70. Second, Chinese people mostly focus on clothing, perfume, watches and other personal items, while in Europe and the United States, housing, automotive, family travelling is the luxury aspired (Li Si, 2007). This shows Chinese are still not enough wealthy, on one hand; on the other hand, it also reflects the different lifestyles. High-density population contributes to the conspicuous comparison among consumers. Yang Guoshu (2004) pointed out that Chinese social orientation includes relationship orientation and other-orientation. Many scholars, such as Fei Xiaotong (1948) and Liang Shuming(1963), have stressed the importance of relationship in Chinese culture and Chinese daily life. They call it “social orientation”. It has the important characteristics of formalization, dependence and harmony in relationship. "Others" in the other-orientation do not refer to the other side of the duality relationship, nor is that in a specific relations, but generally refer to non-specific objects – generalized others.

Yang Guoshu (2004) pointed out that the main implication of other-orientation refers that Chinese people in their psychology and behavior are very vulnerable to be influenced by others. They are particularly sensitive and attach importance to others' views, standards, appraise and criticism. They psychologically hope to leave a good impression to others, trying to keep their behavior in line with social norms and with others. On the negative side, it makes the Chinese people try to avoid conflict with others, avoid the scene of being rejected or embarrassed; on the positive side, they try hard to get others' approval, acceptance and appreciation. In other-orientation, Chinese people concern about norms, be obedient to others and emphasize reputation. Chinese luxury consumer behavior is greatly in line with the social orientation.

"China: the new wave of luxury", released by Ernst & Young report noted that China's luxury market has become the third largest in the world, with its annual sales of over 20 billion U.S. dollars (Zhang Yange, 2005). People may easily realise Chinese consumer motivation and psychology are like European conspicuous consumption and materialism. But the cultural differences in all aspects in business (marketing management, decision-making, etc.) have significant influences, which requires different cultural approaches to explain the marketing operation. Chinese culture goes with the guidance of Confucianism and relationships theory, while individualism is dominant in the

European society (Tuvshinzaya and Guo, 2008). A same product in different societies may have different social functions. Therefore, in order to better understand the luxury consumer motivation in China, collectivism and Confucian cultural background factors should be considered.

Consumer culture is the cultural norms that guide and restrain consumer behavior and preferences. Consumer culture is influenced by cultural value system where the consumers are involved in. Chinese cultural values are mainly influenced by two factors - interpersonal relationship and social orientation, because Chinese culture is rooted in Confucian culture (Tuvshinzaya and Guo, 2008). Therefore, it is appropriate to use Kluckhohn & Strodtbeck (1961)'s value system of social orientation to describe Chinese cultural values. Oliver (1994) studied the consumers in Hong Kong, and summarized the Chinese cultural value dimensions as follows: (1) Man and Nature: the harmony with universe; (2) human itself: self-esteem, situational orientation; (3) relationship orientation: face, respect for authority, interdependence and group orientation; (4) time orientation: continuous, past orientation; (5) personal activity orientation: moderation, harmony with others.

Chen Xian (2007) described the situation of Chinese luxury consumer market, and analyzed the luxury consumer behavior. He discussed the influence of Chinese traditional Confucian collectivism culture on luxury consumer behavior based on literature research, which consists of five levels: (1) interdependence on self-concept; (2) balance of individual and group interests; (3) high recognition of social hierarchy; (4) compliance with organizational constraints and norms; (5) advocating modest and frugality values. Chen Xian (2007) also pointed out that there is a strong tendency of materialism and status consumption in Chinese luxury consumer motivation, because of the long-standing influence of Confucian culture and collectivism value. People purchase luxury not because of their personal needs, but mainly because of the influence of interdependence self-concept, intention of moving closer to specific groups, correspondence with the standards of their groups, and to meet the needs of the group interests. They have a high sense of social hierarchy conception and take luxury as a social tool, so as to involved themselves into certain social class and grade, and separate from the members of other social classes. In the meantime, the consumer behavior is also influenced by their organizational rules and norms of modest conservation constraints, and respect for traditional culture, showing a series of characteristics.

### **3.4.2 Social identity and luxury consumer behavior**

The Russian famous semioticians Lotman and Bakhtin believed that "any object can be accepted as a image of something. The art symbol of this object is itself the product of an ideology" (Fussell, 2011). This object is no longer a part of the physical reality, but reflects and refracts another reality. In this case, object is converted into symbol. Consumer goods are also ideological symbols, and their brands play the role of symbols.

The definition of luxury is connected with politics from ancient times. Court, aristocracy and their imitators consume a lot of luxury. Once combined with the political class, luxury consumption has become kind of collective behavior. Most of what they consume is not to meet personal necessities. Consumption of luxury is a symbol of status for ancient aristocratic. Since ancient times, China has had a tradition that once quickly possessing great wealth, people imitate the lives of the nobility and consume a lot of luxury, in order to show the raise of their status. People call it "nouveau riche" acts. With the economic and social development, those who are capable of luxury consumption in China, from their education level, gradually combine the luxury consumption with culture and taste, subtly maintaining their social status.

What is the mark of a person's social hierarchy? The exposition of the scholar Paul Fussell (2011) about social identity and social class is very informative. He pointed out that nowadays, due to the general improvement of human life quality and progress of social concepts, this question is no longer easy to answer. Usually it is not your career, house, or table manners, nor is it how much money or how much property you own, but a combination of a series of subtle, conscious or unconscious behavioral characteristics. All of these constitute a social class positioning. It is the people's taste and lifestyle identifies their social class. This taste and style is shown only in people's daily life. A person can become rich overnight, but not change his lifestyle. In the USA, middle class are those lack a sense of security most and live in anxiety. Living in this mentality, the foremost is to get recognized by others, look correct and safe in the eyes of others, which is so called social identity. Their love of vanity is inevitably reflected in their daily life and discourse. However, in essence, most of them are struggling up from the lower social classes, so they inevitably lack of high-level taste that the rich class have, and thus their pursuit is just the items which are lack of personality, standard and clear to indicate identity. In today's society, social class has been established on more cultural norms, rather than simply

divided by standard of having property or no property, exploiting or being exploited, oppressing or being oppressed. People can improve their social taste to improve social status. In addition, only money will not improve a person's social status, but also the improvement of cultural taste and lifestyle. Without taste people can never change the social class they originally belong to.

Chinese scholars such as Professor Zhang Mengxia (2005) from Capital University of Economics and Business believes that the performance of luxury consumer behavior manifests as a symbolic purchase behavior. Solomon and Lu Taihong (2006) in their book "Consumer Behavior" further pointed out that luxury consumption can be seen as a consumption of luxury symbolic significance. From this consumption, consumers get satisfaction which is built on illusion, including the possession of the desire, flaunt and the financial strength, style, identity, and so on.

The scholar Wen Jun'e from Department of Sociology, East China Normal University believed that contemporary society is a typical consumer society, and the problems can not be explained simply by economic principles. The famous French sociologist Jean Baudrillard once pointed out in his book "Consumer Society" that, in the contemporary consumer society, there are a series of structural characteristics different from the traditional productive society. In productive society, consumer behavior is based on people's real needs; while in consumer society, the consumption goes far away from the real needs. Commodity and its image become a huge „symbol carrier”, stimulating people's desire and driving behavior choices, which makes the consumption become an irrational carnival. One of the obvious performances is that what people consume is not only a physical product, but also a symbol. This symbol to some extent, manifests people's identity or socioeconomic status. (Zhu Xiuyuan, 2006)

Zhu Xiuyuan (2006) pointed out that although the taste is a personal characteristic, some people's taste is "common or similar concept of consumption and selection criteria". They expect to show their knowledge background and uniqueness by using elegant, stylish, long brand culture history products. Luxury strongly cater to this need, which make it become a “no word business card” for social identity. Consumption is a behavior of class differentiation, and income is a standard to distinguish class.

In the interaction of a social class, the "boutique" clothing as a "class label" reminds the young upstart that they must have a sense of belonging to that class. Sense of belonging first comes by "pasting" themselves a "class label". Therefore, once the consumption departs from people's real needs, it is likely to evolve into a symbolic meaning. If so, the phenomenon of so-called luxury consumption comes without surprising, because in this luxury consumption, the core value people quest for is not commodity itself, but the symbolic value attached to the use value of commodity. From this perspective, we do very difficult to to explain by traditional economic theory why some men can spend big bucks to win only a sweet smile, but sociology knowledge tells us that, such consumption reflects the socioeconomic structure and the personal moral value orientation. Therefore, consumption is not just a behavior to meet human material needs, nor even is it a function for pleasure. Consumption, as Baudrillard said, is a system, a morality, a communication system and switching fabric - it has the function of social organization (Zhu Xiuyuan, 2006). To a certain extent, luxury is a symbol consumption of lifestyle. Luxury brands must create adequate social identity atmosphere, in order to make consumers recognize the value it represents. No matter whether you agree with this standard or admit the fact or not, good taste and lifestyle are able to immediately impress people, get more respect and appreciation, and thus improve your social status. Money is important, but money only does not gain universal recognition, respect and appreciation. The issue about how you spend your money, what kind of consumption you do, and what characteristics you show, is more important.

China today is at a new crossroads of social hierarchy stratification. Decades of egalitarian society myth has been broken. People's perception of social hierarchy is rapidly updated. The most powerful factor driving this change is money. The possession of money is reclassifying people's social status. Money takes place equality and social justice, and begins to weave its myth and legend, weave people's dreams of life, and in the meantime crushes a large number of people's wealth expectations. Money becomes a fully-fledged social metaphor, a goodly value symbol, and a double symbolization – a dream all about happiness, or the misfortune of all money chasers. In a business society people can not live without money and power, or they will lose dignity and sense of security. But life is not worth the endless pursuit of money, because that lacks of taste. Money is not definitely bound to raise your social status, because in this world there are always somebodies who do not care about your money. However, lifestyle and taste is bound to get other people's respect and appreciation, thereby enhancing

the social hierarchy. For being involved in the community and social identity, luxury consumption makes the expectation realized.

### **3.4.3 Chinese “face” and luxury consumer behavior**

Because consumers in China and Europe are in different cultural backgrounds, their luxury consumption motivations are different. Chinese consumers sought after luxury more for face, identity and class symbol. In Europe, the luxury consumption is the desire "I want" from consumers, while in China, in many cases it's "I must".

Cao Zixia (2006) believes that an important motivation that influences a lot of consumers' behavior, is to gain status and social reputation. The conspicuous consumption, as an important aspect of luxury consumption, is often considered to improve a person's reputation in society and send a well-off signal to others through the public display of wealth. Conspicuous consumption also includes consumption for self-expansion, along with the ostentatious display of wealth. The early study of conspicuous consumption showed that in public luxury consumption, consumers considered the "reference group", as well as the social status associated with the brand. When reputation and identity is related to the purchase of expensive products to establish a personal self, luxury consumption represents the value of individuals and other important figures. It's thus clear that compared with general consumption, interpersonal influence and social status are the two important variables of conspicuous consumption. People have different sensitivity to interpersonal influence and therefore have different consumer behavior. In addition to the interpersonal factors of consumer motivation such as showing off, being snobbish and stylish, there are also individual factors of motivation such as hedonism, self-extension and so on. Individual-oriented consumers concern more about individual motivation, while a strong social-orientated consumer concerns more about public awareness, rather than individual consciousness, and pays more attention to external self-protection and enhance. In the cultural context of China's collectivism, consumer consumption is often more inclined to social-oriented, thus forming a special consumer psychology, like "face". "Face" refers to a reputation gained from success and flaunt. "Face" represents a reputation that Chinese people attach importance to. It's the respect, pride and dignity relying on a person's social success and operation of the "art of face".



To a great extent, "face" reflects the dependence of relations between people in the Chinese culture. Personal identity exists in their family, occupational and social relations. "Face" is a dependent self-construal, emphasizing on social roles and public perceptions. It is taken as the core of personal identity. In China's collectivism culture, individual is not a complete whole. Usually family and relatives also reflect an individual's social status. It's thus clear that because of self-dependence of the Chinese consumers, their purchasing process emphasizes more on social reputation, and thus purchasing luxury has become a behavior to maintain and upgrade their "face". It's easy to see that, Chinese luxury consumption due to "face", is consistent with the European "conspicuous consumption" theory. It is a common phenomenon. But "face" is even more particularly important to Chinese people. One of the reasons that China and Japan become countries of big luxury consumers is perhaps this psychological role of "face" in the oriental culture. Through "face", a deeper understanding of Chinese consumer motivation and behavior characteristics can be made to explain the unique phenomenon of the Chinese luxury market. (Cao Zixia, 2006)

#### **3.4.4 Other relevant issues of luxury consumer behavior**

Nia and Zaichkowsky (2000) verified the perception and attitude of the original and fake luxury owners. The results showed that all of the respondents believe that it's worth paying for luxury, no matter it's genuine or a fake. Respondents who have genuine luxury believe that genuine luxury is more prestigious than a fake. On the contrary, the respondents owning counterfeits do not think fake is even worse. Overall, 70% of respondents consider that the luxury brand value, consumer satisfaction and brand status do not decrease because of extensive use of counterfeits. Furthermore, the majority of respondents do not agree that counterfeits have negative influence on genuine luxury purchase intention.

Zhu Jiang (2006) discussed the integrated marketing strategy for luxury market in detail from the aspects of product strategy, pricing strategy, channel strategy and brand promotion. Luxury brands promotion was discussed from four aspects - storytelling, advertising, public relations and scene marketing.

A Chinese scholar Wei Leiru (2006) described the current situation of online luxury consumption. By study and conclusion on large amounts of data, she analyzed luxury consumption in China by region, target population and product categories. Based on the luxury consumption website evaluation, she gave a comprehensive introduction to luxury consumption network platform, including

analysis on function services, operation mode and profitability mode. She pointed out the problems and deficiencies of network luxury consumption in China, including online authenticity and transaction security, lack of local luxury brand consumption, tax collection of luxury online consumption, immature mentality of Chinese luxury consumers, etc. Wei Leiru (2006) also pointed out that the production and consumption of luxury have a positive effect on the rapid social development. It focuses on the most advanced technology, the most harmonious aesthetics, with the most personalized and humanized quality connotation, stimulating innovation, creating jobs, and shaping the tastes and style.

Ding Zhendong (2006) analyzed the phenomenon of luxury consumption in China and its influencing factors. Through the analysis on two major driving force factors of luxury consumption – supply and demand, he innovates an advantage ladder model of luxury consumption, which provides consumers a guidance for more rational consumption of luxury. Through the analysis on market potential and market opportunities that luxury companies are facing, integrating with the classic cases of international renowned luxury brands, he discussed on three stages of production and management of luxury companies, how entrepreneurs and corporate managers find opportunities to develop products, and how to put the products into market, with the purpose of providing help to luxury entrepreneurs and innovators.

Ding Zhendong (2006) also pointed out that the essence of luxury consumption is positive, because moderate debt-consumption helps stimulating domestic demand and economic growth. However, there is a noteworthy tendency in China: some young people have excessive consumption completely going out of their own affordability and the actual needs, even at a high debt. On the other hand, China has not yet established a complete personal bankruptcy and personal credit file, therefore this highly indebted behavior lacks of necessary constraints and risk control. To conduct the luxury consumption and motivation, the research should be taken from different perspectives.

Professor Frank (1999), in the field of economics, ethics and public policy from Cornell University, did a research on extravagant fanaticism and cost. First of all, Professor Frank pointed out that 1% of the population had a huge growth in revenue in recent decades. The consumption standards of "superrich" class has a great affect on the buying patterns of the middle and lower income groups. It's significant to measure success by comparing the possession with other people.

Professor Frank pointed out that the psychologist's research shows more money and material wouldn't make people happier. We work longer in order to pay for luxury, but we ignore lots of things that can make life better: time to spend with friends and family, rest and exercise. Like Adam Smith (2006)'s theory of "invisible hand", when person and public interests collide, powerful individual makes fewer resources left to the environment, schools, mass transit, urban and infrastructure. Professor Frank (1999) believes that these problems can only be explained through the moral dimension, but he refused to abuse and advocate abstinence. He proposed to accumulate consumption tax as to prevent waste and make our life more prosperous.

Fu Guoqun (2007) pointed out that in the past, companies believed that the sole mission of a enterprise was to obtain profits. Currently, companies holding this view still exist, but the number is declining. More and more companies recognize that in addition to creating profits, they should also undertake certain social responsibility. In the long run, only those enterprises which show social responsibility and demonstrate this sense of social responsibility in business activities will be sustained growth. In the Harvard Business Review, Michael Porter (2006) published an article about social responsibility and enterprise competitive advantage, which has more discussed on this issue. It is even more significant for luxury companies. Luxury is not only a general product with beautiful packaging, selling at a very high price in the high-end sales channels, with a lot of advertising costs and advertising bombing. Luxury companies must correctly deal with the issue of consumer interests, in order to win the trust of consumers.

## **4. CONSUMER MOTIVATION**

The concept of motivation was first introduced to psychology by R. Woodworth in 1918. He understood motivation as an intrinsic motivation which determines behavior. It is generally believed that motivation is an inherent effect which causes individual activities, maintains the activities, and promotes the activities to a specific target.

The theory of motivation refers the theoretical and systematic interpretation on the concept of motivation by psychologist. Three major schools of psychology have ever proposed theoretical explanations. In the 1940s, the American psychologist C.Hull (1940), from the school of behaviorism, explained motivation from the view of individual intrinsic balanced maintaining, and proposed the Drive-Reduction Theory. However, this theory can only explain the learning relationship between a very simple stimulus and response, but can not explain the motivation behind the complexity of human behavior.

After the 1950s, with the rise of humanistic psychology, Maslow's motivation theory raised a universal attention in psychology worldwide. In Maslow's point of view, the pursuit of self-realization is the concept of human nature, and the motivation of this self-realization is divided into five levels from low to high, each of which is named by a need level. This is so-called Maslow's hierarchy of needs. Maslow's motivation theory is one of the important personality theories. (Asamoah, Chovancová, Chamaru, Samarakoon and Guo, 2011)

### **4.1 Motivation theory of interpersonal influence from the culture's point of view**

The traditional view defined luxury as those have a better functional role than the regular products (Grossman and Shapiro, 1988b). They are expensive and high-level. The recent view from luxury producers found that consumers use their own luxury inadvertently to distinguish and express their individuality (Sun Yue, 2008). This leads to a large demand of luxury casual use, such as belts, purses, wallets and pens.

In his study, Bushman (1993) examined public individual's purchase behavior. Public individual consumers are very concerned about their image showed in front of others. They are very concerned about the image and likeness of external impression, and want to adopt a different strategy to get recognized by others. They are very obedient to community standards, and very sensitive to

others' oppose or refuse. Research results show that these consumers prefer to buy national well-known brands instead of bargains, ignoring how the real products are. Taking commodity as individual symbol means to communicate with the reference group. Such communication leads to a desired response, and such a process enhances and strengthens the self-concept.

Dubois and Duquesne (1993) pointed out that consumers purchase luxury to meet the desires of their symbolic significance. This result suggests that the status of the product label and its image is more valuable than the product itself. This product must be not only unique, prominent, but also able to be accepted, recognized and appreciated by others.

Therefore, luxury purchase represents an extreme form of personal value. The consumption pattern of an individual also marks his social class, and has a significant impact on his purchasing behavior, exceeding the impact of income. If people expect to keep in touch with the present or higher social class, they are very likely to purchase branded commodity which are able to convey the rich, wealth and social class. This is more popular in a culture with special emphasis on social class and power. In such a culture, social brand image is very important.

In their article "A Review and a Conceptual Framework of Prestige – Seeking Consumer Behavior", Vigneron and Johnson (1999) pointed out that the consumption of prestige branded products is taken as a signal of status and wealth. And in accordance with the general standard, its price is very high, which also strengthens the value of such a signal (perception of significant value).

Sun Yue (2008) used the concept of “self-consciousness” to represent consumer reaction to the social influence. The self-consciousness is defined as internal or external continuing inclination of direct personal attention. Public self-consciousness refers to those who particularly concern about the display in front of others. Personal self-consciousness refers to those who concern more about their own internal thoughts and feelings. The author has also suggested the unique value luxury perceptions, including perceived significant value, social value, emotional value, and quality value.

As early as 1980, the earlier studies are built on the basis of preliminary results of Boume (1957), mainly focusing on the influence of prestige brand consumption of the reference group (Mason, 1981 and 1982; Bearden and Etzel,

1982). And Bearden and Etzel (1982) pointed out that public luxury consumption is more significant contrast to personal luxury consumption. Some researchers also described the active role of the product price on perceived quality. These studies revealed that among different brands, consumers often take price as a standard to judge the quality of products.

Overall, it is very common that people take into account the whole society, community, other people's feelings, opinions and views which bring pressure in their purchase choices. The influence of society and community on personal concept, decision and behavior also is widespread and very important.

## **4.2 Motivation theory of individual self influence from the culture's point of view**

Individual consumer motivation is the consumption impulse of consumer psychology based on individual factors. Individual consumer motivation varies by gender, age, personality, taste, hobby and other factors. Luxury consumption value is taken by some self-independent consumers in the emphasis on inner self, and therefore these consumers prefer the hedonic value of the product. The pursuit of hedonic value is also a main motivation of luxury consumption, because hedonic value lies in the personal enjoyment and experiences of the product. (Zhu Xiaohui, 2006)

## **4.3 Luxury consumer motivation**

### **4.3.1 European luxury consumer motivation**

In the study of European luxury consumer motivation, Vigneron Franck and Lester W. Johnson (1999) adapted the concept of self-orientation – Self-Conscious to subdivide the consumers in their psychology. The consumers are divided into two categories: Public Self-Conscious and Private Self-Conscious. The effects of corresponding reference groups consist of two categories: Interpersonal Effects, and Personal Effects. The former influences three types of European luxury consumer motivation: Conspicuous, Snob and Bandwagon. The latter influences two types of consumer motivation: Hedonism and Perfectionism. The empirical research from other scholars has also verified this basic structure of the European luxury consumer motivation.

Interpersonal Effects	Perceived conspicuous value	→	Limelight	→	Flaunt
	Perceived uniqueness value	→	Outstanding	→	Snob
	Perceived social value	→	Group identity	→	Bandwagon
Personal Effects	Perceived emotional value	→	Self-realization	→	Hedonism
	Perceived quality value	→	Quality assurance	→	Perfectionism

Figure 3: Model of European luxury consumer motivation

Source: Vigneron Franck and Lester W Johnson (1999)

#### 4.3.2 Chinese luxury consumer motivation under the influence of Confucian cultural values

Zhu Xiaohui (2006) summarized the analysis of Chinese luxury consumer motivation under the influence of Confucian cultural values. Differences from European are manifested in several ways:

##### a. Independent self and others dependent self influence

Consumers with independent self concept and others dependent self concept have different motivations in consumption. Independent self consumers emphasize on inner self, therefore prefer the hedonic value of the products or brands. This pursuit of hedonic value is the main motivation for luxury consumption, because hedonic value is the product enjoyment and experience by individual. Others interdependent self concept emphasizes the individual's public role. The public perception of the individual is the center of self-identified, with the attention to "face", highlight on product's symbolic meaning, especially public symbolism, but not pleasure significance. For the symbolic meaning of luxury expressed in China, it should be combined between class concept of Confucian culture and modern European materialism and consumerism. Early research on European luxury purchase focused on the luxury as a symbol of social status and wealth (Veblen, 1964). But the symbolic role of luxury played in modern society ranges more widely, such as to convey individual social value, sex, age, race, interest and so on. The more a society

concerns about social economic status, the greater importance is attached to luxury which is able to express this difference.

#### b. Pressure from Bandwagon

In China, individual subordinating to collective is a very important cultural value. It profoundly influences people's thought and behavior, and also social organization running. Luxury consumption is usually a behavior that individual expresses for collective norms. "Face" is an important feature of consumer behavior in Confucian culture. In order to obtain the "face", people must succeed and show off. The conception of "face" posts a strong pressure to the group members to maintain compliance with group norms and expectations. The visibility of possessions is an important feature of luxury consumption in Confucian culture. If the community that the individuals belong to believes that to have valuables or to show off wealth is reasonable and acceptable to society, its members must show off by luxury consumption.

The important difference of luxury consumption between China and Europe is whether symbolism of luxury consumption expresses consumer intrinsic preference and taste. In European culture, luxury expresses consumers' personal inherent taste, but Chinese consumers purchase luxury greatly due to the group needs or expectations from others. Moreover, Chinese consumers pay more attention to external self, that is, the image in the eyes of others. These factors are reflected in the luxury consumer behavior, which means personal luxury consumption is in order to complete the obligations and norms of the families and communities, not personal material comfort.

#### c. Consumption for gifts

Under the Confucian culture, luxury is obtained generally by the way of gift giving, which is an important link to establish and maintain the Confucian social relations. Luxury is considered to be a suitable gift. And to purchase luxury as a gift, people emphasis more on brand manufacturers and producers of the products.



## **5. RESEARCH ON LUXURY**

### **5.1 Existing research on luxury**

#### **5.1.1 Werner Sombart's Research**

A century ago, by studying the history of capitalism in Europe from 15th to 18th century, the German sociologist Werner Sombart (2005) found that the aristocracies' demand for luxury facilitated industry development, vitality of import and export trade and city prosperity. The government took a tolerant attitude to luxury. Those capitalistic countries which rapidly developed in the 17th century have abolished the sumptuary laws. The dress code was enacted in 1621, which also contains some terms of luxury and gourmet prohibition. In France, the final decree restricting the use of luxury table has been canceled in 1629. As late as 1644 and 1672, for the needs of coinage, a ban on using beaver fur hat valued more than 50 livre were promulgated. The last promulgated sumptuary decree in France is the clothing decree in 1708. Since then, even authorities believed that luxury is indeed a necessity – "beneficial to the capitalist industry". Some of the most important writers also promoted the luxury waves, keeping until Jacques Rousseau's followers launched a contrary movement. The most admirable function of Luxury is that it creates new markets. "Luxury is absolutely necessary," said Montesquieu, "without squander of the rich, the poor will starve to death." In his second book of "Business Aristocracy", Abbe Coyer descried the importance of luxury in the early development of capitalism: luxury is like a fire. It might be useful, but also potentially harmful. It destroys the residence of the rich, but maintains our factory. It engulfed prodigals' heritage, while let the workers have something to eat. It abates the property of the minority, while makes the majority of people forward to prosperity. Lyon's raw materials, woven cotton, gold cloth, lace, mirrors, jewelry, carriages, fine furniture, delicious food, if these have been banned, not only will millions of people lose their jobs, but just as many as the people also will face hunger.

He believes that luxury is any cost exceeding necessary expenses. Obviously, this is a relative concept – only when we know what is "necessary expenses", this concept is understood. This can be made sure through any one of two methods. We may refer to certain value judgments (for example, moral or aesthetic judgment), to confirm the "necessary expenses" subjectively; we can also strive to establish objective criteria to measure "necessary expenses". In that

case, luxury includes two aspects: quantitative and qualitative. In the quantitative aspect luxury is a synonymous of “squander”. In the qualitative aspect luxury means high-quality products. In most cases, these two aspects are combined. As to “qualitative”, the concept of "luxury" is typically represented by "fine products". This kind of demands subject to strict restrictions on fine products are called luxury demands, and the products which meet these demands are luxury in the strict sense. No matter a person is presenting a gold altar to God or purchasing a silk shirt for his own, he is in the pursuit of luxury. However, these two behaviors are different. Distinguished by purpose and motivation, we call it idealism or selfless luxury to present the altar. Purchasing silk shirt is called materialistic or selfish luxury. Concerning about the development of luxury consumption, we only discuss the latter behavior about luxury.

All of the personal luxury consumptions are coming from the pure sensual pleasures. The pleasures of eyes, ears, nose, tongue, body tend to find a more perfect form of expression in the daily necessities. And just the consumption of these items constitutes luxury. But after the formation of luxury, we found other motivations further promote its development. Ambition, flaunt and power desire become important motivations. They are in fact desires trying to be better than latecomers. Obviously, the prerequisite is already there is luxury, and greater luxury meets the urge to be outstanding.

### **5.1.2 Veblen's research**

Veblen (1964) pointed out in the era of barbarism, there was no economic privileges and business differentiation, and thus did not exist "leisure class". However, from some customs, habits and cultural identity of those tribes in the early stages of development, we can see that "leisure class system" was gradually emerging in transformation process from primitive savage tribes to uncivilized stage. In his opinion, leisure class originally emerged due to the business differentiation. Different jobs between men and women, and difference between production business and non-manufacturing business, made the emergence of identity difference. In the higher uncivilized class, the non-productive business – politics, war, religion and sports competitions was occupied by the upper classes and the production business was taken by underclass. This difference is discriminatory, as non-productive business used to be considered as glorious and worthy of respect. In modern society, this distinction still exists in disguise.

In short, Veblen (1964) believed that class generated because of the evolution of people's living customs. In the pecuniary emulation, the money (property) dominant class was trying to live a leisure life. They were reluctant to participate in the labor, because their psychology was different from the working class. Under the domination of ethical standards, participation in the labor was regarded as indecent. In their point of view, only leading a leisure life could they maintain a mood of complacency, to display themselves superior to others. They were daily engaged in intellectual work with no practical usage, such as learning the rituals, emphasis on self-cultivation, etc. To show their superiority and honor, the dominant class devoted themselves in squandering consumption of the property. The presence of leisure class brought about a number of housewives, servants and followers who acted "agent leisure" or "agent consumption".

In order to meet the "customary etiquette standard" on quantity and grade of property consumption, the leisure class is always seeking to improve the level of consumption, until it's more than the necessity of material life. People's motivation fighting for the consumption level is to win in their psychological competition and discriminatory contrast, and live in the superior lifestyle in honor. In private property system, monetary wealth wins honors and respects, therefore it becomes the standard evaluation for all. No matter it is religious, aesthetic, practical, or beauty possession, the target is showing money. The leisure class boasts of their wealth by highly extravagant clothing and displays that their are enjoying leisure and squandering consumption.

Veblen (1964) has given a wonderful description on conspicuous consumption in the diet and clothing (i.e. luxury consumption) of early people, and has done very thorough qualitative analysis of people's psychology. In chapter two "Pecuniary Emulation" of his famous book "the Theory of the Leisure Class", Veblen (1964) referred that "leisure class" appeared at the same time as the ownership of property. Since the emergence of private property ownership, contest of possession took place between people. The reason why people pursue property which is valuable, is because property proves the owner occupies a more advantageous position than others. It is the way to receive honor and win respect. It is a necessary means to meet the self-esteem. This means the possession of property is to satisfy the vanity and self-esteem, rather than to exploit others. Huang Minmin (1998) pointed out that vanity is "a character flaw to pursue feigned appearance, a distorted self-esteem", while some scholars believe that vanity is a psychological pursuit of superficial glory and dignity".

Ma Xing (2007) pointed out that vanity is a psychology that attaches too much importance to honor and praise from outside world. Vanity is a psychology with which individuals care about their self-esteem. It is a manifestation of pursuit for self-esteem. He further pointed out that vanity generates in order to maintain self-esteem. Everyone has self-esteem, no self-esteem, then no vanity.

Each person has certain vanity. Freud believes that vanity, like sex, is an instinct of all human beings. The development of vanity is influenced by society, family, individual itself and other various factors. Gamma (2000) pointed out that a person who has strong vanity is diffident deep in his psychology, where vanity and diffidence are always in struggle. People with vanity are tortured by at least two aspects in mind – one is the dissatisfaction with current situation, and the other is the fear of their secrets revealing after achievement. Their hearts are always painful, without happiness. In this regard, luxury meets their psychological needs. Veblen (1964) further pointed out that vanity and self-esteem is one of the reasons for class emerging. In short, many consumers purchase luxury, with the motivation and purpose to, at least in part, express their identity and display they are rich, so as to obtain a more advantageous position. Luxury brought them sense of superiority and in line with the norms of a particular class to upgrade their class level.

The most significant difference on the etiquette of diet is the use of alcohol and narcotics. If this kind of consumption is costly, it marks nobility and glory. The modulation and supply of such luxury has been from ancient times until the entire period of the prevalence of patriarchal. Women were bearing these duties, but the highborn, upper-educated men have privilege to enjoy. Luxury consumption refers to a personal enjoyment, and therefore it's a symbol of the owner.

In the early stages of economic development, only the leisure class could afford the property consumption unlimitedly, especially some high-level property. That is to say, only the leisure class could consume that other than minimum living necessity. Since these delicate items manifest wealthy, this consumer behavior becomes glorious; on the contrary, consumption without appropriate quantity and quality means subdued and lowly. This serious identification and selection on diet quality not only affected the lifestyle of the gentlemen in leisure class, but also affected their exercise and intellectual activities. In order not to be seen as rude, he had to exert some effort in the hobby. Luxury items should be correctly identified by his intelligence. He should become an expert in all things

in leisure life. The cultivation of taste takes time and effort. He should learn how to be in the appropriate manner over this life. This gentleman must love to consume just the right kind of things. In the meantime, he must know how to use the appropriate way to consume and live his leisure life. For a leisure gentleman, apparent consumption of valuable articles is a means to win the honor. But relying solely on his own efforts on consuming his wealth accumulation can not fully prove him rich. Therefore, it is necessary to turn to his friends and similar competitors. The way is to present a precious gift, to hold luxurious banquets and a variety of hospitality. The ancient division of class distinction is based on a discriminatory distinction between different works. In the early stages of quasi-peace stage, this traditional distinction developed to mandatory etiquette guidelines.

Compared to other types of consumption, that of clothing is always particularly significant. Fashion is always particularly popular. The motivation of majority clothing consumptions of all classes is always for a decent appearance, rather than keeping warm out of cold. To maintain the appropriate standard, people sometimes even strive to endure great hardship. This situation is inevitable, and particularly significant in clothing. In order to look good, people would rather wear thin in the cold weather season. Elegant clothing is able to adapt to the purpose of elegant, not only because it's costly, but also because it is a symbol of leisure life. Not only does it mean people have the ability to engage in the higher-level consumption, but also that he is a pure consumer, regardless of production. Women's shoes are specially added high-heels, resulting a romantic gesture that indicates an enforced leisure. Wearing the high heels, even the simplest and most necessary manual work will be extremely difficult. We are particularly in love with that length skirt, for it makes wearing very difficult, so that she can not engage in any useful work.

Veblen (1964) pointed out that conspicuous leisure and consumption is an important symbol to distinguish between upper class and civilians. And he raised the opinion of "social prestige", indicating that it's not the usefulness determining the value of the goods, but the prestige associated with the goods. Veblen (1964)'s book "the Theory of the Leisure Class" is an excellent attempt to explain the luxury and their evolution from psychological and sociological points of view. Veblen (1964) believed that the values of luxury and wealth are both from the impulse of outstanding. Even if we admit that this impulse is a human nature like hunger and love, we must also admit that this nature emerges

in the form of luxury, in some way with the concurrent result of certain conditions.

### **5.1.3 Other scholars' research**

Robert Frank (1999) in his book "Luxury Fever" pointed out that luxury is a disease.

In his book "Luxus Schafft Wohlstand", the German scholar Wolfgang Reitzle (2003) indicated that luxury brings prosperity, creates job and shapes taste and style. People pursue and find variety of programs to build the luxury, and then all people benefit from it.

Among many luxury works in French, the one "the Theory of Luxury" written by the talented Jews Pinto is the most famous. The paper seeks to clarify the following facts: luxury is not only useful, but also indispensable for a country's prosperity. It took from Voltaire's well-known saying "redundant, but very necessary" as a motto. (Reitzle, 2003)

In the UK, it's also popular with the same view. Luxury, although it is "evil" and "fallen", it must be realized that luxury is benefit to the mass for its stimulating effect on industry. "Luxury is a bad habit lossy to people but harmless in trade" (Sun Yue, 2008). Even Hume, well-known by moral orientation, came to the following conclusion: "beneficial" luxury is good, and although "harmful" luxury is "the root of many unfortunates, usually laziness and idleness is even worse. If there is no luxury, laziness and idle will come instead" (Zheng Chengcheng, 2011).

German writers have also made a long discussion about luxury, and recognized the profound meaning of luxury on the capitalism development. Schroder said: "I hope that on our land there are more glorious outcomes ... because luxury of the rich helps maintaining the livelihood of many workers and the poor ...." (Reitzle, 2003)

## **5.2 China's luxury research**

In intellectual history of Chinese consumption, the first to advocate luxury consumption is probably Yang Zhu, a scholar in the early Warring States period (Liang Bin, 2006). The subsequent book is "Guanzi", the authors of which are a number of successful figures in intellectual history of Chinese economic (Shi Guofan, 1992). One of their contributions is that they first in the history

systematically discussed the role and significance of luxury consumption. Yang Zhu's opinion of luxury consumption is built on the hedonism value that "life is too short" and "carpe diem". However, "Guanzi" emphasized that luxury consumption plays an important role on employment increase, disaster relief, market activation and economic development. "Guanzi" even advised to employ a carving painter to paint the egg before it's cooked, and carve the wood that would be fired, so as to increase the employment. It reminds us of the famous British economist John Maynard Keynes (2010) who gave a suggestion that: in order to increase employment in the society, the Ministry of Finance may load money in the bottle, and bury in abandoned coal mines, and then hire someone to dig out. As the same recommendations to increase the employment, the former is more than 2000 years earlier, and those methods are even rich in artistic temperament and interest.

The concept of luxury consumption arising from China's Warring States period was developed in the mid-Ming and Qing Dynasties (Ding Zhendong, 2006). Under the stimulation and influence of commodity economy development, many scholars, particularly scholars from the southern region got a better understanding of the role of luxury consumption and put forward their own luxury consumption viewpoints. Lu Ji is the most famous representatives. He believed that luxury consumption helps the employment and survival of people, while frugality is not conducive to them. In ancient China, not only scholars put forward the concept of luxury, but also the practitioners implemented it to solve social problems. For example, an official in Northern Song dynasty named Fan Zhongyan stimulated luxury consumption during big disaster in Zhejiang province. The local employment was therefore increased and the society was finally stabilized.

From the above analysis, it is luxury consumption from which people draw support to ease the pressure and achieve their goals. The majority of luxury consumers realise the limitations of luxury. For example, it does not solve the basic needs such as physical well-being and human interaction. For the luxury suppliers, the production and business activities of luxury is of positive significance, for it continually promotes forward the national economy.

## **6. CONSPICUOUS CONSUMPTION**

As society becomes more affluent, conspicuous goods are increasingly important. Scholars generally believe that due to the rapid economic growth, China is the most potential conspicuous consumption country (Chadha, 2006). Addition to the unique Chinese consumer culture and psychology, conspicuous consumption has become an important motivation of Chinese consumer behavior.

### **6.1 The definition of conspicuous consumption**

The concept conspicuous consumption was first proposed by Canadian economist John Rae, while the U.S. economist of system school – Veblen raised much concern by social scientific community (Zhu Jiguang, 2006). In his book "The Theory of Leisure Class" published in 1899, he made a detailed inspection of the leisure class and conspicuous consumption patterns. In his opinion, it's not enough just to obtain and maintain the honor, wealth or power. They must be proved, because honor is got by such evidence. In this sense, conspicuous consumption is consumption activities which provide evidence for wealth or power to obtain and maintain honor. Since then, conspicuous consumption has gradually become a terminology being discussed a lot in humanities and social sciences.

In essence, conspicuous consumption is aimed at wealth showing off. The use of those goods is for the purpose of flaunt, rather than normal survival. To some extent it meets consumers' vanity. John Rae (1834) has originally explained the nature and utility of luxury from the perspective of human vanity. He believes that vanity is a desire of outdoing others, with the aim to occupy things that others don't possess.

As an ancient phenomenon, conspicuous consumption has long been concerned by economists. Conspicuous consumption theory in Western economics has had one hundred years' history. This old topic, however, until the 1960s, has made substantial progress, thanks to the research in sociology and consumer behavior (marketing), learning results from economists and introducing methods from psychology and sociology. In recent years, with the boom on luxury research rising in marketing academics field, their marketing researches began to increase. The scholar Jiang Yan (2007) believes that conspicuous consumption and luxury consumption are two different concepts but intrinsically linked. Luxury



consumption is usually based on consumer income. Consumers with high income level consume luxury, although "showing off" is an important motivation. Conspicuous consumption, however, is not based on high income as a necessary precondition, but on the purpose of "showing off" face, identity and status. As to the concept extension, conspicuous consumption includes luxury consumption. In fact, most of the Chinese consumers may not have luxury purchasing power, but they have conspicuous consumption inclination psychologically.

Since the 1980s, due to the introduction of game theory and information economics methodology, the researches on conspicuous consumption have developed rapidly. At present, although there are still differences in the understanding of the concept of conspicuous consumption, most of the scholars believe that conspicuous consumption is mainly aimed at boast of wealth rather than meeting real consumer needs (Deng and Dai, 2005). The motivation of this consumption is to seek kind of social status. It connotes the interaction between people in demand and utility. This cognition is consistent with that in the book "The Theory of Leisure Class" by Veblen. Veblen has clearly pointed out that the members in leisure class always show off his lavish in social life (Li Yining, 1995). For example, wearing flowery dress and deluxe jewelry, magnificently decorating shelter and so on. This spending shows their identity and status, making them respected in society (Wu Xiping, 2003).

## **6.2 Early Thought**

Veblen is not the first scholar who used the term "conspicuous consumption". The Canadian sociologist and economist John Rae (1834) proposed this concept in the 1830s. He explained the nature and utility of conspicuous goods from the perspective of vanity, and also pointed out that conspicuous consumption does not increase the total social welfare – it is a zero-sum game. Improving the relative position of some people necessarily corresponds to the relative decline in the status of others.

Marshall (1964), contemporary with Veblen, also addressed this issue in his famous book "Principles of Economics". He divided the desires into those of variety and pride, and indicated that the latter is more universal and permanent than the former desire. However, devoted to microeconomics standardization, Marshall did not thoroughly investigate the issue. His consumption theory didn't take into consideration of interaction between consumers. Later Pigou also

discussed about monopolized desire in his book "The Economics of Welfare ", taking diamond as an example to illustrate (Pigou, 2009).

These elaborations sparkle brilliance of wisdom, but they are just phrases or pieces of language. Until in the middle of 20th century, two economists introduced the interaction between consumers into the mainstream of consumer theory. Duesenberry (2007) first proposed the consumption of "relative income hypothesis" in 1949, which amended "absolute income hypothesis" by Keynes. He believes in a hierarchical society, the frequency of connection between the consumers and quality goods is related to their comparison to other people on consumption. This is "demonstration effect". Then he constructed a utility function about interpersonal influence, and drew two conclusions: First, consumer behavior is mutually influencing, and has tendency of tuffhunting; second, the consumption is kind of rigid, for it's not only influenced by current income, but also by the highest income achieved in the past. Duesenberry's theory is somewhat from the macro perspective. One year after his book published, Leibenstein (1950) put forward a big step on the standardized analysis on micro-consumer behavior with consumption external effects.

Previously, Morgenstern (1948) suggested that there are social fashion factor of interactions between consumers in reality, so the market demand curve is not illustrated by a transversely sum of the individual demand curves. Leibenstein (1950)'s study is trying to overcome this obstacle. As one of the pioneers of game theory, Morgenstern is sensitive to realise the application of game theory on consumer interaction research. Leibenstein on the other hand believed that the external effects on consumption could be studied by traditional methodology. Therefore, he just let go an assumption in classical demand theory: an individual consumer is independent from other consumers. Income is the most influential factor on the consumers. In order to show the influence of the non-functional effect, Leibenstein assumed that income was fixed.

Leibenstein (1950) differentiated consumer demands between goods and services from the perspective of consumer motivation. His concept of external effects of consumption mainly focused on consumer non-functional requirements. Functional requirement is a consumer demand on the intrinsic quality of the goods and services, without influence from other consumer decisions. If a consumer consumption is not for intrinsic quality, it is a non-functional requirement. The most important point of non-functional requirement is the demand caused by external effects. These external effects can be divided

into bandwagon effect, snob effect and Veblen effect. Bandwagon effect means consumers seek the fashion trend. The more others purchase, the more intense of their purchasing desire. Snob effect means consumers pursue unconventional and exclusive. The more others purchase, the less intense of their purchasing desire. The independent variables of the above two utility functions are both the purchase quantity of other consumers, while Veblen effect manifestes the higher price, the stronger purchasing desire there is. Leibenstein may be the first scholar who simplified Veblen effect as a high-priced preference phenomenon. Previously Morgenstern even considered snob effect and Veblen effect as one phenomenon. Leibenstein frankly indicated that this differentiation is entirely for analytical convenience. But since then many scholars have followed this simplified Veblen effect, and bandwagon effect and snob effect are also taken as reference extensively.

Leibenstein (1950) merged the three non-functional effects and the traditional price effect together on the level of pure theory. He discussed when these non-functional effects come into play separately or at the same time, how the change of price influences the direction and magnitude of the change in demand. His research results constitute an important foundation for later conspicuous consumption theory.

### **6.3 Motivation of conspicuous consumption**

Conspicuous goods not only have value of usage and exchange, but more important is the symbolic value that ordinary products barely have. In many cases, people pursue conspicuous goods, with the intention of “position declares” (i.e. the symbolic value). As a result, some consumers show their riches by conspicuous goods. From their point of view, conspicuous goods actually become "symbol" and "language" showing their wealth, status, powerful identity and lifestyle. As Veblen (1964) said, to achieve the purpose of showing off, it is necessary to carry out the waste, non-practicality and pomp consumption. The more a person can waste, the more he can prove his financial status and identity, so as to achieve the ultimate goal of conspicuous consumption.

Veblen (1964) divided conspicuous consumption into two motivations: one is discriminatory contrast, the other is pecuniary emulation. The former refers that the higher wealth class strives to distinguish itself from the lower wealth strata by conspicuous consumption; while the latter refers that the lower wealth strata strives to emulate the higher wealth class through conspicuous consumption in

order to be considered as one of their members. Because of the existence of these two motivations, there exists so-called "Veblen effect". In fact, "Veblen effect" is just a specific performance of conspicuous consumption on the relationship between price and demand. As some scholars pointed out, the utility Veblen referred to is based on the relationship between consumption and social status, rather than the relationship between consumption and price, which is just a signal to show the social status (Bagwell and Bernheim, 1996).

However, due to the different cultural backgrounds between Asian and European consumers, their conspicuous consumption motivations are different: Chinese consumers pursue conspicuous goods including luxury is more for face, identity and class mark. To European consumers, conspicuous consumption is kind of "I want to", while in many cases, to Chinese consumers, it's "I have to" (Zhu Xiaohui, 2006).

#### **6.4 Motivation of European consumers' conspicuous consumption**

Renowned brand is a symbol, a synonymous of high-priced goods. To mark personal identity by renowned brands is particularly common in modern consumption society. Consumers choose branded products, of course, to reduce purchase risk, but on the other hand, to achieve their own purpose – showing off. In Europe and America where material civilization first rose, renowned brands incite the desire of people's conspicuous consumption by the relationship between symbolic consumption and social status and identity. Rash premature and non-essential consumption are major features of conspicuous consumption. Historians and sociologists have ever drawn a common conclusion: the prosperity of Europe and the United States relies on premature consumption. This phenomenon of spending future money and "carpe diem", is a general feature of contemporary Western society. The great inflation of people's desire for consumption partly results in degradation of rational consumer and rise of conspicuous consumption (Jiang Yan, 2007).

Vigneron and Johnson (1999) have adopted a concept related to self-orientation – self-consciousness to psychologically segment the consumers when doing research on European luxury consumer motivation. They divided consumers into two categories: public self-perception consumers and personality self-perception consumers. According to this, the influence environment is divided into two categories: interpersonal influence and personal self-influence. The former influences three European consumer motivations: flaunt, snob and bandwagon;

the latter influences two consumer motivations: hedonism and pursuit for delicateness. The empirical research of many other scholars also basically verifies this European consumer motivation of in conspicuous consumption.

## **6.5 Motivation of China consumers in conspicuous consumption**

At present, the academic theory research on conspicuous consumption of the Chinese consumers is in its infancy, but some scholars have started the exploratory study on psychological motivation of Chinese consumers in conspicuous consumption. The representative studies are as follows:

Ms. Radha Chadha, the Managing Director of Chadha strategic consulting company with the the headquarter located in Hong Kong, is an scholar who early did systematic research on Chinese luxury market. In 2005 and 2006, she consecutively published articles “Chinese Luxury Consumer Perspective” and “New Trends in Luxury Consumer Groups” in “International Business & Technology”. In her articles, she analyzed luxury consumption in Chinese market with detailed data. The more valuable analysis among is her classification of Chinese luxury consumers.

Based on her understanding on Chinese luxury market, she divided Chinese luxury consumers into three groups, respectively, the "upstart rich", "fashion favorite" and "nouveau cool". The upstart rich is the so-called "nouveau riche". This type of consumers was emerging in the past 10 years, and rapidly rises in Chinese market. Most of them got rich by self-reliance. When they have achievements, reasonably they will reward themselves (through conspicuous consumption) for solace and celebration. This is also an opportunity for luxury to enter the market – they mark achievements and highlight values. Fashion favorite is the main consumer group in Chinese luxury market today. They are not as rich as the upstart rich, but they are also a strong consumer force. This group includes well-educated middle class, senior management staff, artistic creation figures and other members alike. They claim to focus on brand design and style. For them, luxury brand means fashion style and superior social status. Nouveau cool is an emerging consumer group. It mainly refers to the only-one-child generation in China aged about 20. Such kind of young people have two main characteristics: first, this generation has their understanding and standard about fashion; second, they have an obvious stamp of "individualism". As the "only one child" in family, they become a "self-centered generation", and thus

respect for individuality more than young people in any other previous eras. (Chadha, 2005 and 2006)

Lu Xiao (2006) from Faculty of Management in Fudan University also analyzed the Chinese luxury consumer from psychology from the perspective of consumer segmentation. By qualitative and quantitative research methodology and based on three dimensions (value dimension – individuality or collectivity, thinking dimension – emotional or rational, understanding dimension – flaunt or functional utility), he ultimately divided Chinese luxury consumers into 4 types (luxury enthusiasts, luxury followers, luxury thinkers, and luxury laggards). This classification allows us to see the whole picture more clearly and targetedly generate marketing strategies.

Table 1 Classification of Chinese luxury consumers

Type of consumers (population proportion)	Respect for personality	Flaunt	Emotional impulse
Luxury enthusiasts (15.2%)	–	++	–
Luxury followers (21.9%)	–	+	+
Luxury thinkers (35.2%)	++	–	–
Luxury laggards (27.2%)	–	–	++

Notes: "+" means positive value; "-" means negative value.

Source: Lu Xiao (2006)

Julie Juan Li and Chenting Su (2007) from City University of Hong Kong published an article entitled "How Face Influences Consumption: a Comparative Study of American and Chinese Consumers". This paper scientifically elaborates the concepts of "face" and "face consumption", and explains why Asian consumers with relatively low incomes have strong preference to luxury consumption. The study found that face consumption consists of three sub-dimensions: consistency, particularity, and other inclination. Cross-cultural study results show that Chinese consumers are more vulnerable to the influence of reference group than American consumers, and Chinese consumers are more likely to connect the brand consumption with face than United States consumers. In addition, in other inclination of consumption (such as gifts, banquets), Chinese consumers value the product reputation more than U.S. consumers.

Relative to European consumer motivation in terms of conspicuous consumption, Chinese consumers pay more attention to face, status and identity. Zhu Xiaohui (2006) has systematically studied the Chinese luxury consumer motivation.

Starting from two dimensions about self-concept – self independence and others dependence, he suggested two different Chinese luxury consumer motivations: social motivation and personal motivation. Social motivation refers to flaunt, bandwagon, social intercourse and status symbol. Personal motivation includes quality delicateness, self-hedonism and self-gift giving.

## **6.6 Marketing significance of conspicuous consumption**

With the rapid development of Chinese economic, the symbolic function of consumption makes people pursue conspicuous consumption, and this conspicuous consumption thus rises rapidly. Data show that the sales of France Remy Martin liquor in China are more than the sum of its sales in other countries and regions of the world (Wu Xiping, 2003).

From literature research, the current understanding on conspicuous consumption in academia can be divided into two factions:

One faction is represented by sociologists, who oppose conspicuous consumption. These scholars are numerous. They generally equate the conspicuous consumption with non-practical pomp, extravagance and waste (Li and Gong, 2005). The other faction, represented by marketing scholars, supports the conspicuous consumption. Gao Tiesheng (2007), the director of the China Marketing Association, believes that luxury market is an integral part of the commodity market system. Conspicuous consumption and luxury consumption "embrace and meet diversification", which is the nature characteristic of harmonious market. Zhang Mengxia (2006) from Capital University of Economics and Business also believes that "individual luxury consumption is an objective and normal consumer behavior"; "luxury consumption behavior in China doesn't oppose to the political decision building a harmonious society, but even plays a catalytic role.

## **6.7 The positive role of conspicuous consumption**

Conspicuous consumption has a strong role in boosting production (Liu Zhaohong, 2006). The affluent always show their status by luxury purchase and crazy spending. To satisfy their desire for consumption, it's necessary to produce luxury, and to create available conditions and environment for their spending spree.

Conspicuous consumption is benefit for starting market and stimulating consumption. The expansion of consumer demand inevitably brings tremendous business opportunities, and conspicuous consumption is one of the biggest bright spots. “the Second Top Marques Shanghai” held in 2006 showcased the top luxury cars, yachts, private jets, jewelry, watches, wines and all kinds of luxury villas, golf clubs, private clubs, etc. Four days of transaction actually reached 500 million RMB, creating a new record compared with three days of the first exhibition in 2005 with turnover of 300 million RMB (Jiang Yan, 2007).

Conspicuous consumption increases state tax revenue, adjusts the proportion of savings and consumption, and balances the income gap. Conspicuous consumption makes wealth accumulation of the affluent slow down, and provides more opportunities for the poor and migrant workers to survive.

## **6.8 Negative effects of conspicuous consumption**

Conspicuous consumption can cause values distorted. Conspicuous consumption can lead to resources waste. Conspicuous consumption can result in ineffective use of social wealth can decline social welfare level. Conspicuous consumption also can lead to irrational social production orientation.

Above all, conspicuous consumption theory has important implications for marketing theory and innovation practice. Based on the unique social and cultural environment, if the marketing academia does a particular in-depth and comprehensive study on the premise, influencing factors and consequences of conspicuous consumption behavior, as well as consumer psychology, it’s not only a useful complement to the Euramerican conspicuous consumption theory, but also a promotion for the localization development of marketing discipline.

Accordingly, Chinese enterprises can develop marketing strategies for conspicuous consumption demand from marketing practice. It will facilitate market segmentation, launch differentiated products and services, reflect aesthetic and emotional appeal in product and service design, improve product and service quality, and enhance brand image. Psychological pricing method can be used in the pricing strategy to reflect consumer self-confidence and sense of superiority. Consumer desire of showing off products and services subjects to social networks and reference groups. In advertising and promoting activities,



enterprises can adapt suitable product spokesperson and reference group, highlighting the social functions in addition to the practical features.

## **7. RESEARCH OBJECTIVES AND CONCEPTUAL FRAMEWORK**

### **7.1 Research objectives**

Consumers in the consumption of luxury and public necessities are totally different in influencing factors, purchase motivation and so on. The luxury consumption in China is in a period of rapid growth the strength of which other markets can not compare to. Goldman Sachs reported in 2006 the global luxury the subject of which was “going to the East”, indicating that the Chinese luxury consumer behavior research becomes necessary.

The main objective of this study is to create a new model for providing guidance in marketing practices for European luxury enterprises which focus on Chinese market. The research does a analysis on a series of real behavior of Chinese luxury consumers to examine their general patterns, characteristics and predict the future trends of their luxury purchase behavior. The main objective is supported by several subobjectives:

- a. To determine the demographic characteristics of Chinese luxury consumers.
- b. To determine Chinese purchase behavior characteristics on luxury products.
- c. To analyze the influencing factors of Chinese luxury consumption.
- d. To analyze the Chinese luxury consumer motivation.

### **7.2 Conceptual framework**

According to the research objective, a conceptual framework is developed to clarify the process of the research. It's shown in figure 4 below:

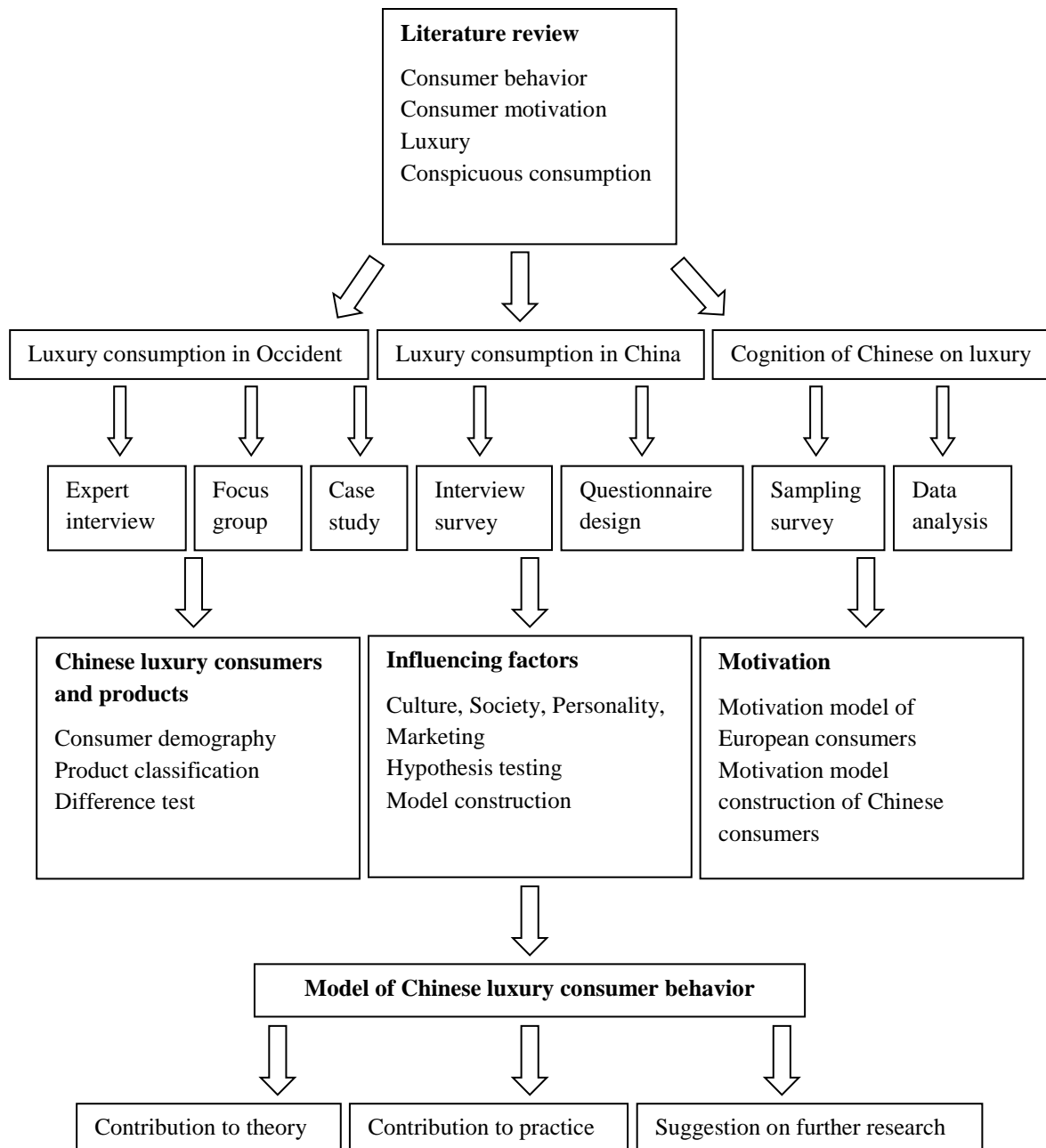


Figure 4: A conceptual framework of the research on Chinese consumer behavior

*Source: Author compilation*

The research firstly reviews and summarizes relevant literature about luxury consumer behavior. On the basis of market data collection, it adopts expert interview, focus groups, case studies and other qualitative research methods, and develops a quantitative research scale. The research conducts sampling and uses SPSS analysis, to achieve the empirical research results about Chinese luxury consumer behavior, which includes luxury consumers, luxury products, influencing factors and luxury consumer motivation.

The research expects to establish a model to test the significant difference under different demographic characteristics and innovatively presents community motivation in Chinese luxury consumer motivation model. Scientific and marketing practical knowledges are both expected to be obtained. It will give suggestions to the European luxury enterprises.

## **8. RESEARCH METHODOLOGY**

### **8.1 Research design**

Luxury consumer behavior research is different from that of general merchandise. General merchandise consumer behavior can be explained by utility theory in economics or classic consumer behavior theory, but the luxury consumer behavior is more related to spirit and culture. Therefore, it doesn't only involve theories of psychology, economics and other alike, but also philosophy, sociology, ethics and so on. Luxury consumer behavior research in this thesis quantifies the qualitative description of various luxury consumer behaviors as far as possible. To transform previous qualitative descriptions of luxury research into a scale which is able to be measured is a very important but complicated process. The research design develops a scale for luxury consumer behavior, with an emphasis on luxury consumption influencing factors and building a model of luxury consumer motivation. Considering the complication, the research adopts a combination of expert interview, focus group, case study and interview survey as previous research for the scale development, and goes through a pretest to verify the scale, in order to ensure its accuracy and rationality.

#### **8.1.1 Expert interview**

Expert interview as an important research method is being used widely in various scientific researches. Especially when the research is more complicated. Expert interview is made for direction recognition and definition of the research. Considering the essence of luxury consumer behavior, this research gives full play to the role of expert interview – formal and informal interviews are proceeded, among which twice are formal interviews.

The experts selected are professors from Research Center for Luxury Goods and Service, UIBE. This research center, established in 2007, is the first luxury research institution in China. Those professors are experienced in luxury theory and practice.

The first time of expert interview was in January 24th, 2012. Five experts were involved. The discussion focused on the main idea about content and framework of luxury consumer behavior research. This first formal interview determined the key points and basic technology roadmap of the research. They are as follows:

- a. To deeply summarize a variety of researches on "luxury" from different disciplinary perspectives. It includes discourses by Veblen, Sombart, Guanzi and other early scholars and papers published on the related research in this field, to determine the specific objects and factors to be studied in the luxury consumer behavior research.
- b. On the basis of research objects and influencing factors, combined with the results of advanced research, to determine the research procedure and the expected innovative points and possible conclusions.
- c. To convert the qualitative research to quantitative research wherever possible, combined with a variety of consumer behavior researches relied on qualitative research methods, case study approach and related quantitative research, and to develop a scale for questionnaire.
- d. To analyze the collected data, in order to suggest ideas and strategies conducive to business marketing practice.

The second expert interview was held in April 18th, 2012. Two experts participated. The subject was to discuss and confirm about the previous stage of research design, and to further improve the questionnaire.

### **8.1.2 Focus group**

The focus group discussion is one of the popular empirical methods currently. Within the scope of the respondents, 10 to 15 people are randomly selected from the chosen informants (Sun Yue, 2008). Organized by the researcher, the group has a free discussion around the topic given, and then the researchers analyzed the whole process. This research held focus group discussions on luxury consumer behavior, to get a profound understanding of the influencing factors and motivation of luxury consumer behavior.

The first focus group survey was in January 15th, 2012. By convenience sampling approach, eight luxury consumers were selected. The topics to be discussed were: What are the general disciplines of luxury consumer behavior? What are the influencing factors on luxury consumption? Why do consumers purchase luxury? During the discussion, certain issues are prompted to arouse consumers' profound consideration and exchange.

In the issue "What are the general disciplines of luxury consumer behavior ", frequency, location, category of luxury consumption were discussed in order to

preliminarily understand luxury consumers. The issue "What are the influencing factors on luxury consumption" focused on a variety of social factors, cultural factors, marketing factors, personal factors, etc. The issue "Why do consumers purchase luxury" primarily focused on insight into luxury consumer motivation, whether because of individual factors such as pursuing quality and enjoying life, or because of friends and leadership around, whether to obtain recognition and identity, or simply for showing off and winning social respect, etc. This focus group discussion made it easy to understand the influencing factors of luxury consumer behavior, which is the point in the survey. In addition, initial awareness and understanding are also got from the other two issues mentioned above.

The second focus group survey was in January 30th, 2012. Convenience sampling approach was adopted and 6 luxury consumers participated. The main topics were: to further make clear the general disciplines and influencing factors about which the first focus group was discussing on luxury consumer behavior; on the basis of the discussion in the first focus group, to focus on a discussion and investigation on "why do the consumers purchase luxury". Important conclusion was that luxury consumer motivation in China is different from that in Europe or America, mainly due to the impact of social and cultural differences and perceptions. Chinese luxury consumer motivation has a community characteristic, which is a significant issue concerned in this research.

### **8.1.3 Case Study**

Case study is a very important research method widely used in various scientific researches. It proceeds in-depth analysis on representative individuals in object group, and thus contributes to a deep understanding of the characteristics of the entire group. On the basis of expert interview and focus group discussion, the research also devoted to case in-depth surveys, interviews and study. It tracked the cases, analyzed the process and actual situation of luxury consumer behavior, studied consumers behaviors of information collection, comparison, evaluation and purchase. The whole process of this research strongly concerns about the links and differences between heoretical and practical situations, attempting to develop new theory and ideas as much as possible through a variety of phenomena and behaviors, so as to contribute to a deeper understanding and explanation on economic reality and luxury consumer behavior. A number of cases were involved in this study, based on communications and exchanges with luxury consumers within one year. In-depth case studies were adopted for three

representative luxury consumers. The description and analysis are as follow (due to the privacy of the respondents, their names and organizations are omitted).

In-depth case study 1: Mary – bank staff.

Mary, female, aged 28, single, averaged height and looks, graduated from university and works in a bank in Guangzhou. She just transferred to the loan sector in the bank. Previously she worked as a bank counter staff for three years. The work before was very monotonous, in which every day no more than five employees in the sales department work together, mostly women. After work, she usually shared with them about cosmetics, clothing, handbags and other goods and certain luxury brands. They also went shopping together at weekends. Gradually, with the increase of income, Mary began to occasionally purchase luxury goods, mainly clothing and cosmetics. Generally they were less well-known brands, with the price between 300 - 600 RMB, as discount during sales promotion in shopping malls. After Mary transferred to the loan sector, her job had undergone a great change. Although she assisted the manager behind, she usually had to accompany the manager to visit their clients and investigate the local market. The contact with senior officials was more and more and personal quality and image became more important as well. As a lady, Mary more concerned about her personal image. Besides, with the income increase, she's able to occasionally consume branded luxury. Then products between 800 and 2000 RMB were acceptable. Mary said, she's going to purchase a LV bag, Amarni dress and Dior perfume in couple years. When asked why she wanted to buy these luxury or what her intention was in the future, she replied: these products are better in quality and their clothing styles are novel and attractive. Making money is for life enjoyment. Friends have the same idea, and the job demands, too. Luxury consumption is supposed to be right if it doesn't cause overdraft.

From the in-depth case study above and behavior analysis on Mary, it's found: Mary is a typical representative for those graduates from college and just work for a few years. They are young white-collars. This group in the future will become important luxury consumers. In-depth profiling Mary's consumer behavior has great value and significance.

In the aspect of general luxury consumer behavior, Mary purchases luxury in the location of local medium and high grade stores in which the products cost medium price. Her luxury categories are mainly concentrated in clothing,



cosmetics and accessories. She purchases once a month on average, spending 1500~3000 RMB each. In the aspect of influencing factors on consumption, Mary aims at being beautiful, dressing up, and self-respect. She purchases clothing and cosmetics with high quality, especially cosmetics, to get rid of the risk of any skin injury. Friends around and work demands also influence a lot. But in general, being beautiful and attractive, which means personal factors, matter the most. That is to say, individual motivation and community motivation are both there, however, the former is more concerned.

#### In-depth case study 2: Mr. Ma, deputy general manager in enterprise

Mr. Ma, male, 35 years old, married, bachelor, has ever served as a regional operation manager and division general manager. He's currently the deputy general manager in charge of the marketing system. Before taking this position two year ago, he has just got an in-service MBA degree in a local university, and known a lot of friends with same experience. The company is concentrated in area of food and beverage, making a combination of purchase, production, sales and logistics. Some of their business relies on outsourcing service offered by other specialized companies. The sales focus on south China market, and extend to the national market. In Mr. Ma's daily work, about 40% of the time is keeping in touch with subordinates to guide their work, listen to their reports and make marketing decision; about 30% is communicating with other functional departments to ensure the smooth implementation of the formulated strategies and policies, including assisting those departments and reporting to the general manager; the last 30% is contacting with relevant organizations such as banks, government, commercial industry, taxation, health, as well as television stations, newspapers and other medias, with the purpose of doing a good job in public relations. Mr. Ma used not to care about dress seriously, because he thought it was not necessary. But since appointed as the deputy general manager, he found it more and more necessary to pay attention to his public image. Of course, income won't be a factor influencing his general luxury consumption. Now he is a frequent luxury consumer. On one hand, since he's been deputy general manager, he is in charge of more branches and subordinate staff. He started to consciously purchase clothing and others such as mobile phone and watches which distinguish him from his staff. This is also an important factor that influences Mr. Ma's luxury consumption. On the other hand, frequent contact with government, banks, media and other organizations also helps Mr. Ma make some like-minded friends. Occasionally chatting after business, understanding of

luxury brands comes to his mind. Mr. Ma rarely goes to shopping mall, only about 3 hours a month on average, going mainly upscale stores. He's generally dressed in Amarni brand clothing, wearing Rolex watches, with slap-up shoes, purses and so on. When being asked about the feeling after using these products, he felt indeed more comfortable, and they show his personal taste as well. Now he is extremely concerned about others' opinion whether he has a good taste. If somebody says so, he would be very pleased. Meanwhile, another reason of his luxury purchase is gift giving, for courtesy call, reciprocity and expressing thanks for others' help. It's very important to purchase a decent gift in any of these cases. About half of his expense on luxury is for gifts, and the receivers don't refuse usually.

According to the analysis on the in-depth case study of Mr. Ma's consumer behavior, we found that: Mr. Ma's living environment and working conditions are typical in Chinese mid-high management level in enterprises. They are an important group of luxury consumers. Those people who are at the same age and same level with Mr. Ma, although in various organizations, their consumer behavior are similar to Mr. Ma. Therefore, this in-depth analysis is very conducive to the follow-up survey and further research.

About the general luxury consumption behavior, Mr. Ma purchased luxury about 2 or 3 times a month in upscale shopping mall, spending 1 or 2 hours each time with a specific target. Sometimes when he went to nonlocal city like Hong Kong or abroad, he purchased a number of luxuries, because their variety are more and the quality is more guaranteed. Since the luxury is sometimes for his own use and sometimes for gift giving, the various products include jewelry, cosmetics, accessories, clothing, purses, etc. Now Ma is planning to buy a decent villa within five years, which is top luxury consumption. In the current month, Ma spent over 10,000 RMB monthly on average in luxury consumption. The influencing factors of his consumption are complicated, related to social factors, cultural factors, personal factors, etc. Considering his real situation, social and cultural factors are the most important. About the motivation, community integration and social recognition are very important. Friends influence his decisions.

In-depth case study 3: Lee, professor in business faculty of an university

Professor Lee, male, 48 years old, married, got his master degree in his early year from a domestic prestigious university. After graduation he taught in that

university and got PhD degree afterwards. He also served as a visiting scholar in universities abroad several times. Professor Lee has more and more influence in academic field, with good reputation. His main research areas are concentrated on the corporate strategic management, marketing and business operation. He has made a series of academic achievements, published dozens of articles, compiled educational materials and published a number of monographs. Professor Lee is an adjunct professor at several universities, and is also invited to give lectures in various institutions. In the field of business practices, professor Lee has also been employed by a number of enterprises as a business consultant, and currently he serves as an independent director of two listed companies. Professor Lee has a relatively high social status with high income and respected by public. In Luxury consumption, professor Lee is different from other professors and even himself years ago. Most of the professors do not understand or concern about luxury. But professor Lee pays attention to luxury on one hand because of the impact of external environment. He said: "contacting with the CEOs, one can not be too shabby. Beside, some of the valuables are gifts from others. And sometimes I am invited to television programs in public, it makes image very important." On the other hand, professor Lee is personally keen on history, archeology, especially some vintage items with Chinese culture elements, such as scholar's four treasures, calligraphy & painting, tea, and other historical items. Professor Lee said it has been his hobby before, and since he can pay for that now, he's glad to, even though they are much expensive.

Based on the analysis of in-depth case study above-mentioned on professor Lee's consumer behavior, we found that:

Professor Lee is a typical representative of those being engaged in non-profit industries, with social status and popularity, such as government officials, cadres of institutions. Professor Lee is in the meantime a typical representative of those showing special preference to antiques with historical and cultural value, or local special luxury. Therefore, it's of great value to explore and dissect the luxury consumer behavior of professor Lee.

Professor Lee is also busy, but compared to those in business circle, he could occasionally visit malls with his wife in leisure time and wander around casually. He goes to high-end stores about once monthly, spending 5000 RMB on average. Of course, seeing his favorite study treasures, he would spare no expense to them. The consumer behavior of Professor Lee is mainly influenced by cultural and social factors. As a public figure, usually coming to light in the media and in

front of strangers has a great impact on professor Lee's luxury consumption. Although not necessary to be part of the social upper celebrities, at least he acts as an expert in many situations. Social motivation is an important motivation for professor Lee's luxury purchase.

#### **8.1.4 Interview Survey**

Expert interview, focus group and case study in this research get deep understanding of Chinese luxury consumer behavior in various aspects. In order to better develop the scale for measuring luxury consumer behavior, especially the influencing factors and motivation, on the basis of previous qualitative research, some consumers are taken into face-to-face interviews, in-depth communication of luxury consumption. The investigation adopted individual anonymous interview, so that the interviewees talked about their opinions freely. With guidance, the interviewees are expected to talk more about the important issues concerned in this research. Interviewees are mostly consumers of various categories of luxury, got by random convenience sampling. The target was not detailed investigation, but only an initial tentative confirmation on the points concluded from the previous qualitative study, for the purpose of better development of measurement scales and questionnaires in this research.

#### **8.1.5 Questionnaire design**

In the study of European consumers of luxury consumer motivation, Vigneron Franck and Lester W. Johnson (1999) adapt the concept of self-orientation – Self-conscious to subdivide the consumer psychology. (See figure 3 in Chapter 4.3.1)

Overall, although the luxury consumer motivation is complicated and multi-levelled, Euramerican scholars believe that in general it can be attributed to the following two types:

- a. Individual motivation. Individual factor is the root of consumer individuality motivation. Consumers produce their motivation by physical needs, physiological conditions, psychological characteristics or knowledge of literacy, which will have the function of inspiration.
- b. Society motivation. Social factor is the root of consumer sociality motivation. Consumers affected by geographical environment, customs, science, culture, economic status and class groups in the society will have the incentive to purchase and meet their needs of social life.

Considering the different cultural backgrounds between China and Occident and according to the research design above, this thesis proposes a Chinese luxury consumer motivation model. In addition to individual motivation and society motivation, community motivation is also taken into account. Chinese luxury consumer motivation model is expected as figure 5 as follows.

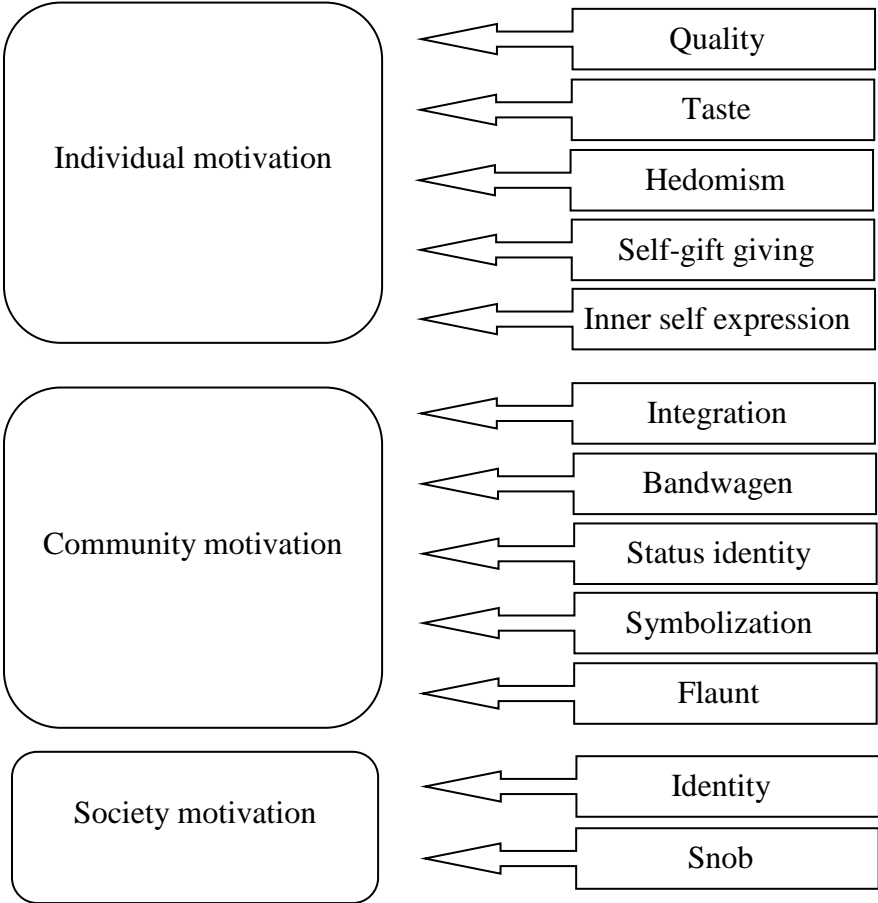


Figure 5: Model of Chinese luxury consumer motivation  
*Source: Author compilation*

The classic study of consumer behavior is mainly on five aspects – why, what, when, who and how (4W1H). The first one “why” is very important, and very complex, too. The other 3W1H research could be done through observation, data collection and analysis. However, the influencing factors and deep-seated motivation of consumers are more complicated. Therefore, for measurement of consumer behavior, it is necessary to make an appropriate conversion. Of course through the similar investigation as 3W1H, direct questions could be inquired about why to buy such products or services, but obviously it is difficult to get real wanted results, or consumers would not think so deeply about the questions and then answer them. So, in most of the studies, the measurement of these issues is converted into much easier questions.

Before consumption behavior, there happens a consumer behavior inclination, which is leading to the final action. This inclination is the result of combined attitudes towards variety of issues. Attitude is a basic and significant concept in psychology. American psychologist Allport defined attitude as "the most clear and irreplaceable concept in social psychology". He pointed out that, in the field of social psychology, attitude has replaced the vague terms borrowed from general psychology, such as instinct and custom. In consumer psychology, attitude is also a very important concept concerned by marketing research. It refers to a lasting system about cognitive evaluation, emotional feelings and action tendency. Generally, attitude is understood as the combined result of emotion and cognition.

Attitude generally has the following characteristics. Attitude is learned (posteriority). When the form is set, it doesn't easily change (persistence). Once attitude forms, the subsequent behavior performance is fixed (stationarity). Therefore, it's usually considered that attitude consists of three elements. The first is information basis, i.e. attitude formation based on information and facts. Second, attitude is manifested by approval or objection, i.e. relative preference sequence in consumers' point of view. The third is behavior inclination, i.e. good attitude tends to agree or purchase, while bad attitude tends to oppose or abstain. Attitude has a direct and powerful impact on people's actions.

In this study, the questionnaire design takes references from Sun Yue (2008) who took references from John C. Mowen's (1993) AIO scale, Donald Hendon, Emelda Williams and Douglas Huffman's (1988) research result about psychological differences of social classes, and William O. Bearden and Michael J. Etzel's (1982) research result about impact of reference groups. Likert scale is used. The measurement of influencing factors and motivation of luxury consumer behavior is very significant, and thus such kind of questions are transformed into indirect ones referring to emotional, cognitive and attitude measurement. For the basic luxury consumer behavior, direct survey is conducted.

According to the qualitative research result of luxury consumer behavior, the questionnaire consists of four parts. Part A: influencing factors of luxury consumption; Part B: luxury consumer motivation; Part C: general luxury consumer behavior; Part D: demographic characteristics of luxury consumers. Part A and Part B use 5 point Likert scale. 1~5 is from strongly disagree to

strongly agree. Part C and Part D use choice questions. The options are designed on the basis of preliminary qualitative research results and repeated deliberation.

Part A includes four aspects: cultural factor, social factor, personal factor and marketing factor. Cultural factor is divided into "culture" and "subculture", for which 2 indicators are used. The questions are:"1. People are judged by their dress and personal adornments. 2. Influenced by my friends, I have to consume luxury constantly." Social factor includes opinion leaders, role / status and family. 3 indicators are used and the questions respectively are:"3. My idol's (or superior's) opinion influences my behavior, including luxury consumption. 4. Because of the social role and status, I have to consume some luxury brands. 5. Family (growing environment, economic conditions) influences my luxury consumption." Personal factor includes lifestyle, self-concept and face. 3 indicators are used and the questions are:"6. If I am able to pay, it's worth buying my favorite luxury. 7. Only when using the luxury, I've found who I am. 8. I am worried that other people or friends consider me moneyless or tasteless, therefore I consume luxury." Marketing factor includes advertising and promotion. 2 indicators are directly used:"9. Some luxury advertisements are so attractive that it makes me dream of luxury. 10. Sometimes luxury promotions offer a good price, therefore I buy it."

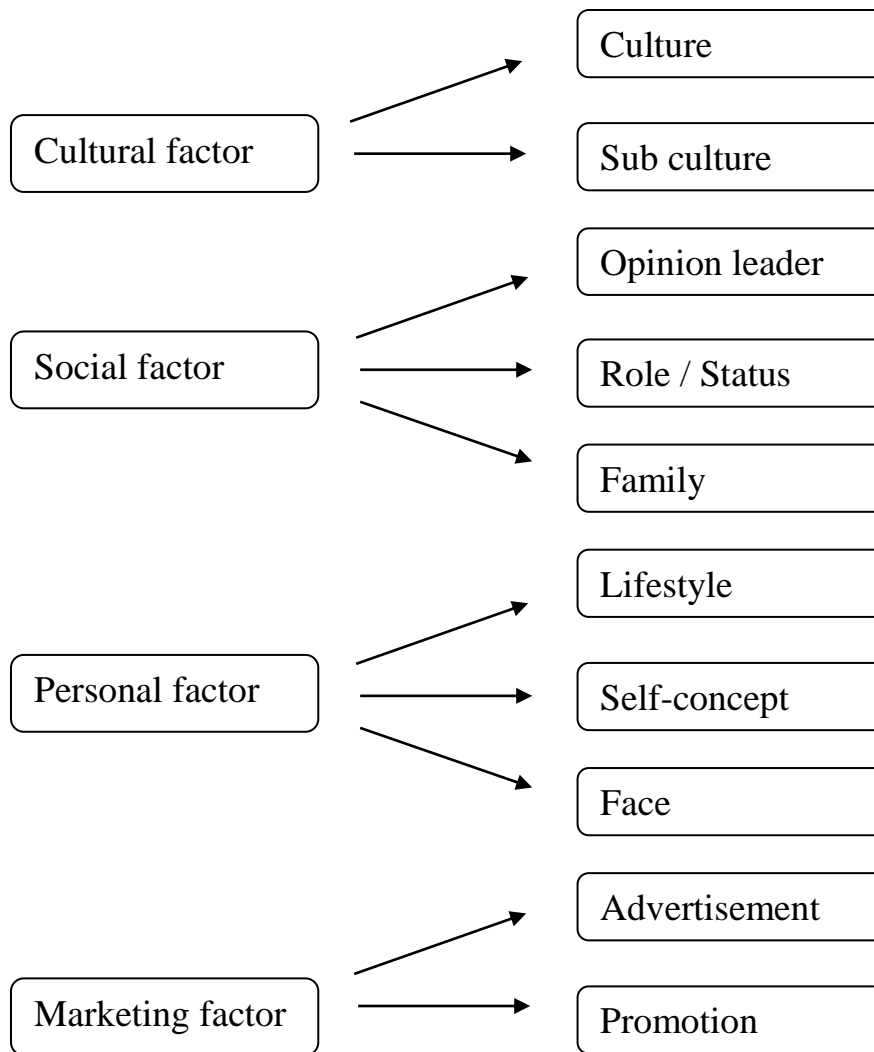


Figure 6: Influencing factors of consumer behavior

*Source: Authors compilation*

Part B consists of three aspects: individual motivation, community motivation and society motivation. Individual motivation is divided into quality, taste, hedonism, self-gift giving and inner self expression. 5 indicators are used: "1. Because the product has really high quality, better than others, therefore I buy it. 2. The design and connotation of this product give expression to my taste. 3. Having the luxury, I am enjoying myself and happier than before. 4. I am well done and have made great progress, so I buy luxury to reward myself. 5. The idea and value of the luxury match me very much, so I buy it." Community motivation is divided into integration, bandwagon, status identity, symbolization and flaunt. 5 indicators are used: "6. Having this luxury, I consider myself more involved in the coterie I belong to. 7. Most of my colleagues and friends have this product, so I want to have it, too. 8. This kind of products make me more confident, and more easily to be accepted. 9. The symbol and implication behind



this brand is just what I expect, so I choose it. 10. Everyone is looking for a product that can make others envy, and this product just meet my target." Society motivation is divided to identity and snob. 2 indicators are used: "11. This product shows deluxe dignity, and is the priority of upper social class, so I am glad to have it. 12. I hope myself belong to the upper class in the society, so it's necessary to have luxury."

Part C is aimed at the indicators "frequency, why, how and what". The questions being asked are:"1. Generally my consuming frequency of luxury is? 2. The main reason I buy luxury is? 3. The channels I buy luxury are? 4. The luxury products or services I have experienced are? 5. Currently the products or services I prefer are? 6. For my future luxury consumption, I prefer?" The options are designed on the basis of preliminary qualitative research results. For example, through focus group, case study and interview survey, it's initially learned that rare consumers buy luxury more than twelve times annually; some of them even once in several years. According to the preliminary conclusion alike, these measuring options are designed. For instance, the question about luxury consumer purchasing frequency is followed by these seven options: "never, once in several years, once a year, 2~3 times a year, 4~6 times a year, 6~12 times a year, 12 times a year and more". Other Detailed options can be found in Appendix G.

Part D collects basic information about the consumers. If samples are sufficient, a comparative study can also be conducted. The questions include gender, age, occupation, education level and income situation. In the Chinese language questionnaire, the options of income is in Chinese currency RMB. According to the exchange rate, about 8 RMB equals to 1 Euro.

Detailed questionnaire can be found in Appendix G: "QUESTIONNAIRE FOR LUXURY CONSUMERS".

## **8.2 Methodology**

### **8.2.1 Sampling method and samples**

A report released by the Fortune Character Institute and the Shanghai Donghao Human Resources Co Ltd shows that half of the respondents earn a monthly salary between 5,000RMB (\$817.2) to 10,000RMB. This group of people is mainly made up of salespeople. The report is based on 197 questionnaires, in-

depth interviews, phone interviews, email interviews and literature reading. (China Daily, 2013)

2011 China Luxury Report releases that Chinese luxury consumers become younger in average age. The report is jointly published by Ruder Finn and Albatross Global Solutions. It is also the first time investigation on behavior of young consumers aged 20-30 (born after 80's). The report result is got from an investigation on more than 1000 respondents from Beijing, Shanghai, Guangzhou, Hong Kong, Taiwan and 17 2-tier cities in mainland China. Half of the respondents are between 20-30 years old. (China Daily, 2011)

According to statistics, with the improvement of education level, the number of luxury consumers increase. (HCR, 2009)

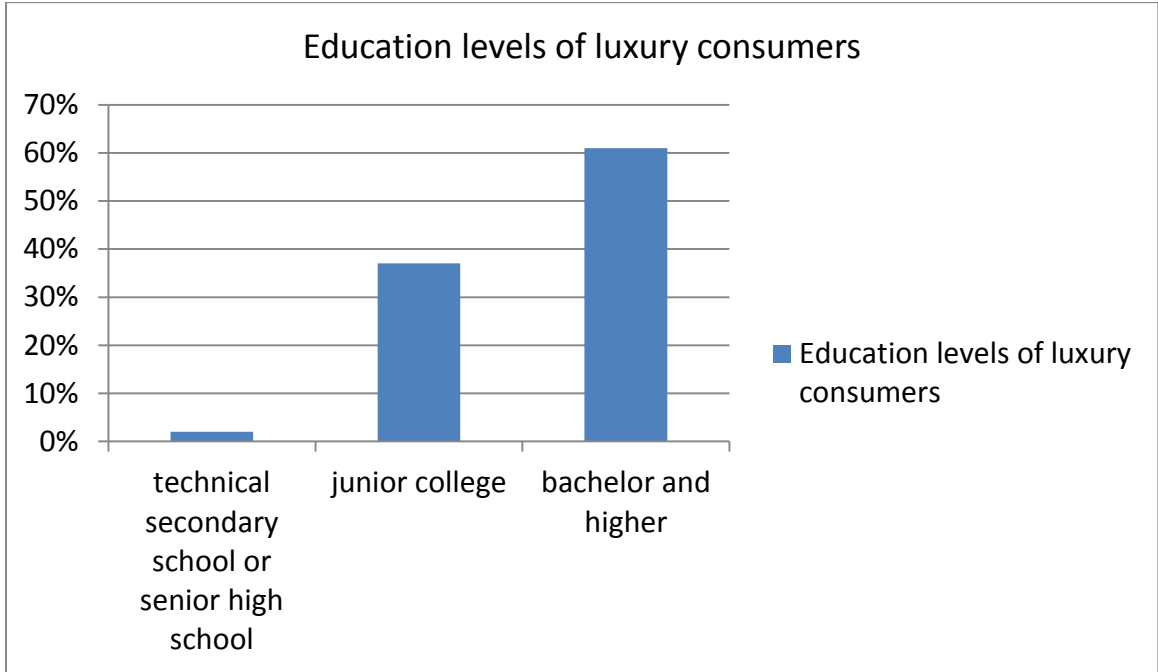


Figure 7: Education levels of luxury consumers

Source: Yxlady (2009)

Therefore, the majority of informants chosen are those high educated employees in companies with income between 5000 to 10,000RMB at age 20-30.

The pre-survey of luxury consumers was from April 1, 2012 to April 10, 2012, with a total of 30 questionnaires. No significant ambiguity or error omission was found in the questionnaire. After certain simple adjustments, the questionnaire was finalized. Formal investigation was completed during 5<sup>th</sup> September and 18<sup>th</sup> November 2012, nearly two and a half month. Most of the respondents are those who have at least once purchasing luxury, or one luxury product, or long

for luxury. A total of 333 questionnaires were submitted, in which 327 are valid. The effective questionnaire ratio is 98.2%.

### 8.2.2 Data analysis methods

The research mainly adopts SPSS tool for processing the data collected and test the rationality of the scale, so as to verify the theoretical hypotheses. On this basis, other quantitative and qualitative analysis methods are further explored to improve the reliability of the analysis.

Table 2 Data analysis methods

	Research objects	Research content	Analysis methods
1	Consumers	Who – gender, age, education, income, etc.	SPSS simple analysis
2	Luxury products	What – tangible, intangible	SPSS simple analysis
3	Influencing factors	Cultural, social, personal, marketing	SPSS simple + Correlation analysis
4	Motivation	Individual, community, society	Structural equation AMOS+SPSS

*Source: Author compilation*

## 9. RESULTS AND DISCUSSIONS

### 9.1 Chinese luxury consumer and product

Consumers mainly refer to a group of people who purchase, use and consume products. Based on relevant researches between consumers and their basic behavior, profound and valuable conclusions can be found for better understanding. Taking luxury cars manufactured in the United States as an example, Neese and Hult (1996) examined how demographic characteristics influence country of origin effect. They include marital status, family income, gender, age, education level, race and occupation. They found age, income, race and education level are important factors.

It shows that the study on consumer characteristics is also very important. This chapter first discusses the main characteristics of Chinese luxury consumers; then studies on the structural characteristics and trend of Chinese luxury products; at last discusses the relevance between the two. It will play an important role in deeply understanding of Chinese luxury consumer behavior and for enterprises to develop appropriate marketing strategies.

#### 9.1.1 Demographic characteristics of Chinese luxury consumers

The formal investigation of this study started from 5<sup>th</sup> September and finished on 18<sup>th</sup> November 2012, nearly two and a half months. The target object is people from mainland China. Questionnaires, in Chinese language, are sent via email, website and handouts. A total of 333 questionnaires were submitted, in which 327 are valid. The effective ratio is 98.2%. Specific sample characteristics are shown in the following table. A detailed discussion and analysis on the relevance between consumers and products is in the section 9.1.3.

Table 3 Gender characteristics of sample consumers

Gender	Frequency	Percentage (%)
Male	171	52.29
Female	156	47.71
Total	327	100.00

*Source: Survey data, 2012*

Most of the respondents in this study have luxury purchase experience, or are at least about to. The proportion of men and women in the sample collected is

similar. Therefore, from the perspective of gender, the number of men and women consuming luxury is nearly the same.

Table 4 Age characteristics of sample consumer

Age	Frequency	Percentage (%)
16-20	21	6.42
21-30	183	56.96
31-40	90	27.52
41-50	24	7.34
51-60	9	2.75
61+	0	0
Total	327	100.00

*Source: Survey data, 2012*

In the survey of age characteristics, people from 21~30 years old, 31~40 years old and 41~50 years old have a proportion more than 90%. There is a huge difference from developed countries, in which people aged from 40~70 is the mainstream population in luxury consumption.

Table 5 Occupation characteristics of sample consumers

Occupation	Frequency	Percentage (%)
Student	57	17.43
Employee of a company or institution	150	45.87
Boss or manager	27	8.26
Official	15	4.59
Professor	12	3.67
Teacher	51	15.60
Freelance	6	1.83
Retire	3	0.92
Other	6	1.83
Total	327	100.00

*Source: Survey data, 2012*

In the survey of occupation characteristics, people working in business, education and government have the highest proportion. This is due to China's current economic development, social processes and social culture. Since the reform and opening up, social status and income of those people have been

greatly improved. Also the needs for social intercourses generate more demands of luxury from those people. The result of this survey reflects the reality.

Table 6 Education characteristics of sample consumers

Education level	Frequency	Percentage (%)
Junior high school and lower	3	0.92
Technical secondary school or senior high school	12	3.67
Junior college or bachelor	168	51.38
Master and higher	144	44.04
Total	327	100.00

*Source: Survey data, 2012*

In the survey of education characteristics, undergraduates, masters and higher are majority, representing more than 98%. It preliminarily indicates the current generation of luxury consumers is relatively on high educational level. This conclusion reflects the luxury consumer group is greatly different from the upstart group at the beginning of China's reform and opening up in the 1990s. Together with the results of the previous survey, business people aged 21~40 with undergraduate and master degree are the majority of luxury consumption.

Table 7 Income characteristics of sample consumer

Income	Frequency	Percentage (%)
1500RMB / month and less	48	14.68
1501~3000RMB / month	48	14.68
3001~5000RMB / month	81	24.77
5001~10000RMB / month	96	29.36
10001~20000RMB / month	48	14.68
more than 20000RMB / month	6	1.83
Total	327	100.00

*Source: Survey data, 2012*

In the survey of income characteristics, people getting 3001~5000 RMB/month and 5001~10000 RMB/month are the majority, accounting for more than 53%. This shows most of the Chinese luxury consumers have income from 3001 RMB/month to 10,000 RMB/month. However, found by indepth exchange with some luxury consumers after the sruvey, mostly they are reluctant to disclose their actual income, and tend to select lower income level than reality. This is very relevant to the Chinese culture – not to reveal rich and to be low-key.

Overall, Chinese luxury consumers are widely spread, regardless of gender, age, education, occupation and income. But they are mainly business people at the age of 21 to 40, with college degrees and income between 3000RMB/month and 10,000RMB/month.

### 9.1.2 Characteristics of luxury products by Chinese

Consumer behavior is complex and complicated. It refers to purchasing time, place, manner, channel, influencing factors, motivation, etc. This section mainly does analysis and discussion on luxury consumer basic behaviors such as purchasing frequency, purpose, channel, past consumption, present consumption and future consumption inclination.

Table 8 Frequency of luxury consumption

Frequency of consumption	Frequency	Percentage (%)
Never	72	22.02
Once in several years	144	44.04
Once a year	72	22.02
2~3 times a year	36	11.01
4~6 times a year	3	0.92
6~12 times a year	0	0
12 times a year and more	0	0
Total	327	100.00

*Source: Survey data, 2012*

In the survey of luxury consumption frequency, purchases once in several years and once a year are the largest proportion, accounting for over 66%. It indicates there is certain frequency of luxury consumption of the majority of luxury consumers; however, the frequency within one year is not high. 72 respondants have never bought luxury. The reason why they are taken into account is that

based on the pre-survey, the researchers believe this group of people have a strong inclination of luxury purchase. Their opinion and motivation of luxury consumption also apply to the research objective.

Table 9 Purpose of luxury consumption

Purpose of consumption	Frequency	Percentage (%)
Mostly for my own use	189	57.80
Mostly for others as gifts	84	25.69
For myself + for others	54	16.51
Total	327	100.00

*Source: Survey data, 2012*

In the survey of luxury consumption purpose, "Mostly for my own use" represents the highest proportion, and "Mostly for others as gifts" takes the second place. It indicates Chinese luxury consumers purchase mainly for their own use, but also for gift to others, which is related to Chinese "gift giving" culture.

Table 10 Channel of luxury consumption

Channel of consumption	Frequency	Percentage (%)
Upscale shopping center in mainland China	192	33.68
Hong Kong, Taiwan or Macau	156	27.37
Asian countries e.g. Japan	18	3.16
European countries	87	15.26
North America e.g. USA	36	6.32
Shopping online	81	14.21
Total	570	100.00

*Source: Survey data, 2012*

In the survey of luxury consumption channel, because the answer is multiple choices, the total amount of frequency is 570. As it's seen by the above table, the main channel for Chinese luxury consumers are "Upscale shopping center in mainland China" and "Hong Kong, Taiwan or Macau". It's also worth noting the channels "European countries" and "Shopping online". It indicates the Chinese consumers purchase luxury mainly in upscale shopping center in China,



meanwhile purchase in Europe also occupies a certain proportion. The trend of online shopping cannot be ignored.

Table 11 Category of past luxury consumption

Category of past consumption	Frequency	Percentage (%)
Dress	171	22.27
Leather ware	138	17.97
Watches	120	15.63
Perfume	117	15.23
Jewelry	120	15.63
Travelling abroad	45	5.86
Sports (diving, skiing, golf)	18	2.34
Luxury car or private jet	3	0.39
High-end villa	0	0
Other	36	4.69
Total	768	100.01

*Source: Survey data, 2012*

In the survey of past experience of luxury consumption, dress, leather ware, watches, perfume and jewelry represent the largest proportion. The consumption of travelling abroad, sports, luxury car and high-end villa is less. On one hand, this may reflect in the past, Chinese luxury consumption mainly focused on tangible luxury, less on experiential or intangible; on the other hand, it's due to Chinese economic development level – consumers are not able to afford such expensive luxury.

Table 12 Category of present luxury consumption

Category of present consumption	Frequency	Percentage (%)
Dress	141	20.09
Leather ware	117	16.67
Watches	111	15.81
Perfume	72	10.26
Jeweler	72	10.26
Travelling abroad	105	14.96
Sports (diving, skiing, golf)	24	3.42
Luxury car or private jet	21	2.99
High-end villa	18	2.56
Other	21	2.99
Total	702	100.01

*Source: Survey data, 2012*

In the survey of present luxury consumption, dress, leatherware, watches and travelling abroad represent highest proportion. Comparing with the past luxury consumption, it's obvious that more and more consumers are inclined to travelling aboard, while the consumption of perfume and jewelry reduces. In current consumption, dress still occupies the largest proportion among various luxury categories.

Table 13 Category of future luxury consumption

Category of future consumption	Frequency	Percentage (%)
Dress	87	10.18
Leather ware	72	8.42
Watches	84	9.82
Perfume	51	5.96
Jeweler	93	10.88
Travelling abroad	168	19.65
Sports (diving, skiing, golf)	96	11.23
Luxury car or private jet	87	10.18
High-end villa	111	12.98
Other	6	0.70
Total	855	100.00

*Source: Survey data, 2012*

In the survey of future luxury consumption, travelling abroad and high-end villa occupy large proportion. The proportion of intangible and experiential products increases, while the proportion of leatherware, watches, perfume, jewelry reduces. We can see that Chinese luxury consumers emphasize more on experiential luxury consumption in future inclination.

In general, Chinese luxury consumers have consumption characteristics as follow: luxury consumption frequency is mostly once in several years. The majority of consumers purchase luxury for their own use. Purchase channels are mainly the domestic high-end shopping centers. It's also worth noting the relatively high proportion of luxury online shopping, which foresees the market potential in the future. As for the future expectations of luxury purchase, there is a trend changing from tangible luxury to intangible and experiential luxury.

### **9.1.3 Difference test on Chinese luxury consumers and products**

For a deeper understanding of luxury consumer behavior, this section has a difference test on general consumer behavior of the luxury consumers, finding more interesting results. The test mainly includes purchasing frequency and purchasing purpose of consumer behavior under different genders, different ages, different occupations, different education levels, and different income. The largest proportions are taken as comparison groups. Considering the purchasing

channel and category (past, present and future) maybe influenced by more factors, difference test under demographic characteristics is not done on them. Detailed test results are showed in the following tables.

Table 14 Difference test on purchasing frequency and purpose under different genders

Frequency

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6,852	1	6,852	7,730	,006
Within Groups	288,084	325	,886		
Total	294,936	326			

Purpose

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	,707	1	,707	1,232	,268
Within Groups	186,559	325	,574		
Total	187,266	326			

Note: generally, if sig.>0.05, difference is significant; if sig.<0.05, difference is not significant.

Source: Survey data, 2012

The tables above indicate that there is significant difference between genders in frequency; there is no significant difference in purpose.

The specific difference is showed by the table below.

Table 15 Purchasing frequency and purpose under different genders

	N	Mean	Std. Deviation
FrequencyMale	171	2,3860	1,00740
FrequencyFemale	156	2,0962	,86344
Valid N (listwise)	156		

Source: Survey data, 2012

Result is showed in the following table about difference test on purchasing frequency and purpose under different ages.

Table 16 Difference test on purchasing frequency and purpose under different ages

Frequency

(I) Age	(J) Age	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
1,00	5,00	-,44965	,21461	,138	-,9864	,0871
2,00	5,00	-,16393	,31804	,975	-,9594	,6315
3,00	5,00	,30273*	,11993	,047	,0028	,6027
4,00	5,00	,46107	,20222	,089	-,0447	,9669

Purpose

(I) Age	(J) Age	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
1,00	5,00	-,28806	,17199	,324	-,7182	,1421
2,00	5,00	,42623	,25488	,325	-,2113	1,0637
3,00	5,00	-,04044	,09611	,988	-,2808	,1999
4,00	5,00	,42623*	,16206	,035	,0209	,8316

Note: the difference test compares "21~30" (majority) against other groups.

Source: Survey data, 2012

The tables above indicate that "31~40" has significant difference compared to "21~30" in frequency; "41~50" has significant difference in purpose. The specific differences are showed by the table below.

Table 17 Purchasing frequency and purpose under different ages

	N	Mean	Std. Deviation
Frequency21to30	183	2,1639	,87418
Frequency31to40	90	2,4667	1,06212
Purpose21to30	183	1,5738	,71389
Purpose41to50	24	2,0000	,88465
Valid N (listwise)	24		

Source: Survey data, 2012

Result is showed in the following table about difference test on purchasing frequency and purpose under different occupations.

Table 18 Difference test on purchasing frequency and purpose under different occupations

Frequency

(I) Occupation	(J) Occupation	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
1,00	9,00	-,16000	,14071	,899	-,5457	,2257
2,00	9,00	-,16000	,37651	1,000	-1,1920	,8720
3,00	9,00	,95111 <sup>*</sup>	,18906	,000	,4329	1,4693
4,00	9,00	,24000	,24490	,954	-,4312	,9112
5,00	9,00	-,16000	,27130	,998	-,9036	,5836
6,00	9,00	,19294	,14659	,802	-,2088	,5947
7,00	9,00	,84000	,37651	,188	-,1920	1,8720
8,00	9,00	-1,16000	,52732	,202	-2,6053	,2853

Purpose

(I) Occupation	(J) Occupation	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
1,00	9,00	-,27158	,11462	,136	-,5857	,0426
2,00	9,00	-,14000	,30669	1,000	-,9806	,7006
3,00	9,00	-,30667	,15400	,314	-,7288	,1154
4,00	9,00	,16000	,19948	,986	-,3868	,7068
5,00	9,00	,11000	,22099	,999	-,4957	,7157
6,00	9,00	,06588	,11941	,999	-,2614	,3932
7,00	9,00	-,64000	,30669	,259	-1,4806	,2006
8,00	9,00	1,36000 <sup>*</sup>	,42953	,013	,1827	2,5373

Note: the difference test compares "employ in company" (majority) against other groups.

Source: Survey data, 2012

The tables above indicate that "boss or manager" has significant difference compared to "employees" in frequency; "retiree" has significant difference in purpose. The specific differences are showed by the table below.

Table 19 Purchasing frequency and purpose under different occupations

	N	Mean	Std. Deviation
FrequencyEmployee	150	2,1600	,88295
FrequencyManager	27	3,1111	1,12090
PurposeEmployee	150	1,6400	,79664
PurposeEntiree	3	1,0000	,00000
Valid N (listwise)	3		

Source: Survey data, 2012

The result of difference test on luxury purchasing frequency and purpose under different education backgrounds is as follow.

Table 20 Difference test on purchasing frequency and purpose under different educations

Frequency

(I) Education	(J) Education	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
1,00	4,00	-1,16071	,54868	,101	-2,4764	,1550
2,00	4,00	,33929	,28147	,537	-,3356	1,0142
3,00	4,00	,19345	,10697	,198	-,0631	,4500

Purpose

(I) Education2	(J) Education2	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
1,00	4,00	-,42857	,42244	,669	-1,4415	,5844
2,00	4,00	1,07143 <sup>*</sup>	,21671	,000	,5518	1,5911
3,00	4,00	,27976 <sup>*</sup>	,08236	,002	,0823	,4773

Note: the difference test compares "junior college or bachelor" (majority) against other groups.

Source: Survey data, 2012

The tables above indicate that all other groups have no significant difference compared to "junior college or bachelor" in frequency; "technical secondary school or senior high school" and "master and higher" have significant differences in purpose. The specific differences are showed by the table below.

Table 21 Purchasing purpose under different education levels

	N	Mean	Std. Deviation
PurposeBachelor	168	1,4286	,70559
PurposeHighSchool	12	2,5000	,52223
PurposeMaster	144	1,7083	,76529
Valid N (listwise)	12		

Source: Survey data, 2012

The result of difference test on luxury purchasing frequency and purpose under different income levels is as follow.

Table 22 Difference test on purchasing frequency and purpose under different incomes

Frequency

(I) Income	(J) Income	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
1,00	6,00	-,53125 <sup>*</sup>	,16404	,006	-,9519	-,1106
2,00	6,00	-,40625	,16404	,063	-,8269	,0144
3,00	6,00	-,18403	,14000	,611	-,5430	,1750
4,00	6,00	,59375	,39049	,463	-,4075	1,5950
5,00	6,00	,09375	,16404	,980	-,3269	,5144

Purpose

(I) Income	(J) Income	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
1,00	6,00	-,15625	,13180	,704	-,4942	,1817
2,00	6,00	-,09375	,13180	,950	-,4317	,2442
3,00	6,00	,22106	,11249	,209	-,0674	,5095
4,00	6,00	,40625	,31375	,625	-,3982	1,2107
5,00	6,00	-,21875	,13180	,371	-,5567	,1192

Note: the difference test compares "5001~10000RMB/month" (majority) against other groups.

Source: Survey data, 2012

The tables above indicate that "1500RMB/month and less" has significant difference compared to "5001~10000RMB/month" in frequency; all other groups have no significant difference in purpose. The specific differences are showed by the table below.

Table 23 Purchasing frequency under different income levels

	N	Mean	Std. Deviation
Frequency5001to10000	96	2,4063	,74802
Frequency1500	48	1,8750	,86603
Valid N (listwise)	48		

Source: Survey data, 2012

Overall, Chinese luxury consumers include people from different genders, ages, education backgrounds, occupations, income levels, etc. They are mainly personnel in companies or institutions aged between 21~30, with bachelor degree and making 5000~10000RMB monthly.

Basic consumption behaviors of Chinese luxury consumers have the following characteristics: the luxury purchase frequency is mostly once in a few years;



most of them purchase for personal use; purchase channels are mainly high-end shopping center in mainland China. About the luxury products, especially purchase inclination in the future, there is a trend changing from tangible to intangible products.

Some of the luxury consumer demographic characteristics have significant differences in purchasing frequency and purpose.

## **9.2 Influencing factors of Chinese luxury consumer behavior**

Many factors influence consumer behavior. Chinese luxury consumer behavior is also influenced mainly by factors culture, society, personality and marketing promotion. Based on the real research data, this chapter analyzes those factors and creates a simple model for evaluation. It also has a significant difference test on those factors under the demographic characteristics.

### **9.2.1 Cultural factors influencing Chinese luxury consumer behavior**

Culture has extensive and far-reaching impact on consumer behavior. When looking for new markets and consumers for their products, more and more companies find that consumers from diverse cultural environments are different.

Culture is commonly understood as a complex which consists of human capacity such as knowledge, belief, art, morality, law, habits, etc. Some believe that the concept of culture has narrow and broad sense. Narrow sense refers to the results achieved by human mentation, such as philosophy, religion, science, art, morality and so on; broad sense refers to the sum of all human material and spiritual creations. Anyway, culture is one of the most important ways by which the society influences human behavior. Culture is commonly accepted social belief, value, custom and standard of conduct.

Generally, society conveys its identity culture by means of family and school. Society conveys the core value of the culture, and such core value is often sustained and stable. We call it social value, as opposed to individual value.

Subculture is segmentation and part of social culture. The so-called sub-culture refers to the unique value, lifestyle and norm of behavior shared by the members of their respective sub-groups belonging to one culture group. Every culture contains smaller subcultures which provide their members more specific sense of identity and socialization.

In their paper “The Market for Luxury Goods: Income Versus Culture”, Dubois and Duquesne (1993) pointed out 14 products are universally accepted as luxury: haute couture, pret a porter, perfume, jewelry, watches, leather goods, shoes, cars, wine, champagne, retinol, tableware, crystal jewelry, porcelain. They built 2 Hypothesis – 1: The higher the income of an individual, the stronger the inclination to purchase luxury; 2: The more positive attitude towards the cultural changes, the stronger the inclination to purchase luxury. Then the hypothesis were verified and proved, including greater influence from income. A Linear model was created with income and culture as independent variables, and luxury penetration as dependent variable.

Cultural factors have the broadest and most far-reaching impact on consumer behavior. Each culture contains smaller subculture groups that provide the members more specific sense of identity and socialization, such as religious groups, ethnic groups, geographic area groups, which constraint and affect people's consumption concept (Ren Jinhua, 2002).

Cultural factors measurement is divided into two aspects – "culture" and "sub-culture". Two indicators are used. The measurement scales are: 1. People are judged by their dress and personal adornments (Culture). 2. Influenced by my friends, I have to consume luxury constantly (Subculture). Survey results are showed in appendix A.

Comparisons between various factors will be discussed in the fifth section of this chapter.

### **9.2.2 Social factors influencing Chinese luxury consumer behavior**

Consumer buying behavior is influenced by the social reference group, such as informal organization, family, social roles and status. Reference groups show new behavior patterns and ways of life, and because consumers have the desire to follow the example of the reference group, it also affects consumers' view and attitude on certain products, and brings about kind of "uniform" of people's behavior, thus influencing the consumer product and brand choices. Enterprises should well use reference group imposed on consumers to expand product sales.

A person may join many groups in his life, which determine his roles and status. Each role to some extent affects his buying behavior. Each role is along with a status, which reflects the evaluation by his community. Status recognition differs with different classes and different geographic regions, which influence the

product demands, purchase power and buying habit. To obtain the competitive advantage in an increasingly competitive brand market economy environment, enterprises must study the role and status of various social groups and their members, to cater or guide the preferences of the target customer groups, to accurately understand and grasp the dynamic market, so as to achieve the purpose of exerting influence on consumers by reference groups and expand product sales.

Families and individuals are very important consumer units, and there is very tight connection between personal and household consumption. Personal consumption is always directly or indirectly influenced and constrained by family environment. Therefore, the research on the relationship between family and consumption becomes a very important part in the field of consumer behavior. Influencing factors analysis on family consumption can be understood as two levels. First is to analyze the impact of family consumption from the perspective of family size and structure on the macro level. These changes are subject to social environment, system evolution, social development, etc. Second is to consider the perspective of family life cycle on the micro level. Family consumption is greatly different on different stages of its life cycle.

Social factors measurement is divided into three aspects – “opinion leaders”, “role/status” and “family”. Three indicators are used. The measurement scales are: 3. My idol’s (or superior’s) opinion influences my behavior, including luxury consumption (Opinion leaders). 4. Because of the social role and status, I have to consume some luxury brands (Role / status). 5. Family (growing environment, economic conditions) influences my luxury consumption (Family). Survey results are showed in appendix B.

### **9.2.3 Personal factors influencing Chinese luxury consumer behavior**

Personal factors are considered decisive for consumer behavior. Consumer purchase decision-making is influenced by personal characteristics, especially age, occupation, economic situation, lifestyle, personality and self-concept. They have direct impact on consumer purchasing decisions. Consumer behavior is based on the economic situation, which is thus the determinant of purchase decision. Lifestyle is activities, interests and views of a person living in the world. Its influence can not be ignored, too. Due to cultural environment, customs, and social status, people have different lifestyles, and thus also have different consumer behaviors.

Self-concept refers to the view of an individual on his own. It's divided into four basic types: actual, ideal, personal and social self-concept. There are many factors influencing self-concept, most importantly family (parents), culture, and gender. Marketers often adopt the Tennessee Self-Concept Scale and Semantic Differential (SD) method to measure them. Because consumers tend to purchase product consistent with their self-concept, enterprises should fully understand the symbolic meaning of the products. Symbolic consumption has become a new pattern nowadays.

At the beginning of 20th century, psychologists refused to accept self-concept. In the middle of the century, efforts by humanistic psychologists made it once again accepted. Self-concept considers the view on "I" as the most important part of personal thoughts and experiences. It affects individuals how to perceive around the world, and further affects their behavior. Ideal self-concept is the morphology wanted to be, while actual self-concept refers to the present morphology in one's mind. When the two are close to each other, the individual has good self-concept; when the difference is huge, individual has poor self-concept and is discontent with himself.

Self-concept is not innate, but is developed from acquired experience. In other words, self-concept changes with living experience, and is developing in the life cycle. Therefore, growth of age, personal academic achievement and self-attribution produce some degree of association with the development of self-concept.

Lifestyle means the way how consumers live. The measurement of Euramerican consumer lifestyle has three methods: AIO structure, AVLS classification system and Values List method. Based on these, Chinese scholars classify the Chinese lifestyle through questionnaires and data statistical analysis, and apply it to the real economic activities. As scientific discipline, lifestyle means those ways of activity which meet people's daily life under certain social conditions. It has characteristics of stability and typicality. Lifestyle narrowly refers to the ways of individual and family daily life, including basic necessities and leisure time spending. Generalized lifestyle refers to the sum of typical ways and characteristics of people living activities, including work, consumption and spiritual (such as political, cultural and religious) life activities.

Lifestyle is decided by social production mode and affected by political system, national history, culture, tradition, custom and people's value and outlook on life.

Different societies, ethnics and even different individuals have different lifestyles. Specific working conditions, income level, consumption standard, family structure, interpersonal relationships, education level and leisure time also influence their people's lifestyle. For example, Chinese like drinking tea, while Europeans like drinking coffee; Chinese like drinking hot soup for dinner, while Europeans often drink a cup of icy beverage or water instead.

Lifestyle has an important influence on consumer behavior. Consumers often make purchasing decisions to maintain their lifestyles. There are two important features of lifestyle that interest researchers and marketers. First of all, lifestyle is a fundamental driving force of consumer purchase and consumption (to improve or maintain current lifestyles). It means consumers make purchase decisions due to their problems and opportunities in real life, as well as the desires on this basis. For example, a high-school graduate goes farming back to his hometown in remote mountainous area. Later he is admitted to the university. After graduation he becomes a factory technician and starts a family. In these different stages of his life, the lifestyle must be greatly different, and his purchase behaviors should have dramatic changes as well.

Second, due to the changes of environment and the purchasing decisions that consumers have made, the lifestyle changes or improves. It means as time going and consumer learning, the lifestyle is changing. These changes are showed by young consumers. Especially on the first stages of their family life cycle, this change is particularly evident. Changes of lifestyle usually bring new issues and opportunities related to consumption, which normally force consumers to make new decisions. Then knock-on effect happens. For most people, dramatical lifestyle change is rare and has long time interval. In addition, growth of age also reduce this possibility.

Personality is personal "consistency of performance in different scenarios". It is "a consistent response to environmental stimuli and an individual psychological character". To better understand the essence of personality and its development and changes, scholars studied and formed their personality theories about personality structure, function, evolution and relationship with outside behaviors. These theories can be roughly divided into two categories – individual theory and social learning theory.

Individual personality theory has two basic assumptions: all individuals have inherent characteristics or features; individuals have measurable, consistent

differences in characteristics. A main difference between individual personality theories is how to answer "what is the most important content in personality". Individual theory includes psychoanalytic theory, personality type theory and trait theory. Social learning theory emphasizes that environment and context play decisive roles on personal behavior. It includes Jung's theory, Adler's theory and Haney's theory.

Personality represents series of characteristics that help to understand consumer behavior. Marketers can take advantage from these characteristics for valuable guidance to practice. Based on motivation research of psychoanalytic theory, they present two research methods on consumer behavior – depth interview and projective technique. Adopters of social learning theory propose CAD scale for the analysis of consumer behavior; trait theory adopters design 3M model to explain consumer behavior.

Personal factors measurement is divided into three aspects – "lifestyle", "self-concept" and "face". Three indicators are used. The measurement scales are: 6. If I am able to pay, it's worth buying my favorite luxury (Lifestyle). 7. Only when using the luxury, I've found who I am (Self-concept). 8. I am worried that other people or friends consider me moneyless or tasteless, therefore I consume luxury (Face). Survey results are showed in appendix C.

#### **9.2.4 Marketing factors influencing Chinese luxury consumer behavior**

Marketing factors that influence consumer buying behavior are mainly manifested by two aspects. First, corporate image in consumers' mind, i.e. the overall view and evaluation on enterprises by consumers. Second, the marketing mix, i.e. products, price, sale channels and promotional combination. In the current competitive market economy, brand is a significant factor. It is the effect that companies produce on consumers in community or in their mind. Corporate brand or product brand has a comprehensive and long-term influence on consumer behavior. A brand which has been widely recognized and accepted by consumers will greatly stimulate their purchase desire and influence their purchase behavior. Advertising plays a very important role on brand success, therefore advertising factor is specifically measured in the marketing influence measurement.

Promotion is very widely including price, discounts, gifts, VIP services, etc. Price is the most important and sensitive factor influencing consumer behavior. Price is directly related to the revenue of an enterprise and the consumer

decision about whether and how much to purchase. The commodity price itself has kind of mental function, to some extent influencing consumer behavior. Consumers deepen the understanding of the products in purchase, which become habit-forming price. This price is long duration and wide dissemination. Once formed, people will take it as a standard of price reasonableness, quality, service life and so on. This standard is only relative. Psychological price sensitivity is the degree to which consumer response to commodity price changes. Consumers are generally sensitive to price changes, but sensitivity to various commodities is different.

Marketing factors measurement is divided into two aspects – "advertisement" and "promotion". Two indicators are used directly: 9. Some luxury advertisements are so attractive that it makes me dream of luxury (Advertisement). 10. Sometimes luxury promotions offer good price, therefore I buy it (Promotion). Survey results are showed in appendix D.

### **9.2.5 Analysis on influencing factors of Chinese luxury consumer behavior**

#### **a. Mean value of various influencing factors**

The previous four sections made analysis and statistical description on the four factors that influence Chinese luxury consumers. This section does comparison and analysis between those influencing factors to identify the influencing degree. According to the questionnaire, differences of demographic characteristics are studied between luxury consumers. The mean value and standard deviation of every factor is shown in appendix E.

The average values of the influencing factors are in the range between 1~4 and the minimum and maximum values are 1 and 5. The influencing degree of each factor is different.

From the calculated mean values of those 10 secondary indicators, the mean values of the four upper indicators can be calculated – cultural factor, social factor, personal factor and marketing factor.

#### **b. Influencing factor calculation model**

In order to more accurately compare the influences of various factors, the study creates a simple influencing factor calculation model. Using relative comparison approach, assume that there are N influencing factors on an event, and the mean

value of the factor N is X (n). Then the percentage of the factor N in the relative comparison is:

$$Y(n)=\{X(n)-\min[X(1), X(2), \dots, X(n)]\}/\min[X(1), X(2), \dots, X(n)]*100\%$$

A relative percentage of each influencing factor is calculated based on this simple model. The percentage of the minimal mean value is 0, and others are higher than 0. The calculation model formula indicates that the percentage represents the degree of other influencing factors higher than the minimal one. The calculated results according to the above model are as follow.

Table 24 Relative comparison of influencing factor

Influencing factors	Index	Percent	Percent
Cultural factors	Culture	156.46%	95.58%
	Subculture	34.69%	
Social factors	Opinion leaders	55.78%	78.91%
	Role/status	61.90%	
	Family	119.05%	
Personal factors	Lifestyle	127.89%	45.35%
	Self-concept	8.16%	
	Face	0.00%	
Marketing factors	Advertisements	48.30%	63.95%
	Promotion	79.59%	

Source: Survey data, 2012

From the above table, in the second level indicators, "face" factor in individual characteristics have the minimal percentage. Among four first level influencing factors, personal factors are the minimal, and cultural factors are the maxumal, followed by social factors and marketing factors.

c. Significant difference test of influencing factors under demographic characteristics

For in-depth understanding on Chinese luxury consumer behavior, the research makes an analysis on difference significance of luxury consumer influencing factors under demographic characteristics. The demographic characteristics include different genders, different ages (the majority group as control),



different occupations (ditto), different education levels (ditto) and different income levels (ditto). The detailed test result is showed in appendix F.

The results indicate that there is significant difference between genders in culture, subculture, role/status, self-concept, and face.

There is significant difference between different ages in culture (16~20, 51~60 compared to 21~30), subculture (41~50), opinion leader (16~20, 41~50), role/status (31~40), self-concept (31~40), and face (31~40).

There is significant difference between different occupations in culture (other), subculture (boss or manager), opinion leader (professor), role/status (boss or manager), face (boss or manager), advertisement (professor) and promotion (teacher).

There is significant difference between different education levels in culture (junior high school and lower, technical secondary school or senior high school compared to junior college or bachelor), lifestyle (master and higher), and self-concept (technical secondary school or senior high school, master and higher).

There is significant difference between different incomes in opinion leader (10001~20000RMB/month, more than 20000RMB/month compared to 5001~10000RMB/month), role/status (more than 20000RMB/month), family (3001~5000RMB/month), self-concept (more than 20000RMB/month), face (1500RMB/month and less, more than 20000RMB/month), advertisement (more than 20000RMB/month) and promotion (3001~5000RMB/month).

In their paper "The Functions of Luxury: a Situational Approach to Excursionism", Dubios and Laurent (1996) state that the majority of people access luxury only in some specific cases. In this paper, the authors believe that these behaviors can be analyzed through the functions represented by product. Each group of luxury represents a particular set of functions, which meet the requirements on a specific scenario. Therefore it's more necessary to differentiate luxury in specific scenarios. According to the dichotomy (social or personal, plan or impulse), the authors present four scenarios. The respondents demonstrate their behaviors in those scenarios on three products (scarf, perfume and diamond ring). Finally, the assessment is made on the adequacy strength of each product in each scenario.

In 1993, Dubios and Duquensne studied and discussed on different inclination of luxury purchase ("I must buy / I may buy / I definitely don't buy") of scarves,

diamond rings and perfume in a variety of scenarios. He discussed four scenarios: 1. your man will give you a gift and ask your favorite (personal + planned); 2. you are going to buy a gift for yourself to celebrate your career achievement (personal + impulsive); 3. you will attend a meeting and want to leave a good impression (social + planned); 4. you see XX in a store, when you can hardly refuse (social + impulsive). The authors deeply discussed the factors influencing personal choice of luxury in different scenarios.

Overall, consumer behavior is influenced by many factors. Chinese luxury consumer behavior is also influenced by cultural factors, social factors, personal factors and marketing factors. This chapter does a analysis on the various factors on the basis of actual research data, and creates a model to compare those factors. At last, difference significance of the influencing factors is inspected according to different demographic characteristics – gender, age, education, occupation and income. The result shows certain differences are significant, while the others are not. This result has important implication for a deeper understanding of Chinese luxury consumer behavior.

### **9.3 Chinese luxury consumer motivation**

#### **9.3.1 Proposal of community motivation and model of Chinese luxury consumer motivation**

For Chinese, interpersonal influence is significant. Chinese people advocate collectivism and personal interests should be subordinated to collective interests. This culture influences generation to generation. Collectivism in China has been taken as a moral concept. Just in such a cultural context, Chinese pay more attention to the interpersonal influence. When considering issues, they take into account the feelings of others. Community plays a very important role on individuals.

Group pressure refers to an influence from a group on its members. It is an intangible psychological pressure the members feel when opinion and behavior conflicts happen with their group. They comply with group norms in order to maintain the relationship with the group. It makes members tend to do responses accepted by the group.

Peer pressure, also known as "confirmity" or "compliance" in psychology, refers to a gregarious tendency of individual idea or behavior due to group leading and pressure. This psychology generates individuals to aware of giving up

conflicting group norms, but behaving contrary to wishes of their own. Group is social space indispensable to people. There are mainly three kinds of group psychologies leading to the generation of group pressure and peer behavior:

a. People are born with a fear of social isolation. "Group tendency is a way of people living. When individual is exclusive from his group, he usually experiences great pain. Group has a special cohesive power to its members (Zhu Zhixian, 1989)". Individuals deviated from group will face strong peer pressure or even subject to severe sanctions. This fear makes people in groups tend to be gregarious, consistent with the groups in order to eliminate the sense of insecurity.

b. Group provides a reference for individual behavior. People tend to believe the majority, believing they are source of right information while doubting their own judgment. People consider the majority has more opportunities to be correct, especially in the case of ambiguity.

c. Group gives individuals a sense of belonging and self-identity, which makes individuals tend to maintain the group image. Therefore, the individual behavior is consistent with the group standard. "Actual group pressure results in conformity. The imaginary group superiority also puts pressure on individual behavior, which is consistent with the majority (Zhang Zhiguang, Jin Shenghua, 1996)". These reasons cause different peer psychologies. They are mainly two forms: real conformity – individual behavior is consistent with the individual inner opinions; expedient conformity – individual behavior is consistent with group due to peer pressure.

Considering the different cultural background of China and Occident, this thesis proposes a Chinese luxury consumer motivation model. In addition to individual motivation and society motivation, the "community motivation" is also taken into account. Chinese luxury consumer motivation model is hypothesised as follows.

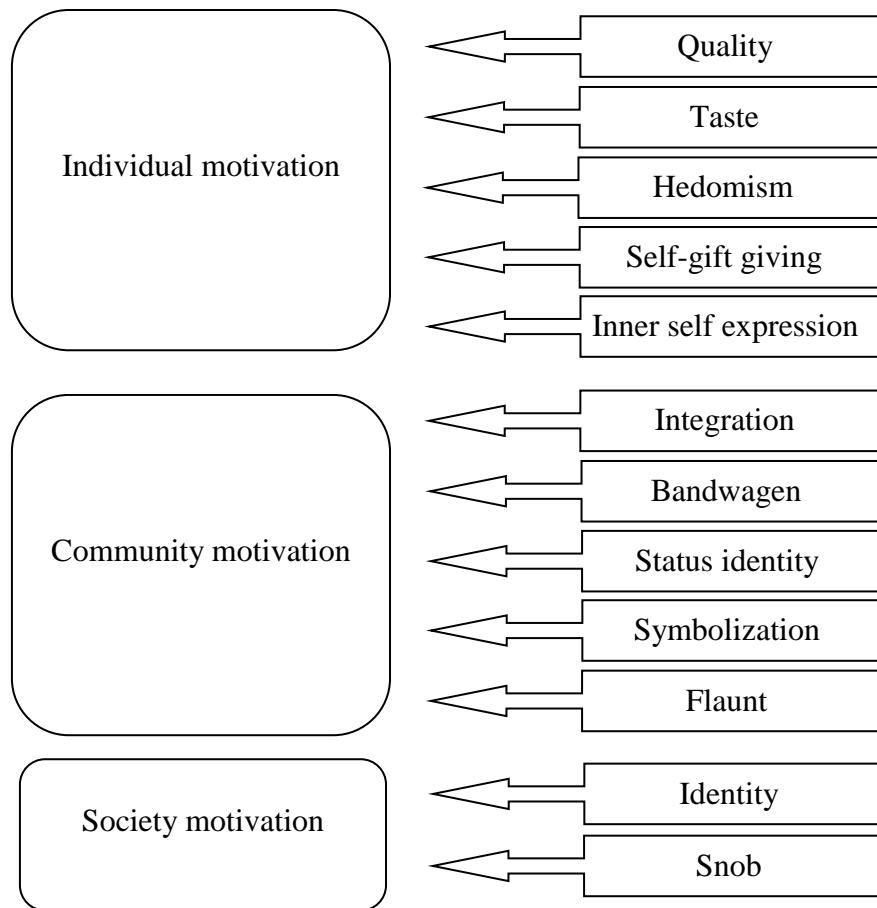


Figure 8: Model of Chinese luxury consumer motivation

*Source: Author compilation*

### 9.3.2 Measurement and inspection of the model

In order to avoid deviation or error that influence the researchers due to previous conclusions and ideas, the research methodology and research process are controlled in order to meet academic research norms. Firstly, a primary scale is created based on the literature review and previous studies, by theoretical interpretation and logical reasoning. Then the scale is perfected by focus groups and expert interviews. After data collection, the reliability and validity of the scale are inspected. On this basis, the hypotheses of this research are verified.

According the discussion and recommendations by Churchill (1979) about marketing research measurement methodology, the research firstly has a indepth literature study on society motivation, community motivation and individual motivation, and clearly defines connotation and denotation of each. According to this and expert panel discussion, initial measurement items are created with higher content validity for research dimensions. On this basis, the hypotheses are analyzed.

a. Reliability test

Reliability reflects the consistency and stability of the results from the questionnaire. Cronbach's Alpha value 0.9 is excellent. Experts suggest the acceptable value is over 0.7, or at least over 0.6.

Table 25 Reliability Analysis

Cronbach's Alpha	N of Items
,900	12

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Quality	26,9908	99,709	,388	,903
Taste	27,2202	94,553	,589	,894
Hedonism	28,0275	96,450	,533	,896
Self-Gift Giving	27,7890	95,339	,552	,895
Inner self-expression	27,6972	94,721	,564	,895
Integration	28,3486	92,712	,696	,888
Bandwagon	28,4679	95,256	,611	,893
Status Identity	28,1284	92,247	,725	,887
Symbolization	27,5596	93,155	,608	,893
Flaunt	28,2936	90,190	,728	,886
Identity	28,3486	89,786	,799	,883
Snob	28,2752	92,961	,645	,891

Source: Survey data, 2012

Deleting any of the items, no coefficient is significantly improved. The reliability of each factor and the total questionnaire is high, therefore the scale has high stability and accuracy.

b. KMO and Bartlett's test

The closer the KMO value is to 1, the better it means to have factor analysis to these variables. When the KMO value is high, there are more common factors between variables, and it's more suitable for factor analysis. The higher the Bartlett's value is, the more suitable for factor analysis. If the significant level of Bartlett test is  $P < 0.0001$ , factor analysis is acceptable.

Table 26 KMO and Bartlett's Test

Total

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,854
Bartlett's Test of Sphericity	Approx. Chi-Square	2437,430
	df	66
	Sig.	,000

Individual

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,785
Bartlett's Test of Sphericity	Approx. Chi-Square	409,240
	df	10
	Sig.	,000

Community

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,834
Bartlett's Test of Sphericity	Approx. Chi-Square	765,302
	df	10
	Sig.	,000

Society

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,500
Bartlett's Test of Sphericity	Approx. Chi-Square	388,143
	df	1
	Sig.	,000

*Source: Survey data, 2012*

As can be seen from the above table, the KMO value is higher than 0.5, and the significance level of Bartlett test is  $P < 0.0001$ , significant on the 0.001 level. That means independence assumption of each variable is invalid. It's suitable for factor analysis.

c. Validity test

Validity is another important indicator of questionnaire verification. Validity includes external validity, content validity, discriminate validity and structural validity.

Table 27 Total Variance Expained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5,843	48,695	48,695	5,843	48,695	48,695
2	1,767	14,727	63,422	1,767	14,727	63,422
3	,827	6,893	70,315			
4	,749	6,239	76,554			
5	,597	4,973	81,527			
6	,526	4,387	85,914			
7	,435	3,621	89,535			
8	,397	3,309	92,844			
9	,313	2,611	95,454			
10	,278	2,318	97,773			
11	,167	1,392	99,164			
12	,100	,836	100,000			

Source: Survey data, 2012

In order to get better external validity, the data collection should be done in the range as broad as possible. That ensures better external validity. The questionnaire research itself has higher validity.

The questionnaire covers sufficient and wide range of topics to measure concerned issues in this study, influencing factors and motivation of Chinese luxury consumer behavior. For Influencing factors, attitude measurement similar to satisfaction measurement is adopted; motivation measurement covers all aspects of the consumer behavior discussion, to ensure the content validity of the measurement. The construct and measurement dimensions of the scale are supported by a large number of literatures, going through content analysis and focus group interviews. The questionnaire was revised once, to ensure the content validity.

In this research, topics and measurements are generated from previous studies and classic consumer behavior theories. The connotation and extension were strictly defined and discussed. There is great difference between concept and definition and their meanings. It has good discriminate validity.

Measurement of a big number of items and research constructs ensure high construct validity of the questionnaire. This study uses factor analysis method,

and adopts principal components factor extraction. According to the table above, two factors are extracted, and the total variance explained is quite high. This shows that the acquired factors in the structure reflect the main sources of the Chinese luxury consumer motivation and have better interpretability. The questionnaire has good construct validity.

d. Analysis on motivation factors

The Second Order Factor Model is expressed and tested as follow: 24 measurement indicators are divided into 12 first-order factors and 3 second-order factors.

Table 28 Second Order Factors Model

Individual motivation	Quality	Taste	Hedonism	Self-gift giving	Inner self expression
Value name	qa	ta	he	se	Is
Community motivation	Integration	Bandwagon	Status identity	Symbolization	Flaunt
Value name	in	ba	st	sy	fa
Society motivation	Identity	Snob			
Value name	id	sn			

Notes: CMIN/DF is better less than 5, while it's acceptable from 5~8. TLI and CFI are the higher the better, and generally higher than 0.7 is acceptable. RMSEA is the lower the better, and generally less than 0.1 is acceptable.

*Source: Survey data, 2012*

The computation result is showed in the figure below:



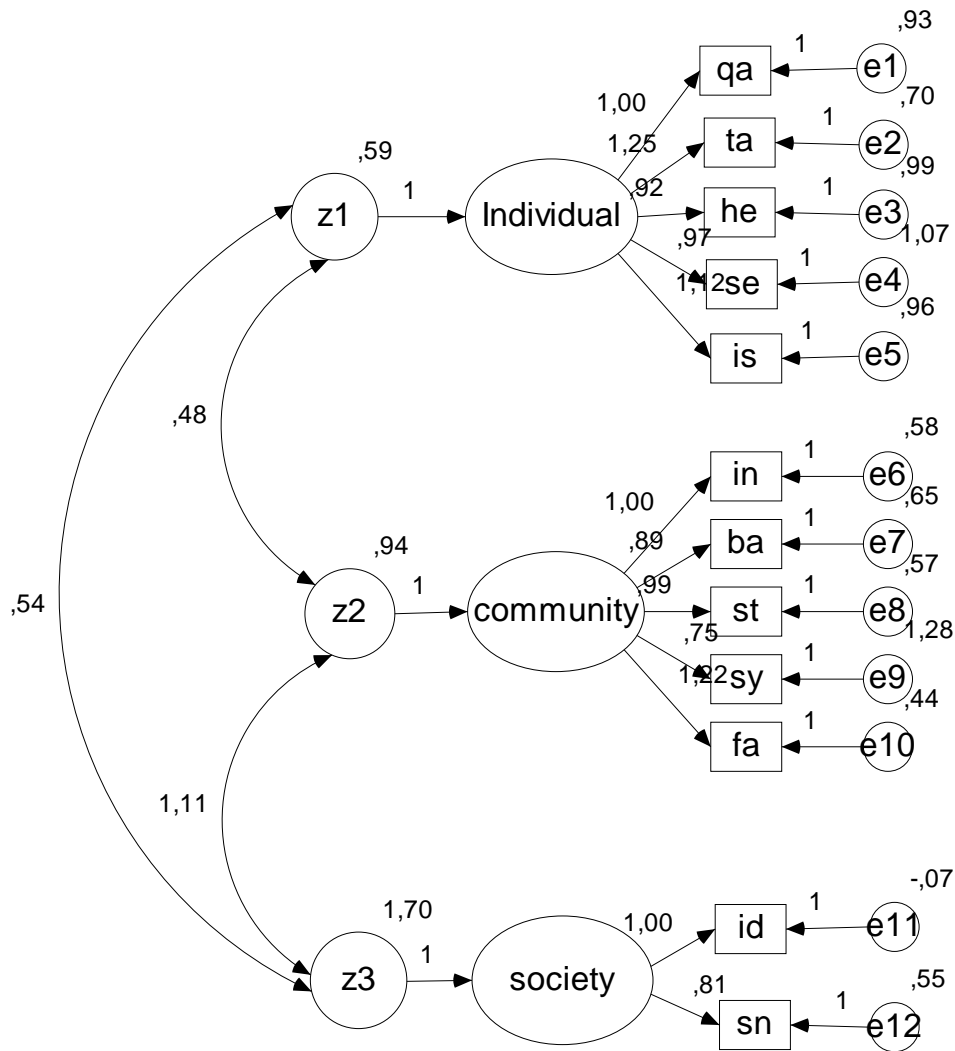


Figure 9 Second Order Factors Model of Chinese luxury consumer motivation  
*Source: Survey data, 2012*

**CMIN**

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	27	430,008	51	,000	8,432
Saturated model	78	,000	0		
Independence model	12	2474,111	66	,000	37,487

**Baseline Comparisons**

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	,826	,775	,844	,796	,843
Saturated model	1,000		1,000		1,000
Independence model	,000	,000	,000	,000	,000

### RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	,151	,138	,164	,000
Independence model	,335	,323	,346	,000

From the figure and tables above, CMIN/DF=8.432, TLI=0.796, CFI=0.843, RMSEA=0.151. The degree of fitting is fine but not so ideal. After a correction by Modification indices and critical ratios for differences, the improved result is as follow:

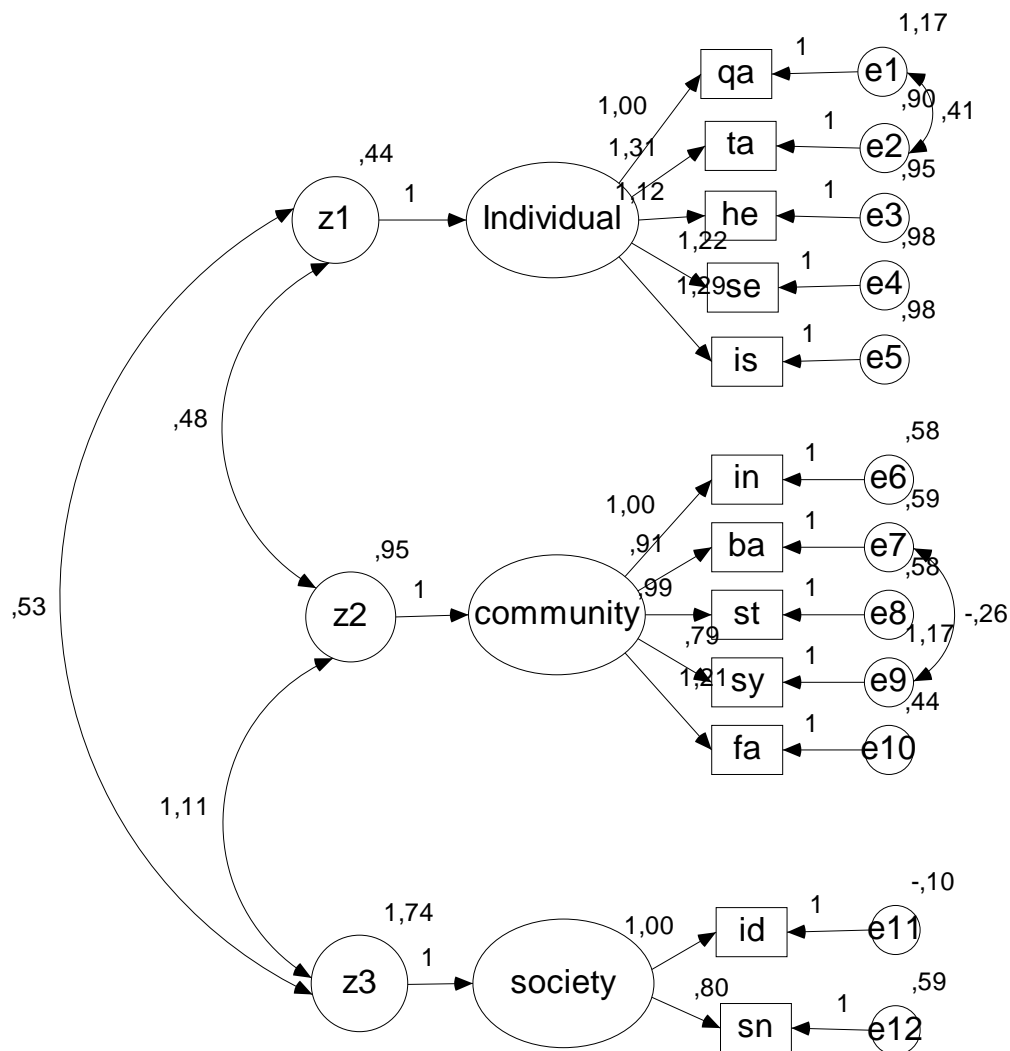


Figure 10: Second Order Factors Model of Chinese luxury consumer motivation (correction)

Source: Survey data, 2012

### CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	23	370,306	55	,000	6,733
Saturated model	78	,000	0		
Independence model	12	2474,111	66	,000	37,487

### Baseline Comparisons

Model	NFI	RFI	IFI	TLI	CFI
	Delta1	rho1	Delta2	rho2	
Default model	,850	,820	,870	,843	,869
Saturated model	1,000		1,000		1,000
Independence model	,000	,000	,000	,000	,000

### RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	,133	,120	,146	,000
Independence model	,335	,323	,346	,000

From the figure and tables above, CMIN/DF=6.733, TLI=0.843, CFI=0.869, RMSEA=0.151. According the indicator values, we can consider the proposed hypothesis model is acceptable.

In general, the second-order model is acceptable. In the model, there are 12 first-order factors. They are quality, taste, hedonism, self-gift giving, inner self expression, integration, bandwagon, status identity, symbolization, flaunt, identity and snob. These 12 factors are divided into 3 second-order factors, which are individual motivation factor, community motivation factor and society motivation factor. About the correspondence, individual motivation factor refers to quality, taste, hedonism, self-gift giving and inner self expression; community motivation factor refers to integration, bandwagon, status identity, symbolization and flaunt; society motivation factor refers to identity and snob.

## **9.4 Trends of Chinese luxury consumer behavior**

Kurtenbach (2005) pointed out that, to forget about Paris and New York, now in China without leaving home, you can buy the latest styles of luxury bags. There are more and more clothing, perfume and other luxuries in China, India and other developing countries, the market of which is hardly found in Europe. In order to better meet the needs of Asian market, top luxury brands like PRADA and ARMANI have established franchising house in the various markets in Asia, some of which even consider production in the local. Paolo Fontanelli, the CFO of ARMANI has no doubt that China market is the most potential and important market to ARMANI. ARMANI currently has its franchising houses not only in Taiwan and Hong Kong, but also in Shanghai, Shenyang in northeast and Chengdu in southwest. Melanie Flouquet, an analyst at JP Morgan in luxury industry, believes that China is now the fastest growing and the biggest luxury market in the world, followed by India and Russia. She also pointed out that the European luxury sales in China accounts for only about 5% to 6% in market share, and in Russia it is only about 3%, India only 1%, but these markets are very important. Those going to Paris, Milan and Hong Kong to purchase luxury still account for a large proportion, but overseas purchase will not be the only way. In the past 10~15 years, the luxury market has maintained a rapid growth. With the increase of people's living standard and the improvement of consumer product knowledge, those having been described as "top" products can be consumed by the ordinary. Credit card and other payment systems alike facilitate the luxury consumption, and cause consumer "schizophrenia" in the meantime.

There is no doubt that with the sustained and rapid economic growth in China, people's living standard and degree of internationalization further improve. The Chinese luxury market will continue the rapid growth. Of course, accompanied with this process, luxury consumer behavior will change in consumer demography, luxury products, consumer psychology, consumer influencing factors and motivation. As competition exacerbates, the marketing model of luxury companies also needs more innovation to better meet the needs of consumers.

### **9.4.1 Trends of luxury consumers**

The empirical investigation on the basis of statistical analysis in Chapter 8 has found that Chinese current luxury consumers are widely distributed in age,

gender, occupation, income and education background. Among them they are mostly young consumer aged 21 to 40, engaging in business.

Thousands of years of traditional Chinese culture has been shocked since the Opium War in 1840-1842. After the 1980s, Reform and Development further led to the conflict and integration of Chinese and Euramerican cultures. The Chinese social value has also undergone a great change. Even currently, in the new century, Chinese culture is engaged in a significant change – on the one hand from the influence of Euramerican culture, on the other hand from the introspection on traditional Chinese culture. Never be easily influenced by the invasion of foreign culture, in this change process, Chinese culture up to the values of the whole society show a number of different characteristics. It is obvious that Chinese society exists, either in culture or concept perspective, a phenomenon of “one generation fault”. It makes great difference between people more than 45 years old and those under 40. With limited education received and hard growth environment, the former advocate thrifty consumption. After reform and openness, they have been going to the sideline, without economic freedom. However, the latter are completely different. Most of them have received good education, and now is a pillar of the society. In a easier growth environment, they have good economic condition, and are willing to spend time and money on the pursuit for fashion, quality and so on. This group will still play an important role in luxury consumer market in the future, until their 50, 60 and above.

Meanwhile, due to the impact of collectivism culture and "face" culture, most of the Chinese young people, growing up in China cannot separate themselves from this backgroup. When stabilized income comes, luxury consumption become a natural demand. Of course, the problem about gap of wealth in China at the moment is hard to see the way of effective containment, therefore, the proportion of luxury consumers in the entire population is not large, particularly those capable of and willing to have frequent luxury consumption.

Overall, the population of Chinese luxury consumers is growing. The proportion of the elderly consumers will gradually increase, and the new generation of young luxury consumers will become new entrants.

#### **9.4.2 Trends of luxury consuming products**

This thesis made the statistical analysis on Chinese luxury consuming products based on empirical investigation, and found that the expectation of luxury

consumers changed from tangible products like watches, perfumes, and clothing into intangible and experiential ones like travelling, luxury cars, villas and other services. This essentially represents the future consuming propensity of the current luxury consumers. At the same time, we should be aware that with the increase of people's income level and continued appreciation of the RMB, overseas imported luxury products become relatively inexpensive. More people are becoming luxury consumers. These consumers may purchase those luxuries showing their identity or contributing to the pursuit of social recognition. It seems that, at least in a short period, the luxury consumption structure will not undergo major changes; moreover, the amount of demands and the varieties will be of course increasing. Only for those "invisible top-level class", or those consumers about to enter this class, the consumption of experiential and intangible products or services will really become regular; for general luxury consumers, yachts, luxury cars and villas will be probably a lifelong dream.

#### **9.4.3 Trends of consumer psychology**

The consumer psychology, like the consuming products discussed above, will have a trend of differentiation as well. The psychology of general luxury consumers is going through the process from nothing to have luxury with thrill and excitement. They are very concerned about the evaluation of others on their luxury, with the expectation of a particular social group identity. Sometimes they introspect if it is cost-effective, but in no time convince themselves by high quality, brand reputation, self-enjoyment and the reasons alike.

For those consumers with high income and long-term experience, luxury consumption has become a habit and general behavior. They don't think too much, and only very occasionally show off in front of others. Overall, these luxury consumers pursue intrinsic quality, taste and feeling which express his temperament by his share of luxury, a luxury which can complement each other with him.

### **9.5 Summary of findings**

The summary of the findings is shown in Figure 11 below:

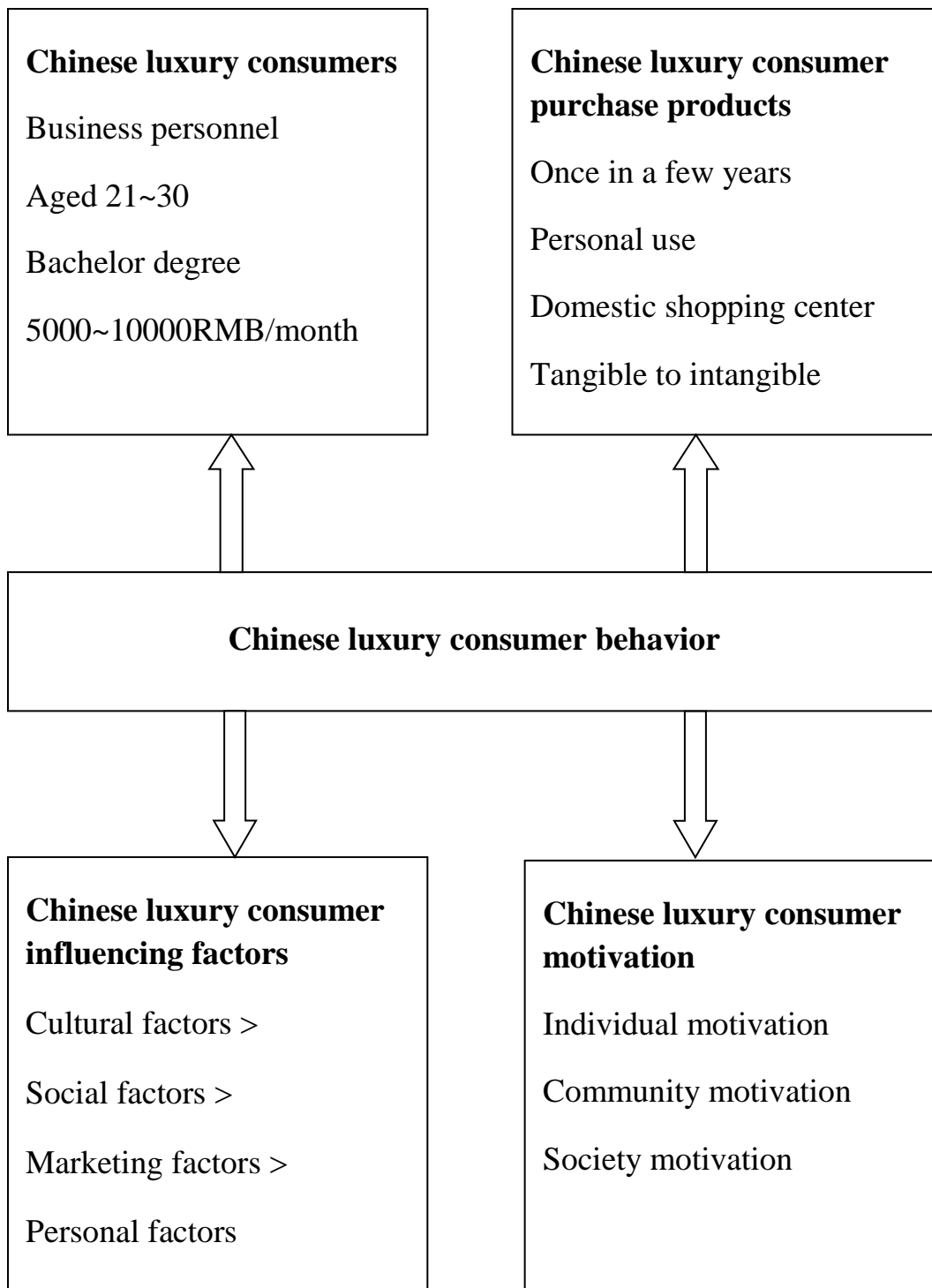


Figure 11: Consequence of Chinese luxury consumer behavior

*Source: Author compilation*

Chinese luxury consumers include people from different genders, ages, education backgrounds, occupations, income levels, etc. They are mainly personnel in companies of institutions aged between 21~30, with bachelor degree and earning 5000~10000RMB monthly.

Basic consumption behavior of Chinese luxury consumers has the following characteristics: the luxury purchase frequency is mostly once in a few years; most of them purchase for personal use; purchase channels are mainly high-end shopping center in mainland China. About the luxury products, especially purchase inclination in the future, there is a trend changing from tangible into intangible products.

The research results show there is difference between various influencing factors. The first level influencing factors in descending order are: culture factor, society factor, marketing factor and personal factor. The second level influencing factors in descending order are: culture, lifestyle, family, promotion, role/status, opinion leaders, advertisement, subculture, self-concept and face.

On the basis of the first-order model, a second-order model of Chinese luxury consumer motivation is further developed. In the model, there are 12 first-order factors which are divided into 3 second-order factors. They are individual motivation factor, community motivation factor and society motivation factor. About the correspondence, individual motivation factor refers to quality, taste, hedonism, self-gift giving and inner self expression; community motivation factor refers to integration, bandwagon, status identity, symbolization and flaunt; society motivation factor refers to identity and snob.



## **10. CONCLUSION**

Chinese luxury brand market is developing rapidly, which sees great potential. The main objective of doctoral thesis is to create a new model for providing guidance in marketing practices for European luxury brands enterprises which focus on Chinese market. The research does a comprehensive analysis on a series of real behavior of Chinese luxury consumers to examine their general patterns, characteristics and predict the future trends of their luxury brands purchase behavior. The main objective is supported by several subobjectives: (a) to determine the demographic characteristics of Chinese luxury consumers; (b) to determine Chinese purchase behavior characteristics on luxury products; (c) to analyze the influencing factors of Chinese luxury consumption; (d) to analyze the Chinese luxury consumer motivation. The doctoral thesis methodology contents review and summarization of the luxury consumer behavior literature, adopts expert interviews, focus groups, case studies and other qualitative research methods, combines with scale of quantitative research, and bases on market survey data, to conduct a research on Chinese luxury behavior. A number of important conclusions are drawn. They mainly consist of luxury consumers, luxury products, influencing factors of luxury consumption and luxury consumer motivation. On the basis of the research, the results in theoretical innovation and enterprise practice are obtained.

### **10.1 Contribution to scientific knowledge**

Motivation is an important concept in psychology, as it plays a very important role in the study of consumer behavior. Based on previous research about luxury consumer motivation and combined with the characteristics of Chinese local culture, this study innovatively presents community motivation which influences luxury consumer behavior, and verifies the hypothesis. They are supported by the results. Based on the previous society motivation and individual motivation, Chinese luxury consumer motivation structure is extended to three levels – individual motivation, community motivation and society motivation.

#### **10.1.1 Second-order model of Chinese luxury consumer motivation**

On the basis of the first-order model of the above established Chinese luxury consumer motivation, the research further develops and validates the second-order model of Chinese luxury consumer motivation. In the model, there are 12 first-order factors. They are quality, taste, hedonism, self-gift giving, inner self

expression, integration, bandwagon, status identity, symbolization, flaunt, identity and snob. These 12 factors are divided into 3 second-order factors, which are individual motivation factor, community motivation factor and society motivation factor. About the correspondence, individual motivation factor refers to quality, taste, hedonism, self-gift giving and inner self expression; community motivation factor refers to integration, bandwagon, status identity, symbolization and flaunt; society motivation factor refers to identity and snob.

The second-order model further discusses various factors in the first-order model. The goodness of fit of the second-order model of Chinese luxury consumer motivation is reasonable and acceptable. It indicates this second-order model is accurate to explain Chinese luxury consumer motivation.

### **10.1.2 Comparison model of luxury consumer influencing factors**

As for the luxury consumer influencing factors, Chinese luxury consumer behavior is influenced by cultural factors, social factors, personal factors and marketing factors. Based on actual survey data, the research analyzes those influencing factors, and creates a model to compare them.

There is difference between various influencing factors on luxury consumers. Among four first level influencing factors, culture factor is the maximal, followed by society factor and marketing factor. Personal factor is the minimal. Among ten second level influencing factors, culture factor is the maximal, followed by lifestyle, family, promotion, role/status, opinion leaders, advertisement, subculture and self-concept. Face is the minimal.

### **10.1.3 Chinese luxury consumer behavior difference comparison**

This thesis does an in-depth analysis on Chinese luxury consumer behavior, including consumers, products and basic consumer behavior. In the meantime, based on consumer demographic characteristics, the research does a significant difference test on Chinese luxury consumers and their basic consumer behavior. A number of important conclusions are found.

Overall, Chinese luxury consumers include people from different genders, ages, education backgrounds, occupations, income levels, etc. They are mainly personnel in companies of institutions aged between 21~30, with bachelor degree and earning 5000~10000RMB monthly.

Basic consumption behavior of Chinese luxury consumers has the following characteristics: the luxury purchase frequency is mostly once in a few years; most of them purchase for personal use; purchase channels are mainly high-end shopping center in mainland China. About the luxury products, especially purchase inclination in the future, there is a trend changing from tangible into intangible products.

Part of the luxury consumer demographic characteristics aspects of consumer behavior, such as a luxury purchase frequency and purpose of purchase, there is a significant difference.

These conclusions are of great significance for a deeper understanding on Chinese luxury consumer behavior.

## **10.2 Contribution to marketing practical knowledge**

This study conducts indepth analysis and research on Chinese luxury consumer behavior, and gets a lot of useful conclusions. Especially on Chinese luxury consumer influencing factors and luxury consumer motivation, it helps to guide European luxury enterprises to better carry out luxury marketing activities and open up marketing innovative ideas.

### **10.2.1 Focus on consumer community motivation to play a reference group influence**

Luxury consumer community motivation factor includes integration, bandwagon, status identity, symbolization and flaunt. It indicates the significant influence of reference group on luxury consumers.

The luxury consumer community motivation emphasizes the influence on consumer by information, criterion and identity. For example, luxury consumers consider the community as a reliable source of information, or the information provided by the community is professional. They believe the information improve their knowledge of judgment and choice. To comply with the expectations from others or criterion of certain community, luxury consumers change their behavior and decision-making. This is the influence from criterion. Luxury consumers purchase products to help with the high similarity to others. This refers to the influence from identity. Luxury consumers purchase luxury products to highlight outstanding status, taste or style. Here the influence from symbolization works.

The luxury enterprises should attach importance to consumer community motivation and play a reference group influence.

### **10.2.2 Pay attention to influencing factors differences to effectively use enterprise resources**

The research results show there is difference between various influencing factors. The first level influencing factors in descending order are: culture factor, society factor, marketing factor and personal factor. The second level influencing factors in descending order are: culture, lifestyle, family, promotion, role/status, opinion leaders, advertisement, subculture, self-concept and face. There are two factors enterprises are more able to control, promotion factor and advertisement factor. The former has more influence than the latter.

Difference test result of luxury consumer behavior influencing factors under different demographic characteristics (gender, age, education, occupation and income) suggests that enterprises should fully consider the luxury consumer demographic characteristics factors before developing their marketing programs, product positioning, and implementation of brand promotion strategy.

### **10.2.3 In-depth analyze luxury consumer basic behavior to develop marketing strategies for enterprise of travelling and tourism agency**

Overall, Chinese luxury consumers include people from different genders, ages, education backgrounds, occupations, income levels, etc. They are mainly personnel in companies of institutions aged between 21~30, with bachelor degree and earning 5000~10000RMB monthly.

Basic consumption behaviors of Chinese luxury consumers have the following characteristics: the luxury purchase frequency is mostly once in a few years; most of them purchase for personal use; purchase channels are mainly high-end shopping center in mainland China. About the luxury products, especially purchase inclination in the future, there is a trend changing from tangible into intangible products.

When developing marketing strategies, luxury enterprises should consider not only the research results above, but also the evolution significance of these results. In this way, the enterprise marketing strategies are more scientific and practical.

Entering Chinese market, the first business is very significant, because first clients' comments really work. When they are positive, the second and following business will go much more smoothly. For this reason, enterprises should exert all their efforts on the first impression given to Chinese consumers.

The author of this doctoral thesis works in a Czech travel agency that focuses on Chinese luxury tourism. Therefore, a travel agency is taken as an example to suggest marketing strategies for European luxury enterprises.

According to the result, the influencing factor which impacts most on Chinese consumers is the culture factor. In practice it's true that culture conflicts usually happen. In tourism, because of collectivism cultural context and other traditional habits, Chinese tourists are used to:

- speak aloud in public, e.g. restaurant
- drink hot water most of the time
- have flexible schedule without plan long in advanced, etc.

The travel agency should know well about these habits that different from European and American tourists so as to offer good service for Chinese customers bringing no complain.

Similarly, for all the luxury enterprises, it's necessary to make an investigation of Chinese customers before access to Chinese market.

In the survey of future luxury consumption, travelling abroad occupies the largest proportion. Because of the reality of pretty high tariff, there is a strong possibility that Chinese are more and more purchasing luxury products when travelling. It's happening that Chinese tourists bring a large empty suitcase flying to Europe and after the trip go back to China with it full of luxury products of various categories. On one hand, a travel agency can develop new and unique tourism products to attract Chinese tourists; on the other hand, it can make a combination of travelling and luxury purchase. For example, a travel agency could design a theme tour called „Luxury Fantasy“. The itinerary of the whole trip is luxury shopping. The tourists are taken to all luxury shopping areas during the trip. Or, the tourists are taken to the experience center of a specific luxury brand to have a „luxury tour“. In this tour they know about the history, culture, story and so on of the luxury brand, and see, or even try personally its production.

Other luxury enterprises could cooperate with travel agencies which have Chinese employees and more experience with Chinese tourists to avoid the culture barriers.

### **10.3 Follow-up study suggestions**

In the research process of theoretical derivation, conceptual model construction and empirical research analysis, the studies strive to be comprehensive, profound, and rigorous. It has made some valuable research results; however, because of the condition and time limitations, the future research needs to further expand and perfect.

#### **10.3.1 Research limitation**

##### **a. Limitation of sample data**

The formal investigation of this study started from 5<sup>th</sup> September and finished on 18<sup>th</sup> November 2012, nearly two and a half month. The target respondents are people from mainland China. Questionnaires are sent via email or website. A total of 333 questionnaires were submitted, in which 327 are valid. The effective ratio is 98.2%.

In the research analyzed by structural equation model, the specific number of survey sample is not conclusive. Some scholars consider the sample quantity could be over 30. Excessive sample size does not lead to the rigor of the results. More scholars agree that in the structural equation model analysis, it should be possible to use bigger sample size, at least more than 100. For more complex social phenomenon, the sample size should be even bigger, at least 1000. If the sample size is too small, the covariance matrix will be instable, and the reliability of structural equation model analysis will be lower, even if the hypothetical model is established.

In the meantime, in the process of model fitting and building, cross-review analysis and its validity test is very necessary. Only can this fully explain the stability and consistency of the model. If the original samples are divided in two groups – one for original model analysis, the other for review analysis, the sample quantity limitation will make the research far-fetched.

##### **b. Limitation of sampling respondents**

In gender, the numbers of male and female respondents are in a balance. The ages of the respondents are mainly between 21~40 years old. Those respondents at the age of 21~30 are young people who are currently not strong in economic capability to purchase luxury; however, as research exposed, Chinese luxury consumers have the trend towards younger. They are in great potential of luxury consumption. Affluent at the age of 41~50 are currently greatly capable of luxury consumption, but the sample size collected for the survey is too small. In the occupation, employees of company occupy nearly half of the sample size. The sample distribution is imbalance. The group of boss and manager has the strongest consumption capability; however the sample size is too small. The majority of the respondents have university education background. This population is also the major luxury consumers. The income of the respondents are mainly between 3000~20000RMB/month. They are also the major luxury consumers. Consumers who have income of 20000RMB/month should have the strongest luxury consumption capability; however, the sample size in this survey is too small.

Additionally, China has a vast territory, which results in differences in local economy and local values. This survey covers nationwide, without geographical classification.

#### c. Lack of luxury classification investigative research

Luxury can be divided into various categories in accordance with their different characteristics, such as luxury life experience, luxury personality, tangible or intangible luxury, etc. This research on Chinese luxury consumer behavior is not carried out on the basis of luxury classification investigation. Moreover, the research uses an abstract concept of luxury to carry out the survey and ignore the differences in accordance with the different types of luxury classification.

### **10.3.2 Follow-up study suggestions**

In the Chinese luxury consumer behavior research process, following issues are found worthy of continuing study:

#### a. Consumer behavior research on the basis of luxury classification

The luxury could be classified in accordance with the characteristics like historical origin, personality representing, tangible or intangible, and consumer behavior on various types of luxury can be investigated and discussed.

b. Similarities and differences of luxury consumer behavior under between European and Chinese cultural background

The research could focus on comparative study on similarities and differences of European and Chinese luxury consumer behavior in the context of social and cultural differences.

c. Longitudinal study on evolution and trends of luxury consumer behavior

The research could collect time-series data and study longitudinally on evolution of luxury consumer behavior and predict its trends.

d. Theoretical studies combined with luxury enterprises

The research could have interviews with luxury enterprises for better understanding and provide strategic ideas and development framework for marketing and operation on the basis of theoretical studies combined with the actual operation of luxury enterprises. Beside, with the help of those enterprises, more specific luxury clients could be respondents for questionnaire, which will make the results even more precise and authentic.



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Travelling, Tai Chi (Chinese traditional sport), reading, movies

## APPENDICES

### Appendix A: Cultural factors influencing Chinese luxury consumer behavior

Culture influencing factor

Index		Frequency	Percent	Cumulative Percent
1. People are judged by their dress and personal adornments. (Culture)	1.00	9	2.75	2.75
	2.00	21	6.42	9.17
	3.00	69	21.10	30.27
	4.00	165	50.46	80.73
	5.00	63	19.27	100.00
	Total	327	100.00	

Here the highest frequency is 4.

Subculture influencing factor

Index		Frequency	Percent	Cumulative Percent
2. Influenced by my friends, I have to consume luxury constantly. (Subculture)	1.00	165	50.46	50.46
	2.00	60	18.35	68.81
	3.00	57	17.43	86.24
	4.00	33	10.09	96.33
	5.00	12	3.67	100.00
	Total	327	100.00	

Here the highest frequency is 3.

## Appendix B: Social factors influencing Chinese luxury consumer behavior

### Opinion leaders influencing factor

Index	Frequency	Percent	Cumulative Percent
3. My idol's (or superior's) opinion influences my behavior, including luxury consumption. (Opinion leaders)	1.00	99	30.28
	2.00	96	59.64
	3.00	84	85.33
	4.00	33	95.42
	5.00	15	100.01
	Total	327	100.01

Here the highest frequency is 1. It shows that most of the luxury consumers do not think leaders play an important role.

### Role/status influencing factor

Index	Frequency	Percent	Cumulative Percent
4. Because of the social role and status, I have to consume some luxury brands. (Role / status)	1.00	114	34.86
	2.00	78	58.71
	3.00	66	78.89
	4.00	36	89.90
	5.00	33	99.99
	Total	327	99.99

Here the highest frequency is 1.

Family influencing factor

Index		Frequency	Percent	Cumulative Percent
5. Family (growing environment, economic conditions) influences my luxury consumption. (Family)	1.00	75	22.94	22.94
	2.00	33	10.09	33.03
	3.00	57	17.43	50.46
	4.00	69	21.10	71.56
	5.00	93	28.44	100.00
	Total	327	100.00	

Here the highest frequency is 5.

## Appendix C: Personal factors influencing Chinese luxury consumer behavior

### Lifestyle influencing factor

Index		Frequency	Percent	Cumulative Percent
6. If I am able to pay, it's worth buying my favorite luxury. (Lifestyle)	1.00	33	10.09	10.09
	2.00	48	14.68	24.77
	3.00	96	29.36	54.13
	4.00	72	22.02	76.15
	5.00	78	23.85	100.00
	Total	327	100.00	

Here the highest frequency is 3.

### Self-concept influencing factor

Index		Frequency	Percent	Cumulative Percent
7. Only when using the luxury, I've found who I am. (Self-concept)	1.00	195	59.63	59.63
	2.00	87	26.61	86.24
	3.00	33	10.09	96.33
	4.00	9	2.75	99.08
	5.00	3	0.92	100.00
	Total	327	100.00	

Here the highest frequency is 1.

Face influencing factor

Index		Frequency	Percent	Cumulative Percent
8. I am worried that other people or friends consider me moneyless or tasteless, therefore I consume luxury. (Face)	1.00	246	75.23	75.23
	2.00	36	11.01	86.24
	3.00	24	7.34	93.58
	4.00	15	4.59	98.17
	5.00	6	1.83	100.00
	Total	327	100.00	

Here the highest frequency is 1.



## Appendix D: Marketing factors influencing Chinese luxury consumer behavior

### Advertisement influencing factor

Index		Frequency	Percent	Cumulative Percent
9. Some luxury advertisements are so attractive that it makes me dream of luxury. (Advertisements)	1.00	132	40.37	40.37
	2.00	75	22.94	63.31
	3.00	69	21.10	84.41
	4.00	30	9.17	93.58
	5.00	21	6.42	100.00
	Total	327	100.00	

Here the highest frequency is 1.

### Promotion influencing factor

Index		Frequency	Percent	Cumulative Percent
10. Sometimes luxury promotions offer a good price, therefore I buy it. (Promotion)	1.00	96	29.36	29.36
	2.00	63	19.27	48.63
	3.00	63	19.27	67.90
	4.00	72	22.02	89.92
	5.00	33	10.09	100.01
	Total	327	100.01	

Here the highest frequency is 1.

## Appendix E: Mean value of influencing factors

Mean value and standard deviation of influencing factors

	N	Minimum	Maximum	Mean	Std. Deviation
Culture	327	1,00	5,00	3,7706	,92643
Subculture	327	1,00	5,00	1,9817	1,19031
OpinionLeader	327	1,00	5,00	2,2936	1,13750
RoleStatus	327	1,00	5,00	2,3761	1,32778
Family	327	1,00	5,00	3,2202	1,52499
Lifestyle	327	1,00	5,00	3,3486	1,26813
SelfConcept	327	1,00	5,00	1,5872	,84951
Face	327	1,00	5,00	1,4679	,94547
Advertisement	327	1,00	5,00	2,1835	1,23719
Promotion	327	1,00	5,00	2,6422	1,36694
Valid N (listwise)	327				

Mean value of each factor

Influencing factors	Index	Mean value	Mean value
Cultural factors	Culture	3.77	2.88
	Subculture	1.98	
Social factors	Opinion leaders	2.29	2.34
	Role/status	2.38	
	Family	3.22	
Personal factors	Lifestyle	3.35	2.14
	Self-concept	1.59	
	Face	1.47	
Marketing factors	Advertisements	2.18	2.41
	Promotion	2.64	

## Appendix F: Significant difference test of influencing factors under demographic characteristics

### Different genders

		Sum of Squares	df	Mean Square	F	Sig.
Culture	Between Groups	5,520	1	5,520	6,541	,011
	Within Groups	274,278	325	,844		
	Total	279,798	326			
Subculture	Between Groups	9,028	1	9,028	6,479	,011
	Within Groups	452,862	325	1,393		
	Total	461,890	326			
OpinionLeader	Between Groups	3,059	1	3,059	2,374	,124
	Within Groups	418,757	325	1,288		
	Total	421,817	326			
RoleStatus	Between Groups	12,302	1	12,302	7,109	,008
	Within Groups	562,432	325	1,731		
	Total	574,734	326			
Family	Between Groups	,265	1	,265	,114	,736
	Within Groups	757,882	325	2,332		
	Total	758,147	326			
Lifestyle	Between Groups	,500	1	,500	,310	,578
	Within Groups	523,757	325	1,612		
	Total	524,257	326			
SelfConcept	Between Groups	6,259	1	6,259	8,883	,003
	Within Groups	229,007	325	,705		
	Total	235,266	326			
Face	Between Groups	9,604	1	9,604	11,076	,001
	Within Groups	281,809	325	,867		
	Total	291,413	326			
Advertisement	Between Groups	2,275	1	2,275	1,489	,223
	Within Groups	496,716	325	1,528		
	Total	498,991	326			
Promotion	Between Groups	3,467	1	3,467	1,860	,174
	Within Groups	605,671	325	1,864		
	Total	609,138	326			

Note: generally, if sig.>0.05, difference is significant; if sig.<0.05, difference is not significant.

### Specific difference under different genders

	N	Mean	Std. Deviation
CultureMale	171	3,8947	,81206
CultureFemale	156	3,6346	1,02288
SubcultureMale	171	2,1404	1,28024
SubcultureFemale	156	1,8077	1,06022
RoleStatusMale	171	2,5614	1,41859
RoleStatusFemale	156	2,1731	1,19225
SelfconceptMale	171	1,7193	,91564
SelfconceptFemale	156	1,4423	,74695
FaceMale	171	1,6316	1,13705
FaceFemale	156	1,2885	,63255
Valid N (listwise)	156		

### Different ages (taking the majority group“21~30” as the control)

Dependent Variable	(I) Age	(J) Age	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Culture	1,00	5,00	-,70960*	,20511	,002	-1,2226	-,1966
	2,00	5,00	-1,18579*	,30395	,000	-1,9460	-,4256
	3,00	5,00	,08087	,11461	,924	-,2058	,3675
	4,00	5,00	-,35246	,19327	,245	-,8358	,1309
Subculture	1,00	5,00	,01639	,27050	1,000	-,6602	,6930
	2,00	5,00	-,31694	,40086	,890	-1,3195	,6857
	3,00	5,00	,21639	,15116	,479	-,1617	,5945
	4,00	5,00	-,73361*	,25489	,017	-1,3711	-,0961
OpinionLeader	1,00	5,00	,97424*	,25005	,000	,3488	1,5996
	2,00	5,00	,35519	,37055	,802	-,5716	1,2820
	3,00	5,00	-,07814	,13972	,966	-,4276	,2713
	4,00	5,00	-,93648*	,23561	,000	-1,5258	-,3472
RoleStatus	1,00	5,00	,61593	,29696	,144	-,1268	1,3587
	2,00	5,00	-,09836	,44007	,999	-1,1990	1,0023
	3,00	5,00	,76831*	,16594	,000	,3533	1,1833
	4,00	5,00	,40164	,27981	,476	-,2982	1,1015
Family	1,00	5,00	-,13115	,35153	,992	-1,0104	,7481
	2,00	5,00	,53552	,52094	,759	-,7674	1,8384
	3,00	5,00	,30219	,19643	,407	-,1891	,7935
	4,00	5,00	-,00615	,33123	1,000	-,8346	,8223

Family	1,00	5,00	-,13115	,35153	,992	-1,0104	,7481
	2,00	5,00	,53552	,52094	,759	-,7674	1,8384
	3,00	5,00	,30219	,19643	,407	-,1891	,7935
	4,00	5,00	-,00615	,33123	1,000	-,8346	,8223
Lifestyle	1,00	5,00	,54567	,29232	,225	-,1855	1,2768
	2,00	5,00	,02186	,43320	1,000	-1,0616	1,1053
	3,00	5,00	-,01148	,16335	1,000	-,4200	,3971
	4,00	5,00	,06352	,27544	,999	-,6254	,7524
SelfConcept	1,00	5,00	,38173	,19401	,182	-,1035	,8670
	2,00	5,00	,19126	,28750	,938	-,5278	,9103
	3,00	5,00	,29126*	,10841	,030	,0201	,5624
	4,00	5,00	,02459	,18281	1,000	-,4326	,4818
Face	1,00	5,00	,48009	,21372	,096	-,0545	1,0146
	2,00	5,00	-,37705	,31672	,649	-1,1692	,4151
	3,00	5,00	,32295*	,11943	,028	,0242	,6217
	4,00	5,00	-,25205	,20139	,606	-,7557	,2516
Advertisement	1,00	5,00	,44028	,28118	,389	-,2630	1,1436
	2,00	5,00	-,13115	,41669	,996	-1,1733	,9110
	3,00	5,00	,26885	,15712	,303	-,1241	,6618
	4,00	5,00	-,63115	,26495	,068	-1,2938	,0315
Promotion	1,00	5,00	-,21077	,31436	,936	-,9970	,5755
	2,00	5,00	-,63934	,46586	,520	-1,8045	,5258
	3,00	5,00	,19399	,17567	,709	-,2454	,6334
	4,00	5,00	-,26434	,29622	,840	-1,0052	,4765

### Specific difference under different ages

	N	Mean	Std. Deviation
Culture21to30	183	3,8525	,92290
Culture16to20	21	3,1429	,85356
Culture51to60	9	2,6667	1,80278
Subculture21to30	183	1,9836	1,26437
Subculture41to50	24	1,2500	,44233
OpinionLeader21to30	183	2,3115	1,12720
OpinionLeader16to20	21	3,2857	1,30931
OpinionLeader41to50	24	1,3750	,49454
RoleStatus21to30	183	2,0984	1,25407
RoleStatus31to40	90	2,8667	1,41580
Selfconcept21to30	183	1,4754	,73991
Selfconcept31to40	90	1,7667	1,06053
Face21to30	183	1,3770	,81532
Face31to40	90	1,7000	1,22199
Valid N (listwise)	9		

Different occupations (taking the majority group “employee” as the control)

Dependent Variable	(I) Occupation	(J) Occupation	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Culture	1,00	9,00	-,25579	,13830	,408	-,6349	,1233
	2,00	9,00	-1,44000*	,37005	,001	-2,4543	-,4257
	3,00	9,00	,06000	,18581	1,000	-,4493	,5693
	4,00	9,00	-,54000	,24070	,183	-1,1997	,1197
	5,00	9,00	-,44000	,26665	,557	-1,1709	,2909
	6,00	9,00	-,35176	,14407	,113	-,7467	,0431
	7,00	9,00	-,94000	,37005	,087	-1,9543	,0743
	8,00	9,00	1,06000	,51828	,282	-,3605	2,4805
Subculture	1,00	9,00	-,20316	,17384	,885	-,6796	,2733
	2,00	9,00	,06000	,46516	1,000	-1,2149	1,3349
	3,00	9,00	1,39333*	,23357	,000	,7531	2,0335
	4,00	9,00	-,14000	,30256	1,000	-,9693	,6893
	5,00	9,00	-,69000	,33518	,274	-1,6087	,2287
	6,00	9,00	-,05765	,18110	1,000	-,5540	,4387
	7,00	9,00	,56000	,46516	,867	-,7149	1,8349
	8,00	9,00	-,94000	,65147	,715	-2,7256	,8456
OpinionLeader	1,00	9,00	,12842	,17189	,991	-,3427	,5996
	2,00	9,00	,76000	,45992	,555	-,5006	2,0206
	3,00	9,00	,42667	,23094	,409	-,2063	1,0597
	4,00	9,00	,36000	,29915	,867	-,4600	1,1800
	5,00	9,00	-1,24000*	,33141	,002	-2,1484	-,3316
	6,00	9,00	,17176	,17907	,959	-,3190	,6626
	7,00	9,00	-,74000	,45992	,589	-2,0006	,5206
	8,00	9,00	-,24000	,64415	1,000	-2,0055	1,5255

RoleStatus	1,00	9,00	,08316	,19098	1,000	-,4403	,6066
	2,00	9,00	-,18000	,51102	1,000	-1,5806	1,2206
	3,00	9,00	1,82000*	,25660	,000	1,1167	2,5233
	4,00	9,00	-,18000	,33239	,999	-1,0910	,7310
	5,00	9,00	-,43000	,36823	,885	-1,4393	,5793
	6,00	9,00	,46706	,19896	,143	-,0783	1,0124
	7,00	9,00	-,18000	,51102	1,000	-1,5806	1,2206
	8,00	9,00	-1,18000	,71571	,558	-3,1417	,7817
Family	1,00	9,00	-,14737	,23506	,997	-,7916	,4969
	2,00	9,00	1,30000	,62896	,270	-,4239	3,0239
	3,00	9,00	-,08889	,31582	1,000	-,9545	,7767
	4,00	9,00	-,40000	,40910	,955	-1,5213	,7213
	5,00	9,00	-,45000	,45321	,951	-1,6922	,7922
	6,00	9,00	,50588	,24488	,270	-,1653	1,1771
	7,00	9,00	-,70000	,62896	,909	-2,4239	1,0239
	8,00	9,00	-,20000	,88088	1,000	-2,6144	2,2144
Lifestyle	1,00	9,00	,21368	,19419	,914	-,3186	,7459
	2,00	9,00	,24000	,51959	1,000	-1,1841	1,6641
	3,00	9,00	,51778	,26090	,318	-,1973	1,2329
	4,00	9,00	-,66000	,33796	,338	-1,5863	,2663
	5,00	9,00	-,51000	,37440	,772	-1,5362	,5162
	6,00	9,00	,21059	,20229	,936	-,3439	,7651
	7,00	9,00	1,24000	,51959	,130	-,1841	2,6641
	8,00	9,00	-,26000	,72771	1,000	-2,2546	1,7346
SelfConcept	1,00	9,00	,14421	,13150	,916	-,2162	,5046
	2,00	9,00	-,04000	,35186	1,000	-1,0044	,9244
	3,00	9,00	,46000	,17668	,074	-,0243	,9443
	4,00	9,00	,06000	,22886	1,000	-,5673	,6873
	5,00	9,00	-,29000	,25354	,896	-,9849	,4049
	6,00	9,00	-,01059	,13699	1,000	-,3861	,3649
	7,00	9,00	-,04000	,35186	1,000	-1,0044	,9244
	8,00	9,00	-,54000	,49279	,916	-1,8907	,8107

SelfConcept	1,00	9,00	,14421	,13150	,916	-,2162	,5046
	2,00	9,00	-,04000	,35186	1,000	-1,0044	,9244
	3,00	9,00	,46000	,17668	,074	-,0243	,9443
	4,00	9,00	,06000	,22886	1,000	-,5673	,6873
	5,00	9,00	-,29000	,25354	,896	-,9849	,4049
	6,00	9,00	-,01059	,13699	1,000	-,3861	,3649
	7,00	9,00	-,04000	,35186	1,000	-1,0044	,9244
	8,00	9,00	-,54000	,49279	,916	-1,8907	,8107
Face	1,00	9,00	,27158	,14070	,353	-,1141	,6572
	2,00	9,00	,14000	,37648	1,000	-,8919	1,1719
	3,00	9,00	,97333 <sup>†</sup>	,18904	,000	,4552	1,4915
	4,00	9,00	-,36000	,24488	,695	-1,0312	,3112
	5,00	9,00	-,36000	,27128	,795	-1,1036	,3836
	6,00	9,00	,11059	,14658	,991	-,2912	,5123
	7,00	9,00	-,36000	,37648	,960	-1,3919	,6719
	8,00	9,00	-,36000	,52727	,995	-1,8052	1,0852
Advertisement	1,00	9,00	-,05474	,18638	1,000	-,5656	,4561
	2,00	9,00	-,66000	,49870	,798	-2,0269	,7069
	3,00	9,00	,50667	,25041	,295	-,1797	1,1930
	4,00	9,00	-,56000	,32438	,498	-1,4491	,3291
	5,00	9,00	-1,16000 <sup>†</sup>	,35935	,011	-2,1450	-,1750
	6,00	9,00	,48706	,19416	,095	-,0451	1,0192
	7,00	9,00	-,16000	,49870	1,000	-1,5269	1,2069
	8,00	9,00	-,16000	,69846	1,000	-2,0744	1,7544
Promotion	1,00	9,00	,54737	,20329	,057	-,0098	1,1046
	2,00	9,00	,10000	,54393	1,000	-1,3909	1,5909
	3,00	9,00	,26667	,27313	,955	-,4819	1,0153
	4,00	9,00	-,40000	,35380	,902	-1,3697	,5697
	5,00	9,00	-,65000	,39195	,551	-1,7243	,4243
	6,00	9,00	1,07059 <sup>†</sup>	,21177	,000	,4901	1,6510
	7,00	9,00	,10000	,54393	1,000	-1,3909	1,5909
	8,00	9,00	-,40000	,76181	,999	-2,4880	1,6880

### Specific difference under different occupations

	N	Mean	Std. Deviation
CultureEmployee	150	3,9400	,81290
CultureOther	6	2,5000	1,64317
SubcultureEmployee	150	1,9400	1,19411
SubcultureManager	27	3,3333	,96077
OpinionLeaderEmployee	150	2,2400	1,16250
OpinionLeaderProfessor	12	1,0000	,00000
RoleStatusEmployee	150	2,1800	1,24819
RoleStatusManager	27	4,0000	1,07417
FaceEmployee	150	1,3600	,84568
FaceManager	27	2,3333	1,44115
AdvertisementEmployee	150	2,1600	1,25895
AdvertisementProfessor	12	1,0000	,00000
PromotionEmployee	150	2,4000	1,31588
PromotionTeacher	51	3,4706	1,30158
Valid N (listwise)	6		



Different educations (taking the majority group “junior college or bachelor” as the control)

Dependent Variable	(I) Education	(J) Education	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Culture	1,00	4,00	-1,89286 <sup>*</sup>	,52311	,001	-3,1472	-,6385
	2,00	4,00	-,89286 <sup>*</sup>	,26835	,003	-1,5363	-,2494
	3,00	4,00	-,16369	,10199	,291	-,4082	,0809
Subculture	1,00	4,00	-1,03571	,69288	,352	-2,6972	,6257
	2,00	4,00	,21429	,35544	,905	-,6380	1,0666
	3,00	4,00	-,11905	,13509	,757	-,4430	,2049
OpinionLeader	1,00	4,00	-,30357	,66244	,955	-1,8920	1,2849
	2,00	4,00	-,55357	,33983	,279	-1,3684	,2613
	3,00	4,00	,02976	,12915	,994	-,2799	,3395
RoleStatus	1,00	4,00	,57143	,76753	,837	-1,2690	2,4119
	2,00	4,00	,82143	,39374	,108	-,1227	1,7656
	3,00	4,00	-,19940	,14964	,452	-,5582	,1594
Family	1,00	4,00	-1,12500	,88722	,495	-3,2525	1,0025
	2,00	4,00	,37500	,45513	,792	-,7164	1,4664
	3,00	4,00	,20833	,17298	,538	-,2064	,6231
Lifestyle	1,00	4,00	1,48214	,72644	,120	-,2598	3,2241
	2,00	4,00	-,01786	,37266	1,000	-,9114	,8757
	3,00	4,00	-,41369 <sup>*</sup>	,14163	,011	-,7533	-,0741
SelfConcept	1,00	4,00	-,82143	,47456	,230	-1,9594	,3165
	2,00	4,00	-,82143 <sup>*</sup>	,24344	,002	-1,4052	-,2377
	3,00	4,00	-,44643 <sup>*</sup>	,09252	,000	-,6683	-,2246
Face	1,00	4,00	,44643	,54956	,799	-,8714	1,7642
	2,00	4,00	-,30357	,28192	,626	-,9796	,3724
	3,00	4,00	-,17857	,10715	,260	-,4355	,0784
Advertisement	1,00	4,00	-,23214	,72322	,984	-1,9664	1,5021
	2,00	4,00	,01786	,37101	1,000	-,8718	,9075
	3,00	4,00	-,10714	,14100	,829	-,4453	,2310
Promotion	1,00	4,00	,46429	,79667	,913	-1,4460	2,3746
	2,00	4,00	,46429	,40868	,585	-,5157	1,4443
	3,00	4,00	,19345	,15532	,510	-,1790	,5659

Specific difference under different educations

	N	Mean	Std. Deviation
CultureBachelor	168	3,8929	,90266
CultureJunior	3	2,0000	,00000
CultureSenior	12	3,0000	1,47710
LifestyleBachelor	168	3,5179	1,31310
LifestyleMaster	144	3,1042	1,19859
SelfconceptBachelor	168	1,8214	1,00491
SelfconceptSenior	12	1,0000	,00000
SelfconceptMaster	144	1,3750	,56562
Valid N (listwise)	3		

Different Incomes (taking the majority group “5001~10000RMB/month” as the control)

Dependent Variable	(I) Income	(J) Income	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Culture	1,00	6,00	-,21875	,16414	,598	-,6396	,2021
	2,00	6,00	-,03125	,16414	1,000	-,4521	,3896
	3,00	6,00	,07060	,14009	,989	-,2886	,4298
	4,00	6,00	,21875	,39074	,982	-,7831	1,2206
	5,00	6,00	,03125	,16414	1,000	-,3896	,4521
Subculture	1,00	6,00	-,06250	,20914	,999	-,5988	,4738
	2,00	6,00	,00000	,20914	1,000	-,5363	,5363
	3,00	6,00	,31019	,17849	,324	-,1475	,7679
	4,00	6,00	1,12500	,49785	,109	-,1515	2,4015
	5,00	6,00	,12500	,20914	,976	-,4113	,6613
OpinionLeader	1,00	6,00	,31250	,19092	,386	-,1771	,8021
	2,00	6,00	-,31250	,19092	,386	-,8021	,1771
	3,00	6,00	,41667	,16295	,051	-,0011	,8345
	4,00	6,00	1,25000 <sup>*</sup>	,45449	,030	,0846	2,4154
	5,00	6,00	-,56250 <sup>*</sup>	,19092	,017	-1,0521	-,0729
RoleStatus	1,00	6,00	-,09375	,23103	,996	-,6861	,4986
	2,00	6,00	-,46875	,23103	,183	-1,0611	,1236
	3,00	6,00	,03819	,19718	1,000	-,4674	,5438
	4,00	6,00	1,59375 <sup>*</sup>	,54997	,019	,1836	3,0039
	5,00	6,00	,09375	,23103	,996	-,4986	,6861
Family	1,00	6,00	,25000	,26355	,853	-,4258	,9258
	2,00	6,00	-,25000	,26355	,853	-,9258	,4258
	3,00	6,00	,81481 <sup>*</sup>	,22493	,002	,2381	1,3916
	4,00	6,00	,00000	,62737	1,000	-1,6087	1,6087
	5,00	6,00	,12500	,26355	,991	-,5508	,8008

Lifestyle	1,00	6,00	,15625	,22362	,954	-,4171	,7296
	2,00	6,00	-,40625	,22362	,281	-,9796	,1671
	3,00	6,00	-,17245	,19085	,876	-,6618	,3169
	4,00	6,00	,03125	,53233	1,000	-1,3337	1,3962
	5,00	6,00	-,28125	,22362	,652	-,8546	,2921
SelfConcept	1,00	6,00	,15625	,14609	,781	-,2183	,5308
	2,00	6,00	,03125	,14609	1,000	-,3433	,4058
	3,00	6,00	-,14931	,12468	,695	-,4690	,1704
	4,00	6,00	1,40625 <sup>a</sup>	,34776	,000	,5146	2,2979
	5,00	6,00	-,15625	,14609	,781	-,5308	,2183
Face	1,00	6,00	,43750 <sup>a</sup>	,16223	,035	,0215	,8535
	2,00	6,00	,06250	,16223	,997	-,3535	,4785
	3,00	6,00	,16898	,13846	,679	-,1860	,5240
	4,00	6,00	1,68750 <sup>a</sup>	,38619	,000	,6973	2,6777
	5,00	6,00	,06250	,16223	,997	-,3535	,4785
Advertisement	1,00	6,00	-,09375	,21386	,994	-,6421	,4546
	2,00	6,00	-,34375	,21386	,405	-,8921	,2046
	3,00	6,00	,17708	,18252	,841	-,2909	,6451
	4,00	6,00	1,84375 <sup>a</sup>	,50908	,002	,5384	3,1491
	5,00	6,00	,09375	,21386	,994	-,4546	,6421
Promotion	1,00	6,00	,21875	,23815	,868	-,3919	,8294
	2,00	6,00	,09375	,23815	,996	-,5169	,7044
	3,00	6,00	,60532 <sup>a</sup>	,20325	,015	,0842	1,1265
	4,00	6,00	,53125	,56691	,859	-,9224	1,9849
	5,00	6,00	-,21875	,23815	,868	-,8294	,3919

### Specific difference under different incomes

	N	Mean	Std. Deviation
Opinion Leader5001to10000	96	2,2500	1,03619
Opinion Leader10001to20000	48	1,6875	,77614
Opinion Leader20000more	6	3,5000	,54772
RoleStatus5001to10000	96	2,4063	1,32648
RoleStatus20000more	6	4,0000	1,09545
Family5001to10000	96	3,0000	1,52867
Family3001to5000	81	3,8148	1,25610
Selfconcept5001to10000	96	1,5938	,65820
Selfconcept20000more	6	3,0000	,00000
Face5001to10000	96	1,3125	,81192
Face1500less	48	1,7500	1,15777
Face20000more	6	3,0000	,00000
Advertisement5001to10000	96	2,1563	1,12697
Advertisement20000more	6	4,0000	1,09545
Promotion5001to10000	96	2,4687	1,35299
Promotion3001to5000	81	3,0741	1,42107
Valid N (listwise)	6		

## Appendix G: QUESTIONNAIRE FOR LUXURY CONSUMERS

Dear Sir/Madam,

I am a PhD candidate at the Tomas Bata University in Zlin, Czech Republic and I am conducting a research on the topic **Luxury brand marketing: consequence of Chinese consumer behavior**. I would appreciate it if you could please complete this survey questions for me. The questions will take about 10 minutes to complete. I am aware that you are busy, but the time you will take to complete this questionnaire will be valuable to this important research. This questionnaire is purely for academic purposes and will certainly respect your right of anonymity and examine the outcomes of the questionnaire with the highest degree of confidentiality. Kindly answer the questions as candidly as you can. Thank you.

Sincerely

Yiying Guo

Faculty of Management and Economics

Tomas Bata University in Zlín

Czech Republic

**A. influencing factors** (please tick 1-5 from strongly disagree to strongly agree)

1. People are judged by their dress and personal adornments. (Culture)

1	2	3	4	5
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2. Influenced by my friends, I have to consume luxury constantly. (Subculture)

1	2	3	4	5
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3. My idol's (or superior's) opinion influences my behavior, including luxury consumption. (Opinion leaders)

1	2	3	4	5
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4. Because of the social role and status, I have to consume some luxury brands. (Role / status)

1	2	3	4	5
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5. Family (growing environment, economic conditions) influences my luxury consumption. (Family)

1	2	3	4	5
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6. If I am able to pay, it's worth buying my favorite luxury. (Lifestyle)

1	2	3	4	5
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7. Only when using the luxury, I've found who I am. (Self-concept)

1	2	3	4	5
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8. I am worried that other people or friends consider me moneyless or tasteless, therefore I consume luxury. (Face)

1	2	3	4	5
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9. Some luxury advertisements are so attractive that it makes me dream of luxury.  
(Advertisement)

1	2	3	4	5
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10. Sometimes luxury promotions offer good price, therefore I buy it. (Promotion)

1	2	3	4	5
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**B. motivation – please think of your experience about luxury purchase** (please tick 1-5 from strongly disagree to strongly agree)

1. Because the product has really high quality, better than others, therefore I buy it. (Quality)

1	2	3	4	5
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2. The design and connotation of this product give expression to my taste. (Taste)

1	2	3	4	5
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3. Having the luxury, I am enjoying myself and happier than before. (Hedonism)

1	2	3	4	5
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4. I am well done and have made great progress, so I buy luxury to reward myself. (Self-gift giving)

1	2	3	4	5
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5. The idea and value of the luxury match me very much, so I buy it. (Inner self expression)

1	2	3	4	5
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6. Having this luxury, I consider myself more involved in the coterie I belong to. (Integration)

1	2	3	4	5
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7. Most of my colleagues and friends have this product, so I want to have it, too. (Bandwagon)

1	2	3	4	5
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8. This kind of products make me more confident, and more easily to be accepted. (Status identity)

1	2	3	4	5
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9. The symbol and implication behind this brand is just what I expect, so I choose it.  
(Symbolization)

1	2	3	4	5
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10. Everyone is looking for a product that can make others envy, and this product just meet my target. (Flaunt)

1	2	3	4	5
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11. This product shows deluxe dignity, and is the priority of upper social class, so I am glad to have it. (Identity)

1	2	3	4	5
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12. I hope myself belong to the upper class in the society, so it's necessary to have luxury. (Snob)

1	2	3	4	5
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**C. basic behavior** (please tick the options about your answer)

1. Generally my consuming frequency of luxury is:

- 1 never     2 once in several years     3 once a year     4 2~3 times a year     5 4~6 times a year     6 6~12 times a year     7 12 times a year and more

2. If I buy luxury, the main reason is:

- 1 mostly for my own use     2 mostly for others as gifts     3 for myself + for others

3. The channels I buy luxury are: (can be multiple choices)

- 1 Upscale shopping center in mainland China     2 Hong Kong, Taiwan or Macau     3 Asian countries e.g. Japan     4 European countries     5 North America e.g. USA     6 shopping online

4. The luxury products or services I have ever purchased are: (can be multiple choices)

- 1 dress     2 leather ware     3 watches     4 perfume     5 jewelry     6 travelling abroad     7 sports (diving, skiing, golf)     8 luxury car or private jet     9 high-end villa     10 other \_\_\_\_\_

5. Currently the products or services I prefer are: (can be multiple choices)

- 1 dress     2 leather ware     3 watches     4 perfume     5 jewelry     6 travelling abroad     7 sports (diving, skiing, golf)     8 luxury car or private jet     9 high-end villa     10 other \_\_\_\_\_

6. For my future luxury consumption, I prefer: (can be multiple choices)

- 1 dress     2 leather ware     3 watches     4 perfume     5 jewelry     6 travelling abroad     7 sports (diving, skiing, golf)     8 luxury car or private jet     9 high-end villa     10 other \_\_\_\_\_

**D. demographic background** (please tick the options about your answer)

1. Gender:     1 male     2 female

2. Age:

- 1 6-20     2 21-30     3 31-40  
 4 41-50     5 51-60     6 61 and more

3. Occupation:

- 1 student     2 employee of company or institution     3 boss or manager  
 4 official     5 professor     6 teacher     7 freelance     8 retiree     9 other \_\_\_\_\_

4. Education:

- 1 junior high school and lower  
 2 technical secondary school or senior high school  
 3 junior college or bachelor                       4 master and higher

5. Income:

- 1 500RMB / month and less                       2 501~3000RMB / month  
 3 3001~5000RMB / month                       4 5001~10000RMB / month    5 10001~20000RMB /  
month    6 more than 20000RMB / month

E. Your ideas, suggestions, opinions or questions about luxury

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I declare that any of your personal information and opinions will be strictly kept confidential.  
Thank you for your support and help.

May you have any concerns or questions, please email to [yiyingguo@yahoo.com](mailto:yiyingguo@yahoo.com).