AN ANALYSIS AND PROPOSED CONCEPTUAL MODEL FOR RESEARCHING THE VALUE OF LUXURY FROM THE PERSPECTIVE OF CHINESE CONSUMERS

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ABSTRACT

Researchers and marketers in the luxury industry are realising the importance of knowing how Chinese clients put a monetary value on luxury items given the country's rapidly rising middle class. While studies conducted in developed countries provide some theoretical light on how people place a monetary value on luxury goods, there is surprisingly little information available on how Chinese customers place such a value. This research examined the literature and evaluated several conceptual models to better understand the factors that influence Chinese consumers' perceptions of their personal and society's luxury. As a consequence, this research increases our grasp of the motives behind luxury purchasing among Chinese consumers, the nature of luxury in the perspective of the Chinese, and the elements that impact their appraisal of luxury items. Given this theoretical gap, the current study seeks to fill it by establishing, proposing, and evaluating a conceptual framework that describes the major variables that impact Chinese consumers' luxury purchasing behaviour, drawing on findings from the existing literature and primary data obtained from Chinese luxury brands. Several methods were used to construct and evaluate a theoretical model of Chinese consumers' valuation of high-end products. This was carried out over the course of two iterations of fieldwork. Ten in-depth interviews with Chinese luxury consumers were selected for the first stage of the field research so that we could inquire into, separate out, and provide context for the most significant aspects influencing those consumers' value judgements. Ten hypotheses were derived from the qualitative data and the available literature, and the linkages between individual and societal judgements and the luxury value perceptions of Chinese consumers were validated by the study. Moreover, public opinion may impact how people view themselves. The hedonic seeking value, the individuality value, and the narcissism value of luxury items all contribute to how they make their purchasers feel about themselves.

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

1. INTRODUCTION

The purpose of this research is to get a better knowledge of the factors that influence Chinese consumers' perceptions of the value of luxury products within the setting of the Chinese market by analysing the underlying variables that influence Chinese consumers' perceptions of the value of luxury goods. In this chapter, a high-level overview of the organisation of the study is presented. Topics covered in this chapter include the whole literature review, the research gap, the study's purpose, and its objectives. This chapter offers an overview of the structure of the research after a brief introduction to the backdrop and reason for the inquiry that is presented in the previous chapter. Before going on to the last section of this chapter, which discusses the organisation of this article, the chapter continues to determine the research subjects that were conducted and investigate the contributions made to the field of study (Atsmon, 2018).

2. PROBLEM STTEMENT

"Understanding how Chinese consumers see luxury products and services is becoming more

important to the luxury industry's academics and marketers. Although several studies from the West have provided helpful theoretical insight, very little research has been done on how Chinese consumers appreciate high-end products".

As Chinese consumers increase their luxury expenditure, researchers and marketers of high-end products must understand the luxury value assessments of Chinese consumers. Comparatively little research has been done on how consumers in developing countries like China evaluate the value of luxury products. To learn how Chinese consumers perceive the value of luxury, this research reviewed relevant literature and used multivariate models. What does luxury imply to Chinese consumers? What variables influence their luxury value judgements? All these questions and more are answered in this research. This study uses both secondary sources and primary interviews with representatives of Chinese luxury brands to develop, propose, and evaluate a philosophical model explaining the major variables that affect Chinese consumers' price sensitivity for high-end goods.

This research used a multi-method approach to develop and evaluate a high-end numeric strategy for the Chinese market. There were really two sets of fieldwork needed for this. To better understand the factors that influence the value assessments of Chinese luxury purchasers, we conducted 10 in-depth interviews using an inductive research strategy. The study demonstrated that individual and societal viewpoints affect Chinese consumers' luxury value estimates. Society also impacts self-perception. The mind is altered by luxuries because of their effect on eudaimonia (happiness) values, uniqueness, and vanity. The perceptions of luxury goods in China are influenced by more than just the products' intrinsic qualities. In the ensuing quantitative study, a questionnaire was used to operationalize each hypothesis from the conceptual model. The theory was put to the test using online survey responses from 545 Chinese high-end consumers. Each of the following theoretical hypotheses may be examined using linear regression.

3. BACKGROUND OF THE STUDY

Over the last several decades, there has been a significant increase in the size of the luxury goods industry all over the globe. Since the beginning of human history, there has also been some kind of luxury consumption, and the concept of a luxury brand has always had a special place in the hearts and minds of customers. Both things are true regardless of whether humans have ever been. Because consumers in different parts of the world now have easier access to products of this kind, the luxury goods industry is expanding as globalization continues to spread its tentacles. Why is it then that such many people like frittering away their hard-earned cash on luxury goods? In the most literal sense, it's not necessary for humans to have these things to exist. Despite this, an increasing number of individuals are opting to spend their money on more luxurious goods. The ownership of a premium brand was formerly considered to be a sign of one's high social position. The authors of the research considered anything to be considered a luxury commodity if it is very difficult to acquire and is only made available to a limited number of individuals. Even though sales of luxury goods fell in most mature markets because of the global economic slowdown (such as the United States, Japan, and Europe), because of the credit crunch and the property crash, the demand for luxury goods is still growing dramatically in China, India, Russia, the Middle East, and Latin America. According

to researchers, the status of the economy has an indirect but discernible influence on the demand for luxury consumer goods (Ciornea, 2016).

The global market is projected to expand because of increased demand in emerging countries as well as an increase in the number of individuals who are rich. As a direct consequence of the overall trend towards increased consumer expenditure, a growing number of people now have the financial wherewithal to purchase items classified as luxury goods. Recent research conducted by Bain and corporate experts found that 85 percent of all new luxury stores operating over the next decade would be in countries that are still in the process of growing. Even if "exclusive" has given way to "fashionable" and "cheap," the luxury products business is still thriving on a worldwide scale. This is even though the concept of luxury has changed. Consumers in every region of the world spend billions of dollars each year on luxury goods, and the number of those consumers has surged as a direct result of the increase in their discretionary earnings and their ability to make purchases. According to reports, the market for luxury products has grown substantially over the last ten to fifteen years because of the rapid improvement in consumer knowledge of luxury items and the accompanying rise in living conditions. The market for luxury products is now worth an estimated $86 billion after seeing significant expansion over the last two decades. The findings of the survey revealed that "40% of sales of luxury brands were produced in Europe, 28% in North America, and 24% in Asia," as stated by the authors of the study. However, as a reaction to the extended period of economic stagnation, the luxury industry has broadened its consumer base to include customers from rising nations such as India and China. The most lucrative market for luxury goods produced in the West has been discovered to be in Asia. In recent decades, the economies of several eastern nations, most notably China, have seen spectacular growth. According to the findings that were presented by 0.0 in their report, China's economy expanded at an annual pace of more than 30% in 2010, making it the world's second largest market for luxury goods. Long queues have been seen forming in front of displays of Louis Vuitton merchandise at worldwide retail locations; anecdotally, most of the clients in these lines seem to be Chinese (Ghosh, 2019).

4. LITERATURE REVIEW

The luxury market, like the global economy, has undergone fast transformation. Since the 19th century, wealthy elites have been luxury goods manufacturers' primary target market. Yet, beginning in the 20th century, these businesses shifted their focus to include everyone with the means to purchase luxury products. The author found that the luxury market, despite the global economic downturn, rose seven percent in sales volume and entered new countries in 2012. Certainly, in the modern world, the luxury goods industry has become one of the fastest-growing business divisions, and its expansion has not been confined to any one market or geographic region. However, several high-end brands opened flagship shops and outlet malls in developing economies to cater to the shopping habits of the newly rich. Currently, not only are established luxury businesses adapting to rising demand for high-end goods, but so-called "fast fashion" enterprises throughout the world have designs on the premium market. Annually since 2006, "the World Top 100 Luxury Brands" has been released by the World Brand Lab (WBL). It's fascinating to see how the top 30 premium companies constantly shift, while the other 70 maintain very steady places. Added to these features are those not specifically listed

here. To provide just one example, other players in the global luxury industry are diversifying their product lines beyond only yachts and cars. The market share held by pleasurable items such as wine, champagne, and other alcoholic beverages is 41%, followed by 16% by products such as cosmetics and perfume, 11% by luxury apparel, and 21% by watches and jewelers. Second, there is a wider range of luxury goods since that many luxury brands have branched out into other markets. The third distinguishing trait is that high-end labels are sold only in certain regions. Three Japanese brands, twenty-three French brands, and seventy-one European brands make up the top 100. The personal luxury sector is still dominated by industrialized nations, according to a recent analysis. Yet, because of the recession, demand for luxury goods among these customers has decreased. However, the growing middle classes of developing nations have cornered the market for high-end goods. The global market for luxury goods was worth $302 billion in 2016, up 4% from 2011. Shopping for designer handbags, clothing, jewelry, watches, good wine, champagne, and spirits is big business in emerging nations (Heine, 2016).

According to China Daily (2017), sluggish demand for luxury goods in 2016 was seen in both the Western and Japanese markets due to increasing costs and growing job and pension uncertainty. To make up the difference, the BRIC countries of Brazil, Russia, India, and China have taken the lead in driving increased spending in growing luxury markets. Increased from barely 4% in 2007 to 11% in later 2017, the BRIC nations will contribute 11 % of total luxury sales with a retail value of over $33 billion. By 2018, it is expected to reach $59 billion, representing 16% of worldwide sales. Moreover, the researchers revealed that despite Japan being the second biggest market for luxury items at the present time, its market share has been decreasing as the nation suffers enormous economic issues. Sales of luxury goods to Chinese consumers have regularly outpaced the worldwide market, helped by the country's rapidly expanding middle class and burgeoning premium distribution network. Recent years have seen a meteoric rise in the significance of the Chinese luxury market, but there are also indications of slowing demand growth in the sector (Lysonski, 2018).

5. RESEARCH OBJETIVE

• To examine the present trends in the reasons why millennial 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 were 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
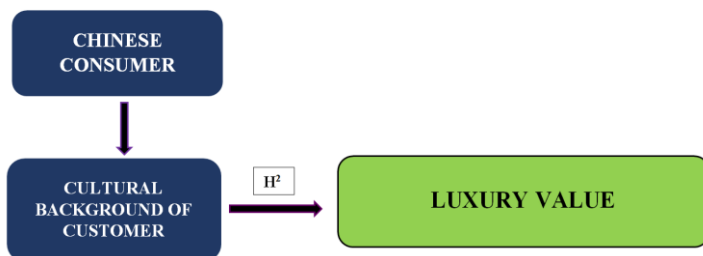
8. RESULTS

The estimated sample size of 657 was calculated using the Rao-soft programme. A total of 896 questionnaires were delivered to the respondents. From this total, 823 completed questionnaires were received, of which 778 were processed using SPSS version 25.0 (Statistical Package for the Social Sciences).

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 needs 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 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 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:*

It is difficult, if not impossible, for a person with blindness or visual impairment to engage in society completely and successfully on an equal basis with everyone else when they face extra difficulties on top of their underlying physical condition. Accordingly, the phrase "those with disabilities" should be understood to encompass the visually impaired and the blind. Over 2.2 billion people on the globe are living with this problem, making it the most prevalent kind of functional disability. The loss of sight or the inability to see effectively may have severe repercussions on an individual's level of life. Aiding the disabled, whether monetarily or otherwise is seen by many as a method to enable those less fortunate to succeed in life. However, this strategy is not sustainable in the long run. However, education is a tried-and-

true and long-lasting method of helping people with visual impairments lives more independently. Maybe it would make them start paying taxes instead of receiving them. The argument that blindness is not an insurmountable barrier to education is supported by anecdotal evidence and scientific research. A person's inability to sight creates barriers when it comes to obtaining and sharing information, but with the right support, that person may develop strategies for compensating with other senses. Therefore, a person with visual impairment or blindness might compete equally with their sighted counterparts given the appropriate learning environment and appropriate assistive technology.

i.   Independent Variable

•   *Chinese Consumer:*

Luxury spending is mostly driven by Chinese consumers. The rising number of affluent individuals and the existence of small but wealthy elite suggest an increase in demand for expensive items like clothing, jewellery, cosmetics, fine art, and extravagant vacations. China's rising middle class has led to a surge in demand from the luxury goods industry. Luxury corporations seek affluent Chinese families because they drive development. Yet, international corporations are increasingly focusing on China's rising middle class, defined as households with monthly incomes of $2,600 to $3,900. These recent arrivals, often from smaller urban centres, flaunt their newfound wealth and social awareness with extravagant displays of consumption. The Chinese middle class may not have the disposable income of the Chinese upper class, but they are numerous enough to have an impact on luxury goods sales in China.

•   *Cultural background and consumer:*

Researchers' interest is expanding because of the expansion of the luxury goods sector throughout the globe. The luxury market is very large; having reached over one billion dollars in the United States in 2017, and it is comprised of several distinct subcategories. China is one of the nations with the quickest growth rates for luxury products, and this trend is expected to continue in 2018. China has quickly become one of the most appealing destinations in the world for luxury goods because of the country's rapidly expanding economy and enormous population. According to a survey by Goldman Sachs, China's utilisation of luxury goods accounts for 25% of the worldwide market. This places China in second place in terms of global consumption of luxury goods, behind only Japan. The phenomenal growth in the consumption of luxury goods across various Asian nations has been a primary factor in the promotion of this worldwide spectacle. In addition, the increased demand in emerging economies like as China, India, and the Middle East has contributed significantly to the expansion of the luxury goods industry during the last several years. Studies on the quality of luxury goods and services have been increasing in number over the last few years, even though the quality of luxury brands has received only a limited amount of attention in academic literature. As a result, this is an ideal moment to put to the test the framework of the wide-ranging research done on luxury brands. There hasn't been a lot of research done on how social media affects how people perceive premium clothes and quality. The potential of fashion companies to be considered luxury goods is the focus of this research. The concepts of quality perception and luxury brand theory will serve as the basis for this investigation's theoretical

framework. Research that has been meticulously organised in terms of surveying and lays the groundwork for comprehending the connection between luxury fashion brands and consumers' perceptions of the product's quality has been planned.

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H03: There is no significant relationship between Brand Awareness about Luxury Goods and Luxury Goods.

H3: There is a significant relationship between Brand Awareness about Luxury Goods and Luxury Goods.

Table 2. ANOVA

Sum					
	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Between Groups	68904.735	11	6264.067	1729.618	.000
Within Groups	318.705	88	3.622		
Total	69223.440	99			

In this study, the result is significant. The value of F is 1729.618, which reaches significance with a p-value of .000 (which is less than the .05 alpha level).

This means the "H2: There is a significant relationship between prediction of Cultural background and consumer and Luxury goods." is accepted and the null hypothesis is rejected.

9. CONCLUSION

Today, opulence is less of a status symbol and more of a commodity. As a result, the term "luxury" must be reinterpreted to mean something more intimate and ubiquitous. Therefore, the term "luxury" refers to more than just a price tag. Nonetheless, it is predicated on the behaviours and attitudes of high-end clientele from numerous cultures. This thesis finishes

with a model of typical luxury-consumption behaviours, which shows how comparable patterns emerge throughout civilizations. The empirical results shed new light on luxury as a lifestyle luxury by analysing four aspects of luxury consumption. As a result of being exposed to "everyday luxury" on a regular basis, people have come to perceive luxury as fleeting and unsustainable. Since luxury is ephemeral, it is often used to satisfy longings. Luxury may deliver great experiences that can temporarily elevate one's level of self-awareness and understanding (self-transformation activities). According to the theory of "daily luxury," to be deemed a luxury item, an item must be both intangible and high maintenance (caretaker behaviours) and cultural capital (status-based practices). Because it is so common and expensive, the term has come to represent material success, social standing, and intellectual endowment. Nonetheless, luxury is still a relative term that depends on diverse cultures and groups' views and self-concepts. In the essay, luxury is described in abstract terms. How people in the UK and Thailand perceive luxury is shown via the diamond-shaped meanings of 249 luxury terms. The diamond is rotated to show the numerous facets of luxury and the ways in which its consumers enjoy it. Differences in cultural awareness of oneself and moral quandaries also exist. There has been a shift in the luxurious use of these resources. It's been updated to match our regular habits. Historically, the term "luxury" was associated with ostentation and social standing.

10. LIMITATIONS

Since the focus of this research is on the "new luxury" context—that is, items like handbags, shoes, clothing, and technology—it is possible that the results differ from those of studies examining the luxury perceived benefits of consumers attempting to purchase other communities of premium products, such as luxury automobiles. Another problem with the reliability of this study was that it was hindered by the convenience of the survey questionnaire. Despite this, the suggested approach's basic elements of each value construct may prove to be transferable to all Chinese customers. This is because information from the initial round of focus groups in China only came from three different cities.

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