

# EVALUATION AND DEVELOPMENT OF A CONCEPTUAL MODEL FOR INVESTIGATING CHINESE CONSUMER'S PERSPECTIVES OF LUXURY VALUE

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## ABSTRACT

Researchers and marketers in the luxury sector are realizing the need of learning how Chinese customers place a monetary value on luxury goods given the country's rapidly expanding middle class. Even though most research is done in the industrialized world give theoretical insight on luxury value perceptions, but research on Chinese consumers' value judgments of luxury items is scant. To understand what variables, affect Chinese consumers' views of their own and society's luxury, this study reviewed the relevant literature and assessed many different conceptual models. As a result, this study deepens our comprehension of the motivations behind luxury consumption among Chinese consumers, the nature of luxury in the eyes of the Chinese, and the factors that shape their valuation of luxury goods. Therefore, the current investigation aims to establish, propose, and assess a conceptual framework by describing the major variables that impact Chinese consumers' luxury purchasing behavior, using results gathered from existing literature and primary data obtained from Chinese luxury brands, to fill the absence of research on luxury consumption levels in China from a theoretical perspective. To build and test a conceptual model of how Chinese customers perceive the value of luxury goods, a combination of techniques was used for this study. Two rounds of fieldwork were done to execute this. In the first phase of the field study, 10 focus group interviews were chosen to investigate, isolate, and explain the most important factors affecting the value judgments of Chinese luxury customers. The qualitative data and the existing literature were used to generate 10 hypotheses, and the research confirmed the hypothesized relationships between individual and society judgments and the luxury value perceptions of Chinese consumers. Moreover, public opinion may shape how they see themselves. How one sees oneself in relation to luxury goods is directly influenced by their hedonic pursuing value, individuality value, and narcissism value.

*Keywords: Conceptual Model, Investigation, Chinese Customer, Marketing Strategies, Perspective of Luxury Value.*

## 1. INTRODUCTION

This study analyzes the underlying elements that impact Chinese consumers' perceptions of the value of luxury goods, with the goal of better understanding their motivations for making luxury product purchases in the context of the Chinese market. This chapter provides a general picture of the structure of the study, including all the literature review, the research gap, the aim, and the objectives of the study. After a quick introduction to the context and justification for the investigation, this chapter provides an overview of the structure of the study. The chapter proceeds to identify the research topics and explore the research contributions before moving on to the last portion of this chapter, which explains the structure of this article (Stravinskiene, 2013).

## 2. PROBLEM STATEMENT

“Luxury academics and marketers are realising the importance of understanding how Chinese customers perceive luxury goods and services. Few studies have explored how Chinese buyers place a value on luxury goods, even though many Western studies have offered useful

theoretical insight”.

Luxury academics and marketer must grasp Chinese customers' luxury value judgements as luxury spending grows rapidly. Chinese customers' luxury goods value judgements have been studied less than in industrialized nations. This study examined literature and multivariate frameworks to determine Chinese consumers' individual and social luxury value views. This study explains why Chinese consumers purchase luxury goods, what luxury means to them, and what factors affect their luxury value judgements.

Thus, from a theoretical perspective, this study seeks to fill gaps in consumer purchase studies in the nation by developing, proposing, and assessing a philosophical model that explains the major variables that affect Chinese luxury price sensitivity, using previously published research and qualitative research from Chinese luxury brands.

This study used mixed methods to construct and test a luxury numerical technique for Chinese consumers. This required two rounds of field research. The first step of the field study employed an inductive technique to select 10 focus group interviews to identify and clarify significant characteristics that affect Chinese luxury buyers' value judgements. The research indicated that individual and social perspectives impact Chinese consumers' luxury value assessments. Society also affects self-perception. Luxury items affect consciousness via eudaimonia pursuit, distinctiveness, and vanity values. Noticeable value, social status value, conforming value, and face-saving value also affect Chinese customers' luxury goods views. A survey questionnaire operationalized each conceptual model hypothesis in the subsequent quantitative investigation. The theoretical model's components' reliability and postgrad were tested using 545 Chinese luxury customer online survey answers. Linear regression tests each following conceptual hypothesis. The tests showed that independence factors affect multiple variables favorably and considerably (Sim, 2018).

### 3. BACKGROUND OF THE STUDY

The market for luxury items throughout the world has expanded rapidly in recent decades. For as long as there has been a human existence, there has also been some type of luxury consumption, and the notion of a luxury brand has always maintained a particular place in the hearts and minds of consumers. As the world becomes more interconnected, so does the luxury market since goods of this ilk are more available to buyers across the globe. So why is it that so many individuals like spending their hard-earned money on high-end items? In the strictest sense, people are not needed to have these items to live. Despite this, a growing number of people are spending their money on upscale items. It was formerly a mark of social status to own a premium brand. Luxury goods, as defined by the study's authors, are those that are very hard to come by and are only offered to a select group of people. Although luxury sales dropped in most mature markets due to the global economic slowdown (e.g., the United States, Japan, and Europe) because of the credit crunch and the property crash, the demand for luxury goods in China, India, Russia, the Middle East, and Latin America is still growing dramatically. The state of the economy has a direct impact on the demand for high-end consumer products (Sudhakar, 2012).

The world market is likely to rise thanks to rising demand in developing nations and a larger pool of wealthy people. There has been a general upward movement in consumer spending, and as a result, more and more individuals are able to acquire luxury goods. Eighty-five percent of all luxury shops opening in developing economies over the next decade, according to a recent analysis by Bain and company experts. While the definition of luxury has shifted from "exclusive" to "fashionable" and "cheap," the luxury goods industry continues to thrive on a global scale. Consumers throughout the globe spend billions of dollars on luxury items annually, and the number of those customers has skyrocketed as their disposable incomes and purchasing power have grown. During the last 10–15 years, the market for luxury goods has reportedly expanded owing to the fast growth in standards of living and customer understanding of luxury items. With a size of \$86 billion, the luxury goods sector has grown rapidly over the last two decades. It was found that "40% of sales of luxury brands were produced in Europe, 28% in North America, and 24% in Asia," according to the study's authors. In response to prolonged economic stagnation, however, the luxury sector has widened its customer base to include growing economies such as India and China. Western high-end products have found the largest market to far in Asia. Countries in the East, most notably China, have seen their economy soar in recent decades. The data released by 0.0 states that in 2010, China grew at a yearly rate of more than 30%, making it the second biggest market for luxury goods. Long lines form in front of Louis Vuitton displays in international retail locations; anecdotally, many of the customers in line seem to be Chinese (Sun, 2014).

#### 4. LITERATURE REVIEW

- *The luxury industry and consumer market*

It turns out that buying and spending money on ostentatious items has been a societal norm for centuries. Rare pearls, crystal, perfumes, and spices from the Caribbean were some of the amazing commodities that might be obtained in the seventeenth century, when luxury items were created by tiny privately held firms and marketed exclusively within the local market. Around the turn of the twentieth century, multinational corporations from Italy, France, and the United States began making inroads into the luxury fashion industry, prompting many established labels to implement new management procedures as well as organizational frameworks, such as mergers, takeovers, and consortiums (Powell, 2018).

The luxury goods industry has expanded tremendously in recent years due to developments in economics, society, and technology. A strong stream of democratization may be linked to the remarkable rise of the luxury goods sector since things that were formerly deemed exclusive are now consumed by the general population because of rising buying power and the industrialization process employed by manufacturers. As the global economy has remained flat for several years, a growing number of fashionistas have turned away from high-priced items in favor of more reasonably priced alternatives. As a result, luxury sales have dropped in many developed markets, including Europe. However, the Chinese luxury market has been booming, and as of 2012, Chinese consumers (including their spending as tourists) accounted for over 20% of global luxury sales. More than half of all customers come from Asia. This includes not just China and the rest of East Asia, but also Japan and South Korea. The traditional markets of Europe and the United States have been supplemented by rising markets like as India and

China as the demand for luxury products throughout the world has increased dramatically. Virtually all the world's top luxury brands have grown their operations in Asia, particularly China, since the country is another quickly developing Asian market with mostly luxury branded customers after Japan (Prendergast, 2013).

- *Chinese luxury consumers*

Luxury shoppers in China tend to be younger and have different product preferences than their western counterparts. People's Daily Online reports that the affluent in China are far younger than their counterparts in the United States (30%) and Japan (19%), with over 80% of the former being under the age of 45. Most of them are entrepreneurs with higher levels of education than the average Chinese consumer. In contrast to western developed nations, where the major consumption groups are aged 40–70, China's primary luxury consumption group is mostly focused in the 30–50-year-old range. Also, in Europe and the United States, customers see homes, vehicles, and family trips as a desired luxury, but in China, consumption is mostly centered in apparel, perfume, watches, and other personal products. More and more middle-class Chinese people now have the disposable money to indulge in high-priced purchases. According to research released by the China Brand Strategy Association, between 10 and 13 million Chinese citizens, or 13.5% of the country's total population, are regular consumers of high-end products. They like to spend their money on high-end accessories like watches, handbags, makeup, and fashion. The poll by HSBC and MasterCard International defines this socioeconomic category as those with bachelor's degrees or above, stable employment, and substantial personal wealth (Qi, 2011).

Furthermore, the Chinese high-end market is dominated by those aged 25 to 29, according to the 21st Century Deluxe Report, a market research study released in collaboration. What this demonstrates is that China's upper-class businesspeople are becoming younger. In addition, the study participants reported that female consumers spent much more on luxury items than male customers. Most of these shoppers are women, who have a penchant for luxury goods such as watches, purses, cosmetics, clothing, and jewelry. Luxury items are popular among China's increasingly affluent and powerful women because these buyers value status symbols, want to stand out from the crowd, and want to treat themselves (Radon, 2012).

## 5. RESEARCH OBJECTIVE

- To examine the present trends in the reasons why millennials buy luxury goods.
- To learn how young Chinese consumers' cultural backgrounds affect their desire to spend money on material goods.
- To determine whether indoctrination moderates the cultural orientation-luxury purchasing incentive connection in Chinese young consumers.
- The goal of this study is to examine the cultural values held by modern Chinese youth.

## 6. RESEARCH METHODOLOGY

To better comprehend human actions, mathematical approach (QA) makes use of statistical

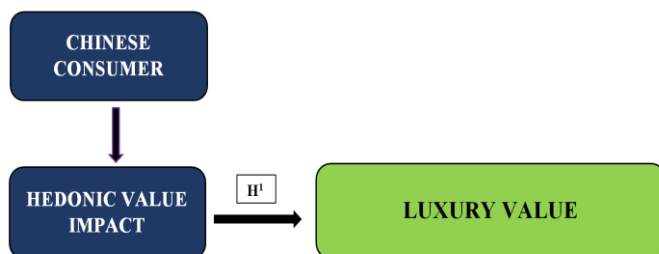
and mathematical techniques for simulation, assessment, and study. When describing a phenomenon, quantitative analysts often use numbers. Quantitative analysis equips researchers with resources for investigating and evaluating occurrences in the recent past, the present, and the foreseen future. Quantitative analysis (QA) is employed in many disciplines, from analytical methods and finance to the social sciences and even organized sports, since any topic that can be measured in numbers may be measured using QA. Analysts in the financial industry that focus only on quantitative analysis are sometimes alluded to as "quants" or "quant jockeys."

*Statistical Software:* SPSS Version 25.0

*Sampling:* A pilot study was conducted with the questionnaire using a group of 20 customers from China and final study was conducted with the questionnaire on sample of 778 customers. A total of questionnaires was distributed among customers selected in a systematic random sampling. All the completed questionnaires were considered for the study and any incomplete questionnaire will be rejected by the researcher.

A rating system based on the Likert scale is often used in surveys and questionnaires to gauge respondents' ideas and viewpoints. Participants often have the option of selecting a response from a set of five options, including "strongly agree," "agree," "did not respond," "disagree," and "strongly disagree," to a given question or statement. If the research uses numeric coding, such as 5 for "strongly agree," 4 for "agree," and so on, then the values for each category of answer must be established. By asking on a Likert scale from 1-20, as shown above, researchers may learn about shoppers' preferences for both online and traditional retail. The survey began with a series of "control" questions on the respondent's demographics and their level of familiarity with online vs. offline buying.

## 7. CONCEPTUAL FRAMEWORK



## 8. RESULTS

Rao-soft software was used to estimate the sample size of 657. A total of 896 questionnaires were distributed to the respondents. Out of this number 823 sets of the questionnaire were returned, and 778 questionnaires were analysed using the Statistical Package for social science (SPSS version 25.0) software.

### Factor Analysis:

Factor Analysis is often used to validate the latent component structure of observable data (FA). As visible or diagnostic markers cannot be directly measured, regression coefficients are commonly used to provide scores. FA success need models. Modeling targets observable connections, intrusion detection, and error. Multiple regression data sets may be assessed using the Kaiser-Meyer-Olkin (KMO) Test. The sample and model variables are assessed for representativeness. The statistic indicates data overlap. Lower proportions indicate data that is easier to interpret. KMO returns 0–1. The sample size is enough if the KMO values are between 0.8 and 1. Kaiser's cutoffs for acceptability are as follows:

Kaiser's cutoffs for acceptability are as follows:

A dismal 0.050 to 0.059.

0.60 - 0.69 below-average

Typical range for a middle grade: 0.70–0.79.

Having a quality point value between 0.80 and 0.89.

The range from 0.90 to 1.00 is really stunning.

**Table 1.** KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.945
Bartlett's Test of Sphericity	Approx. Chi-Square	6924.517
	df	190
	Sig.	.000

This demonstrates the validity of assertions for sampling purposes. To further verify the relevance of a correlation matrices, Bartlett's Test of Sphericity was performed. Kaiser-Meyer-Olkin Sampling Adequacy Value is 0.945. The p-value for Bartlett's sphericity test was determined to be 0.00. Bartlett's test of sphericity showed that the correlation matrix isn't an identity matrix, with a significant test result.

### Test for Hypothesis:

i. Dependent Variable:

- *Luxury Value:*

Blindness and visual impairment are physical disorders that, when compounded with additional obstacles, make it difficult, if not impossible, for a person to participate in society fully and effectively on an equal footing with everyone else. So, the umbrella term "those with disabilities" includes those who are visually impaired or blind. As this is the most common

kind of functional impairment, it affects over 2.2 billion individuals worldwide. The loss of sight or the inability to see well may have devastating effects on an individual's standard of living. Many people believe that providing handicapped people with financial or in-kind aid is a way to help them rise above their circumstances. Nevertheless, this approach may not last and is not a long-term solution. Education, however, is a proven and long-lasting tool for enhancing the independence of persons who are blind or have other visual impairments. Perhaps, it would turn them from a tax recipient into a contributor. This claim is backed by both anecdotal evidence and empirical studies showing that a lack of sight is not an insurmountable obstacle to education. A person's inability to see presents obstacles when it comes to accessing and sharing data, but with the correct resources, that person may learn to rely on his or her other senses to fill in the gaps. Consequently, a person with vision impairment and blindness would be able to compete on an equal footing with their sighted peers given the correct academic atmosphere and assistive technology (Rao, 2013).

ii. Independent Variable:

- *Chinese Consumer:*

Chinese customers drive luxury expenditure globally. The growing number of rich people and a tiny but wealthy clique imply more money for luxury products and services including fashion, jewelry, prestige cosmetics, art, and high-end travel. China's expanding disposable family incomes explain its huge luxury customer base. Luxury companies target rich Chinese families because they stimulate growth. Yet, global companies are increasingly targeting China's burgeoning middle class, which consists of families with monthly earnings between USD 2,600 and USD 3,900. These new immigrants, primarily from second-tier cities, spend a lot of money on luxury to show off their rising social and economic standing and consciousness. Although middle-class consumers spend less than wealthy customers, their numbers are large enough to affect luxury purchasing in China (Rassuli, 2012).

- *Hedonic Value Impact:*

Hedonic value influences how Chinese consumers see the worth of luxury. Regarding luxury goods, luxury brands are genuine because they stand out from rivals, are often well made, and promote appealing public image exclusivity. The uniqueness factor is so pervasive in the market for luxury goods, and particularly in the fashion business, that owning distinctive and ground-breaking items gives customers a sense of differentiation from other individuals. As a result, the perceived individuality value is related to those who buy luxury products to demonstrate their need to stand out to improve their own image and social standing. These buyers want to stand out and be exclusionary, so they could reject a particular product if the public wants to consider it (Morrison, 2015).

iii. Relationship Between Luxury Value and Hedonic Value Impact:

Relationship between Luxury Value and Hedonic Value Impact, DISSCUSS JOURNAL  
REFFARECN QUOTE



Luxury value and hedonic value are two important constructs that have been extensively studied in the context of consumer behavior. The relationship between these two constructs has been a subject of debate in literature. Some researchers argue that luxury value is a distinct construct from hedonic value, while others suggest that luxury value is a component of hedonic value (Krueger, 2015).

One study that explored the relationship between luxury value and hedonic value was conducted by Kim and Ko (2012) in their paper titled "Luxury value and hedonic value impact on consumers' behavioral intentions". In this study, the authors investigated the impact of luxury value and hedonic value on consumers' behavioral intentions.

The study used a sample of 332 consumers and employed structural equation modeling to analyze the data. The results indicated that luxury value and hedonic value were distinct constructs and had different impacts on consumers' behavioral intentions. Specifically, luxury value was found to have a significant impact on consumers' willingness to pay a premium price for a product, while hedonic value had a significant impact on consumers' intention to purchase the product. The study also found that the impact of luxury value on willingness to pay a premium price was mediated by consumers' perception of product quality. On the other hand, the impact of hedonic value on purchase intention was mediated by consumers' emotional responses to the product.

Overall, this study provides insights into the relationship between luxury value and hedonic value and their impact on consumer behavior. The findings suggest that luxury value and hedonic value are distinct constructs and have different impacts on consumers' behavioral intentions (Folger, 2017).

On basis of the above discussion, the research formulated the following hypothesis, which will analyse the relationship between Hedonic Value Impact and Luxury Value.

*“H01: There is no significant relationship between Hedonic Value Impact and Luxury Value.”*

*“H1: There is a significant relationship between Hedonic Value Impact and Luxury Value.”*

**Table 2.** ANOVA test H<sup>1</sup>

	Sum of Squares	df	Mean Square	F	Sig.
<b>Between Groups</b>	<b>301.675</b>	<b>534</b>	<b>5784.062</b>	<b>105.587</b>	<b>.000</b>
<b>Within Groups</b>	<b>153.375</b>	<b>243</b>	<b>26.848</b>		
<b>Total</b>	<b>407.750</b>	<b>777</b>			

In this study, the result is significant. The value of F is 105.587, which reaches significance with a p-value of .000 (which is less than the .05 alpha level). This means the “H1: There is a significant relationship between Hedonic Value Impact and Luxury Value.” is accepted and the null hypothesis is rejected.



## 9. CONCLUSION

Luxury has grown more accessible and less evident in today's culture. So, luxury should be redefined to represent personal and daily experiences. So, luxury is more than a label. Nonetheless, it is founded on the behaviors and perspectives of high-end clients from many cultures. This thesis concludes with a model of everyday luxury consuming activities that reveals similar behaviors and how various cultures define luxury. The empirical findings examine four luxury consumption features and provide fresh perspectives on luxury as an everyday luxury. "Everyday luxury" shapes their view of luxury as a transient, ephemeral item they witness every day.

Luxury is fleeting; therefore, individuals use it to fulfill their aspirations. Luxury may momentarily improve a person's self-awareness and understanding (self-transformation activities) or daily behaviors to provide them amazing experiences. Daily luxury states that objects that can't be handled, need ongoing maintenance (caretaker behaviors), and demand a lot of cultural capital may be considered luxuries (status-based practices).

Given its usual and ubiquitous luxury, the concept symbolizes financial wealth, cultural capital, and creative resources. Nonetheless, luxury is still a relative word that relies on different cultures and groups' beliefs and self-concepts. Luxury is defined conceptually in the text. The diamond-shaped meanings of 249 luxury phrases reveal how UK and Thai individuals see luxury. The diamond diagram is shifted to depict various aspects of luxury and how customers experience it in their lives. Each culture's self-knowledge and ethical issues are distinct.

Luxurious use has altered. It now reflects our daily routines. Luxury was formerly used for social stratification and extravagance.

## 10. LIMITATIONS

It is possible that the results of this study on buyers' luxury perceived benefits who are trying to purchase new high-end products are unique from those who purchase other groups of premium products, such as luxury automobiles, because the subject matter of this study is on the "new luxury" context, such as bags and shoes, apparel, and gadgets.

The availability of the sample frame was also a restriction on the validity of this study. Nevertheless, the fundamental factors of each value construct in the suggested framework could prove to be able to generalize across all Chinese consumers, since the data from focus groups conducted in the first round of field study were only obtained from three locations in China.

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