

# **Chinese consumers' luxury value perceptions – a conceptual model**

Yan Liang, Sid Ghosh and Hiroko Oe

## **Abstract**

**Purpose** – The aim of this paper is to offer a conceptual model that demonstrates Chinese consumers' value perceptions towards luxury products based on the recent literature reviews and the findings from focus groups.

**Design/methodology/approach** – Focus group discussion is used to explore how Chinese consumers construct their value perceptions towards luxury products.

**Findings** – This research has integrated different perspective values into one multidimensional model to explain directly why Chinese consumers choose to buy luxury products, and what are these variables that influence their luxury value perceptions. It also provides a broader perspective in exploring the Chinese customers' self- and societal perceptions for purchasing luxury products.

**Research limitations/implications** – The primary data were only collected from three cities; thus, the findings may not be generalisable across all Chinese consumers. Moreover, this qualitative study was based on a relatively small sample size; thus, a future study is planned by designing a measurement instrument based on the proposed conceptual model and also testing the proposed theoretical model that scholars can apply in related empirical work in the future.

**Originality/value** – This study has offered a wide range of understanding about how Chinese luxury consumers' luxury value perception reflect their purchasing behaviours and habits; it has also provided a new theoretical insight into the phenomenon of luxury consumption and contributed to the relatively limited literature on the concept of luxury in the context of Chinese market. It could also provide good implications for the effective marketing strategy actions in the context of Chinese luxury market.

**Keywords** Chinese, Conceptual model, Consumer behaviours, Luxury consumption, Luxury value perception

## **Introduction**

### **Research background**

Over the recent decades, the global luxury goods market has grown dramatically. Each year consumers spend billions of dollars on luxury products globally, and the number of consumers in the world who purchase luxury goods increased dramatically as a result of their rising discretionary income and spending power (Vickers and Renand, 2003).

In the past 30 years, the number of wealthy people has grown fast in China. China's nominal gross domestic product by expenditure approach surpassed that of Italy in 2000, France in 2002,

the United Kingdom in 2006 and that of Germany in 2007, before overtaking Japan in 2009, making China the world's second largest economy after the USA (National Bureau of Statistics of China, 2014). Since launched, the "open-door" policy in 1970s, a large number of international luxury companies entered Chinese market, and foreign trade is becoming more frequent.

Nowadays, almost all the leading international luxury brands have expanded their business in China; it is viewed as one of the most promising and exciting luxury markets in the world, and there is no doubt that the Chinese market is regarded as the most potential market with the highest growth rate for the global luxury goods companies today to the research reported from Euromonitor (2015), during the past recent years, luxury sales have grown dramatically in China; Chinese consumers represent the top and fastest growing nationality for luxury; and the Chinese luxury market has been valued at 180 billion Yuan (\$28 billion). With the factor that Chinese market has become one of the biggest markets for all luxury brands, Chinese consumers nowadays account for 31 per cent of global luxury sales, followed by US consumers at 24 per cent and Europeans at 18 per cent, it is leading to a substantial growth of the global luxury consumptions in the world. Although the sales of luxury goods in China hit negative numbers for the first time in 2014, they still spent nearly \$19 billion on luxury goods (Bain and Company, 2014). According to Euromonitor (2015), luxury goods returned to growth in China in 2015 and it will continue growing. Although many global luxury companies recognise the high potential of future growth in China, marketers need to have insights about the emerging Chinese consumers they target.

Nowadays, with the growing purchase power and the large market size, Chinese consumers have become a very important and strategic segment for the global luxury market; hence, the reason to understand this consumer group is essential for the luxury fashion industries to enhance their business success in the Chinese luxury market.

### **Research gaps**

Thus, many scholars are giving greater attention to the phenomenon of luxury consumption in China and researchers have started to discuss the Chinese luxury consumptions in recent years, and they found that understanding Chinese consumers' behaviour is the luxury marketers' biggest challenge to successfully tap into the Chinese market (Wong and Ahuvia, 1998; Wang and Han, 2011; Wang et al., 2011; Zhan and He, 2012; Zhang and Kim, 2013).

Although numerous studies have focussed on the consumers' perspective of luxury products in the Western countries, little empirical attention within the marketing-related literature has been devoted to the Chinese consumer luxury value perception, and specifically, few studies identified multidimensional conceptual model to reveal what are the key factors influencing the Chinese perceptions of luxury consumptions, especially focusing on self- and social luxury value perception. Some researchers have provided theoretical frameworks of luxury value perception, such as Vigneron and Johnson (1999, 2004), who highlighted five perceived value of luxury products such as perceived hedonic value, perceived quality value and perceived social value. Perceived obvious value, perceived unique value and perceived social value are influenced by interpersonal effects, and perceived hedonic value and perceived quality value are influenced by personal effects and Wiedmann et al. (2007), who identified four main consumers' value perceptions in relation to luxury consumption in their framework, which are financial

value (price value), functional value (usability value, quality value and uniqueness value), individual value (self-identity value, hedonic value and materialistic value) and social value (conspicuousness value and prestige value); however, their works have been conducted mostly in Western countries and their proposed frameworks were based on reviews of literature works.

Furthermore, as Chinese consumers have a unique cultural background, the findings from previous studies may not sufficiently capture all influencing factors that impact Chinese consumers' luxury value perception. So, can previous Western works' findings sufficiently capture all influencing factors that impact Chinese consumers' intentions towards purchasing luxury goods? Are there any new determinants that may influence Chinese consumers but have not been identified in the previous literatures?

Therefore, it is critical for luxury researchers and marketers to understand the phenomenon of luxury consumption in China and investigate the reasons why they have such high demand of buying luxury goods. Incorporating relevant theoretical and empirical findings, the primary goal of this research is to understand the reasons why consumers buy luxury, what they believe luxury is and how their perception of luxury value affects their buying behaviour. An examination of factors that influence Chinese consumers' luxury value perception is essential to draw new research findings. Hence, from a theoretical point of view, the present study aims to address these academic concerns by drawing new insight into luxury consumptions in the context of Chinese market. This is done by proposing a new, unique conceptual model based on the literature reviews and findings of primary data, which would enable researchers and practitioners to understand the cause and effect relationships between influencing factors of luxury values perception of both self- and societal perspectives. As a consequence, this study can contribute to the relatively limited literature on the concept of luxury in the context of Chinese market and provide a comprehensive model that covers the various perspectives that influence Chinese consumers' luxury value perception and purchase behaviours on luxury products. Furthermore, it is critically important for researchers and practitioners to understand why Chinese consumers buy luxury and what are their perceptions of luxury consumptions based from this proposed multi-factored conceptual model, so that this study can assist managers and marketers to develop appropriate marketing strategies to satisfy consumer's multiple needs and their expectations in the growing Chinese luxury market.

### **Literature reviews**

Defining the luxury In the past few decades, luxury consumption has generated much interests and discussions in both academic and business areas. Luxury is a vague concept; its meaning has been determined by the different fields and research areas. In recent years, researchers have tried to define "luxury" as a specific (i.e. higher-priced) tier of offer in almost any product, they have written about the high price of luxury goods as an important attribute (Dubois et al., 2001; Dubois and Laurent, 1994). Others have framed luxury in terms of uniqueness (Nueno and Quelch, 1998; Sun, 2011); moreover, Kapferer (1997) and Dubois and Szellar (2002) summarised luxury as defining beauty, enlightening and providing good looking. Most commonly, luxury goods were suggested as superior-quality products which offer greater performance than non-luxury goods (Nueno and Quelch, 1998; Dubois et al., 2001; Dubois and Laurent, 1994). However, a review of the existing literatures on luxury shows that researchers admitted that the concept of luxury is no longer easy to define, and till now, it does not have a universally accepted definition (Ciornea et al., 2012), such as Dubois and Duquesne (1993) highlight the difficulty of agreeing on a definition calling luxury in their research; Vigneron and

Johnson (1999) concluded that “Luxury is particularly slippery to define”; Heine (2009) demonstrated that luxury is a relative term that could refer to almost anything or nothing depending on whom you ask; and Tynan et al. (2010) admitted that defining luxury is difficult because the luxury goods exist at one end of a continuum with ordinary goods, so where the ordinary ends and luxury starts is a matter of degree as judged by consumers. As a consequence, owing to the fluidity of the concept, each society or culture has its own idea of what luxury is (Nwankwo et al., 2014). Different people define luxury in different ways based on its own principles and values, and the concept of luxury is hugely difficult to define because the meaning of luxury differs in time and space; therefore, it would be essential to explore what the Chinese consumers believe luxury is.

### **Meaning of the new luxury**

The luxury consumption phenomenon can be tracked back hundreds of years, and it has been an important social practice (Berry, 1994). During the seventeenth century, luxury was found in extraordinary commodities: rare pearls, crystal, perfumes and spices from the Luxury value perceptions Caribbean (Berthon et al., 2009), and they were only enjoyed by certain elite people and not by others. Then, the modern luxury fashion industry originated in France, during the twentieth century, the growth of luxury business had broadened the customer base, and the reputation for exceptional quality of products had transformed well-established brands. Along with the changes of cognitive development of consumer attitudes, the concept of “new luxury” is proposed by the Boston Consulting Company researchers Silverstein et al. (2005) in the book “Trading Up”. They defined the new luxury refers to goods that are not necessarily rare or manufactured in low volume; they also stated the new luxury as profitable business strategy based on developing and marketing high-quality products to middle-market consumers who are willing and even eager to pay premium prices. Kapferer and Bastien (2012) of “The Luxury Strategy” stated in their book that “The new luxury “has become a source of enjoyment for more and more people, it has brought new consumers in a truly global fashion.” According to Calefato (2014) luxuries were expensive and famous brand products with a taste of the upper class. Until a few years ago, luxuries are the products that everyone wants to have, and also can and should have, regardless of their income level and age. Ghosh and Varshney (2013) stated that traditional luxury was meant for “happy-few”, but with the growth of luxury industry, it is not only restricted to the elite class of the society, the concept of new luxury is getting popular currently. Calefato (2014) also indicated that “new luxury” is sustainable trend; old luxury goods were based on status, class and exclusivity, whereas a new luxury philosophy inspires consumers to forge stronger emotional ties to the products and brands; it has become a source of enjoyment, and has brought new consumers in a truly global fashion.

Therefore, the new luxury products are considered and defined as the ‘accessible’ luxury goods, which has become more affordable and acceptable by more and more people from the middle-class group. In this study, it has been decided to focus on those “accessible, new, fashionable and well-known” luxury brands, such as Dior, Louis Vuitton, Burberry, Chanel and Gucci, especially on their clothes, shoes, handbags and accessories. According to a report titled “China Luxury Market study” by the management consulting firm Bain and Company (2014), the Chinese consumers have shown their great interests on these “new luxury” category and the above-mentioned luxury brands were listed as popular luxury brands purchased by Chinese consumers.

## **Luxury value perceptions**

Consumers' perceived luxury value perceptions for luxury consumption The past literature review reveals that perceived luxury value could be regarded as a consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given, when focussing on luxury goods, a consumer's luxury value perception can directly explain why he/she chooses to buy a certain luxury good; thus, the understanding of how the perception of value affects the consumers' buying behaviour is critical for luxury researchers and marketers (Wiedmann et al., 2009). Based on the discussions of the recent literature works, "social orientation" and "personal orientation" perceptions were specifically identified by many scholars. As it is indicated by Vigneron and Johnson (2004), the consumers' behaviours in relation to luxury consumption have to be taken both personal and interpersonal perspectives into considerations. Self-value factors. Current studies emphasise on the concept of the self as an object that is perceived by the individual – it relates one's attitudes, feelings, perceptions and evaluations and especially with regards to luxury consumption. The recent marketing literature works have argued that the self-perception represents the aspect of the consumer's personal point of reference towards luxury consumption as well as addressing personal value (Vigneron and Johnson, 2004; Danziger, 2005). Consumer uses self-identity values to assess the perceived level of perfect congruence between luxury goods and their self-image or desired self-image (Lawry et al., 2010). Cited by (Loureiro and Araujo, 2014). It is an individual's opinion of one's own ability, limitation, appearance and characteristics; consumers want to know whether the image of the luxury matches with their accomplishment and success (Nueno and Quelch, 1998). In addition, Luxury consumption also involves emotional aspects such as sensory pleasure, aesthetic beauty and emotion (Wiedmann et al., 2009). Thus, many academics and practitioners have found that people consuming luxury products is directed towards satisfying the self; enjoying the experience from the products; wishing to be different and exclusive; and gaining pleasures from consumption to achieve self-awareness rather than pleasing others' expectations (Tsai, 2005; Wong and Ahuvia, 1998; Vigneron and Johnson, 2004; Wiedmann et al., 2007; Shukla, 2012; Kazakeviciute and Banyte, 2012).

Societal value factors. The social value dimension reflects the perceived value of consumers towards the luxury products within their own social group(s), such as those arising from family and other reference groups (Shukla, 2011). Researchers have attempted to focus mostly on the social effects associated with consumer behaviour; they argued that social influences are particularly salient in luxury consumption context, and they use luxury brands to assert their professional position or demonstrate their social status (Tsai, 2005; Wiedmann et al., 2009; Li et al., 2012).

Taken together with previous studies, the perceived value of consumers towards the luxury products within a certain social group might have a strong impact on the evaluation and inclination towards consume luxury brands. Tse (1996), Corneo and Jeanne (1997), Vigneron and Johnson (1999) and Wiedmann et al. (2009) have studied the social orientation of luxury brands. They found that the social value of luxury goods accounts for a large part of a consumer's decision to purchase luxury products, and customers' perceived social value could emphasise that they live a very different life from the regular people's days. Shukla (2011) also added that consumers' perceived social value could strengthen the desire for a wealthy luxury life and regard their heritage as part of their identities. In short, the social values associated with

luxury products refer to the utility perceived by individuals when they purchase a product and the feeling of recognition within their social group.

### **Key influencing factors from the literature works**

Hedonic value. Kazakeviciute and Banyte (2012) explained that hedonism and its impact on consumers' behaviour had become an important object of various scientific researches in the marketing literature. The initial research of hedonic consumption was proposed by Holbrook and Hirschman (1982), they defined hedonic consumption as those facets of consumer behaviour that relate to the multisensory, fantasy and emotive aspects of product usage experience. In the context of luxury consumption, previous research has established that hedonism plays a strong role in luxury product purchases (Dubois et al., 2001; Vigneron and Johnson, 2004; Wiedmann et al., 2007; Shukla, 2012). Deli-Gray et al.'s (2010) research has proved this view in their study, which attempted to identify and analyse the hedonic buying behaviour of shopping values. They concluded that the consumer of the twenty-first century bases his/her decisions not only on rational reasons but also on emotional feelings.

Additionally, Wiedmann et al. (2007, 2009) explained that the luxury products are likely to provide intangible benefits, such as sensory pleasure and aesthetic beauty; hence, acquiring from the purchase and consumption of a luxury product may arouse personal pleasures, enjoyment and emotional desire feelings. Thus, the first hypothesis is proposed:

### **Luxury value perceptions**

H1. Hedonic value impact on Chinese consumers' self-perception of luxury value. Uniqueness value. With regards to luxury products, luxury brands are authentic because of their uniqueness from competitors and are typically both well crafted and cultivate a highly desirable image of exclusivity (Bearden and Etzel, 1982). The uniqueness aspect is so dominant in the luxury goods market, and especially in the fashion industry, the possession of unique and innovative products makes consumers feeling differentiated with other people (Shukla, 2012). Thus, the perceived uniqueness value refers to the consumers who buy luxury goods to show the need of being unique to improve self-appearance and public status; they wish to be different and exclusive; and they may refuse a specific product when the general public considers it (Vigneron and Johnson, 1999, 2004; Wiedmann et al., 2007, 2009).

Then, it can be proposed:

H2. Uniqueness value affects Chinese consumers' self-perception of luxury value. Conspicuous value. In recent years, many scholars revealed that the conspicuous value is derived from the consumption process, which is oriented towards the evident display of expensive possessions (Mason, 1981; Bearden and Etzel, 1982; Corneo and Jeanne, 1997; Vigneron and Johnson, 2004). Eastman and Goldsmith (1999) defined conspicuous consumption as a motivational process by which individuals strive to improve their social standing through consuming conspicuous products that confer or symbolise status for both the individual and surrounding others. More recently, conspicuous consumption refers to the consumption of luxury items (Souiden et al., 2011), and they believe it plays a significant role in influencing consumers' social perceptions. Wiedmann et al. (2007) stated that luxury products are important to individuals in search of social status, and conspicuous consumption plays a significant part when consuming luxury brands in the public context.

The following hypothesis is proposed:

H3. Conspicuous value contributes to Chinese consumers' social perception of luxury value. Social status value. In an early work on luxury consumption, Veblen (1912) firstly introduced the foundations of conspicuous consumption in his publication "The theory of the leisure class", and indicated that owning luxury goods can display wealth and social status to others. Veblen's work as a framework, later research made by Mason (1981) in the early 1990s, has confirmed that consumers buy, use and display luxury goods to gain recognition or status. Additionally, Belk (1988) presented that one of the important motivating forces that influence a wide range of consumer behaviour is the aspiration to gain status or social status from the acquisition and consumption of goods. With regards to luxury consumption, researchers have argued that luxury brands and products often enclose prestigious values, social referencing and the construction of one's self to appear to be determinants of luxury purchase; for example, Tsai (2005) stated that socially oriented consumers are motivated to possess luxury brands to display their status and success to their targeted social groups. So, people wear brand-labelled clothing yields to benefit the social interactions and classify or differentiate themselves from other; Li et al. (2012) presented that consumers use luxury brands to assert their professional position or demonstrate their social status. Moreover, Nelissen and Meijers (2011) have tried to answer why are people so keen on wearing brand-labelled clothes and owning other luxury-branded products to pay a premium for them, and it has been revealed that because they want to gain social status. Hence, it is argued based from the literature works that people can gain or maintain their social positions, and emphasise their distinctive tastes through consumption of luxury products.

Hence, the following hypothesis is made:

H4. Social status influence Chinese consumers' social perception of luxury value. Conformity value. The impact of reference groups in terms of brand evaluations has also been studied by Bearden and Etzel (1982). They concluded that the conspicuousness of a product was positively related to reference group, individual's behaviour significantly impact by others. They explained by the fact that consumers were able to observe the products and brands purchased by reference group members or to interact with referents regarding the appropriate products and brands to buy. In addition, according to Vigneron and Johnson (2004), the consumption of luxury goods involves purchasing a product that represents value to both the individual and its reference group. This means that consumers may regard luxury brands as a mean to reach social acceptance and conformity within reference groups.

Few years later, Wiedmann et al. (2009) stated that the contribution of reference theory in the analysis of luxury consumer behaviour appears to be important for the motivation underlying luxury consumption, and consumers obtain information about products and services from other people, particularly family members, friends and neighbours; thus, reference group effects accounted as a strong influence factor on a consumer's decision to buy luxury goods. Thus, the final hypothesis is proposed based on the literature works:

H5. Conformity value determines Chinese consumers' social perception of luxury value. Based on the literature works, the conceptual framework was proposed (as shown in Figure 1), and the five hypotheses were proposed, as discussed above.

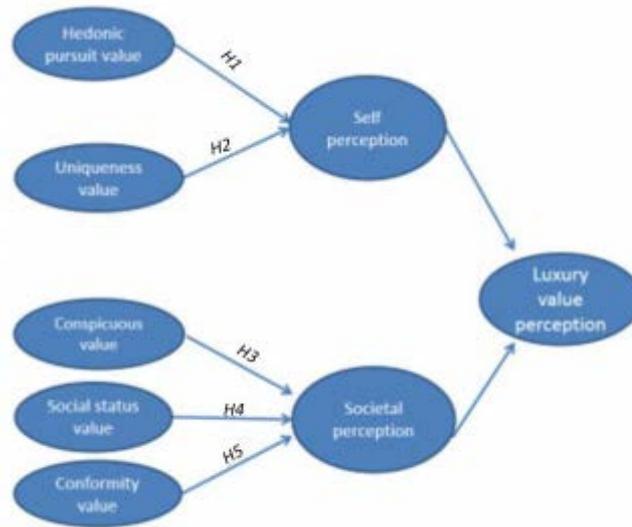


Figure 1: Conceptual framework

## Methodology

As the review of the literature has shown, while many rich theoretical areas contribute to an understanding of luxury value, primary research is required to gain an in-depth investigation of Chinese consumers' perceptions of luxury consumption. To achieve the intended aims and objectives of this research, inductive approach can help the researcher to gain a close understanding of Chinese consumers' luxury value perceptions and identify the significant luxury value dimensions in relation to luxury consumption in a conceptual model.

Specifically, this study used focus groups interview techniques to develop in-depth knowledge and understand consumer perceptions of luxury. The luxury goods of interest in this study are personal fashion products including apparel, perfume and accessories, which are well-known, internationally recognised luxury brands and are widely recognised by most Chinese consumers; for instance, Giorgio Armani, Chanel, Louis Vuitton, Dior, Gucci, Prada, Rolex and Cartier. In addition, the white-collars and professionals, self-employed or businesspeople in SMBs and the government leading officers, etc. were targeted participants in this research because they are defined as middle-class Chinese with annual income between \$20,000 and \$80,000 and aged 20-50 years and have relatively high incomes; moreover, they are also described as the main force booting luxury buyers who account for 13.5 per cent of the China's total population (Mckinsey and Company, 2013).

The primary data were collected from three main Chinese cities, Beijing, Shanghai and Chengdu, where these cities are Chinese economic centres, and the participants are likely to have contact with luxury products and they may get more chances to have advanced knowledge of luxury brands. There were 12 focus groups, and each comprised six to eight people, based on the participants' ages, education levels, genders, occupations, annual income and marital status; these participants were selected to join in one focus group discussion. The participants were selected using convenience sampling and snowball sampling based on their profession, education, gender, age and income, as the researcher has a direct relationship with these

participants. To ensure a representative sample, views were gained from a fair equal number of male and female respondents for each focus group. All focus groups interviews were conducted in a relaxed and informal atmosphere. The discussions consisted of a series of open-ended questions; perhaps, they are better described as probes to ensure a logical flow of conversation around the topic area, and participants can talk and feel comfortable enough to proffer their opinions and experiences. They were seated in a circle to encourage interaction and eye contact with a big flipchart showing popular luxury brands (e.g. Louis Vuitton, Gucci, Chanel, Giorgio Armani, Burberry and Dior). This evoked participants' feelings and perceptions about luxury brands and global trends in their luxury consumptions. Each focus group lasted for about 45 minutes to an hour; and they were recorded with prior consent from the participants and notes were taken during the interviews. All interviews were conducted in Chinese, and the voice records were then transcribed into Chinese, followed by their translation into English. Qualitative research is systematic in its approach to data collection and analysis. Following Braun and Clarke's (2006) six-step stages to conducting thematic analysis, NVivo 10 is used as a tool for analysing the collected data; it enabled to focus on broader patterns in the raw data and consider the relationships to combine codes into overarching research questions and hypotheses.

### **Findings and analysis**

The key perceived values in influencing Chinese consumers' self-perception of luxury value Hedonic pursuit value. Respondents in the focus groups have discussed their opinions on what are the main personally oriented reasons to purchase luxury products. Some respondents have identified the personal hedonic pursuit value associated with luxury consumption, as this reason was stated by Wiedmann et al. (2007), Vigneron and Johnson (2004) and Sheth et al. (1991) in previous literature works, and H1 was supported. Based on the respondents' discussions in the focus groups, Chinese consumers have explained that purchasing luxury products could provide pleasures and seek hedonistic experience, such as: I am buying a luxury product because it provides enjoyment and pleasure.

*[...] Owning and using luxury goods makes me feel good about myself.*

*When I use luxury goods I feel cheerful and more satisfied with my lifestyle.*

Uniqueness value. As it stated by Dubois et al. (2001), the luxury products are natural limitations and unique, and have aesthetic design or construction principle with innovative functional attributes; thus, it has been found that some respondents have shown their need of being unique to improve self-appearance and wishing to be different and exclusive when sharing their opinions of luxury values in the focus groups discussions, and H2 was supported. For example, they have indicated that: I like products which are rarer, and not owned by the bulk of other people, that is why I prefer luxury brands.

*[...] I use luxury brands because they are owned by a few people.*

*I like to choose unusual luxury products and not just following the social trend, because I believe luxury products can create a more distinctive personal image.*

Vanity value. Based on the focus group discussion, an interesting factor, "Vanity value", is attained through our findings from Chinese respondents. Existing literature on luxury

consumption did not mention about a direct relationship of vanity value impacting on self-perception.

Although in Durvasula et al.'s (2001) study, they have claimed that vanity is importantly linked with the consumption of luxury fashion brands, this view have not received wide empirical support on Chinese consumers from previous literature works of luxury value perception frameworks. In this study, the researcher has found that Chinese luxury consumers are strongly influenced by vanity and very concerned about their appearance and achievements. They choose to wear or use luxury brands because these products can bring glory and respect to the family and to the wider community as a clear sign of his or her success; these luxury consumers wanted to be admired and accepted as being part of an elite group by owning luxury products without elite without any personal achievements or political family heritage. Ahuvia and Wong (2002) discussed that individuals use possessions to reaffirm who they are and/or shape an image of who they want to be; thus, this kind of pressure often pushes people towards vanity and the need to disown their true origin. For example, some Chinese respondents stated that:

*[...] I believe every woman should own at least a luxury handbag, although I may not have sufficient funds to buy one, I am happy to save my salary to buy a dream luxury brand.*

*I place high emphasis on my appearance, and I desire for a luxury brand to make effort to look good, and people will not look down on me.*

*I may have lower incomes than others, but I need to wear luxury products and not to be judged by the stereotype of being poor.*

The previous scholars, Vigneron and Johnson (1999) and Wiedmann et al. (2007), etc., have not identified the impact of vanity value on self-perception. However, based on the focus group findings, a new variable – vanity value – has emerged that influences the Chinese consumer's luxury value perception; thus, the following proposition is put forward:

H6. Vanity value contributes to Chinese consumers' social perception of luxury value.

The key perceived values in influencing Chinese consumers' societal perception of luxury value Conspicuous value (show off). In addition, the findings of the key perceived societal luxury value were discussed by focus groups respondents. Most respondents have stated that they purchase luxury products to demonstrate their success and wealth, and they choose famous and well-known brands to show off their richness to others. For example, they stated:

*I prefer to use luxury products publicly, because it helps me to represent myself to others in a desired manner.*

*[...] The more luxury goods I own, the more evidences to show that I am richer and successful.*

Thus, this finding has confirmed the works of Wiedmann et al. (2007) and Vigneron and Johnson (2004) that conspicuous consumption plays a significant part when consuming luxury brands in the public context; it is a key influencing factor that affects Chinese consumers social value perceptions towards buying luxury products. In addition, this evidence supports H3.

Social status value. Displaying their social status is very important to Chinese, and owning luxury products could gain more respects, considerations and admires from other people. The respondents' opinions have confirmed this from their discussions.

This finding was consistent with Li et al.'s (2012) suggestion and supports H4 that Chinese

consumers use luxury brands to assert their professional position or demonstrate their social status: I believe that luxury brands are related to social status and success. If one person wears famous brand watch, drives famous brand car, carries famous brand bag, that means, he is quite successful.

*I am willing to pay a premium price of luxury goods, because I believe luxury-branded products could increase my status compared to wear ordinary products.*

Conformity value (reference group effect). As a collectivist culture, Chinese consumers are more likely to be influenced by their group members (Sun, 1991); in terms of luxury consumption context, findings from focus group discussions showed that the Chinese consumers' choices were affected by group influence. They observed the products and brands purchased by reference group members: if luxury brands have become the norm in the group, then it makes sense to buy luxury brands to fit in, like they stated: I was influenced most by my friends and family, when purchasing the same products and brands that others purchase, I can feel that I am belonged to that group.

*If my colleagues in my company own and use luxury goods, I feel like I should have the same or similar item. Using luxury goods helps me to fit in with the groups and I can become like them.*

This finding was consistent with Vigneron and Johnson's (2004) study, and H5 is supported that consumers regard luxury brands as a mean to reach social acceptance and conformity within reference groups.

Face-saving value. Another interesting factor was found through the focus group discussions which influence Chinese consumers' societal perceptions is face-saving value based on respondents' opinions. The Chinese respondents expressed that they are buying luxury products mainly because they must enhance, maintain and save their face within their social networking groups. For example: *People may look down on me if they think that I cannot afford a luxury product. I felt myself has lost face if everyone else surrounding me are wearing luxury clothes, watches and carrying luxury handbags, but not me.*

*Sometimes I purchase luxury goods not because I want to but I have to, because I feel I am under great pressure to live up the expectations of the group when most of them own luxuries.*

This finding has reflected Li and Su's (2007) study that face is an important part of Chinese culture and it influences every aspect of consumer behaviour in China. It has explained that Chinese consumers have to engage in the consumption of luxury products to maintain their face; if their behaviours do not accord with others' expectation, they feel they will lose face. The previous scholars, Vigneron and Johnson (1999) and Wiedmann et al. (2007), etc., have not identified the impact of face-saving value. However, based on the focus group findings, the following proposition is put forward: H7. Face-saving value contributes to Chinese consumers' social perception of luxury value.

This study also found that Chinese luxury consumers are more driven by societal perception than the self-perception. Their discussions mainly suggested that they are dominated by their social perception rather than self-perception because they are very concerned about others to win the public meaning of their possessions, and their luxury consumptions engaged more within their social perspectives; for example:

*I admit that I purchase luxury products mainly because they can be used to show off my social*

*status and wealth. I am more likely to be influenced by external opinions and social norms, because these luxury products can symbolise and communicate my positions in social hierarchy. I purchase luxury goods as they have labelled me as a successful man, I buy them also because I have influenced a lot by my surroundings, and I do not want to lose face.*

This finding was consistent with Wong and Ahuvia's (1998) and Lu's (2008) studies that the social recognition of brands is the most important criterion for Chinese consumers' luxury shopping; this is because Chinese consumers' buying decisions are most affected by Confucian values, which include collectiveness, harmonious interactions among within group members. Therefore, based on the analysis of the primary data, the new hypothesis is proposed:

H8. Societal perceptions influence Chinese consumers' self-perception of luxury value.

### **Discussions and implications**

From this study, it is found that both self-perception and societal perception were considered as important influencing perspectives towards Chinese luxury consumers' luxury values. In terms of self-perception, Chinese consumers were strongly influenced by hedonic pursuit value and uniqueness value; as the literature works stated, the discussions among Chinese respondents indicated that they are willing to spend money for indulgence, relaxation and enjoyment. In addition, it has been noticed that there is a trend that more Chinese consumers would like to use brands more creatively to express their identity and individuality. They have a high level of passion for luxury products, but their intentions behind luxury purchases differ from others, and they are eager to establish their own taste and trends. One more interesting finding related with self-perception of luxury products is vanity value. Although Chinese consumers' income levels have risen strongly, it remains low compared to that of more developed economies. For example, an income of RMB 9,000 per month (\$1500) is still modest by the standards of Europe or North America, and this white collar respondent claimed that, although as such a luxury purchase can represent a significant proportion of her disposable income, she aspired to own luxury products even when sometimes she had to spend almost all her wage and does not mind to express the greatest willingness to buy on credit for many luxury products she likes because she does not want other people look down upon her.

Chinese luxury respondents' luxury perception is strongly influenced by social values from this research. The Chinese participants believe that possessing publicly visible luxury products is necessary in certain business occasion to enhance the chance of success through better impression given to business partners or clients. Wearing luxury products can help to show their money and power to others, and they are more likely driven by the conspicuous value of luxury products. Furthermore, Chinese consumers place greater emphasis on the effect they make on others while consuming luxury brands; they are more concerned about physical appearance and fashion, especially by using luxury products as symbols and communication meaning about themselves to their peers. Apart from conspicuous value, social status value and conformity value, the face-saving value is identified from focus groups discussions from Chinese participants. Face is one of Chinese traditional cultural values: it refers to a sense of favourable social self-worth that a person wants others to have of him/her in a relational network (Sun et al., 2011). In the luxury consumption studies, previous researchers such as Wiedmann et al. (2007) have not linked face-saving value to the concept of luxury perceptions in their studies; therefore, this finding uniquely applies to Chinese consumers. According to the Chinese respondents'

discussions, they reacted that they have to maintain or enhance their face by owning luxury products to gain fame and respect for the family and the broader community as kind of signal of their success, and if their behaviours do not accord with others' expectation, they will lose face.

In summary, from the theoretical contribution point of views, this research would provide a broader perspective in exploring the Chinese customer's self- and social perception of purchasing luxury brands. By considering all the different aspects that constitute a customer's perception of luxury value, this research has integrated these perspective values into one multidimensional model to explain directly why Chinese consumers choose to buy luxury products, and what are these variables influence their luxury value perceptions (Figure 2). Clearly, the Chinese luxury consumer behaviour is distinct and different from the luxury consumer behaviour seen in the West; in addition, some new variables have emerged and influence the Chinese consumer's luxury value perception, such as vanity value and face-saving value. Based on the findings from focus groups and previous literature works, the Chinese consumers' self-perception of luxury consumption is influenced by their social perception, and their buying behaviours are primarily in accordance with the anticipated expectations of others and social norms rather than with internal wishes.

Implications of this research are of significance for researchers and marketers. It has offered a wide range of understanding about how Chinese luxury consumers' luxury value perception reflect their purchasing behaviours and habits, and it also has provided a new theoretical insight into the phenomenon of luxury consumption and contributed to the relatively limited literature on the concept of luxury in the context of Chinese market. The outcome of the findings can help luxury firms' targeting and positioning. It has indicated that the Chinese luxury consumers demonstrated a unique luxury value perception; thus, when building promotional strategies to target China, luxury companies need to use different plans of action or strategies that reflected broad general characteristics of Chinese consumers and differ the ones used to appeal to consumers in the Western world. For instance, it is clear that the collective societal perspective dominates in Chinese luxury consumption; consumers tend to place great emphasis to display their possessions and appear to others; and most of them purchase luxury products not only because they need to show off but also to save their face and gain respect within their social groups; therefore, it is very important for luxury brands companies to obtain a comprehensive understanding of the concept of face and conformity value in China, and also to enhance their brand awareness to succeed in the Chinese market. Thus, for example, it is a good idea to place the brand name or logo in a visible way, use internationally famous celebrities or supermodels to promote their products and choose word-of-mouth communication strategies to attract the Chinese consumers.

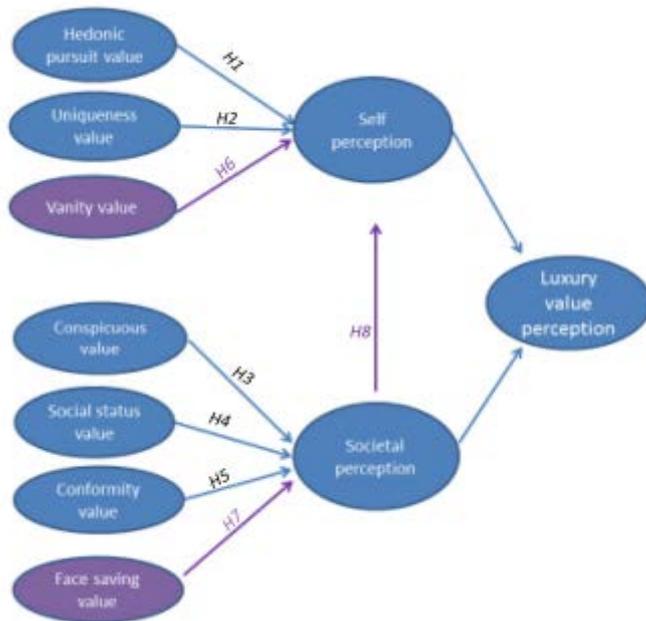


Figure 2. The revised luxury value perception model based on literature works and findings from focus groups

### Limitations

The current paper is an exploratory attempt and in a qualitative nature. The key variables of each value construct were analysed by frequency of occurrence, then it may not be generalised to represent the population. In addition, because the primary data were only collected from three cities, the findings may not be generalisable across all Chinese consumers; moreover, based on the qualitative study with a relatively small sample size, a future study is planned by designing a measurement instrument based on the conceptual model and also testing the proposed theoretical model that scholars can apply to a related empirical work in the future.

### References

- Ahuvia, A.C. and Wong, N.Y. (2002), "Personality and values based materialism: their relationship and origins", *Journal of Consumer Psychology* (Lawrence Erlbaum Associates), Vol. 12 No. 4, pp. 389-402.
- Bain and Company (2014), "China luxury market study", available at: [www.bain.com/](http://www.bain.com/) (accessed 18 January 2015).
- Bearden, W.O. and Etzel, M.J. (1982), "Reference group influence on product and brand purchase decisions", *Journal of Consumer Research*, Vol. 9 No. 2, pp. 183-194.

- Belk, R.W. (1988), "Possessions and the extended self", *Journal of Consumer Research*, Vol. 15 No. 2, pp. 139-168.
- Berry, C.J. (1994), *The Idea of Luxury: A Conceptual and Historical Investigation*, Cambridge University Press, Cambridge, MA.
- Berthon, P.R., Pitt, L., Parent, M. and Berthon, J.-P. (2009), "Aesthetics and ephemerality: observing and preserving the luxury brand", *California Management Review*, Vol. 52 No. 1, pp. 45-66.
- Braun, V. and Clarke, V. (2006), "Using thematic analysis in psychology", *Qualitative Research in Psychology*, Vol. 3 No. 2, pp. 77-101.
- Calefato, P. (2014), *Luxury: [Electronic Resource]: Fashion, Lifestyles and Excess [BibliographiesNonfiction Electronic Document]*, Bloomsbury, London.
- Ciornea, R., Pop, M.D., Bacila, M.F. and Drule, A.M. (2012), "Was luxury little researched? An exploration of studies and research trends in the area of marketing of luxury goods, before 2005", *Management & Marketing Journal*, Vol. 10 No. 2, 325.
- Corneo, G. and Jeanne, O. (1997), "Conspicuous consumption, snobbism and conformism", *Journal of Public Economics*, Vol. 66 No. 1, pp. 55-71.
- Danziger, P.N. (2005), *Let Them Eat Cake [Electronic Resource]: Marketing Luxury to the Masses-as Well as the Classes/Pamela N. Danziger [Standards/Specifications Non-Fiction]*, Dearborn Trade, Chicago, IL.
- Deli-Gray, Z., Gillpatrick, T., Marusic, M., Pantelic, D. and Kuruvilla, S.J. (2010), "Hedonic and functional shopping values and everyday product purchases: findings from the Indian study", *International Journal of Business Insights & Transformation*, Vol. 4 No. 1, pp. 65-70.
- Dubois, B. and Duquesne, P. (1993), "The market for luxury goods: income versus culture", *European Journal of Marketing*, Vol. 27 No. 1, pp. 35-44.
- Dubois, B. and Laurent, G. (1994), "Attitudes toward the concept of luxury: an exploratory analysis", *Asia-Pacific Advances in Consumer Research*, Vol. 1 No. 2, pp. 273-278.
- Dubois, B. and Szellar, S. (2002), *Prestige Brands or Luxury Brands? An Exploratory Inquiry on Consumer Perceptions*, Geneva.
- Dubois, B., Laurent, G. and Czellar, S. (2001), *Consumer Rapport to Luxury: Analyzing Complex and Ambivalent Attitudes: Les Cahiers de Recherche Groupe HEC*, No. 736.
- Durvasula, S., Lysonski, S. and Watson, J. (2001), "Does vanity describe other cultures? A cross-cultural examination of the vanity scale", *Journal of Consumer Affairs*, Vol. 35 No. 1, p. 180.
- Eastman, J.K. and Goldsmith, R.E. (1999), "Status consumption in consumer behavior: scale development and validation", *Journal of Marketing Theory & Practice*, Vol. 7 No. 3, p. 41.

- Euromonitor (2015), "Luxury goods IN China", available at: [www.euromonitor.com/luxury-goods-inchina/report](http://www.euromonitor.com/luxury-goods-inchina/report) (accessed 15 December 2015).
- Ghosh, A. and Varshney, S. (2013), "Luxury goods consumption: a conceptual framework based on literature review", *South Asian Journal of Management*, Vol. 20 No. 2, pp. 146-159.
- Heine, K. (2009), "Using personal and online repertory grid methods for the development of a luxury brand personality", *Electronic Journal of Business Research Methods*, Vol. 7 No. 1, pp. 25-38.
- Holbrook, M.B. and Hirschman, E.C. (1982), "The experiential aspects of consumption: consumer fantasies, feelings, and fun", *Journal of Consumer Research*, Vol. 9, pp. 132-140.
- Kapferer, J.N. (1997), "Managing luxury brands", *Journal of Brand Management*, Vol. 4 No. 4, pp. 251-260.
- Kapferer, J.-N. and Bastien, V. (2012), *The Luxury Strategy [Electronic Resource]: Break the Rules of Marketing to Build Luxury Brands/Jean-Noël Kapferer, Vincent Bastien [Dictionaries Non-fiction]*, Kogan Page, Philadelphia, PA.
- Kazakeviciute, A. and Banyte, J. (2012), "The relationship of consumers perceived hedonic value and behavior", *Pirkėjų Suvokiamos Hedonistinės Vertės ir Elgsenos Sąsajos*, Vol. 23 No. 5, pp. 532-540.
- Lawry, C.A., Choi, L., Toure, Z. and Eastlick, M.A. (2010), "A conceptual model for luxury ecommerce and exclusivity: building initial trust through personal luxury values, perceived experiential value and selfconcept", in Paper Presented at the Global Marketing Conference (GMC), September, Tokyo, pp. 9-12.
- Li, G., Li, G. and Kambele, Z. (2012), "Luxury fashion brand consumers in China: perceived value, fashion lifestyle, and willingness to pay", *Journal of Business Research*, Vol. 65 No. 10, pp. 1516-1522.
- Li, J.J. and Su, C. (2007), "How face influences consumption", *International Journal of Market Research*, Vol. 49 No. 2, pp. 237-256.
- Loureiro, S.M.C. and Araújo, C.M.B.d. (2014), "Luxury values and experience as drivers for consumers to recommend and pay more", *Journal of Retailing and Consumer Services*, Vol. 21, pp. 394-400.
- Lu, X. (2008), *Elite China: Luxury Consumer Behavior in China*, Wiley, Singapore. McKinsey and Company (2013), available at: [www.mckinseyonmarketingandsales.com/sites/default/files/pdf/Japan\\_Luxury\\_goods\\_2013.pdf](http://www.mckinseyonmarketingandsales.com/sites/default/files/pdf/Japan_Luxury_goods_2013.pdf) (accessed 2 April 2014).
- Mason, R.S. (1981), *Conspicuous Consumption: A Study of Exceptional Consumer Behaviour/Roger S. Mason [Bibliographies Non-fiction]*, Gower, Farnborough.
- National Bureau of Statistics of China (2014), "Annual GDP accounting instructions of China", available at: [www.stats.gov.cn/english/understanding/201311/t20131118\\_463791.html](http://www.stats.gov.cn/english/understanding/201311/t20131118_463791.html) (accessed 22 May 2014).
- Nelissen, R.M.A. and Meijers, M.H.C. (2011), "Social benefits of luxury brands as costly signals of wealth and status", *Evolution & Human Behavior*, Vol. 32 No. 5, 343.

- Nueno, J.L. and Quelch, J.A. (1998), "The mass marketing of luxury", *Business Horizons*, Vol. 41 No. 6, p. 61.
- Nwankwo, S., Hamelin, N. and Khaled, M. (2014), "Consumer values, motivation and purchase intention for luxury goods", *Journal of Retailing & Consumer Services*, Vol. 21 No. 5, pp. 735-744.
- Sheth, J.N., Newman, B.I. and Gross, B.L. (1991), "Why we buy what we buy: a theory of consumption values", *Journal of Business Research*, Vol. 22 No. 2, pp. 159-170.
- Shukla, P. (2011), "Impact of interpersonal influences, brand origin and brand image on luxury purchase intentions: measuring interfunctional interactions and a cross-national comparison", *Journal of World Business*, Vol. 46 No. 2, pp. 242-252.
- Shukla, P. (2012), "The influence of value perceptions on luxury purchase intentions in developed and emerging markets", *International Marketing Review*, Vol. 29 No. 6, pp. 574-596.
- Silverstein, M., Fiske, N. and Butman, J. (2005), *Trading Up: Why Consumers Want New Luxury Goods and How Companies Create Them*/Michael Silverstein and Neil Fiske, with John Butman [Bibliographies Non-fiction], Portfolio, New York, NY.
- Souiden, N., M'Saad, B. and Pons, F. (2011), "A cross-cultural analysis of consumers' conspicuous consumption of branded fashion accessories", *Journal of International Consumer Marketing*, Vol. 23 No. 5, pp. 329-343.
- Sun, G., Chen, J., D'Alessandro, S. and Winzar, H. (2011), "The two different effects of Chinese traditional culture on luxury consumption: face and harmony", *Advances in Consumer Research – Asia-Pacific Conference Proceedings*, Vol. 9, pp. 389-396.
- Sun, L.-K. (1991), *Contemporary Chinese Culture: Structure and Emotionality*, p. 1.
- Sun, M.W. (2011), "Consumption of luxury fashion brands: the motives of generation Y consumers in China", MS Thesis, Auckland University of Technology.
- Tsai, S.-P. (2005), "Impact of personal orientation on luxury-brand purchase value", *International Journal of Market Research*, Vol. 47 No. 4, pp. 429-454.
- Tse, D.K. (1996), "Understanding Chinese people as consumers: past findings and future propositions", in Bond, M.H. (Ed.), *The Handbook of Chinese Psychology*, Oxford University Press, New York, NY, pp. 352-363.
- Tynan, C., McKechnie, S. and Chhuon, C. (2010), "Co-creating value for luxury brands", *Journal of Business Research*, Vol. 63 No. 11, pp. 1156-1163.
- Veblen, T. (1912), *The Theory of the Leisure Class* [Electronic Resource]: An Economic Study of Institutions/by Thorstein Veblen [Dictionaries Non-fiction], Macmillan, New York, NY.
- Vickers, J.S. and Renand, F. (2003), "The marketing of luxury goods: an exploratory study – three conceptual dimensions", *The Marketing Review*, Vol. 3 No. 4, pp. 459-478.
- Vigneron, F. and Johnson, L.W. (1999), "A review and a conceptual framework of prestige-seeking consumer behavior", *Academy of Marketing Science Review*, Vol. 1 No. 1, pp. 1-15.
- Vigneron, F. and Johnson, L.W. (2004), "Measuring perceptions of brand luxury", *Journal of*

Brand Management, Vol. 11 No. 6, pp. 484-506.

Wang, D. and Han, J.T. (2011), "Exploring Chinese motivations for luxury consumption", Tenth Wuhan International Conference on E-Business, Vols 1/2, pp. 1193-1198.

Wang, Y., Sun, S. and Song, Y. (2011), "Chinese luxury consumers: motivation, attitude and behavior", Journal of Promotion Management, Vol. 17 No. 3, pp. 345-359.

Wiedmann, K.-P., Hennigs, N. and Siebels, A. (2007), "Measuring consumers' luxury value perception: a cross-cultural framework", Academy of Marketing Science Review, Vol. 7 No. 7, pp. 333-361.

Wiedmann, K.P., Hennigs, N. and Siebels, A. (2009), "Value-based segmentation of luxury consumption behavior", Psychology & Marketing, Vol. 26 No. 7, pp. 625-651.

Wong, N.Y. and Ahuvia, A.C. (1998), "Personal taste and family face: luxury consumption in Confucian and western societies", Psychology & Marketing, Vol. 15 No. 5, pp. 423-441.

Zhan, L.J. and He, Y.Q. (2012), "Understanding luxury consumption in China: consumer perceptions of best-known brands", Journal of Business Research, Vol. 65 No. 10, pp. 1452-1460.

Zhang, B. and Kim, J.-H. (2013), "Luxury fashion consumption in China: factors affecting attitude and purchase intent", Journal of Retailing and Consumer Services, Vol. 20 No. 1, pp. 68-79.

#### Further reading

Hemantha, Y. (2013), "Status of luxury branding in India", IUP Journal of Brand Management, Vol. 10 No. 4, pp. 66-70.