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# **CHINESE LUXURY FASHION BUYING BEHAVIOUR**

by

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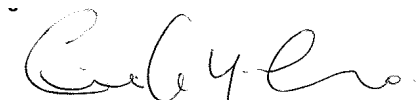
## DEDICATION

I dedicate this thesis to my family with all my gratitude and love.

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## DECLARATION

This dissertation is the result of my own work and includes nothing that is the outcome of work done in collaboration except where specifically indicated in the text. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself. It has not been previously submitted, in part or whole, to any university or institution for any degree, diploma, or other qualification. All the research conducted to prepare the thesis obtained Ethics Committee approval (Reference Numbers: Lo\_R00007; 5201000930; 5201600048).



Signed: \_\_\_\_\_

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## ABSTRACT

This thesis investigates the buying motivations, buying behaviour, and buying preferences of Chinese luxury fashion consumers. The Chinese market is now the second largest market for luxury products, and it is forecast to become the largest market over the next decade. However, the vast bulk of research into the behaviour and motivations of luxury goods buyers has been with Western consumers. Although there is now an increasing amount of research with Chinese and other Asian consumers, much of that research has been with students (most of whom are unlikely to purchase luxury products, except perhaps for the lowest priced products, such as key rings or coin purses), and/or with Asians living in developed cultures, such as Singapore, Hong Kong or Western countries. This relative lack of research with actual Chinese purchasers of luxury products presents an obvious gap in the literature. Research with Chinese consumers is particularly important because there are theoretical arguments and empirical evidence suggesting that Chinese consumers will make decisions about luxury products differently from Western consumers.

This thesis addresses the relative lack of research with Chinese luxury goods consumers in three separate but inter-related papers investigating the motivations, behaviours and preferences of Chinese luxury goods buyers, and in a large quantitative study, the preferences of a diverse sample of Chinese consumers. The first two studies used in-depth interviews to explore the buying motivations and behaviour of wealthy Chinese consumers who are repeat buyers of luxury fashion products. The first study identified that many of the study's participants bought luxury products outside China, and that it was common for Chinese to ask someone who was travelling outside China to buy a luxury product for them while travelling. The second

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study was therefore designed to explore where Chinese consumers buy luxury products, and why. Finally, the third study – in a large discrete choice analysis study – examined the impact of product characteristics, attitudinal and social factors on consumers’ preferences regarding luxury fashion products.

Many of the findings from the research are consistent with prior research – for example, the use of luxury products for status signalling, and for affiliation with attractive reference groups and differentiation from undesirable groups. However, the research also identified characteristics of the Chinese luxury goods market that have not been identified in previous research. For example, the research is the first to identify a luxury brand becoming the subject of a social taboo, after a perception that it has become popular with an undesirable social group. The research also shows evidence to support untested propositions from previous research – for example, the suggestion that hedonic features will be less important for Asian luxury goods buyers. Despite the frequent discussion in the Western literature of the importance of hedonic features for luxury goods buyers, the wealthy repeat buyers of luxury products in this study appeared to almost always choose luxury products on the basis of an acceptable brand, rather than on the basis of an evaluation of the relative hedonic benefits from different products. Study Two also identified the frequency of what the thesis has described as a ‘commissioned purchase’ – where one consumer asks another to buy a luxury product for them outside China. While the concept of a commissioned purchase is not new, the frequency of commissioned purchases for high-cost, high-involvement products, where a dissatisfied customer cannot return the product for a refund, is novel in the literature and also challenges the frequently discussed importance of the retail store for luxury products.

Finally, in the first discrete choice analysis of the preferences of luxury buyers,

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Study Three identified that while a majority of the Chinese consumers in the study preferred prominent logos, a large minority preferred less conspicuous logos. While this form of ‘inconspicuous consumption’ is receiving increasing attention in the literature examining Western luxury goods buyers, this is the first study to investigate the frequency of a preference for less conspicuous logos across a variety of product characteristics, and buyers’ attitudinal and social factors.

The findings from the thesis contribute to both research and practice. Firstly, the results show that research findings from Western luxury consumers cannot be assumed to apply to Chinese luxury consumers. While many of the same concepts appear to be important for Chinese consumers – for example, the importance of luxury goods for status signalling – the relative importance of those concepts appears to differ markedly. For example, the wealthy repeat buyers of luxury products discussed in Study One and Study Two did not discuss hedonic features as important, but in contrast, repeatedly discussed different luxury brands as being either acceptable or unacceptable, based on the participant’s perception of the acceptability of those brands for their peers. This importance of the brand, as discussed above, extended to some brands becoming the subject of a social taboo – that is, even if the hedonic features of one of the brand’s products were considered attractive, the participant would not consider buying that brand. These differences in the relative importance of product features across Asian and Western consumers clearly merit further research attention.

The results also have important implications for the marketing of luxury products. The possibility of a brand becoming the subject of a social taboo, the frequency of commissioned purchases outside China, and the wide preference for less conspicuous logos all suggest that luxury brands marketing to Chinese consumers

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need to carefully consider the curation of brand value to preserve the attractiveness of their brands. As well as balancing the diverse preferences for conspicuous and subtle branding, brand strategies must weigh the value of high market share against the risk of a social taboo, and consider how to enhance brand value to the many Chinese consumers who ‘buy’ luxury products (through commissioned purchases), often without themselves entering a brand’s store – either in China or in another country.

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# 1 INTRODUCTION

This thesis examines the buying motivations and the critical factors that affect the buying decisions of Chinese luxury fashion consumers. In a series of three separate but inter-related papers, the thesis examines factors that contribute to the decisions of Chinese consumers when they buy luxury fashion products. Paper 1 (Chapter 2) identifies theoretical reasons why the motivations for luxury fashion consumers in China are different from those in the West, reports on interviews with wealthy Chinese repeat buyers of luxury products and summarizes the evidence on the differences between the behaviour of Chinese luxury fashion goods consumers and their Western counterparts. Paper 2 (Chapter 3) discusses the underlying reasons why and how Chinese luxury fashion consumers buy outside China instead of buying in their own country, and the implications for marketing research and practice. More specifically, the paper investigates and analyses what Chinese luxury fashion consumers buy, why they choose what they buy and where they buy, to explore any relationships between the distinctive Chinese culture and values and the buying behaviour and buying patterns of Chinese consumers. In the face of recent evidence that some Western consumers prefer subtle branding of luxury products, but an almost complete absence of research in this area with Chinese consumers, Paper 3 (Chapter 4) examines the frequency of the preference for subtle branding among Chinese consumers. The study also examines whether these preferences vary with individual attitudinal characteristics. It further looks into how branding and logo prominence, price and other social factors affect preferences by Chinese consumers for luxury fashion products.

This chapter discusses the background to the research, key literature, identifies

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gaps in the literature, and provides an outline of the thesis structure. Each of the associated studies (that is, Papers 1 to 3 in Chapters 2 to 4) provides a more extensive review of the literature most relevant for each study.

## **1.1 Background to the research**

The global personal luxury goods market has grown by 36% from 2006 to 2016 (D'Arpizio, Levato, Zito, Kamel, & de Montgolfier 2017). Although the luxury market is expected to grow at a slower pace over the next three years, its size is substantial, being valued at about 249 billion US dollars in 2016 (D'Arpizio et al. 2017). One contributor to this enormous market size is that while buying luxury products was once rare, it has become much more normal behaviour in some segments – indeed, 85% of Japanese women have been said to own a product from Louis Vuitton (Economist 2012). In response to this expansion of the luxury market, there has been increasing research interest into why consumers buy luxury products. The next section provides a brief review of proposed consumer motivations for buying luxury products. A more complete review of the relevant literature is contained in each of the papers in Chapters 2, 3 and 4.

### *1.1.1 Motivations for buying luxury products*

A variety of reasons have been proposed for why consumers buy luxury products (e.g. Phau & Prendergast 2000; Vigneron & Johnson 1999; Wiedmann, Hennigs, & Siebels 2009). Leibenstein (1950) identified three important effects that they propose as driving and shaping consumer motivations for buying luxury products: the Veblen effect, bandwagon effect, and snob effect. Other authors have described a hedonic motive (Dubois & Laurent 1994) or a hedonic effect (Vigneron & Johnson 1999) as driving purchases of luxury products by some consumers. Each of these

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factors (or ‘effects’) is discussed separately below.

#### ***1.1.1.1 The Veblen effect - conspicuous consumption***

The most common reason usually advanced for consumers to buy luxury products is for ‘conspicuous consumption’, or what is sometimes called the ‘Veblen effect’ (e.g. Leibenstein 1950; Vigneron & Johnson 1999). While Veblen is often cited as the first to discuss conspicuous consumption, Leibenstein (1950) notes that discussion of the notion of conspicuous consumption can be found as far back as in the writings of the Roman poet Horace. Although Veblen (1899) was therefore not the first to discuss the practice of what has become known as conspicuous consumption, he is generally accepted as having popularized the concept (Leibenstein 1950). Veblen wrote that conspicuous consumption (along with leisure) was a ‘... means of showing pecuniary strength, and so of gaining or retaining a good name’ (1899, p. 59). Since Veblen wrote his influential book in 1899, many authors have discussed the various motivations for conspicuous consumption. Like Veblen, some have suggested that many people buy luxury products for what they symbolise (e.g. Bagwell & Bernheim 1996; Dubois & Duquesne 1993; Eastman, Fredenberger, & Campbell 1997; O’Cass & McEwen 2004). For example, Phau and Prendergast (2000, p. 122) state that the consumption of luxury goods is ‘a manifestation of conspicuous consumption’.

Veblen’s theory of conspicuous consumption is based on the consumption differences across various social classes. The wealthy leisure class is said to acquire expensive products and services to display their wealth (Veblen 1899). People are therefore likely to try to acquire high status goods to distinguish themselves from others (Trigg 2001). Less rich people are said to try to live up to the next higher class, and thus engage in conspicuous consumption to identify with the rich and to differentiate from the poor (Dubois, Laurent, & Czellar 2001).



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Luxury fashion goods, the focus of this thesis, are particularly appropriate to investigate the extent to which consumers prefer highly conspicuous luxury products (e.g. those that are easily recognisable due to a visible brand name, logo and/or design elements) because different luxury fashion brands offer a range of conspicuousness. Some brands, such as Bottega Veneta, are typically characterised by subtle branding with an absence of an obvious brand name: others, such as Burberry, are strongly associated with its well-known checked pattern, making a Burberry product much easier for consumers to identify. As discussed briefly above, despite the ubiquity of the concept of conspicuous consumption in luxury goods research, there is some evidence that some Western consumers prefer subtly branded products (Berger & Ward 2010; Eckhardt, Belk, & Wilson 2015). However, only one study appears to have investigated any preference for such inconspicuous consumption among Chinese consumers (Wu, Luo, Schroeder, & Borgerson 2017). As a result, the thesis investigates the motivations underlying Chinese consumers' preferences for luxury fashion products in Paper 1 (Chapter 2), where and why they buy those products in Paper 2 (Chapter 3), and in Paper 3 (Chapter 4) explicitly investigates the frequency of a preference for subtle branding.

#### ***1.1.1.2 Bandwagon effect***

A second motivation for the purchase of luxury goods is said to be the 'bandwagon effect'. First proposed by Leibenstein (1950), the bandwagon effect draws on the expression of people 'jumping on a bandwagon', reflecting a tendency for people to join in what seems to be likely to be a successful enterprise, or to join a winning side (Oxford University Press). By referring to the bandwagon effect in the context of luxury goods, Leibenstein (1950) therefore refers to the extent to which demand for a product increases because that product is seen as being popular. Implicit

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in the idea of the bandwagon effect is that the product is seen as popular with people whom an individual wishes to be associated with. That is, the bandwagon effect reflects a consumer's wish to be seen as fashionable or stylish by purchasing and/or displaying a particular product (Leibenstein 1950). This idea that purchases by consumers, and in particular purchases of luxury goods, are primarily or at least partly driven by the desire for affiliation with a prestige referent group has been discussed by many other authors (e.g. Aaker & Schmitt 2001; Amaldoss & Jain 2010; Bearden & Etzel 1982; Escalas & Bettman 2005). The influence of a consumer's reference group appears to be one of the major motivations underlying luxury product consumption (Belk 1988; Dittmar & Drury 2000; Sirgy 1982; Vigneron & Johnson 1999).

The influence of others may be particularly important for Asian consumers: Wong and Ahuvia (1998) have argued (but did not test) that Asian consumers are more likely than Western consumers to be influenced by their peers due to higher pressure for conformity stemming from their Confucian culture. They would therefore presumably be more subject to the bandwagon effect. The concept of face (*mianzi*) has also been said to be one of four important cultural attributes for Chinese (Lockett 1988). Face will be discussed in more detail later in this chapter, but briefly, because of the importance of face in Confucian cultures, people in those cultures are more concerned with other people's perceptions of them and with maintenance of their own status (Wong & Ahuvia 1998). Face could therefore result in Chinese consumers valuing visible luxury products more highly than those in societies where face is less based on physical appearance. For example, Li and Su (2007) have suggested that Asian consumers believe that they must purchase luxury products to enhance, maintain or save face.

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Based on the discussion above, a strong influence by friends on the purchase of luxury fashion goods by Chinese consumers is therefore not unexpected. However, consistent with predictions about the potentially higher importance of luxury products for Chinese consumers, the thesis investigates the extent to which any influence by friends is discussed in interviews with wealthy Chinese repeat purchasers of luxury products (in Paper 1), and in a larger quantitative study, the extent to which peer influence impacts on luxury product preferences (in Paper 3).

#### ***1.1.1.3 Snob effect***

In contrast with the bandwagon effect (where demand for a product increases because that product is seen as being popular), the ‘snob effect’ refers to the extent to which demand for a luxury good *decreases* as that product becomes more popular, reflecting the desire of people to be different from others (Leibenstein 1950). The snob effect may then cause status sensitive consumers to reject a product when it becomes popular with a large number of people (Mason 1981). While the bandwagon effect therefore reflects a desire by consumers to associate with an attractive reference group, the snob effect reflects a desire by consumers to *disassociate* from an unattractive reference group.

A snob and/or bandwagon effect is consistent with previous research which has suggested that consumers may be separately and/or simultaneously driven by a wish to associate with peer groups and dissociate from other groups (e.g. Bearden & Etzel 1982; Han, Nunes, & Dreze 2010). However, apart from Han et al. (2010), who examined these sometimes opposing drives in U.S. luxury consumers, there appears to be no research examining the extent to which Chinese consumers’ preferences for luxury goods are driven by either the snob or bandwagon effect. The thesis thus examines the extent to which Chinese repeat buyers of luxury fashion products

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discuss motivations that are consistent with a snob and/or bandwagon effect.

#### ***1.1.1.4 Hedonic effect***

Consumption of luxury products has been said to provide subjective intangible emotional value, such as sensory pleasure or excitement, in excess of any functional value (Hirschman & Holbrook 1982). For instance, Dubois and Laurent (1994) found that a positive attitude to luxury products was associated with agreement with statements such as ‘luxury makes me dream’ and ‘luxury products make life more beautiful’. Those effects of luxury products purchase reflect a fourth motivator for luxury goods consumption identified by Vigneron and Johnson (1999) - the ‘hedonic effect’, where consumers buy luxury goods primarily to satisfy symbolic meanings, or to extend their own personality through their possessions (Dubois & Duquesne 1993), or to arouse personal reward and self-fulfilment (Wiedmann et al. 2009). A hedonic motive for luxury goods purchase has also been described as buying primarily for one’s pleasure (Dubois & Laurent 1994). Vigneron and Johnson (1999) have argued that consumers who relate to personal values that depend upon the individual alone for fulfilment, and who are not susceptible to interpersonal influence when purchasing prestige brands, may represent the hedonist type of consumer. This would be consistent with lower levels of hedonically-driven purchases of luxury products among Asian consumers, who typically show lower levels of individualism and higher levels of group conformity (Hofstede 1997). Consistent with that view, Wong and Ahuvia (1998) have proposed (but did not test) that Western consumers will place a greater importance on hedonic experience, in contrast with Southeast Asian consumers, who Wong and Ahuvia argued will place more emphasis on publicly visible possessions.

In response to those arguments that Asian consumers will be less driven by

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hedonic motivations for purchase of luxury products, the thesis investigates Asian buyers' own explanations of the reasons underlying their luxury purchases (in Paper 1, Chapter 2).

While there are many categories of luxury goods (e.g. automobiles, jewellery, fine liquors, watches and fashion), luxury fashion goods, as widely distributed, highly visible products, are particularly appropriate for studying consumers' purchase motivations. The next section goes on to describe the global luxury fashion market, and the importance of the Chinese luxury fashion market.

## **1.2 The luxury fashion market**

Luxury goods have been classified into five product sectors: apparel and footwear, bags and accessories, cosmetics and fragrances, jewellery and watches and 'multiple luxury goods' (Deloitte University 2017). Luxury fashion (apparel, footwear, bags and accessories), which reflects the first two of those product sectors, constitutes an important component of the luxury goods market, with six out of the ten biggest luxury brands being fashion brands (Economy Watch 2011). In 2016, apparel, footwear, bags and accessories sales together accounted for 27% of sales by the top 100 luxury goods companies (Deloitte University 2017). While, as discussed previously, luxury goods purchases are often associated with conspicuous consumption, particularly by wealthy consumers, luxury fashion purchases are also becoming more common. As discussed previously, 85% of Japanese women have been said to own a Louis Vuitton product (Economist 2012).

Luxury fashion is also particularly appropriate for studying consumer purchase motivations because fashion goods are highly visible (unlike luxury fragrances), and the brand is often easily identifiable, either through the use of a prominent logo or

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another major design element (such as Chanel's chain style shoulder strap). In contrast, the brand of cosmetics worn by a consumer is unlikely to be determined, even to an expert observer. The range of products sold by any luxury fashion company also means that many consumers (even a large majority of the population in a developed market) can aspire to buy a lower priced product from the brand. Luxury jewellery and watches, in contrast, are generally outside the price range of an average consumer, and both are typically less easily recognisable (because watches usually have very small brand names, and jewellery rarely carries a brand name and/or a consistent design element).

In addition, fashion is a product category associated with status, and with demographic and lifestyle assumptions (Belk, Bahn, & Mayer 1982). Visible products (such as clothing and bags) are especially sensitive to social influence as a display of wealth (Husic & Cicic 2009) and products may assist owners in maintaining, demonstrating, and gaining social status (Wang & Wallendorf 2006). As discussed in the next section, China is becoming an increasingly important segment of the luxury fashion market, but as discussed in the opening paragraphs of the thesis, there is a relative lack of research examining the motivations of Chinese luxury fashion buyers. The thesis thus focuses on the motivations and behaviour of repeat purchasers of luxury fashion in China (in Paper 1 and Paper 2), and on the luxury product preferences of Chinese consumers (in Paper 3) – many of whom, while not current buyers, represent the preferences of a segment that will become an increasingly important market for luxury goods companies. The next section goes on to justify the importance and uniqueness of the Chinese luxury fashion market.

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### **1.3 The importance and uniqueness of the Chinese luxury fashion market**

The Chinese luxury fashion market is critically important for luxury fashion firms due to its size and growth. It is also unique, even among Asian countries, due to its relatively recent fashion history. These issues are discussed in the following sections. China's Asian culture, while not unique (since that culture is shared with other Asian countries), also results in important differences in shopping behaviour and attitudes. Those differences are also explored (in Section 1.4).

#### *1.3.1 The importance of the Chinese luxury fashion market*

The Chinese luxury fashion market constitutes a critical component of the global luxury fashion market. Chinese consumers have now become the largest group of purchasers of luxury products in the world, accounting for 30% of the global luxury market (D'Arpizio et al. 2017). China has been described as 'an engine of growth for luxury goods as the country's middle class continues to grow in size and purchasing power' (D'Arpizio et al. 2017, pp. 1-2). However, the percentage of global luxury sales attributed to Chinese consumers masks the fact that the majority of those sales are not made in China: an annual report on worldwide luxury sales reports that only 20% of luxury sales to Chinese consumers are made in Mainland China, with the balance – the vast majority of purchases – being made when consumers travel outside China, typically to Europe, South Korea or Japan (D'Arpizio, Levato, Zito, & de Montgolfier 2015). Thus while the majority of luxury goods sales are made to Chinese consumers, the largest areas of luxury goods sales are (in order) the Americas, Europe, Asia and Japan, followed by 'rest of the world' (D'Arpizio et al. 2017). As the largest group of luxury product purchasers, even if a very large proportion of those sales are made outside China, understanding the motivations of Chinese consumers is

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obviously important for both researchers and marketers.

### *1.3.2 A relatively recent fashion history*

The (Mainland) Chinese fashion market is also uniquely different from other collectivist Asian societies such as Japan, Korea and



Figure 1: Upper class Qing Dynasty Chinese women (from Chinasage, 2016)

Hong Kong (Tai 2008). While China shares cultural similarities with those countries, China's rapid evolution to an open market is unprecedented. Chinese wore Qing dynasty style clothing until 1911 (see Figure 1) and Chinese women wore the traditional Chinese dress ('qipao') (see Figure 2) from the 1920s till around 1950 (Gao 2016). During the Cultural Revolution (1966-1976), fashion changed radically. Chinese people had to make themselves appear the same: Gamble (2001, p. 92)



Figure 2: A typical qipao dress (from Gao, 2016)

quotes from Nien Cheng's autobiography about life in Shanghai that 'during the Cultural Revolution "one could no longer assess a man's station in life by his clothes in China because everybody tried to dress like a proletarian"' (see Figure 3).

China started opening up to foreign firms with the implementation of its 'Open Door Policy' in 1978 (Kwan, Yeung, & Au 2003). It





Figure 3: A young girl in typical attire in 1972 (from Chinasage, 2016)

was not until 1992, however, that China began deregulation of the retail sector, allowing 15 selected foreign retailers to set up in six Chinese cities (Wang 2009). As a result, Chinese luxury consumers did not have any exposure or access to international luxury brands inside China until the early 1990s (Wang 2016). In contrast, imported fashion was available in Hong Kong at the upmarket department store, Lane Crawford, from the 1960s (Heritage Museum).

Consumers in Europe have even longer experience in purchasing luxury fashion, with luxury fashion brands dating back as far as 1837 (Hermès), 1854 (Louis Vuitton) and more recently, Yves Saint Laurent (in 1961) (InMotion).

The recent and rapid development of the Chinese luxury fashion market has also led to a complete change in buying patterns, in contrast with Western societies, and even with other Asian cultures that developed more gradually over the second half of the twentieth century. The options available to young Chinese consumers over the past 20 years are very different from what were available to their parents at the same age, because the Chinese did not have access to international luxury brands until the early 1990s (Wang 2016). Degan (2009) argues that this recent development of a fashion market has resulted in Chinese consumers buying luxury fashion brands because they want instant proof of social status and wealth after the long suppression of individual expression since the takeover of the Chinese Communist Party in 1949. The rapid development of the Chinese retail market, and the implications for the behaviour of

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Chinese luxury fashion consumers, will be further discussed in more detail in Chapter 2 (Paper 1). However, in investigating the luxury buying behaviour of wealthy Chinese repeat buyers of luxury products (in Papers 1 and 2) and the luxury product preferences of Chinese consumers in all three papers, the thesis contributes to a better understanding of this rapidly evolving Chinese market.

In addition to being different from consumers in less recently developed retail markets, Asian consumers (including those in both China and other Asian countries) are also likely to be different from Western consumers due to elements of the typical Asian collective culture. The next section discusses how elements of the Chinese culture may impact on the luxury product purchase behaviour of Chinese (and other Asian) buyers.

#### **1.4 Chinese cultural characteristics and potential impact on shopping behaviour**

As well as being the largest segment of luxury product consumers, Chinese consumers are said to be different from their Western counterparts in their shopping orientation and motivation (He & Mukherjee 2007), though that study did not compare Chinese consumers with those from other countries. In a cross-cultural study, compared to American respondents, Chinese respondents scored significantly higher on all four conspicuous consumption measures and on nine out of 13 materialism measures (Podoshen, Li, & Zhang 2011). This finding of higher materialism among Chinese respondents contrasts with an earlier study that found Chinese teens scored lower on six out of seven materialism measures than Japanese and/or American teens (Schaefer, Hermans, & Parker 2004). The difference is consistent, however, with the suggestion that materialism and conspicuous consumption are increasing among urban Chinese consumers (Podoshen et al. 2011). Other cross-cultural research has

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examined the apparent differences between consumers in China and Western countries, suggesting differences in spending priorities between Chinese and American shoppers (Belk & Zhou 1987; Sun, Chen, Fang, & Liang 2000).

These differences in shopping orientation and motivation between Chinese and Western consumers may be due to cultural differences between the two groups. Southeast Asian countries have often been said to have distinct cultural characteristics that distinguish them from Western societies (e.g. Hofstede 1997, 2001; Wong & Ahuvia 1998). In particular, the collectivist culture that is typical of Asian societies, and the importance of ‘face’ in Asian cultures may result in different shopping behaviour by Asian consumers. These issues are discussed separately below.

#### *1.4.1 A collectivist culture encouraging conformity*

Perhaps the best-known structure for comparing national cultures is by Hofstede, who has written extensively on differences between different countries, based on analysis of workplace data from more than 50 countries (e.g. Hofstede 1997, 2001). Among other differences between countries, Hofstede identified differences in the level of individualism versus collectivism, and observed that Asian countries in his sample (among others) scored lower than average on individualism, particularly compared with the most individualist countries (the U.S., Australia and Great Britain) (Hofstede 2001). Hofstede (1997, p. 260) described collectivism as ‘one of the dimensions of national cultures’, and defined collectivism as ‘...a society in which people from birth onwards are integrated into strong, cohesive ingroups’. Hofstede (2001) and other authors (e.g. Wong & Ahuvia 1998) have noted that Asian countries, which typically score lower on individualism, share a Confucian tradition including, though not limited to, the importance of *face* (which will be discussed in more detail below).

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Partly in response to Hofstede's work, Asian countries are often described as collectivist cultures (or societies) (e.g. Eckhardt & Houston 1998; Gregory, Munch, & Peterson 2002; Sun, Horn, & Merritt 2004). A number of authors have discussed how consumers from collectivist (or 'Confucian') cultures may be different in their attitudes to, and consumption of, luxury products. In particular, consistent with the importance of ingroups in collectivist cultures, Asian consumers have often been said to be more influenced by their peers and to have a lower need to buy products that are different from those peers. For example, Bian and Forsythe (2012) compared the 'need for uniqueness' in U.S. and Chinese students in reported purchase intention for luxury brands (and unexpectedly found that the Chinese students in their sample had higher need for uniqueness than the American students). He and Mukherjee (2007) discussed how the Chinese/Confucian culture may influence consumers' store selection and loyalty, but did not compare their Chinese sample with consumers from another culture. A study by Sun et al. (2004) compared consumers from individualist (U.S. and Britain) and collectivist societies (China and Japan) and found that collectivist culture consumers were more concerned about their personal appearance and about how they are seen by others, and were more willing to be influenced by their ingroup members. They also indicated a higher tendency to stick to well-known brand names (Sun et al. 2004). The study did not, however, examine purchase behaviour for luxury brands, with questions about buying behaviour being restricted to preference for well-known brand names and questions about impulse buying.

In the area of luxury product purchase behaviour, Wong and Ahuvia (1998), in a widely cited paper, developed a series of propositions reflecting their assumption that Southeast Asian and Western consumers will have different attitudes and behaviour in their choice of luxury products, but did not test those propositions. Phau and

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Prendergast (2000) collected data in Singapore examining the attitudes of Singaporeans to luxury brand purchases, and compared the results with data collected in the U.S. (Dubois & Paternault 1995) and Hong Kong (Wong & Zaichkowsky 1999). They suggested that consumers from individualist cultures such as the U.S. are more likely to prefer luxury brands which are less common, compared to consumers from collectivist cultures such as Singapore and Hong Kong (Phau & Prendergast 2000). They suggested that the ‘rarity principle’ (Dubois & Paternault 1995) – the idea that the prestige of a brand will decrease as the brand’s market share increases – does not apply in collectivist societies, but called for more research in the area (Phau & Prendergast 2000).

In response, the thesis investigates what wealthy Chinese repeat buyers of luxury products say about the reasons underlying their purchases of luxury products, relative to the propositions of Wong and Ahuvia (1998) in Paper 1 (Chapter 2), and where and why they buy those products in Paper 2 (Chapter 3). It also investigates the importance of peers and a luxury product’s uniqueness in the preferences of Chinese consumers in Paper 3 (Chapter 4).

#### *1.4.2 Face and the importance of peer group influence in China*

A second distinct cultural characteristic of Asian societies that may result in different shopping behaviour by Asian consumers is the importance of ‘face’. Ho (1976, p. 867) has written that ‘Although everyone appears to have some notion of what face entails, a precise definition of it proves to be a most difficult task’. He draws on the Chinese writer Lin Yü-tang, who said that face is ‘impossible to define’; and that it is ‘...abstract and intangible... (but is) the most delicate standard by which Chinese social intercourse is regulated’ (1976, p. 867). Face has also been defined as ‘a sense of favorable social self-worth that a person wants to have of him or her (sic)

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in a relational and network context' (Bao, Zhou, & Su 2003, p. 736). While attaching importance to face is a universal human characteristic, not exclusive to Asian societies, 'there can be no doubt concerning the greater salience it has for Eastern peoples' (Redding & Michael 1983, p. 95).

Consistent with the importance of face in Asian societies, Chinese consumers have been said to wear prestige branded products to display their social status or to gain 'large face' (Gamble 2001). A number of studies have examined how this 'face consciousness' affects Chinese consumer behaviour. Zhou (2010) argued that Chinese consumers are more highly influenced by perceived brand prestige, and value conspicuous products more than United States consumers. For example, Gamble (2001) discusses the case of a Chinese businesswoman who explained that she bought expensive foreign clothing because conspicuous products gave her a sense of pride, and because it was important to her to impress her peers that she could afford to buy expensive items. Brands may be particularly important for conveying prestige for Chinese consumers: Li (2007) suggested that Chinese consumers tend to relate brand names to face and are thus more willing to purchase luxury products to enhance or save their face. Similarly, Lu (2008) argued that Chinese luxury consumers may focus more on brands than on the products themselves when they make their purchases.

There is some evidence that variation in face consciousness can result in different decision-making styles. One study examined decision making styles in China and the U.S., and found that participants with higher levels of face consciousness (an attribute where Chinese participants rated significantly higher) were more likely to agree with statements reflecting four personal characteristics 1) 'Brand consciousness' and 'Price equals quality', 2) 'Novelty and fashion consciousness', 3) 'Recreational and hedonistic', and 4) 'Confused by overchoice',

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and less likely to agree with statements reflecting 5) ‘Price consciousness and value-for-money’ (Bao et al. 2003).

There is therefore substantial evidence to suggest that Chinese consumers may be different in their shopping orientation, motivation and/or behaviour, due to cultural differences from the West. Chinese consumers may also be different from Western consumers, and also from less recently developed Asian cultures such as Japan, Hong Kong and Singapore due to China’s very different recent history. Following from the preceding discussion, the next section outlines three key gaps in the literature which will be addressed in the thesis.

## **1.5 Gaps in the literature**

As discussed in the preceding sections, despite the importance of the Chinese luxury market, there is a relative lack of research into the motivations and behaviour of Chinese luxury product buyers, and/or into the motivations of those who do not currently buy, but who form part of the emerging middle class in China, and thus represent an important potential market for luxury goods companies. In contrast, there is a very large body of research examining the motivations and behaviour of luxury product buyers in the West (e.g. Amaldoss & Jain 2005; Atwal & Williams 2009; Bagwell & Bernheim 1996; Belk 1988; Dubois & Duquesne 1993; Eckhardt et al. 2015; Leibenstein 1950; Mason 1981; Phau & Leng 2008; Veblen 1899; Vigneron & Johnson 1999).

In response to the growing interest in the Chinese luxury market, but the relative lack of research in the area, an increasing number of studies of Chinese luxury consumers are emerging. However, some of these studies examine Chinese living overseas (e.g. Chen, Aung, Zhou, & Kanetkar 2005; Mo & Roux 2009), or are largely

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or completely based on student samples (Bian & Forsythe 2012; Podoshen et al. 2011), which are unlikely to be representative of the current and/or potential market for luxury brands in China.

A smaller number of studies have included samples of Mainland Chinese that are broader than student samples (Li, Li, & Kambele 2012; Zhan & He 2012; Zhang & Kim 2013). However, these studies have been dominated by low-income consumers, and with the exception of Zhang and Kim (2013), did not report on the frequency of purchase of luxury goods, so do not appear to represent actual luxury product buyers. The sample by Zhang and Kim (2013) did include reported purchasers of luxury fashion goods (with 75.8% of respondents reporting that they had bought one or more ‘luxury fashion items’ within the previous six months). However, the vast majority of those purchases (91.4%) were reported as being under US\$1,000 (Zhang & Kim 2013), so with a sample size limited to 161 respondents, the study does not provide a large sample of buyers of luxury fashion products.

Despite the increasing research in this area, there remain obvious gaps in the literature, which provide the research focus for the thesis, as summarised below.

1. Firstly, as discussed above, research into the motivations of Chinese luxury fashion buyers has generally focused on consumers whose income and purchase histories appear inconsistent with buying the luxury fashion brands that are generally recognised as luxury products in the West. There appears to be an almost complete absence of research with the wealthy Chinese who repeatedly buy luxury fashion brands, undoubtedly due to the difficulty in accessing such people. As discussed previously, there is substantial argument and evidence that the motivations of Chinese luxury buyers may be different from Western buyers. Repeat buyers are the most valuable customers for luxury brands, but the research literature offers no



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- guidance on the motivations of repeat buyers in China. Paper 1 (Chapter 2) addresses this gap in the literature, reporting on in-depth interviews with 13 wealthy repeat buyers.
2. Secondly, as described above, one industry report has stated that 80% of the luxury fashion goods purchases by Chinese consumers are made outside Mainland China (D'Arpizio et al. 2015). Yet, existing academic research has not investigated why so many Chinese consumers buy outside China. For example, one large study of Chinese luxury goods purchases restricted their analysis to consumers who bought from luxury stores in Beijing (Li, Robson, & Coates 2013). In the light of this industry evidence that a large proportion of luxury goods purchases by Chinese consumers are made outside China (D'Arpizio et al. 2015), but a lack of academic research in this area, Paper 2 (Chapter 3) aims to provide a better understanding of the underlying reasons why and how Chinese luxury buyers buy outside China, instead of buying in their own country, and the implications for marketing. More specifically, by investigating what Chinese luxury fashion buyers buy, why they choose what and where they buy, the thesis explores any relationship between the distinctive Chinese culture and values and the buying behaviour and buying patterns of Chinese consumers and the implications for marketing luxury products.
  3. Finally, while some industry reports state that most of the Chinese luxury consumers prefer loud logos when they select and purchase luxury fashion products in order to prominently display their status and wealth (Bowman 2008), Han et al. (2010) have suggested that some wealthy Western luxury fashion consumers practise inconspicuous consumption by paying a premium to purchase subtly branded products. However, there is no comparable research among Chinese luxury fashion consumers on inconspicuous consumption. Paper 3 (Chapter 4) thus

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extends the theory on luxury consumption and luxury brands, and draws out implications for marketers and for researchers.

## **1.6 Research objectives**

In response to the gaps in the literature discussed above, the thesis has three key objectives which are addressed in three separate but related studies.

1. Firstly, the research aims to address the paucity of research into the motivations of Chinese luxury fashion buyers, especially wealthy repeat buyers. Several factors, as discussed above, have suggested that mainland Chinese buyers of luxury products may have different reasons for buying, and may buy differently, from other Asian consumers or from Western buyers. These differences mean that international marketers may need to position their products differently for Chinese consumers, and researchers may need to develop different models to explain the behaviour of Chinese luxury buyers. As a result, the thesis (in Study 1, presented in Chapter 2) aims to explore the explanations of wealthy repeat Chinese luxury buyers for their luxury purchases. It then compares those explanations with those that have been discussed in the literature about Western consumers, and also the motivations that have been proposed, but not tested, of Asian buyers (i.e. Wong & Ahuvia 1998).
2. Secondly, given reports in the business press (Albatross 2013), and also evidence that emerged from Study 1 that a large proportion of the luxury fashion purchases by Chinese buyers are made outside China, a second objective of the research (in Study 2, Chapter 3) is to provide insights into the factors that influence buyers' decisions to purchase luxury fashion products primarily outside China, though sometimes, under particular circumstances, inside China.
3. Finally, following evidence in Study 1, and also recent discussion in the literature

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that some consumers prefer subtle branding, rather than the easily recognisable symbols associated with ‘conspicuous’ consumption, the thesis (in Study 3, Chapter 4) aims to test the importance of a brand’s logo prominence, across different brands, price points, and for different types of consumers.

In summary, the thesis aims to contribute to the understanding of the behaviour of luxury product consumers, in particular by extending existing research to examine the behaviour of Chinese consumers – a segment that is of significant commercial interest, due to the size of the Chinese market, and also of theoretical interest, due to the unique aspects of the Chinese market.

## **1.7 Methodology of the thesis**

In view of the research objectives, the thesis first started by conducting in-depth interview to explore the motivations of Chinese luxury fashion buyers and to investigate any buying behaviour differences between Chinese luxury consumers and Western consumers. Thirteen Mainland Chinese who are repeat buyers of luxury fashion products participated in the first round of face-to-face interviews, conducted in Shanghai. Interviews were conducted in Mandarin, transcribed and translated into English by a fluent bilingual speaker unassociated with the research, with the translation of key quotations double checked by two further Mandarin speakers. The results were analysed with thematic analysis (Attride-Stirling 2001), and are reported in Study 1 (in Chapter 2).

Although the interviews summarized in Study 1 were not designed to investigate the country of purchase, discussion by the participants in that study suggested that at least some Chinese repeat buyers of luxury fashion products make their purchases outside China and/or ask their friends or family members to make

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purchases for them when they travel overseas. In order to provide insights into the factors that influence buyers' decisions to purchase luxury fashion products outside China, and/or to ask others to buy for them overseas, additional participants (also located in Shanghai) who are also repeat buyers of luxury fashion products were recruited and interviewed for Study 2. The same process of transcription, translation and verification of key quotations used in Study 1 was followed in Study 2. The sample size was determined by data saturation (Guest, Bunce, & Johnson 2006) and the data were saturated when the sample size (including the 13 participants in Study 1) reached 29. Nevertheless, three additional interviews were conducted to increase confidence in data saturation, resulting in a final sample size of 32 for Study 2.

While some Chinese repeat buyers of luxury fashion products buy prominent logo products, some participants in Study 1 expressed a preference for subtly-branded luxury products. Therefore, Study 3 used a discrete choice modelling study design to estimate the preferences of Mainland Chinese for different luxury product attributes, including different preferences for prominent or subtle branding, as well as other variables, such as brand, price, peer ratings, and susceptibility to peer influence. The study used a  $4^2 \times 2$  orthogonal design (Louviere, Hensher, & Swait 2000), with 32 choice sets, with each choice set containing four choices. A balanced incomplete block design was used to generate four blocks of choice sets, with each block containing eight choice sets. In addition, following Louviere and Woodworth (1983), four common choice sets were added to each block to anchor judgments on a common scale. 3,648 observations were collected from 304 Mainland Chinese using an online questionnaire. The results were analysed with multinomial logistic regression.

## **1.8 Outline of the thesis**

Chapter 1 (this chapter) has established the background to the research

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undertaken in the thesis, summarised research gaps in the area and outlined the objectives of the thesis. The chapter has also detailed the structure of the thesis, based around three separate but related research studies. It has also outlined the proposed contributions of the research.

Chapter 2 presents the first of the three studies in the thesis. In response to the gaps in the literature identified above, Chapter 2 explores the motivations and purchase preferences of Chinese luxury fashion consumers. By interviewing 13 repeat buyers of Chinese luxury fashion products, the research investigates their rationales for purchase and their behaviour in buying luxury fashion products. The data are then compared to five theoretical propositions put forward by Wong and Ahuvia (1998). By providing some of the first data on the factors that contribute to the brand choices and motivations for luxury purchases by wealthy Chinese repeat buyers, the study provides background contributing to a second qualitative study (Study 2) and the comprehensive model presented and tested in Study 3.

Chapter 3 presents the second study of the thesis. The study follows reports in the interviews discussed in Study 1 and in an industrial report (Bain & Company 2012) that Chinese consumers are more likely to buy luxury fashion products outside China. Study 2 (Chapter 3) therefore explores where and why Mainland Chinese purchase luxury fashion products, and the implications for marketing practitioners and researchers. The study extends the 13 interviews reported in Study 1 with 19 additional interviews with repeat buyers of luxury fashion products, with a particular focus on the location of purchase.

Chapter 4 presents the third study of the thesis, and as discussed above, extends the results from Study 1. In particular, the study develops and tests a model predicting preference for different luxury product attributes, including varying

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preferences for conspicuous or subtle branding, as well as other (well-established) variables that are likely to influence consumer choices (e.g. brand, price, peer ratings, and susceptibility to peer influence). Using discrete choice modelling – a  $4^2 \times 2$  orthogonal design (Louviere et al. 2000) – the study collected 3,648 observations from 304 Mainland Chinese residents, analysing the results with multinomial logistic regression.

Chapter 5, the last chapter of the thesis, summarises the findings and contributions of the thesis for research and for marketing practice and lays out the limitations of the study and the recommendations for future research.

## **1.9 Proposed contributions of the research**

This thesis explores the different motivations, purchasing behaviours and preferences of Chinese luxury fashion consumers, and compares those motivations, behaviours and preferences with those of Western consumers that have been discussed in literature. Specifically, the research contributes to theory in three key ways.

Firstly, Chapter 2 compares the reported motivations of Chinese luxury fashion repeat buyers with the propositions put forward (but not tested) by Wong and Ahuvia (1998). Secondly, Chapter 3 examines the location of luxury fashion purchases by Chinese buyers – in particular when and why they buy within China, or conversely, when they choose to buy outside China.

Finally, the findings presented in Chapter 2 and Chapter 3 are further developed into a discrete choice model which is presented in Chapter 4, investigating the extent to which different factors influence Chinese consumers' preferences in regard to the choice of luxury handbags.

The thesis also contributes to practice by discussing the implications of the

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results for the marketing of luxury goods in China, and also to Chinese buyers who buy outside China.

## **1.10 Summary of Chapter 1**

In conclusion, this chapter has established the background to the research undertaken in this thesis, summarised research gaps in the area and outlined the objectives of the thesis. The chapter has also detailed the methodology and structure of the thesis, based around three separate but related research studies. The chapter has also outlined the proposed contributions of the research. The next chapter contains the study that is the first of the three research studies in the thesis.

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## **2 CHAPTER 2: Affiliation, Differentiation, and Social Taboos in Luxury Fashion Purchases**

### **2.1 Overview of study**

This chapter (Study 1) explores the motivations of Chinese luxury fashion consumers for buying luxury fashion products, and compares the results with the propositions put forward (but not tested) by Wong and Ahuvia (1998). At the time of its conference publication (in 2012), this was the first in-depth exploratory study of wealthy repeat buyers of luxury products in China. A total of 13 interviews were carried out in Shanghai, China. The qualitative data suggest Chinese luxury fashion consumers place very low importance on the hedonic experience, with it being much more important for them to buy and display brands which are highly valued by their referent peers, and not to have brand names which they believe are disliked by their referent peers. The study also revealed that Chinese luxury fashion consumers often ask their friends and/or family to buy for them overseas, and this buying behaviour prompted a further study examining where Chinese luxury fashion consumers buy (and why), and why they buy what they buy (Paper 2).

The study is important because it provides evidence on the different motivations of Chinese consumers for buying luxury products compared to Western consumers, and lays out the background and reasons for conducting the research in Studies 2 and 3 among Chinese luxury fashion consumers. The main contribution of the study is the finding of a luxury fashion brand becoming the subject of a social taboo due to its high levels of adoption by an undesirable referent group. In addition, the study suggests that Chinese luxury fashion consumers place lower importance on hedonic factors in their purchases, which led to further research investigating the factors that



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influence their preferences for luxury fashion products (in Study 3).

As the first author of this paper, I helped to identify the research idea and identified the key literature. In addition, I designed the questionnaire, conducted the interviews and analyzed the findings. I also wrote the first draft of the paper, and then received guidance from my supervisors on improving the structure, synthesizing the literature and improving the writing style, before finalizing the submission of the paper.

The study was presented at the Royal Bank Seminar in 2012 in Shanghai and published in the proceedings of that conference. This chapter reflects an extended version of that publication.

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## 2.2 Abstract

China is the second largest market for luxury products, but there has been only limited research into the motivations of Chinese luxury goods buyers, despite suggestions that their motivations may differ from those of Western buyers. In contrast with the dominant theoretical explanation for luxury goods buying, this study identifies a segment of wealthy Chinese who practise *inconspicuous* consumption, preferring brands which are only identifiable to a small group. Certain luxury brands are desired to create affiliation with respondents' peer groups, but other brands are avoided by some consumers to differentiate from undesirable social groups. This use of brands for both affiliation and differentiation results in some brands being subject to a social taboo: that is, being unattractive because they are seen as *too* popular. The results provide insight into how luxury goods buyers use brands to construct their public identity.

**Keywords:** luxury, status, fashion, China, social taboo, conspicuous consumption

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## 2.3 Introduction

The Chinese luxury market accounts for over 500 billion RMB (74 billion US dollars) in annual spending, representing almost a third of the global luxury market (Bu, Durand-Servoingt, Kim, & Yamakawa 2017). Chinese consumers have surpassed American consumers and have become the world's largest consumers of personal luxury goods (Fung Business Intelligence 2018). The significant value of the luxury goods market in China means that understanding the motivations of Chinese luxury goods consumers is critical for luxury brand marketers to determine if and/or how cultural issues influence how consumers respond to global brands. For marketing researchers, understanding any differences in the motivations of Chinese buyers and western consumers is also important for developing theory on luxury products marketing. Indeed, the Chinese term for luxury brands suggests that luxury products are viewed differently in China: while there are Chinese terms to describe luxury (奢侈) and prestige (有声望 或 高档), the term used in Chinese to describe luxury brands (奢侈品牌) emphasizes the conspicuousness of such brands by incorporating the term '奢侈', which can be translated as 'over- done' (in the sense of 'showing off'). Thus in Chinese, the term 'luxury brand' implies a brand for 'showing off'.

In this paper we identify theoretical reasons why the motivations for luxury fashion buyers in China may be different from those in the west, and summarize the limited evidence on the differences between the behaviour of Asian luxury goods buyers and their western counterparts. We report on in-depth interviews with wealthy Chinese luxury fashion buyers, and analyse the data to test propositions about the behaviour of Chinese buyers which have been advanced (but not tested) by Wong and Ahuvia (1998) in a widely cited review of luxury goods buying. In the discussion

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section, we summarize important implications for the theory of luxury goods buying and for marketing practice, and conclude with a discussion of the implications for further research, and of the limitations of the research.

### 2.3.1 *Luxury goods consumption*

Luxury goods consumption has often been seen as driven by conspicuous consumption, with the result that the construct of conspicuousness (or the ‘Veblen effect’) dominates the literature on prestige products (Vigneron & Johnson 1999). For example Phau and Prendergast (2000, p. 122) state that the consumption of luxury goods is ‘a manifestation of conspicuous consumption’. However, there is surprisingly little research examining the motivations of luxury goods consumers. Although many authors explain such behaviour by drawing on the concept of conspicuous consumption, Mason (1981, p. 125) notes:

*... little research has been carried out directly into the motivations and purchase preferences of conspicuous consumers. Evidence of status linked consumer behaviour is only indirectly available – that is, it tends to occur in research studies which were set up to examine entirely different aspects of product choice and buyer behaviour but which coincidentally produce information which is of value to the conspicuous consumption researcher.*

Though Mason was writing in 1981, research into the motivations of elite buyers of luxury brands remains scant, with important literature reviews respectively noting a lack of literature in the field (Vigneron & Johnson 1999) and calling for a substantial review and extension of the concept of conspicuous consumption (Chaudhuri & Majumdar 2006). One study has found that a segment of wealthier American consumers prefers *less* conspicuously branded purses (Han et al. 2010).

Those authors note that the two-tier society described by Veblen where luxury goods

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were the preserve of a small wealthy class has evolved to one where luxury goods are mass-marketed. In some societies, purchasing luxury goods is now the norm; for example in Japan, 85% of Japanese women are said to own a Louis Vuitton product (Economist 2012). As a result of this increasing adoption of luxury products, Han et al (2010) argue that consumers have different motivations for luxury goods consumption, depending on their wealth and need for status. However the extent to which their theory explains the motivations of Asian consumers has not been tested.

### *2.3.2 Research into luxury goods consumption by Asian consumers*

Despite Japan and China being the two largest markets for luxury fashion goods (Xinhua News Agency 2011), most academic research into the motivations for luxury goods consumption has been conducted in western countries. Many researchers appear to assume that regardless of their country of origin, the basic motivational drivers of buyers of luxury products are the same (e.g. Husic & Cicic 2009; Wiedmann et al. 2009), despite limited evidence to support this assumption. For example Phau and Prendergast (2000) and Wong and Zaichowsky (1999) respectively found that Singapore and Hong Kong consumers differ from US consumers in their decisions about luxury brands. Chaudhuri and Majumdar (2006) also note differences between the consumption cultures of transitional Asian nations and western societies, and argue that further research into conspicuous consumption is especially needed in transitional-traditional Asian nations.

As the second largest and fastest growing market for luxury goods (CLSA 2011) and also the second largest market for luxury fashion brands (Hing 2012), China is a particularly important market for research, however there is remarkably little research into the behaviour of Chinese luxury goods buyers, with some of the available

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research being conducted on student samples which are unlikely to be representative of luxury goods buyers in China. One widely cited article discussing the motivations of mainland Chinese buyers of luxury products, by Wong and Ahuvia (1998), while drawing out interesting propositions about the behaviour of Chinese consumers of luxury products, did not test those propositions with data. Another study by Gao, Norton, Zhang and To (2009), identified different market segments among affluent Chinese consumers, but did not investigate differences in the purchases of luxury products between these segments. Lu (2008) reported on interviews with elite luxury buyers in China, and Degen (2009) discussed the motivations of wealthy Chinese consumers, but neither analysed their results in terms of the academic literature, nor published in a peer-reviewed journal. Li, Li and Kambele (2012) measured the willingness to pay for luxury fashion items by Chinese middle-class consumer but their study did not explore motivations for actual purchase decisions.

This research thus addresses the paucity of research into the motivations of Chinese luxury goods buyers, using in-depth interviews to test propositions put forward, but not tested, by Wong and Ahuvia (1998). The research examines the motivations of wealthy Chinese consumers for buying luxury fashion products (clothing, purses and accessories). Fashion products are especially sensitive to social influence since they can provide a visible display of wealth (Husic & Cicic 2009). While the luxury status of some product categories has declined or changed, clothing is a product category associated with status, demographic and lifestyle assumptions (Belk et al. 1982). This paper thus extends the theory on luxury consumption and luxury brands, and draws implications for marketers and for researchers.

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### *2.3.3 Differences between mainland Chinese and other buyers of luxury products*

Chinese consumers are likely to be different in their buying behaviour from western consumers for several reasons: like other Asian cultures, Chinese culture is predominantly collectivist, and collectivist cultures show differences in their buying behaviour (Sun et al. 2004). For example Tse (1996) and Li, Li and Kambele (2012) discuss how Chinese experience strong pressure to conform with the behaviour of peers and important reference groups. The importance of Confucian principles in Chinese society has also been suggested to result in important differences in the consumer behaviour of Chinese consumers (Yau 1988). In particular, Gao et al (2009) argue that Asian consumers desire publicly visible symbols or logos on products, and Li and Su (2007) suggest that Asian consumers believe that they must purchase luxury products to enhance, maintain or save face.

Explanations of differences between Chinese and western consumers usually centre on a distinction between the individualistic characteristics of most western societies and the collectivist characteristics of most Asian societies (Hofstede 1997). However mainland Chinese consumers (i.e. those living in the Peoples' Republic of China) are likely to be different in their luxury buying behaviour from other collectivist Asian societies such as Japan, Korea and Hong Kong for several reasons: firstly, mainland Chinese consumers show differences in their shopping orientation from other Asian cultures (Tai 2008). Perhaps more importantly, China's rapid evolution to an open market is unprecedented: as recently as the 1960s, men and women in China dressed alike, with clothing based on the military dress of Mao Zedong, and home-made garments were the norm till the last quarter of the twentieth

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century (Finnane 2008). Degan (2009) argues that this recent development of a fashion market results in Chinese consumers buying luxury fashion brands because they want instant proof of social status and wealth after the long suppression of individual expression since the takeover of the Chinese Communist Party in 1949.

The recent and rapid development of the Chinese retail market has also led to a complete change in buying patterns within a generation; in contrast with western societies, and even with other Asian cultures which developed more gradually over the second half of the twentieth century, Chinese consumers of 30 years old or more did not learn their current buying patterns from their parents or older peers as they grew up, because the Chinese did not have access to luxury brand outlets until the early 1990s, when the first luxury products stores opened in China (Wang 2016). In contrast, purchase of luxury products has been common for Western consumers since the second World War (Crowe 2009). Few if any other societies have experienced the change that China has had within such a short period of time, moving from a limited, heavily regulated market to one of the largest luxury markets, accompanied by societal changes which have led to differences between generations which cannot be explained by normal intergenerational gaps (Hung, Gu, & Yim 2007). The speed of changes in Chinese consumption is unprecedented (Belk & Zhou 1987; Belk 2002), and this rapid evolution in buyer behaviour means that mainland Chinese consumers may very well be different from other Asian consumers, because their buying behaviour did not evolve gradually, but instead changed rapidly in response to a rapidly changing social, economic and retail market. The average age of Chinese consumers of luxury products is also considerably younger than that of buyers in the U.S. and Europe (KPMG, Monash University, & TNS 2007), so their motivations may



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differ from Western consumers because of differences in their age.

So in summary, several factors suggest that mainland Chinese buyers of luxury products may have different reasons for buying, and may buy differently, from other Asian consumers or from western buyers: they are younger than western buyers, and while sharing traditional Asian values with other Asian societies, have a very recent history of modern retailing. These different motivations for the purchase of luxury products mean that international marketers may need to position their products differently for Chinese consumers. However the limited research into the motivations of luxury purchases is lacking in two key areas: 1) the common tendency to assume that buyers of luxury brands are a homogeneous group, without important inter-country differences and 2) a lack of primary data exploring the actual behaviour and/or motivations of Chinese luxury goods buyers.

#### *2.3.4 Theoretical propositions*

Faced with limited prior research into the Chinese luxury brands market, this research compares untested propositions from the literature against what Chinese buyers themselves say about the factors underlying their decision to buy a luxury brand, or to choose one particular brand and not another. In particular, the study contrasts the explanations of Chinese buyers for their own behaviour with propositions put forward (but not tested) by Wong and Ahuvia (1998).

In what is arguably the most comprehensive review of luxury buying behaviour by Chinese consumers, Wong and Ahuvia (1998) proposed (though did not test) that relative to Western buyers, Chinese buyers are different in several ways: 1) they place a lower importance on hedonic experience; 2) they place more emphasis on publicly visible possessions; 3) they place more emphasis on the public meanings of their

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possessions; 4) they more often use products to symbolically claim a desirable vertical location within the socioeconomic hierarchy, and finally 5) they place a greater emphasis on social propriety than Western consumers when conflicts arise between expressing one's personal preferences and being socially appropriate.

## **2.4 Methodology**

Despite being the second largest market for luxury fashion brands (Hing 2012), China's per capita GDP is only US\$9,100, ranking 122<sup>th</sup> in the world (CIA 2012). As a result, only 2% of China's population is estimated to buy luxury products (Chan 2011). Given the even smaller proportion of the Chinese population who are likely to be *repeat* buyers of luxury products, and the lack of previous research with this segment, a qualitative approach, using in-depth one-on-one interviews, was chosen for data collection. A previous study by Gao et al (2009) found that the most frequent employment in the Chinese segment with the highest frequency of purchase of luxury fashion products is at the level of junior management (a level which is closest to middle management in western organizations). As a result, subjects who fitted this profile and who are repeat buyers of luxury products were invited to participate in interviews, and were asked to recommend friends and/or contacts who might be available for interview. The study thus adopted a phenomenological approach, using purposive sampling to recruit participants who have lived the experience under study, a process which can provide an understanding of the world in order to contribute to the development of theory (Goulding 2005).

Data collection was approached using the principle of saturation, that is, bringing new participants into the study until the data set is complete, as indicated by data replication or redundancy (Bowen 2008). This approach resulted in interviews

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with 13 respondents (including two joint interviews with husband/wife couples). Details of the 13 respondents are set out in the Appendix to this chapter (see page 70). This sample size is higher than the level of eight said to be consistent with accepted disciplinary guidelines for uncovering insight through depth-interviewing techniques (Fournier & Yao 1997).

The sample included nine females and four males. All are frequent purchasers of luxury products who fit the classification of luxury buyers used by Dubois and Duquesne (1993). The research was conducted in Shanghai, the largest and most populous city in China, and an important commercial center which is often considered to be the fashion capital of China (Walker & Gilbert 2009). All interviews were conducted face-to-face over a period of two months by the author in order to create a consistent interview situation. A standard list of questions about the motivations for purchasing luxury products was used to probe consumers' motivations about their purchases of luxury products. Each interview lasted for around one hour on average, and all interviews were recorded and transcribed. Interviews were conducted in Mandarin, transcribed into Chinese, and then translated into English. The Chinese transcripts were verified by the interviewer, and English transcripts checked for consistency with the Chinese script. Following the recommendations of Griffin and Hauser (1993), the interview transcripts were examined by multiple team members, in order to ensure that issues raised by different interviewees were most likely to be identified. Data were analysed following the steps recommended by Goulding (2005), including extraction of significant statements, clustering of meaningful themes, and integration into a rich description of the phenomenon under study.

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## 2.5 Results

Interviewees' frequency of purchase of luxury products ranged from twice a year (Interviewees A and I) to once to twice a month (Interviewee B). The estimated percentage of their income which they spend on luxury products ranged from 10-15% of the interviewee's salary income to a high of more than 100% of salary income (for two interviewees with significant investment income). This section discusses the results relevant to the propositions of Wong and Ahuvia (1998), and the discussion section then contrasts the results relevant to the propositions with prior research examining the behaviour of western buyers, and summarizes the key findings.

### *2.5.1 Proposition 1: Chinese consumers will place a lower importance on hedonic experience*

Previous research investigating the motivations of western consumers emphasizes the hedonic importance of purchases, such as perceptions of quality, fashion and store atmosphere (e.g. Dubois & Duquesne 1993; Husic & Cicic 2009). However a surprising feature of the interviews was the number of comments which implied that the most important attribute of a luxury product was its social acceptability, rather than any hedonic features: for example B reported that her first luxury brand purchase was of an item which she didn't even like, but which she bought because her friends had one:

*The first time I bought (a luxury brand product), I didn't like its color. I thought the color was old-fashioned, just like what my mom would buy. However, all my friends had one of them. I bought it, but I actually didn't like it. (B, female)*

Similarly, G reported buying a brand that was not his first choice, because he thought that his preferred brand was bought by too many people:

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*...I wanted to buy LV (Louis Vuitton)...But...I decided LV is too common....Too many people use it...So I chose Mont Blanc. I liked its color and its price was a bit cheaper than LV. But actually I didn't care about the difference of 1,000RMB (about \$US150) or 2,000RMB...What I cared about was that too many people in China were using LV. So I chose Mont Blanc. (G, male)*

Other interviewees reported that the opinions of friends determined their choice of brand when they were younger:

*When I was young, I knew nothing about those brand names. I just blindly followed my peers. They bought those products, so I bought them too. (B, female)*

Further indirect evidence of the relative low importance of hedonic features was provided by interviewees' focus on price as an indicator of the attractiveness of a brand. For some consumers, having an acceptably high price is apparently an important feature of a desirable brand, or even the most important feature. For example when asked, 'If price was not a concern, what (luxury product) would you want to get?' L replied, 'A Birkin' (a Hermès bag). When asked, 'Why?' L's reply was simply, 'It's expensive.' When pressed, 'It's expensive and what else?' She replied:

*It's symbolic...When others see that you're carrying a bag costing more than 100,000 RMB (around \$US15,000), this represents your status - that you're rich or you have sophisticated taste so you're capable of ordering a Birkin bag. (L, female)*

The interviews revealed remarkably limited discussion of any hedonic features of luxury products. While a number of interviewees indicated (unsurprisingly) that a luxury purchase must suit their needs, there was far more discussion of the social acceptability of different brands, with perhaps the strongest support for hedonic features coming from G and J, who merely stated:

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*It must meet my aesthetic requirements and needs, that's the most important. (G, male)*

*As long as I found that [the product] looked good, I bought one or two. (J, female)*

In contrast with any evaluation of hedonic features, subjects appeared to assume that a high price necessarily implied higher quality, and so a more expensive product, though sometimes outside the budgetary constraints of the interviewee, was necessarily of higher quality, and therefore more attractive:

*It's always the more expensive the better. (C, female)*

### *2.5.2 Proposition 2: Chinese consumers will place more emphasis on publicly visible possessions*

Considerable evidence supports Proposition 2. One subject was explicit about the importance of wearing luxury brands for publicly visible items:

*For suits and coats and any outside layers, I wear big brand names. (D, male)*

Other interviewees discussed the importance of luxury items as a potential cause of admiration from friends. For example, H reported:

*I think carrying something with a brand name is a sort of vanity. When you carry it to meet friends, they might say, 'Wow, your bag isn't bad!' They might ask what the brand name is. If you then say there's no brand, they may still say, 'Oh, it's not bad.' But since they are all in a group who like brand name products, they won't ask, 'Where did you buy it? I want one as well'. They will hardly ever ask then. (H, female)*

Several subjects noted that when they were younger, the value signaled by publicly visible items was related to the presence of an obvious and prestigious logo:

*When I was young, I just wished the whole world would notice what*

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*brand name handbag I was carrying; it was out of vanity. (B, female)*

*When I first learned about luxury fashion brands, I preferred the more recognizable and simple styles since they would be better value for money. I spent RMB4000 to 5000 (approx. \$US590 to \$730) and bought a branded and long lasting handbag. A big and prominent logo was important. I had saved a few months of salary in order to make this purchase, and so I wanted to tell everyone that I could afford a premium branded handbag. (E, female)*

One reported the surprise of her friends after she bought an expensive bag with a discreet brand logo:

*I bought this bag at a 70% discount, and I felt very happy, although it was very expensive. I got it at a 70% discount, but at the time others said: '(F), this bag is so expensive and there isn't any logo?' (F, female)*

### *2.5.3 Proposition 3: Chinese consumers will place more emphasis on the public meanings of their possessions*

Proposition 3 suggests that Chinese consumers place more importance on publicly visible items, but does not suggest a reason for any greater importance of physical possessions for Chinese consumers. Several interviewees discussed the importance of luxury products as a symbol of wealth and/or status, consistent with Veblen's discussion of conspicuous consumption in order to signal wealth, power and status (Veblen 1899):

*If you want others to think that you're rich, you need these brand names. (E, male)*

*Your possessions show your social status, position and wealth. People assess your social status by those luxury goods. You can't stick a US dollar note or RMB (Chinese currency) on your forehead to demonstrate your wealth. (M, female)*

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However another discussed how wearing luxury items gave him confidence, and also respect from others. When asked why he buys luxury products, he said:

*I need to see lots of clients, and I think if I wear luxury branded products, it shows that I am taking my career seriously, and I think it will be easier for me to get respect from my clients. (A, male)*

Another seemed to view a luxury brand as providing social endorsement, by adopting a product which is used by many other people:

*When I saw other people using an LV wallet, I bought one as well. For a wallet, LV is a good enough brand. There are lots of people using LV wallets. It should be a well-received brand. (D, male)*

Though several interviewees stated that they themselves did not believe that a more expensive product was invariably more attractive, that view was commonly attributed to other people:

*I have a friend who worked in Louis Vuitton in Shanghai. She told me that some very rich people spent over 3 million RMB per year at the shop (approx. \$US440,000). They only pick heavily logoed products. These people apparently have limited education. They buy Louis Vuitton because they have seen their friends wear this brand, and it is total conspicuousness. (B, female)*

#### *2.5.4 Proposition 4: Chinese consumers will more often use products to symbolically claim a desirable vertical location within the socioeconomic hierarchy*

The interviews revealed substantial data supporting P4. As discussed under P3, luxury brands appear to be used to suggest that the wearer is successful, and several subjects reported having bought luxury brands with large, highly visible logos when they were younger. However several subjects reported now preferring products with a



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discreet logo, rather than highly visible and identifiable logos such as Louis Vuitton and Gucci. This behaviour thus represents *inconspicuous* consumption, with interviewees expressing preferences for expensive branded items which would not be recognized by many people, but which would be recognized by the subject's peer group, and/or by other people of a similar or higher social class:

*I didn't want others to know about it, and I didn't announce to everyone that I was carrying a Mont Blanc bag. People who know about this brand name are able to tell. The professor who was teaching me was able to tell. He knew that it was a very good bag and a very good wallet. He could notice that and I felt OK. I didn't need the whole class knowing about it.*  
(G, male)

*I've discussed this with my classmates, and we think that if we buy products without a (very obvious) logo, the purpose is to see who can tell what brand it is...I enjoy the feeling of others not knowing exactly what the brand name of what I own is, while still recognizing it as a brand name...Ordinary people cannot tell, it's only those that are up to that particular standard who can tell...only people of a similar social status can understand.* (E, female)

For these interviewees, carrying or wearing luxury fashion products is apparently not for showing off their wealth to the mass public, as discussed in Proposition 2 and Proposition 3. Instead, these interviewees attempt to demonstrate their accumulated economic and cultural capital (Bourdieu & Richardson 1986) by using their inconspicuous consumption of luxury fashion products to affiliate with people who they believe have similar or higher levels of economic and cultural capital.

*This group of people tend to use "small logo" products and the designer brand names. In fact, this group of people is more educated, middle*

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*class....but not nouveau rich. (G, male)*

*My friend carries Bottega Veneta bags [a small logo brand] because she thinks she and the people carrying Bottega Veneta are the same: they all have favourable financial backgrounds. (H, female)*

One of the strongest themes from the findings, however, is the use of luxury products to show differentiation from an undesirable social group:

*If we have similar family and education background, I don't care if we carry the same bag, but I do mind if a woman who has the same bag is from a lower social class. (H, female)*

*People in different social classes use different brands; I do not consider buying anything from a brand which belongs to the lower social classes. (K, male)*

*I don't want anything which is easily affordable. It's very important that I don't carry the same bag as a girl who takes the bus. (B, female)*

In particular, Louis Vuitton was repeatedly signaled out as a brand which some subjects considered undesirable:

*Anyone can buy an LV; its prestige is diluted. We joke that people carrying LV are crammed in a public bus. It has lost its uniqueness....I hope some brand names can be kept at a high price because if they are too cheap, anyone can afford it. It's meaningless. (B, female)*

*Louis Vuitton is not for the people in my social class. Too many people are using this brand and they are not in my social class. They are not educated and they buy this brand because they think it is an expensive brand. I don't want this brand and most importantly, I don't want other people to think that I am one of those people. (K, male)*

*In the past, I felt that if you carried an LV bag, you must have a certain level of financial power, and you must have a good understanding of this brand name and a solid knowledge about it, just like its ads. But now in China, it's not the case. You go to an LV shop and it's packed with a lot of*

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*people. I know a young man whose family is not well off, but he saved up for a few months and bought an LV bag, a monogram design or an LV wallet. When I look at this brand name, I'm not really interested in it anymore. Based on my usual understanding of this brand name, its customer group shouldn't be like this. (H, female)*

Aversion to a product adopted by the lower classes or by the 'general mass' of people has been called the 'snob effect' (Mason 1981; Vigneron & Johnson 1999), but neither prior study describing the snob effect provides any empirical evidence of such an effect. Both prior discussions of the snob effect assume that it can occur when a product is adopted by a lower social class. However there is evidence in these results that particular brands may be rejected by consumers because they are seen as being popular with a group of consumers who are wealthy, but who are seen as lacking taste: for example, B reported that 'My best friends, whom I hang around with all the time, do not like LV and Gucci.' She spoke disparagingly of people from Zhejiang (a Chinese province which has experienced rapid and recent economic growth) 'who are very rich':

*They love to make others aware that that they are wearing LV so they wear LV from head to toe. They think it looks good. The most important thing is that people know that they are wearing LV. (B, female)*

Another reported that he would tell his female friends:

*Don't buy an LV monogram Speedy (a popular style of Louis Vuitton bag). I think you'd be better to buy a Longchamp wool fabric bag. (G, male)*

G spoke negatively about rich consumers who buy products with highly visible logos because:

*China has suddenly become rich...They have the mentality of showing off their wealth.*

In particular, he was critical of the newly rich, who he believed did not

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appreciate the luxury brands which they purchased:

*I met a very rich man... He is loaded, but apparently is not well educated. This type of person only buys the most expensive stuff, but does not even have the knowledge to buy the best products. This sort of person buys luxury brands because they just want to show their wealth. (G, male)*

#### 2.5.5 Proposition 5: When conflicts arise between expressing one's personal preferences and being socially appropriate, Southeast Asians will place a greater emphasis on social propriety

The interviews did not reveal any direct evidence of conflict between expressing preferences and social propriety, but there was certainly evidence of luxury goods purchasing being strongly driven by conformity with the perceived preferences of the peer group, rather than by personal preference:

*If I like this handbag but it is cheap, I will not buy it. I would feel embarrassed if any of my friends ask me where I got it and it is not from a luxury brand. (H, female)*

*If someone recommends a particular brand, I'll get it. Actually, the simplest way is that if your friend has bought a watch which is quite good, to just get one as well. (D, male)*

*If I use the brand names that my friends have no idea about, I have to explain it to them. In that case, it's better to use what they are using. (C, female)*

## 2.6 Discussion

The results suggest that while Chinese luxury goods consumers show some similarities with the motivations of western consumers discussed in the literature, they appear to be more strongly motivated by social effects. Consistent with the previously untested prediction of Wong and Ahuvia (1998) in Proposition 1, the results show little evidence that Chinese consumers are strongly motivated by the so-called

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‘hedonic effect’ – that is, buying luxury products because of the intrinsic attributes of those products. Instead, the interviewees appear to place strong emphasis on publicly visible possessions (Proposition 2), apparently largely due to the public meanings associated with those possessions (Proposition 3). Many of these interviewees appear to see the purchase of luxury goods as a way of gaining respect from others, and of claiming a place on the social hierarchy, consistent with Proposition 4.

The importance of luxury products for claiming a desirable place on the social hierarchy has been well established, consistent with Veblen’s work on conspicuous consumption, and the dominance of that theme in the literature on prestige products (Vigneron & Johnson 1999). However these results suggest that the role of luxury products in locating a Chinese consumer in the social hierarchy is more complicated than the conspicuous consumption discussed by Veblen and by much of the subsequent literature. The results certainly provide evidence that some Chinese consumers buy luxury products to display their wealth and status: ‘If you want others to think that you’re rich, you need these brand names’. However these results suggest that luxury products may establish a place in the social hierarchy in three different ways: firstly, some consumers, consistent with a Veblen effect, will buy luxury brands to show their wealth, as discussed above. However a second and stronger reason for most interviewees to buy luxury products is to show affiliation with their social group, and thus to co-locate on the social hierarchy by the purchase of luxury brands: ‘Actually, the simplest way is that if your friend has bought a watch which is quite good, to just get one as well.’ These results are consistent with those reported by Lu (2008), and consistent with more general discussion about the influences on Chinese consumers, but have not been previously noted in the academic literature as a

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particular influence on the choices of Chinese luxury buyers. In particular, the results suggest that the so-called ‘rarity principle’ discussed by Dubois and Paternault (1995) - the idea that luxury products are attractive to US consumers because they are seen as rare products - has little influence on the purchase behaviour of luxury Chinese buyers. In direct contrast with the ‘rarity principle’, several interviewees stated that buying products which were identical to products purchased by their friends was an efficient way to choose a luxury product. This preference for conformity with the behaviour of others is consistent with what has been called an ‘overarching theme in Japanese socialization’ of maintaining harmony and ‘goodness of fit’ with others, in contrast with the individualism favoured in American society (Weisz, Rothbaum, & Blackburn 1984). The apparent lack of importance of rarity for luxury products is also consistent with the results from Singaporean consumers (Phau & Prendergast 2000), but has not been previously examined with Chinese consumers.

A third mechanism by which luxury brands serve to place the buyer on the social hierarchy is by the avoidance of certain brands which are seen to be *too* popular. A luxury brand can thus become unattractive because people from the lower social class are seen as using the brand. ‘It is very important that I don’t carry the same bag as the girl who takes the bus.’ This view of a luxury brand as unattractive due to its popularity with the social mass is consistent with Veblen’s ‘trickle-down’ theory, that is, that a brand becomes unattractive when it is available to the lower social classes. However the results also show evidence that some luxury brands, particularly Louis Vuitton, but for some consumers any brand with a prominent logo, is unattractive because those brands have become popular with a group classified as the ‘new rich’ of China - a group which, while rich, is seen as lacking in taste and/or status: ‘He is

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loaded, but apparently is not well educated.’ For some consumers this results in a preference for subtly branded products, or *inconspicuous* consumption – choosing expensive brands which would not be recognized by most people, but which will be recognized by their peers, such as Hermès and Bottega Veneta, rather than the more widely selling and more visible brands such as Louis Vuitton and Gucci. This preference for less conspicuous brands by some consumers is consistent with the findings of Han et al (2010), who identified a group of American consumers who are prepared to pay more for brands with more subtle logos, even though the increased cost of those brands is not obvious to most other consumers.

The rejection of some luxury brands because they are being bought by an undesirable social group is an example of what Leibenstein (1950) called a ‘social taboo’ - when some people will not buy certain things because other people are not buying those things. Though Veblen discusses this effect at the fashion level, when the upper class rejects fashions that have trickled down to those seen as lower classes, these results are the first to show a social taboo at the brand level, or to show a social taboo resulting from people higher on the economic pyramid (the ‘new rich’) adopting a brand. So these results suggest that the choice of a brand is driven by different factors: for some, brand choice may be driven by a Veblen effect, however for most of these subjects, choice of a luxury brand seems instead to be driven by the perceived attractiveness of a brand for a relevant peer group, and by their desire for affiliation with that peer group. This is akin to a ‘bandwagon effect’ (Leibenstein 1950; Vigneron & Johnson 1999), with brand preference being driven by the preferences of the peer group, particularly for publicly consumed necessities, consistent with the work of Bearden and Etzel (1982). While the importance of a peer group is therefore

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consistent with findings from research with Western consumers, increased importance of the peer group in the choice of Chinese consumers is consistent with greater drive for conformity among Asian cultures (Weisz et al. 1984), and the associated increased importance of friends' evaluations for choice (e.g. Li et al. 2012; Tse 1996). Choice of a luxury brand also appears to be driven by differentiation from other groups, though not only from the lower social classes, as proposed by Veblen, but due to adoption by any undesirable reference group. At its most extreme, this differentiation may result in a social taboo effect, where the brand is rejected due to its adoption by one or more of these groups.

Proposition 5 suggests that Asian consumers will place more emphasis than Western consumers on being socially appropriate when conflicts arise between expressing one's personal preferences and being socially appropriate. The interviews did not reveal any evidence of conflict between personal preferences and being socially appropriate, but did suggest that most interviewees would have a strong preference for products which are acceptable to, or endorsed by friends, consistent with affiliation with the peer group, as discussed above. This suggests that unlike the US consumers discussed by Dubois and Paternault (1995) and consistent with evidence on Asian consumer (Phau & Prendergast 2000), Chinese consumers will be less likely to prefer luxury products which are seen as rare.

## **2.7 Conclusions and implications**

The study thus has two key results: firstly, for the Chinese repeat consumers of luxury interviewed in this study, purchases luxury appear to be largely driven by a desire for affiliation with a peer group, and also by a desire for differentiation from a less desirable social group, (including differentiation from a group who are seen as



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very wealthy, but lacking status - the new rich). The importance of differentiation from lower social classes reflects classic work on consumption of luxury goods, but previous research appears to have under-estimated the role of luxury goods as a mechanism for affiliation with the peer group. For example one study comparing ten psychological associations driving purchase of luxury products does not consider any motivation due to a desire for affiliation with the peer group (Shukla 2008). These results echo recent work with American consumers (Han et al. 2010), which suggested that while consumers may be simultaneously driven by a wish to associate with peer groups and dissociate from other groups, the relative strength of these drives will differ between groups, resulting in some consumers preferring conspicuous or 'loud' brands, and others preferring subtle or 'quiet' brands.

When Veblen first wrote about conspicuous consumption, the purchase of luxury goods was rare and unusual, and ownership of such goods may typically have been driven by status seeking behaviour, because few people owned luxury goods, and thus ownership of luxury goods was a highly visible marker of status. With increasing ownership of luxury goods, the primary purpose of such purchases is likely to have changed, as ownership becomes the norm within certain groups. As a result, for many Chinese consumers, possession of these goods now appears to be primarily driven by the desire to conform with a referent peer group. This affiliation effect is likely to be particularly important in Asian countries such as China, where Confucian values encourage strong group orientation (Yau 1988). Previous literature, largely based on research with western consumers, has emphasized the importance of hedonic features in choice of luxury brands. However hedonic features seem relatively unimportant in the choice of a luxury brands by these wealthy Chinese subjects,

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perhaps because they assume that any luxury brand will be high quality. Similarly for this group of consumers, there was no evidence that rarity was a desirable feature of luxury products, in contrast with previous findings with western consumers (Dubois & Paternault 1995). Instead, for this group of consumers, the choice of brand is largely determined by which brand is considered acceptable to their referent social group. Further research investigating the relative importance of affiliation and differentiation in different social and national groups, and their effect on brand choice, would be valuable.

The second key result from the study is the evidence of a brand becoming the subject of a social taboo due to its high levels of adoption by an undesirable referent group. While this result is consistent with previous work into consumer choice of products (Bearden & Etzel 1982; White & Dahl 2006), a social taboo has not previously been reported in the literature at the brand level. The results thus extend the work of Han et al (2010) who show that for American consumers of luxury brands, a drive for affiliation with a particular social group leads to varying preferences for either 'loud' or 'subtle' brand prominence. While our results are consistent with theirs, these results go further, suggesting that 'loud' branding and acceptance by an undesirable social group can result in a brand becoming undesirable for wealthy buyers.

The results have separate implications for practice and for research. For the managers of luxury brands, the possibility of a social taboo at the brand level should be of concern, and suggests that the success of a luxury brand can threaten the brand's value, since increased market share can threaten the attractiveness of the brand for other consumers. Choosing the appropriate market strategy under these circumstances

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is not easy, since higher sales are almost invariably attractive to brand managers. However knowing that higher sales may increase the likelihood of a social taboo allows the manager to evaluate and compare competing strategies, such as maintaining brand exclusivity and profitability by charging very high prices, or maximizing profitability by building sales, even with the risk of decreasing the brand's value long-term. Alternatively, the brand manager might follow a dual strategy, by building market share with one highly visible, strongly branded product line, while maintaining exclusivity and prestige for an elite, discreet line, possibly marked by high prices and limited availability - for example Gucci's Bottega Veneta line, which is characterized by high prices, an absence of obvious logos, and limited production (Cardenas 2008).

Previous researchers have called for a review of the concept of conspicuous consumption, particularly in transitional Asian economies (Chaudhuri & Majumdar 2006). These results would support that call, but also suggest that researchers need to move beyond an emphasis on luxury purchases as driven by conspicuous consumption. While conspicuous consumption, or the Veblen or 'snob' effect, may be a dominant motive for early adopters of luxury brands in undeveloped markets, where early adopters can distinguish themselves by the usage of such brands, different factors are likely to become more important as penetration increases within a particular social group, as shown in this sample. Under these circumstances, the purchase of luxury goods by Asian consumers seems to be primarily driven by the desire for affiliation with the referent group, that is, by the bandwagon effect. As discussed by Marion and Nairn (2011, p. 29), consumers use clothing and accessories to 'assert who they are and who they are not'. These results suggest that as penetration

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of luxury brands increases, for some wealthy Chinese consumers, the use of subtly branded products becomes a means of expressing affiliation with a referent group, and a decision is made to *not* purchase some products in order to differentiate from an undesirable social group. So as penetration of luxury goods increases within a particular segment of society, select groups of consumers may choose not to purchase the most popular brands, thus imposing a social taboo on those brands. Thus at early stages of market penetration, choice may be driven by conspicuous consumption or the snob effect, at a later stage by a drive for affiliation or by the bandwagon effect, and later, as more people buy luxury brands, the choice not to purchase certain brands may be driven more by a drive for differentiation. All three effects may thus operate simultaneously with different consumers, but different effects are likely to predominate at different stages of brand penetration.

## **2.8 Limitations**

While the research extends the very limited body of research investigating the motivations of Chinese consumers of luxury products, the results must be interpreted in the light of some limitations. The findings are based on a small sample of heavy buyers of luxury products, and examine only the motivation of Chinese buyers in China (albeit the second largest market for luxury buyers). We do not claim that this sample is representative of wealthy Chinese buyers of luxury products, but small samples can suggest ideas and draw some conclusions (Bock & Sergeant 2002) and contribute to theory development (Goulding 2005). Our results suggest that for wealthy Chinese repeat buyers of luxury goods, affiliation is a more important driver of luxury goods brands than has previously been reported in the literature, that hedonic features and rarity are relatively unimportant in the choice of luxury brands,

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and that the perceived preferences of the referent group may result in a brand being subject to a social taboo. The motivations for purchase of luxury products may be different for less frequent buyers, or for luxury buyers in other countries. However further research would benefit by attempting to replicate these results with luxury buyers in other countries, particularly in what is currently the largest market for luxury goods, Japan, a country which shares many cultural characteristics with China, and which might therefore share similar motivations for the purchase of luxury products.

## 2.9 Appendix to Chapter 2: Characteristics of the respondents

Interviewee	Gender	Position	Estimated age	Shopping Frequency	Experience in buying luxury brand
A	Male	Senior Management	Mid 30s	Twice a year	More than 10 years
B	Female	Self-employed	Mid 30s	1 - 2 times a month	17 - 18 years
C	Female	Junior Management	Early 30s	2 - 3 times a year	More than 10 years
D	Male	Junior Management	Early 30s	2 - 3 times a year	More than 10 years
E	Female	Junior Management	Early 30s	3 - 4 times a year	More than 8 years
F	Female	Senior Management	Early 30s	5 - 6 times a year	More than 13 years
G	Male	Junior Management	Early 30s	7 - 8 times over the past 2 years	More than 8 years
H	Female	Housewife	Late 20s	Several times a season	More than 6 years
I	Female	Senior Management	Mid 30s	Less than once a year	More than 3 years
J	Female	Senior Management	Early 30s	At least twice a year	More than 10 years
K	Male	Junior Management	Early 30s	At least twice a year	More than 7 years
L	Female	Junior Management	Early 30s	At least twice a year	More than 4 years
M	Female	Junior Management	Mid 30s	Several times a season	More than 3 years

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## 3 CHAPTER 3: Live Here, Buy Overseas?

### Chinese Luxury Fashion Buyers

#### 3.1 Overview of study

Building on the first study (presents in Chapter 2), this study focuses on exploring how Chinese luxury fashion buyers make their purchase decisions, when a large proportion of the purchases were made overseas by friends and/or family. The study extends the previous study by collecting additional data from 19 experienced luxury fashion consumers (for a total of 32 in-depth interviews). The data were analysed with thematic analysis.

The study finds that buying luxury fashion products outside China is seen as the normative way to buy, and seen by many as an inevitable component of travel outside China. In some cases, shopping became a major reason to travel: some participants reported that they would sometimes travel outside China in order to capitalise on the lower prices for luxury goods outside China. In addition, the findings suggest that participants rarely bought luxury fashion product in China, nor browsed in stores in China. Some never buy luxury fashion products themselves, but instead ‘commission’ their friends or family to buy for them outside China, in a role akin to an amateur buying agent. This frequent use of another for purchases raises questions about the role of luxury fashion stores in China, which for many consumers apparently promote the brand, but are unimportant for distribution. Furthermore, the brand choice in those commissioned purchases appeared to be pre-determined well before purchase, with participants preferring brands that they knew already - and, more importantly, brands that were considered to be attractive to the buyer’s friends. A product was then chosen from that brand’s range, rather than selecting from potential choices across brands.

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The study has two key contributions in extending the existing literature, first by revealing the pre-eminent role of an amateur buying agent in this market, and secondly, by identifying that luxury fashion stores in China may be more important for promotion than distribution.

As the first author on this paper, I worked with my supervisor to develop the research idea, which was identified when we were analysing the findings from the first study. Then, I designed the questionnaire, conducted the interviews and analyzed the findings. In addition, I wrote the first draft of the paper, edited and proof-read the paper after integrating the guidance from my supervisors.

The study was presented at the Australian and New Zealand Marketing Academy Conference (ANZMAC in Sydney in 2015) and published in the proceedings of that conference. This chapter is an extended version of that publication.



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## 3.2 Abstract

This study investigates Chinese luxury fashion buyers, the world's largest spenders on luxury, and how they make their purchase decisions, using 32 in-depth interviews with experienced buyers. Interviewees rarely bought luxury fashion goods in China, nor browsed in stores in China. Many never buy luxury fashion products themselves, but instead 'commission' their friends or family to buy for them outside China, in a role akin to an amateur buying agent. For both buyers and those commissioning purchases, there was no evidence that the in-store experience or interaction with brand staff was important for driving brand identity for these consumers. Instead, choice of a commissioned purchase was usually made based on loosely specified instructions to the buyer, sometimes supported by texted pictures at the point of purchase. This frequent use of another to buy a luxury product raises questions about the role of luxury fashion stores in China, which for many consumers apparently promote the brand, but are unimportant for distribution. The results have important implications for brand managers, who need to ensure that the brand identity, which is typically reinforced by a luxury store environment, is still as salient for the group of purchasers who never enter the brand's store.

**Keywords:** Luxury fashion, China, commissioned purchase, brand management, brand identity

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### 3.3 Introduction

Chinese shoppers are the largest spenders on luxury consumer goods in the world (Economist 2014), and fashion products, such as leather goods, clothing and accessories, account for around 40% of their luxury spending (Bain & Company 2012). The major luxury brands (e.g. Louis Vuitton, Gucci, Chanel, and Hermès) generally sell at least some of their range online sales in some of their markets, but at the time of writing, Chanel, Hermès, and, Louis Vuitton do not appear to offer any online sales to consumers in Mainland China, possibly to avoid cheapening their brands, and/or due to concerns about potential fraud. As a result, luxury fashion purchases by Chinese consumers generally need to be made in-store. The store ambience is, however, a critical component of the brand identity of luxury brands, with stores characterized by ‘sleekly elegant architecture, interior design, and adroit use of lighting...modelled after those of museums housing world-class exhibits’ (Joy, Wang, Chan, Sherry, & Cui 2014, p. 347). In recognition of the size of the Chinese luxury market, and consistent with the importance of brand components such as the decoration of a store in brand co-creation (Iglesias, Ind, & Alfaro 2013), the luxury fashion houses have invested large sums in glamorous flagship stores and on increasing the number of their outlets in China (Maosuit 2012). However there is some evidence that Chinese consumers prefer to buy luxury fashion products outside China, with Chinese luxury buyers estimated to make more than 60% of their luxury purchases overseas (Economist 2014).

Purchases by Chinese shoppers outside China also appear to be more resilient than sales in China: purchases of luxury goods by Chinese increased 64% in 2015, while sales in China fell (D'Arpizio et al. 2015), following similar increases in sales outside China, and slowing growth in China (Bain & Company 2012). This apparent

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preference by Chinese consumers for buying luxury goods outside China is likely to be at least partially due to the discrepancy in prices between China and other countries caused by import duties (10% to 25%), value added tax (17%) and consumption tax (up to 30%) (Albatross 2013). Yet the contrasting trends of slowing growth of sales inside China, despite increasing investment by luxury fashion houses in China, raise a question as to whether the components of brand value for Chinese luxury buyers are the same as the western buyers who have been the focus of the majority of research into luxury buying (e.g. Dubois & Duquesne 1993; Erdem & Swait 1998; Han et al. 2010). Brand value is said to largely depend on the interactions between a firm and its customers (Merz, He, & Vargo 2009), and also on the interactions between an individual customer and other stakeholders (Iglesias et al. 2013). But if a large majority of Chinese buyers do not purchase luxury products in their homeland – instead buying in a store environment where at best, only a few staff are likely to speak their language – what factors and/or stakeholders drive the co-creation of brand identity for these consumers? This paper explores that question, through in-depth interviews with a sample of hard to reach consumers – Chinese luxury goods buyers - with a particular emphasis on repeat buyers, who are most likely to represent the heavy buyers who provide the bulk of organizational revenue (Dowling & Uncles 1997). The paper reports on what are revealed to be very different buying patterns by Chinese consumers, compares to Western consumers, and discusses the implications for brand management.

### **3.4 Background and previous research**

There has been substantial previous research into luxury fashion buying, but most has examined luxury fashion buying in developed markets (Husic & Cicic 2009; Leibenstein 1950; Phau & Prendergast 2000; Vigneron & Johnson 1999; Wiedmann et

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al. 2009). However, some authors have suggested that Chinese luxury fashion buyers have different values and attitudes towards luxury brand consumption (e.g. Wong & Ahuvia 1998). Chinese consumers, like other consumers from collectivist cultures, are said to be more conscious of their dressing and appearance to indicate their financial success (Sun et al. 2004). They also tend to focus more on symbolic factors than on aesthetic factors (Chen et al. 2005) and are less concerned with rarity of luxury products than Western consumers (Phau & Prendergast 2000). The branding literature has long accepted that brand experiences are co-created between consumers and marketers through a series of ‘encounters’ with the brand (e.g. Hatch & Schultz 2010; Payne, Storbacka, Frow, & Knox 2009). But the evidence discussed above suggests that Chinese consumers have different values and attitudes concerning luxury consumption (Wong & Ahuvia 1998), are more conscious of their dressing and appearance (Sun et al. 2004), focus more on symbolic factors (Chen et al. 2005), and are more likely to buy outside China than in their homeland (Economist 2014). Brand meaning and value are said to emerge from stakeholder engagement with a company (Hatch & Schultz 2010). However if the way in which a Chinese buyer construes value from a luxury product, and the way in which the consumer buys the product is different from a Western consumer, then luxury brand managers – and potentially the managers of other brands targeted at Chinese consumers – may need to develop more innovative brand strategies to match the expectations of those customers.

Despite these possible differences between Chinese and Western buyers, there has been only limited research into the motivations of Chinese luxury fashion buyers, partly because less than 2% of Chinese consumers have been said to buy luxury fashion products (Chan 2011). As a result, samples of actual buyers are difficult to obtain, and representative samples are inaccessible to researchers. In addition,

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in-depth interviews with Chinese buyers of luxury products are impossible for a researcher who does not speak Mandarin, unless the buyer also speaks English well, which risks biasing any sample to include only those who are sufficiently acculturated to the West to speak good English. Some of the existing research into luxury purchases by Chinese buyers has been with student samples (e.g. Bian & Forsythe 2012). However very few students are likely to buy luxury fashion products, although student samples can provide valuable information about the aspirations of potential buyers. Other research has used surveys exploring general motivators for luxury fashion purchases, (e.g. Zhang & Kim 2013), but such research does not provide in-depth information into why and how consumers choose a particular brand and product. Other research has used in-depth interviews with Chinese residing outside China (e.g. Mo & Roux 2009), but such participants may have been influenced by the culture where they reside, and may therefore not reflect the motivations of mainland Chinese consumers. Such samples are therefore less valuable in providing insight into the complex motivations that drive residents of China to choose a specific product at a particular time, in a particular location. This study therefore uses in-depth interviews with people who live in China and who have bought luxury fashion products to explore how and why they choose those products, in order to understand what drives the co-creation of brand identity for those consumers.

### **3.5 Methodology**

Since fewer than 2% of China's population has been estimated to buy luxury products (Chan 2011), obtaining a representative sample of Chinese buyers of luxury products was judged to be unrealistic. In addition, a qualitative approach was judged to be more appropriate in order to obtain insights from respondents' own interpretations of their experiences (e.g. Cassell & Symon 2004; Jafari & Goulding

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2012). As a result, thirty two interviews were conducted with individuals who had bought one or more luxury fashion products. The research was conducted in Shanghai, China's most populous and largest commercial and industrial city (World Population Review 2014). Urban residents in Shanghai have relatively high disposable income compared to the rest of China (Shanghai Daily 2013) and the city has the largest variety of luxury fashion brands among all Chinese cities (Red Luxury 2010).

Snowball sampling was used to identify people who had bought luxury fashion products. Contacts of the first author living in Shanghai and who had bought luxury products were approached for interview, and then asked to identify friends or acquaintances who might be suitable for interview. The sample size was determined by data saturation (Guest et al. 2006) and the data were saturated when the sample size reached 29. Nevertheless, three additional interviews were conducted to increase confidence in data saturation. Details of the 32 respondents are set out in the Appendix to this chapter (see pages 93-94). All interviews were conducted in Mandarin by the author (a fluent Mandarin speaker). Interviews were recorded, transcribed, and then translated into English. The data were analysed using thematic analysis, coding the material, and comparing similarities and differences between the informants to identify explanatory concepts and themes (Attride-Stirling 2001). Representative quotations from participants are reported below using a numerical code to preserve interviewee confidentiality.

### **3.6 Results**

Participants varied in how often they bought luxury fashion products. Five had only purchased luxury fashion products once, but the rest were repeat buyers, with the frequency of purchase ranging from less than once a year to every month. For most consumers, buying in one's own country might be expected to be the norm, but for

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these consumers, buying luxury goods in China was relatively unusual. Instead, buying luxury goods outside China was seen as the normative way to buy. More than two thirds of the participants (23) had bought luxury fashion items outside China, but only six had ever bought in China. Some (seven) had never purchased luxury goods themselves, but had instead requested others to buy for them outside China, in what we called the ‘commissioned purchase’, as discussed in the next section. When asked why they bought luxury goods outside China, participants invariably discussed the savings that they could achieve by buying outside China.

*The tax is too high in China so it's not economical to buy it here....  
There's no need to shop in China. (#11, Male)*

Buying outside China was discussed by many participants as a benefit of travelling overseas – that is, something that they did because they had travelled outside China. In some cases, however, shopping became a major reason to travel: some participants reported that they would sometimes travel outside China in order to capitalize on the lower prices for luxury goods outside China.

*I plan to travel over there [to Hong Kong] so I can buy those luxury fashion products. (#13, Female)*

Beyond the attraction of saving money on luxury purchases outside China, however, a purchase made in another country appeared to offer additional symbolic value for some participants. For example, several participants made statements that suggested that buying luxury fashion products was both a desirable and expected component of a trip outside China.

*I need to buy (a luxury fashion product) because otherwise the trip would be wasted. (#13, Female)*

*The luxury bag was on the expensive side, but since it was difficult to leave China, I thought that I ought to buy something while I was there.  
(#25, Female)*

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### 3.6.1 *Buying outside China: Choose a brand, then choose a product*

A single luxury fashion bag can range in price from around US\$700 to more than US\$10,000, and participants sometimes bought more than one bag on one purchase occasion. Such high value purchases would usually be expected to be preceded by extensive information search and comparison of different options (Atwal & Williams 2009). However, these participants engaged in very limited in-store browsing before buying. In nearly every case, the brand choice appeared to be pre-determined well before purchase, with participants preferring brands that they knew already - and, more importantly, brands that were considered to be attractive to the buyer's friends.

*When I consider buying a luxury brand product....The first factor would be that my friends should know this brand name. (#18, Female)*

For nearly every participant, the desired luxury brand, like participant #18 above, needed to be one that was known and valued by friends. For one participant, the sole requirement for a luxury brand was that the brand was acceptable to his friends:

*When I saw other people using an LV wallet, I bought one as well. For a wallet, LV is a good enough brand. There are lots of people using LV wallets. It should be a well-received brand. (#4, Male)*

Apart from peer approval, participants appeared to judge brands as being high-status if their prices were seen as being sufficiently high, if their promotion (including advertising and online word of mouth) was seen as being consistent with a high-status brand, and if a brand's store was co-located with other popular luxury brands.

*(Luxury brands)... have TV advertisements, magazine advertisements and they have stores in high-class locations and first-tier brands tend to be*



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*gathered in one area. (#26, Female)*

Five participants, unprompted, reported that they value a long brand history. For example, one stated that *'If this brand was very new, then I wouldn't consider it to be very high-class.'* (#16, Male). However, on probing these participants, brand history did not appear to be important, because when asked about their opinion of new, high-profile luxury brands such as Chloe, they admitted to viewing these brands as high-status.

Assuming that a brand was judged to be high status and liked by peers, participants appeared to almost invariably decide on a brand and then choose a product from within that brand, rather than selecting from potential choices across brands. The most desired brand for a participant was almost invariably the brand that was preferred by the participant's friends, with tiers of brands preferred by different groups. While the interviews did not explicitly ask about participants' incomes, those who appeared to be the most well-off frequently aspired to buy a Hermès bag. Another group, apparently not as well-off, talked about wanting well-known but less expensive brands, such as Louis Vuitton, and another group with the lowest incomes talked about wanting the lowest priced brands still considered to be luxury brands, such as Coach. After a preferred brand had been identified, participants appeared to engage in little or no comparison of competing options across brands. Some browsed the website of the preferred brand to identify preferred products, and some participants (five) merely followed what their friends bought. Buyers typically visited an overseas store of the preferred brand, and selected and purchased from the available stock. For example, one participant described how he wanted to buy an item - any item - from his desired brand:

*I know which brand name I am going to buy, so I just go to that store and*

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*choose the design I like. (#4, Male)*

Although previous research has emphasized the importance of in-store service and atmosphere as an important part of the brand, it was notable that respondents reported that service was not important in their choice of a brand;

*If I really like that item and the service is not good, I will go to another store but I will still buy that item (#1, Male)*

*Service is not a crucial factor because my main concern is the product itself. ...If I like it very much, I don't care about the service. (#2, Female)*

The location of the store – specifically, whether it was co-located with other luxury brands – was repeatedly reported to be an element in determining if an unknown brand was in fact a luxury brand. For example several participants suggested that a brand located in Plaza 66 (a distinctive Shanghai building which contains multiple luxury brands) must be a luxury brand:

*I know Hang Lung Centre (Plaza 66) has very strict regulations so not any brand name can open a shop there. (#10, male)*

*If your shop is located in Hang Lung Centre (Plaza 66), your brand must be one of the best. If your brand appears in Chungshun (Citic Square), it may be a second tier one. (#13, Female)*

However for most participants, the key determinant of a brand's attractiveness was the attitude of peers. An attractive store was apparently assumed to be a given, and did not contribute to the shopping experience. For example one interviewee stated that:

*I don't pay particular attention to the interior design ...Generally, when you walk into the store it would be expected for them to have a good atmosphere. (#30, female)*

One respondent reported initially finding the atmosphere and service in a Louis Vuitton store oppressive, resulting in what he called a 'great burden', which he got used to, but still didn't like:

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*...when I initially shopped at a LV store, I felt quite pressured as I did not have as much shopping experience. There were shop assistants better dressed and better-looking than me, yet very ready to serve, who would follow behind me wearing gloves and asking, 'How can I help you?' I was actually just browsing, but when they asked me that I felt huge pressure. It's just shopping; I shouldn't be feeling such a great burden. When I got more used to that atmosphere, it became less stressful. Having said that, I don't particularly enjoy this feeling... (#15, Male)*

### *3.6.2 The commissioned purchase: Ask someone else to buy outside*

#### *China*

As discussed above, seven of the participants had never bought luxury fashion products in person: instead they had asked friends and/or family who were travelling outside China, or who lived outside China, to buy for them. We refer to this form of purchase as a 'commissioned purchase', and to the person who buys the product on behalf of another as the 'purchaser'. The purchaser was usually a close friend or family member, who would pay for the product and be reimbursed by the end-user. The purchaser thus acted as an amateur buying agent, and often had considerable discretion as to the brand, style, and price of the purchase. As with participants buying for themselves, getting someone else to buy outside China was seen as a way to buy luxury products at lower prices. As a result, some participants who had bought luxury products for themselves when travelling had also asked others to buy for them outside China. In total, almost half of the participants (15, or 47%) had asked others to buy luxury fashion products for them outside China. In discussions with participants, it became clear that it was very normal to ask a travelling friend to buy a luxury item, or to offer to buy for friends when planning a trip. For example, one participant (#27, Female) bought eight handbags during a trip to United States, with five commissioned by her friends. Another (#28, Female) said that if she was planning an overseas trip,

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she would tell her close friends so that they could give her any requests for luxury purchases, but would only tell *close* friends because otherwise she would be unable to handle the number of requests.

As discussed above, a luxury bag purchase can easily amount to thousands of US dollars, and if the end-user did not like the product chosen by the purchaser, neither purchaser or end-user would be able to return or exchange the product in China. Thus commissioning such a high value purchase could be seen as very high risk. Whether they were buying for themselves or others, purchasers, almost without exception, only bought items that would be carried (such as bags and wallets) rather than clothing, so obtaining the right size was not an issue, but there would still appear to be considerable risk that the end-user would not like the style and/or brand of bag or wallet chosen by the purchaser. Despite this risk, some participants were happy to allow the purchaser to choose the brand and the item. For example, #20 explained how she would ask a friend to bring back any luxury fashion item:

*If someone tells me he or she is going to America, then I will ask them to bring me back something (i.e. a luxury fashion item) within a particular price range. Just bring me something back! I'm not so concerned about the particular design. (#20, Female)*

Others specified the brand and price range when commissioning a purchase, but allowed the purchaser to choose within those specifications:

*Say for Prada, I'll tell my friend that I don't want leather or anything in black and it shouldn't exceed RMB5,000 [approximately US\$800], but otherwise it's fine. Then they'll go look around and buy something for me. (#21, Female)*

Other participants minimized the risk of a purchaser buying something that they did not like by giving the purchaser one or more pictures of the desired brand and style and a price range. It was also common for the purchaser to text several pictures

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to the end-user, who would select one of the styles pictured. Notably, despite the growth in luxury stores in China, only one participant reported ever having gone into a luxury brand store in China in order to decide what product they wanted a friend to buy overseas.

### *3.6.3 Buying in China: Discount and occasion driven*

Thirty participants had bought outside China or had asked other to buy for them outside China, but only six had bought luxury fashion products in China. Purchases in China were very different from those outside China: they were typically lower value items, often on sale, or when the purchaser needed something for a gift. Given the significant price discrepancy between buying inside and outside China, and the opportunity to buy when travelling or to ask someone else to buy, participants appeared to see no reason to buy luxury fashion products inside China unless there was a particular benefit, such as a sale. Indeed, some participants suggested that it would be odd for somebody to buy luxury fashion products inside China.

#### *Luxury bags as a gift*

Luxury fashion purchases (both inside and outside China) were sometimes made to provide a gift: four participants, unprompted, discussed how giving a luxury fashion product as a gift is a widespread practice in China because the value of the gift is very clear to the recipient.

*'If your budget is 10,000 [RMB], you need to send a gift worth 10,000. It's not good to send him cash. It's not good. You should buy a high priced bag.'* (#7, Female)

*It's sending a gift! You have to let others know that the gift is worth a lot. If the gift is a big brand-name design, my friend will find it more valuable. Big brand-name products will make her feel that you think she is important.'* (#8, Female)

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As a result, participants would sometimes buy luxury fashion items outside China to give as gifts, but if a gift was required and the purchaser did not have the opportunity to buy or commission a purchase overseas, the gift would necessarily be purchased inside China.

### **3.7 Discussion and implications**

The study expands previous research by revealing very different purchase patterns for luxury products by Chinese consumers – the largest single market for such products. Based on the behaviour of our sample, these consumers (mostly repeat buyers), rarely buy in China, and when they buy in China, tend to buy small, lower priced items. They may buy for themselves when they travel – or indeed, may travel in order to buy – or they may ask someone else to buy for them in a ‘commissioned purchase’. As a result, many commission the purchase of an expensive luxury product without entering into a luxury store, since they apparently almost never browse the luxury stores in China to decide what they want. The results have implications for brand management theory, and also for brand management strategies targeted at wealthy Chinese consumers. The following sections discuss each aspect of the results separately.

For brand management, the results emphasise the network of stakeholders outside the company who together co-create the value of the brand for consumers. Branding theory has recognized the evolution of brand management from a dyadic relationship between the firm and internal and external customers, to a network relationship with all stakeholders, including a network of social relationships between customers (Merz et al. 2009). However research into the networks between customers that impact on a brand have often focused on brand communities (e.g. Fournier & Lee 2009; Muniz Jr & O’Guinn 2001; Schau, Muñiz, & Arnould 2009). But a brand

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community is a ‘specialised, non-geographically bound community, based on a structured set of social relations among admirers of a brand’ (Muniz Jr & O’Guinn 2001, p 412). In contrast, the networks that contribute to the brand evaluations of the Chinese consumers interviewed in this study reflect individuals’ networks of social contacts: friends, family and workmates.

In contrast with brand communities, or the ‘brand tribes’ or ‘user communities’ discussed in other research (e.g. Payne et al. 2009), the social networks that influenced the opinions of the participants in this research were delineated by social bonds, rather than by attitudes to a brand. And these social bonds, as discussed in the last study, reflected those who have accumulated similar levels of economic and cultural capital (Bourdieu & Richardson 1986) and who have similar (or higher) social status to the participants. These networks of influence sometimes included those who do not like a chosen brand, or who were ambivalent about it. Together, however, these collective views contributed to each individual’s perception of each brand’s identity. Most importantly, for the very common experience of a commissioned purchase, the network of influence included the purchaser, who enables the purchase, by travelling, and by agreeing to purchase the product, and who often decides the product, the style, and/or the brand.

Notably, in contrast with past literature that has emphasized the importance of staff, especially those in a store, as contributing to the co-creation of brand image for a consumer (e.g. De Chernatony, Cottam, & Segal-Horn 2006; Hatch & Schultz 2009), there was no evidence that interactions with staff played any role in contributing to purchases, in contrast with previous suggestions that the actions of staff can make or break a brand (Roper & Davies 2007). This lack of evidence does not show that staff did not play a role: those who commissioned a purchase, while allowing the purchaser

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to choose the item, are unlikely to be aware of any influence by staff at the time that an item was bought for them. Yet the repeated reports that bad service was, at worst, an irritant that would not prevent a purchase, suggests that for many of these purchasers, the influence of staff was not large. The brand value co-creation process is both dynamic and interactive, involving customers, brand communities and stakeholders (Merz et al. 2009). However the reports of these consumers are contrary to the view that brand value co-creation only takes place in direct interactions between the firm and its customers (e.g. Iglesias et al. 2013). In contrast, these results suggest that co-creation of brand value for many Chinese consumers draws less on the in-store service experience than has previously been suggested in the literature (Joy et al. 2014), and more on personal social networks, and in particular, for commissioned purchases, on the purchaser who actually buys the product.

The study also adds context to the industry figures that show that the majority of Chinese luxury purchases are made outside China (Economist 2014). Based on the findings from this (albeit small) sample, Chinese luxury fashion buyers typically buy outside China, and when they buy in China, tend to buy small, lower priced items. This result is perhaps unsurprising, given the considerable price difference between buying in China and overseas. However the consequences of this preference for buying off-shore are more surprising: the study reveals the frequency of a method of buying that has not previously been discussed in the academic literature – the ‘commissioned purchase’, that is, the use of a friend or family member as an amateur buying agent to buy a high value product outside China. This buying method has some similarities with online shopping, since the end-user does not touch or feel the product before purchase, but is also very different, because the product cannot be returned if the end-user does not like it, thereby adding significant risk to the



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high-cost purchase. This willingness to engage in an apparently risky purchase without touching and feeling the product is particularly interesting, since with only one exception, the end-users of commissioned purchases did not attempt to decrease their risk by browsing the preferred brand's store in China to touch or feel the product before commissioning the purchase.

The study has major implications for researchers and practitioners. For researchers, the results reveal the frequency of a buying method that has not previously been examined – a commissioned purchase, with a friend or family member serving as an amateur buying agent, with significant influence on the buying decision. Buying agents have previously been discussed in the context of a buyer-supplier relationship in a business to business environment (O'Toole & Donaldson 2002). The use of someone else to make a purchase overseas is not new in consumer buying, since many people will have bought something for someone when they have travelled. However buying apparel is said to be a high pleasure and high involvement process (Laurent & Kapferer 1985), and someone who commissions a purchase does not experience any of the in-store buying experience. The frequency of this form of buying by Chinese luxury fashion buyers suggests that this method of buying deserves further research, to understand the importance (if any) of the in-store experience for the end-user, and how the buyer and end-user minimize the risk of purchasing something that the end-user does not like, and cannot return.

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This commissioned buying method, and the frequency of purchases outside China, also have important implications for the distribution of luxury fashion products in China. The dazzling architecture of luxury stores (such as the Singapore Louis



Figure 4: Louis Vuitton store at Singapore Marian Bay (from lvmh.com, 2013)

Vuitton store shown in Figure 4) and the lighting design that enables visitors to experience luxury stores as exclusive, welcoming, and exciting spaces have respectively been referred to as 'luxetecture' and '(de)luxe'

(Joy, Belk, & Bhardwaj 2017; Joy et al. 2014). However, given the relative frequency of purchases outside China, luxury fashion stores in China may be less important for distribution than for promotion, since interviewees rarely browsed or bought in-store, but did judge the location of the brand's store as one of the most important indicators of the status of the brand. It is possible that a primary component of the value of luxury fashion stores in China may be to promote the brand. Under these circumstances, luxury fashion brands may be able to rationalize the number of outlets, while promoting a small number of highly visible, high status outlets, such as Louis Vuitton's store over Singapore's marina (see Figure 4), or Apple's architecturally prominent stores in New York, Shanghai and other locations. There is some recent evidence that luxury brands are indeed starting to close outlets in China, with a report in late 2015 that luxury brands were decreasing the number of their outlets in China (The Fashion Law 2015). Luxury fashion stores in China could also attempt to facilitate commissioned sales, by trialing outlets where customers can look, but not

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buy. Such outlets would have lower staff costs, and could be designed to have a less intimidating atmosphere, in order to allow prospective customers to interact with the brand, and maintain its aspirational status, while preserving the more traditional exclusive atmosphere for stores where customers buy. In addition, since these commissioned purchases are made outside China, by Chinese who are presumably on limited length visits and thus unable to stay a long period of time to locate and buy all the items in their commissioned list in various luxury fashion stores, luxury brands could allow buyers to order the products online in advance and then pick them up at a designated store in a tourist area to maximize the amount of spending by these purchasers and minimize any sales loss due to unavailability of stock. Alternatively, the brands could trial a two-channel distribution in China, by offering discount online sales, with pick-up at less prominent Chinese locations, to cater for buyers who do not value the ambience and location of a typical luxury fashion store.

### **3.8 Conclusion**

In conclusion, this study shows that the brand identity of luxury fashion brands is co-created by a more complex consumer network than has previous been discussed in the luxury goods literature. For customers who commission a purchase, and who do not browse physical store locations in order to specify a desired purchase, the in-store experience becomes immaterial. Conversely, even though many customers never go into a brand's stores in China, the location of that store may still be important for promoting the brand, especially for less well known brands. The primary influence of the store is thus instead exerted second-hand, via the purchaser, who may or may not be influenced in-store in the choice of what they buy for the end-user. At the same time, despite their inability to buy online, for some consumers, the online experience of the brand is important to allow them to browse online and provide more specific

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instructions to people who would purchase for them outside China.

This ‘commissioned purchase’ has implications for both theory and practitioners regarding the role of the purchaser and the distribution strategy inside China respectively. The results need to be considered in view of the limitations of the study: the sample was small, and not random. However, the study provides the first evidence of the apparent prevalence of a new buying method, the ‘commissioned purchase’ of luxury purchases, so the small sample size does not negate the importance of the results.

### 3.9 Appendix to Chapter 3: Characteristics of the respondents

Interviewee	Gender	Position	Estimated age	Shopping frequency	Where to buy
1	M	Senior management	Mid 30s	Twice a year	Mainly inside China; some overseas
2	F	Self-employed	Mid 30s	1 - 2 times a month	China and overseas
3	F	Junior management	Early 30s	2 - 3 times a year	Mainly overseas
4	M	Junior management	Early 30s	2 - 3 times a year	Mainly overseas
5	F	Junior management	Early 30s	3 - 4 times a year	China when discount and overseas
6	F	Senior management	Early 30s	5 - 6 times a year	Mainly overseas
7	M	Junior management	Early 30s	7 - 8 times over the past 2 years	Mainly overseas
8	F	Housewife	Late 20s	Several times a season	Commission and overseas
9	F	Senior management	Mid 30s	Less than once a year	Commission
10	M	Senior management	Early 30s	At least twice a year	Commission and overseas
11	M	Junior management	Early 30s	At least twice a year	Mainly overseas
12	F	Junior management	Early 30s	At least twice a year	Mainly overseas
13	F	Junior management	Mid 30s	Several times a season	Commission and overseas
14	F	Middle management	Late 30s	Often; as long as going overseas	Commission and overseas; never in China
15	M	IT staff	Late 20s	Up to 7 - 8 times a year	Mainly overseas
16	M	Middle management	Late 30s	Up to 5 - 6 times a year	China, overseas and commission
17	F	Designer	Early 30s	Once a month	Overseas; never in China
18	F	Accounting staff	Mid 20s	Once a year	China when discount
19	F	Middle management	Early 30s	Whenever there is a discount	Commission or when China discount
20	F	Administrative staff	Early 30s	Once a year	Commission

### Appendix to Chapter 3: Characteristics of the respondents (continued)

Interviewee	Gender	Position	Estimated age	Shopping frequency	Where to buy
21	F	Medical doctor	Late 30s	Twice a year	Commission
22	F	Medical doctor	Early 30s	4 - 5 times a year	Mainly overseas
23	F	Medical doctor	Late 30s	2 - 3 times a year	Overseas; never in China
24	F	Senior management	Early 40s	Once a year	Mainly overseas
25	F	Junior management	Early 40s	Once a year	Mainly overseas; sometimes commission
26	F	Senior management	Early 40s	1 - 2 times a year and when friends go overseas	Mainly overseas
27	F	Senior management	Early 40s	Once a year	Overseas; never in China; sometimes commission
28	F	Senior management	Early 40s	Once a year	Commission
29	F	Junior management	Mid 40s	Once a year	Commission
30	F	Junior management	Mid 40s	A few times in life time	China when discount
31	F	Senior management	Late 30s	2 - 3 times a year	Mainly commission
32	F	Senior management	Late 30s	1 - 2 times a year	Mainly overseas and commission

*\*Interviewees 1 - 13 also participated in Study 1*

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## **4 CHAPTER 4: Which bag? Predicting Consumer Preferences for a Luxury Product with a Discrete Choice Experiment**

### **4.1 Overview of study**

This chapter presents a study describing a discrete choice experiment examining the luxury product preferences of Chinese consumers. The study tests a theoretical model investigating how product characteristics (logo prominence, price and brand), peers' attitudes and behaviours and other individual characteristics influence consumers' choice of a luxury bag. The study extends the analysis described in Chapter 2, with the key factors in the theoretical model derived from the findings of the study in Chapter 2. The study used a  $4^2 \times 2$  orthogonal design (Louviere et al. 2000), with 32 choice sets, each choice set containing four choices. A balanced incomplete block design was used to generate four blocks of choice sets, with each block containing eight different choice sets and four common choice sets. In other words, each participant answered total 12 choice sets and some attitudinal and demographics questions. Data were collected from 304 participants, thus providing 3,648 choice sets for analysis, using an online survey conducted in China. The data were analysed using Multinomial Logistic Regression, which requires one choice alternative (here, one brand) to be used as the reference category. The choice of other brands is then modelled relative to choice of the reference category.

The key findings of the study show that while a prominent logo was preferred in a small majority of responses, a very large minority preferred a subtle logo, showing that the widely discussed phenomenon of conspicuous consumption is by no means

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universal among luxury good consumers. After allowing for other variables in the model, the effect of price and of attitudinal and social factors varied across luxury brands, showing that models of consumer choice for luxury products may need to allow for brand-specific effects.

As the first author, I worked with my supervisors to identify the research idea. With suggestions from my supervisors and Professor Jordan Louviere, I designed the model, choice set and questionnaire. Then I organised and oversaw the collection of the data by a research agency. I organised the data for statistical analysis, and with advice from my supervisors and Professor Hing-Po Lo, I analysed and interpreted the data. I wrote the first draft of the paper and then integrated the guidance from my supervisors, I edited and finalised the paper.

This paper was presented at the 2018 LVMH/Singapore Management University conference in Singapore and is under review at a journal. An abstract of the study was published in the proceedings of the conference. This chapter is an extended version of that publication.



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## 4.2 Abstract

Limited research has described a segment of consumers who prefer subtly-branded luxury products, rather than conspicuous consumption. However, there has been only limited research into ‘inconspicuous consumption’, leading to calls for more research. In this paper, we describe a discrete choice experiment examining the luxury product preferences of Chinese consumers, the largest market segment for luxury products. We describe and test a theoretical model investigating how product characteristics (logo prominence, price and brand), peers’ attitudes and behaviours and other individual characteristics, influence consumers’ choice of a luxury bag. For each brand, a prominent logo was preferred, but a very large minority preferred a subtle logo. However, the effect of price, attitudinal and social factors varied across luxury brands. Implications for research and practice are discussed.

**Keywords:** Luxury, Chinese, discrete choice, status, peer influence, inconspicuous consumption

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### 4.3 Introduction

Display of luxury items has long been recognised as a method for individuals to signal their status to others. As far back as 1899, Veblen (1899, p. 59) wrote that conspicuous consumption (along with leisure) was a ‘... means of showing pecuniary strength, and so of gaining or retaining a good name’. Since Veblen wrote his influential book in 1899, many authors have discussed the various motivations for conspicuous consumption. Like Veblen, some have suggested that many people buy luxury products for what they symbolise (e.g. Bagwell & Bernheim 1996; Dubois & Duquesne 1993; Eastman et al. 1997; O’Cass & McEwen 2004). Others have argued that buying luxury products is often motivated by the wish to conform with the behaviour of an affluent social group, or to differentiate from an undesirable social group (Leibenstein 1950; Phau & Prendergast 2000; Vigneron & Johnson 1999).

The use of luxury products for affiliation with an affluent social group or for differentiation from an undesirable group has been said to result in three potential effects: ‘bandwagon’, ‘snob’ and ‘Veblen’ effects (Leibenstein 1950). The bandwagon effect is when the demand for a product increases because other consumers are buying the product, but the snob effect is the opposite – demand for a product *decreases* due to (too many) other consumers buying the product. The Veblen effect is when demand for a product increases because it has a higher price (Leibenstein 1950). Inherent in all three effects is the idea that luxury products are visible to others, and recognisable as high-priced goods that confer status on consumers who can afford to buy them. In fashion, the recognisability (or conspicuousness) of luxury brands is often enhanced by the use of prominent logos or design elements that are easily recognised as symbols of a brand – such as Burberry’s trademarked check pattern. The snob,

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bandwagon and Veblen effects also imply that consumers' preferences for luxury goods will depend on the attitudes of their peers, on the popularity of different products in the marketplace, and on the price of desired luxury products. In this study, we describe a discrete choice experiment to test these hypothesised effects, and in particular, to extend recent work suggesting that some consumers prefer luxury products that are less conspicuous, as discussed in the following section.

Although luxury items have been associated with the idea of conspicuous display since Veblen used the term 'conspicuous consumption' in 1899, there has been recent interest in consumers who prefer more subtle logos (Han et al. 2010). Such consumers are said to choose relatively expensive goods that are only recognisable by people who share similar tastes and values (Granot, Russell, & Brashear-Alejandro 2013). These consumers could be said to practise 'inconspicuous consumption' – preferring logos that are recognisable by their friends, but not by the majority of consumers (Eckhardt et al. 2015). Such high income consumers are said to be able to identify 'unrecognisable' signals or subtle logos of luxury brands, and thus high income consumers can use inconspicuous consumption to signal their social class horizontally and differentiate themselves from lower income consumers (Han et al. 2010). Despite the increasing interest in inconspicuous consumption, there has been very little empirical research into the concept, with the exception of Han et al. (2010), Berger and Ward (2010) and Granot et al. (2013), with the Granot et al. study reporting on interviews with only 17 participants. In response, Eckhardt et al. (2015), who conducted a major theoretical review of inconspicuous consumption, called for 'empirical research on the complexity of inconspicuousness in a variety of cultural and consumer contexts' (p. 820). This research responds to that call.

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A second gap in the research into inconspicuous consumption is that almost all of the research in the area has been conducted with Western consumers (Berger & Ward 2010; Granot et al. 2013; Han et al. 2010). An exception is a study by Wu et al. (2017), who interviewed Chinese consumers and investigated why they might buy luxury products that lack the highly visible logo typically associated with a luxury product. However, that study examined only luxury Chinese brands, and did not investigate the preferences of Chinese consumers for subtlety branded luxury Western brands. Chinese consumers now represent the largest group of purchasers of those luxury brands, accounting for 30% of the global luxury market (D'Arpizio, Levato, Zito, Kamel, & de Montgolfier 2016). In addition, several authors have suggested that the motivations of Chinese luxury buyers may be different from those of Western buyers. In a widely cited paper, Wong and Ahuvia (1998) suggested (but did not test) that Southeast Asian consumers will place more emphasis on publicly visible possessions (such as luxury goods). Since that paper, an analysis of Chinese consumers living in Europe suggested that they have higher brand consciousness, and use luxury consumption more than European consumers to define success (Mo & Roux 2009). Another cross-cultural study found that young Chinese consumers scored higher on both materialism and conspicuous consumption than a comparable sample of young U.S. consumers (Podoshen et al. 2011). Although consumer incomes are converging across countries, value differences across countries appear to be resulting in even stronger differences in consumer behaviour, making it increasingly important to understand the impact of national cultures on consumer behaviour (De Mooij & Hofstede 2002). However, as noted above, no previous studies have examined whether some Chinese consumers demonstrate the preference for subtly branded luxury products observed with some Western consumers (Berger & Ward 2010;

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Granot et al. 2013; Han et al. 2010).

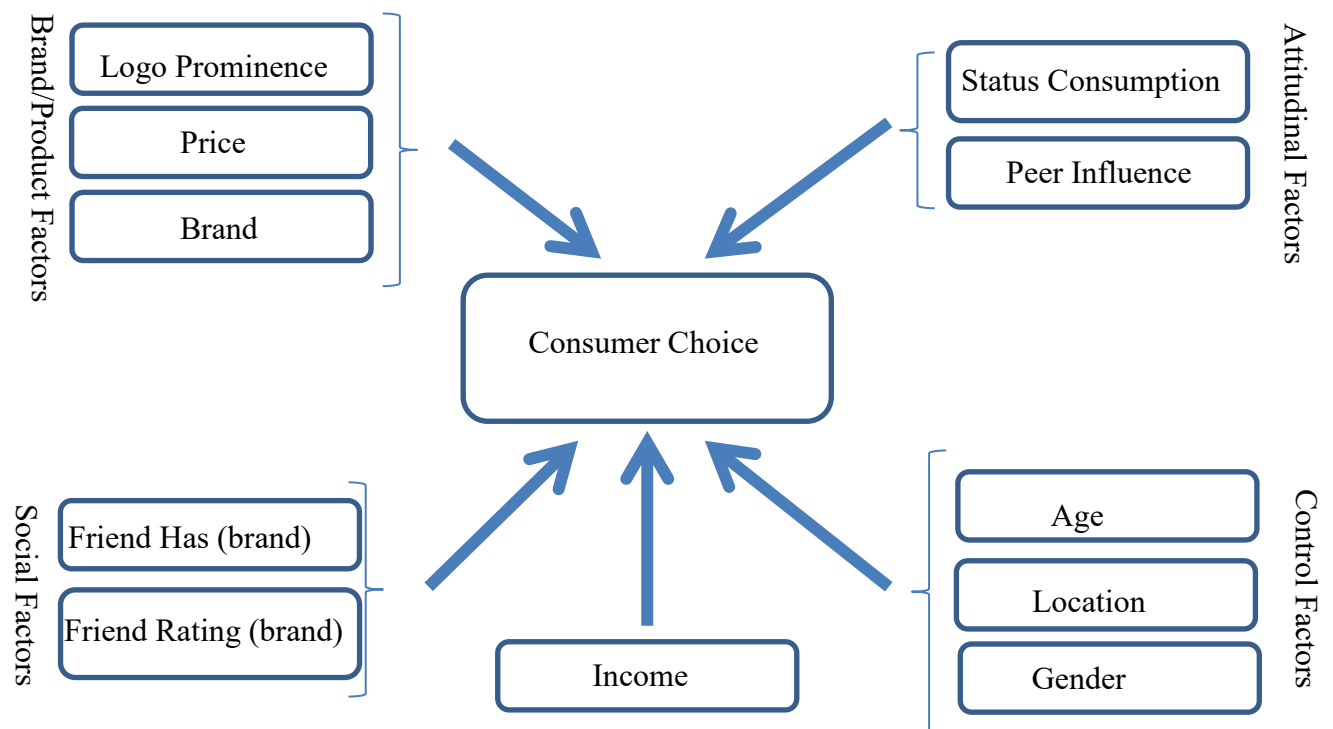
In the face of this recent (limited) evidence that some Western consumers prefer subtle branding of luxury products, but an almost absence of research in this area with Chinese consumers, the largest single market for luxury products, this study examines the frequency of the preference for subtle branding among Chinese consumers. The study also extends prior research by examining how consumer preferences for prominent versus subtle branding vary across different price points and different luxury brands – an analysis that has not been conducted previously (with either Chinese or Western consumers). The study examines whether these preferences vary with individual attitudinal characteristics (status consumption and susceptibility to peer influence), peer characteristics (whether friends own a luxury brand and their attitude to different brands), income and other personal characteristics (gender, age and residential location). We describe a discrete choice experiment examining the preferences of a wide variety of mainland Chinese consumers across potential combinations of different luxury bag attributes. In the next section, we describe the theoretical framework for the study, and then go on to describe the study, the results and the implications for research and for marketing practice.

#### **4.4 Theoretical framework**

The theoretical model tested is shown in Figure 4. Reflecting an individual's actual purchase decision, the study analyses consumer choice as a result of the combination of a number of factors. These include the product's key characteristics – *Logo Prominence*, *Price* and *Brand*, shown in the top left-hand corner of Figure 4, attitudinal factors, shown in the top right-hand corner of Figure 4 – the individual's need for signalling social status (*Status Consumption*) and their susceptibility to peer

influence (*Peer Influence*), and social factors, shown in the bottom left-hand corner of Figure 4 - whether their friends possess the brand (*Friend Has (brand)*) and how they believe their friends rate each luxury brand (*Friend Rating (brand)*). In addition, the analysis also includes the participant's income and control factors (their age, gender, and residential location). In the following sections, the reasons for inclusion of each of the elements in the model are discussed.

**Figure 5: The theoretical framework**



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#### *4.4.1 Logo prominence*

The principle of conspicuous consumption, as discussed above, suggests that consumers will prefer luxury brands that are easily recognisable, including, but not limited to, an easily recognisable logo. A preference for an easily recognisable (or prominent) logo may be even more common in Asian markets where the concept of face might encourage preference for publicly visible products (Wong & Ahuvia 1998). Indeed, some industry advice for marketing luxury products in China recommends that ‘logos on products need to be as prominent as possible’ (Bowman 2008). In contrast, some research has found that some Western consumers (particularly those who are wealthier and who are low in the need for status signalling) prefer subtle, rather than more prominent or ‘loud’ logos (Han et al. 2010). A qualitative study in China has also suggested that some Chinese consumers prefer subtle branded Chinese luxury products (Wu et al. 2017). However, research has not established whether the same preference for subtle logos is present in Asian consumers, and/or if preference for a subtle logo varies across different Western luxury brands and different price points. In response, this study examines the extent to which consumer preference for a subtle or prominent logo may differ across different luxury brands, price ranges and consumer characteristics. The study examines the preferences of Chinese consumers, a group which is of theoretical interest due to the argument that their preferences for luxury goods are different (Wong & Ahuvia 1998), and which is also of critical market importance as the largest group of purchasers of luxury products (D’Arpizio et al. 2016).

#### *4.4.2 Price*

All else being equal, a higher price is likely to be associated with higher status

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(Rao & Schaefer 2013). Standard economic theory frequently discusses a price/demand curve which implies that (all else being equal) demand will be greater for products that are lower-priced (e.g. Gillespie 2014). But consistent with the status associated with high-priced products, some authors have discussed upward-sloping demand curves, which reflect that a luxury product may be more attractive to consumers if it has a higher price (e.g. Amaldoss & Jain 2005). However, Rao and Schaefer (2013, p. 788) have argued that ‘the formal literature in marketing...is somewhat limited in the area of conspicuous consumption’. In particular, there has been little experimental investigation of upward-sloping demand curves and the extent to which they might vary across higher and lower priced products within the same product category. In addition, if consumers do indeed prefer luxury products that are more expensive, it is not clear whether this preference for a higher priced product will depend on the conspicuousness of the product – including the prominence of the product’s logo. This research therefore investigates the effect of different price points across different levels of logo prominence and different luxury brands, which variously represent high, medium and low price ranges for luxury bags.

#### *4.4.3 Brand*

The brand has long been recognised as an important feature of a product (e.g. Fry 1967; Marquardt, Makens, & Larzelere 1965). Many studies have shown that brands influence consumers’ choices and that they are willing to pay a premium for brand names (e.g. Faircloth, Capella, & Alford 2001; Kohli 1997). One study has suggested that the prestige of a luxury product brand is particularly important for Chinese consumers, especially those with a tendency for high social compliance (Zhou & Wong 2008). The prestige of a brand is likely to have a larger effect on



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purchase intention when the product category is conspicuous (Steenkamp, Batra, & Alden 2003). However, it is less clear whether the importance of brand prestige will vary across different price points and different levels of logo prominence in the same conspicuous product category – in this study, luxury bags. Therefore, the study examines the extent to which consumers' choices vary across different brands, at different prices and with different levels of logo conspicuousness.

#### 4.4.4 *Friends' ownership of a brand ('Friend Has')*

A large body of evidence shows that consumers' choices are likely to be influenced by the behaviour and the attitude of referent individuals – including, though not necessarily limited to, friends (e.g. Bearden & Etzel 1982; Childers & Rao 1992; Eckhardt & Houston 1998; Fishbein, Ajzen, Landy, & Anderson 1970). One friend behaviour that is likely to influence consumers is whether their friends own a particular brand (*Friend Has*), because a friend owning a brand suggests a strong endorsement of the brand by the friend. An effect of friend ownership would be consistent with a consumer preference for conformity (e.g. Brewer 1991). Conversely, however, consumers also often display a need for uniqueness, so people may choose to buy a different product merely to be different from other consumers (Amaldoss & Jain 2005). In Asian societies, there are generally more positive attitudes to conforming, so among Chinese consumers, the effect of *Friend Has* is expected to be positive – that is, if a friend owns a brand, that brand is expected to be more attractive to the consumer. However, Amaldoss and Jain (2005) found that as the price of a luxury product increased, the product became more attractive to those who valued uniqueness ('snobs'). It is therefore possible that the effect of *Friend Has* will vary according to the price of the product and also due to the consumer's susceptibility to

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peer influence. So the model includes, for each brand, whether a friend of the participant owns the brand (*Friend Has*), after allowing for the effects of other factors (including the price of the product and each consumer's susceptibility to peer influence).

#### 4.4.5 *Friend rating*

Consistent with the evidence on the importance of referent individuals discussed above (e.g. Bearden & Etzel 1982; Childers & Rao 1992; Fishbein et al. 1970), friends' ratings of different brands are likely to be important for consumers' choices. While friends' ratings are likely to be associated with friends' ownership of those brands, it is possible (and for luxury brands, very likely) that friends may aspire to own a particular brand (and thus rate it highly), without owning the brand. Friend rating thus constitutes an additional potential predictor of consumer choice, after allowing for *Friend Has*. The ratings of friends may be particularly important for Chinese consumers, following the suggestion that Asian consumers are more likely than Western consumers to be influenced by their peers (Wong & Ahuvia 1998). As a result, the model examines the effect of logo, price and brand after allowing for participants' reports of the opinions of their friends about each brand (*Friend Rating*) and whether their friends own each brand (*Friend Has*).

#### 4.4.6 *Status consumption*

As well as the brand/product and social factors discussed above, a consumer's choice of a luxury product is likely to be influenced by attitudinal factors, as shown in Figure 4. The first of these, *Status Consumption*, has been defined as 'the motivational process by which individuals strive to improve their social standing through the conspicuous consumption of consumer products that confer and symbolize status'

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(Eastman et al. 1997, p. 54). Differences in self-reported status consumption have been shown to be positively correlated with ownership of brands reputed to be higher in status than competing brands (Eastman et al. 1997; O'Cass & McEwen 2004; Phau & Leng 2008). All else being equal, therefore, consumers with higher levels of status consumption are therefore more likely to prefer high-status brands, so the consumer's level of status consumption is included in the model.

#### 4.4.7 *Peer influence*

The second attitudinal factor likely to influence consumers' choices is their susceptibility to the influence of their friends. While, as discussed above, there is substantial evidence that consumers will be influenced by the attitudes of their friends (e.g. Bearden & Etzel 1982; Childers & Rao 1992; Fishbein et al. 1970), some consumers will be more susceptible than others. That is, susceptibility to interpersonal influence is a general trait that varies across individuals (Bearden, Netemeyer, & Teel 1989; McGuire 1968). Consumers who are low on susceptibility to peer influence are therefore less likely to be influenced by the behaviour and/or attitude of their friends (in this model, *Friend Has* and *Friend Rating*). As discussed previously, Wong and Ahuvia (1998) have argued that Asian consumers are more likely than Western consumers to be influenced by their peers. However, within any Asian country, individuals will vary in their susceptibility to the influence of others. Consumers' susceptibility to the influence of referent others (i.e. their friends, family and/or others they look up to) (*Peer Influence*) is thus included in the model.

#### 4.4.8 *Income*

Peoples' probability of buying luxury products will obviously depend on their income. The study excluded participants with a monthly household income of

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RMB10,000 or less, in order to obtain a sample where many participants might reasonably be assumed to aspire to ownership of a luxury product – at least a lower-priced item from one or more of the brands examined in the study. However, the average white-collar worker monthly salary in China in the first quarter of 2017 was only RMB7,665 (Meinicoe 2017), so higher-priced luxury items are unlikely to be affordable for most Chinese consumers. Income may also influence peoples' preference for a conspicuous or subtle logo: a previous study in the U.S. found that income was an important factor affecting the choice of a luxury brand and preference for a prominent logo (Han et al. 2010). Participants' monthly household income was therefore included in the model.

#### *4.4.9 Age, location and gender*

Apart from income, consumers' preferences for luxury products may also be affected by other demographic characteristics, such as age, location and gender. Although these characteristics are not of theoretical relevance, it is possible that older/younger consumers, those in different geographical areas (who may be more or less exposed to promotion of particular brands), and males/females may have different preferences for different combinations of luxury brand features. As a result, *Age*, *Location* and *Gender* were included in the model as control factors.

### **4.5 Methodology**

Discrete choice modelling was used for the study because it allows assessment of the importance of different variables for choice by examining the tradeoffs made by consumers who are asked to choose between different combinations of variables at different levels. The technique is well established and has been widely applied to the study of multiple-choice problems in marketing and other fields (Louviere & Hensher

1983), such as recreation (Louviere & Hensher 1983; Morey, Shaw, & Rowe 1991), transportation (Truong & Hensher 1985), banking (Dauda & Lee 2015) and choice of wine (Kelly, Hyde, & Bruwer 2015; Lockshin, Jarvis, d’Hauteville, & Perrouty 2006).

The study used a  $4^2 \times 2$  orthogonal design (Louviere et al. 2000), with 32 choice sets, with each choice set containing four choices. A balanced incomplete block design was used to generate four blocks of choice sets, with each block containing eight choice sets. In addition, following Louviere and Woodworth (1983), four common choice sets were added to each block to anchor judgments on a common scale. The common sets asked participants to compare luxury handbag brands with each at the lowest price, at each level of logo, and at the medium-high price, again at each level of logo. Each block of 12 choice sets thus formed the basis of four different questionnaire versions, each containing eight different choice sets and four common choice sets. After viewing each choice set, participants were asked to select their most preferred option for that choice set. An example of a choice set is shown in Table 1. The details of the choice scenario and other measures are shown in Table 2.

**Table 1: Example of a choice scenario**

Which of the following options would you most prefer? (Choose one)

Option A	Option B	Option C	Option D
Brand: Hermès Price: About RMB75,000 The logo is easily recognizable	Brand: Bottega Veneta Price: About RMB6,000 The logo isn’t easily recognizable	Brand: Louis Vuitton Price: About RMB30,000 The logo is easily recognizable	Brand: Coach Price: About RMB3,500 The logo isn’t easily recognizable

**Table 2: Variables and levels**

Variables and levels in choice model						
Variable	Levels	Choice Levels				
Brand	4	(0) Hermès (1) Bottega Veneta (2) Louis Vuitton (3) Coach				
Logo Prominence	2	(0) The logo isn’t easily recognizable <i>or</i> (1) The logo is easily recognizable				
Price (RMB)	4	Brand	Low (0)	Med Low (1)	Med High (2)	High (3)
		Hermès	About 20,000	About 35,000	About 50,000	About 75,000
		BV	About 6,000	About 14,000	About 22,000	About 30,000
		LV	About 6,000	About 14,000	About 22,000	About 30,000
		Coach	About 3,500	About 5,000	About 6,500	About 8,000
Other variables and levels						
Variable	Levels	Choice Levels				
Friend Rating	7	"Most of the people whose opinion I value like Hermès"				
		"Most of the people whose opinion I value like BV"				
		"Most of the people whose opinion I value like LV"				
		"Most of the people whose opinion I value like Coach"				
		(0) Strongly disagree (1) Disagree (2) Slightly disagree (3) Neither agree nor disagree (4) Slightly agree (5) Agree (6) Strongly agree				
Friend Has	2	(0) No friend owns a Hermès product / (1) At least one friend owns a Hermès product				
		(0) No friend owns a BV product / (1) At least one friend owns a BV product				
		(0) No friend owns a LV product / (1) At least one friend owns a LV product				
		(0) No friend owns a Coach product / (1) At least one friend owns a Coach product				
Monthly Household Income	13	(0) below 5,000 (1) 5,000-10,000 (2) 10,001-20,000 (3) 20,001-30,000				
		(4) 30,001-40,000 (5) 40,001-50,000 (6) 50,001-60,000				
		(7) 60,001-70,000 (8) 70,001-80,000 (9) 80,001-90,000				
		(10) 90,001-100,000 (11) over 100,001 (12) No answer				
Age	8	(0) Under 18 (1) 18-24 (2) 25-31 (3) 32-38 (4) 39-45 (5) 46-52 (6) 53-59 (7) Over 60				
Gender	2	(0) Male (1) Female				
Residential Location	4	(0) Guangzhou (1) Shanghai (2) Beijing (3) Other				

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Luxury brand handbags were chosen as the focal product, because as a highly visible item, they have been used in previous research examining luxury brand prominence and status signalling (Han et al. 2010). In addition, background in-depth interviews with 32 luxury fashion consumers in China had found that luxury brand handbags were the most frequently purchased luxury fashion products for interviewees. Four brands were selected for comparison: Hermès, Bottega Veneta (BV), Louis Vuitton (LV), and Coach. These brands were selected for a number of reasons: firstly, they were frequently mentioned by both males and females as aspirational luxury brands in the background interviews. Secondly, the four brands represent a range of prices, with typical product prices ranging from Hermès (the most expensive) to Coach (the cheapest). The brands also reflect variations in logo prominence, with Hermès and BV generally characterised by more subtle logos, and LV and Coach generally characterised by more prominent logos. Within each brand, however, different products will carry more or less prominent logos, making the brands realistic targets for a discrete choice experiment investigating the effect of varying levels of brand prominence across brands and different price points.

Four price points were chosen for each brand for inclusion in the choice scenarios. These price points were chosen to reflect a realistic price range for each brand's normal product range, thus excluding limited or special editions (such as products made from exotic leather, which are extremely expensive), and any bags which are atypically inexpensive for the brand, (such as a canvas product which sells at a relatively low price). Based on the typical price range for each brand, four evenly distributed price ranges (representing low, medium/low, medium/high, and high priced products) were then estimated for each brand. The price points to be included in the choice scenarios were determined as the mid-point of each price range. As

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shown in Table 2, this process resulted in different but overlapping price ranges across the brands, reflecting the brands' actual market prices.

Logo prominence was captured in the choice scenario by asking participants to choose between options where 'the logo is easily recognizable' and 'the logo isn't easily recognizable'.

In addition to the questions requiring choice of the most preferred option from each choice set, participants were asked a series of questions to assess their 1) status consumption, 2) susceptibility to peer influence, 3) perception of their friends' evaluation of each brand, 4) whether their friends possess a product from each brand, 5) income, 6) gender, 7) age, and 8) residential location.

Status consumption was measured using a scale adapted from Eastman, Goldsmith and Flynn (1999). Their scale was altered to change one negatively worded item to positive wording to provide scale consistency. The Eastman et al. (1999) scale (and the revised scale) measures status consumption with five separate responses to statements, each measured using a seven-point Likert scale. The measurement items used are shown in Appendix A. A summary score for status consumption was obtained for each participant by averaging their scores across the five items, following previous usage of this scale (Han et al. 2010).

Susceptibility to peer influence (*Peer Influence*) was measured using Bearden, Netemeyer and Teel's (1989) 'Susceptibility to Interpersonal Influence' scale, with the omission of one of their 12 items. This scale measures susceptibility to peer influence with separate responses to statements, each measured using a seven-point Likert scale. The measurement items used are shown in Appendix A. A summary score for *Peer Influence* was obtained based on a participant's average score across the items,



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following previous usage of this scale (Bone 1995).

Participants' perceptions of their friends' evaluations of each brand (*Friend Rating*) was assessed by asking, for each brand, agreement with the statement 'Most of the people whose opinion I value like this brand.' Agreement was measured on a seven-point Likert scale ranging from strongly disagree to strongly agree. Whether a participant's friends possess any of the four brands included in the choice scenarios (*Friend Has*) was assessed by asking them, for each brand, to indicate whether one or more of their friends has that brand, as far as they know.

Participants were asked to indicate their monthly household income on a 13 category scale, ranging from less than RMB5,000 to more than RMB100,000. Since the target sample was limited to participants with a monthly household income of greater than RMB10,000, participants who reported a monthly household income of RMB10,000 or less and those who did not answer this question were excluded from the study. Participants' income was subsequently re-categorized into two groups, RMB10,001 to RMB30,000 (66.4%) and more than RMB30,000 (33.6%).

Participants were asked to report their age, measured in eight categories ranging from less than 18 to 60 years and older. Since the focus of the study was on participants from 18 to 59 years, participants outside that age range were excluded. The remaining six age categories were subsequently recoded for modelling into three categories (18 to 31 (34.9%), 32 to 45 (46.4%), and 46 to 59 (18.8%)).

Since there is evidence that purchases by both males and females are important in the China luxury market (Bain & Company 2015), data were collected using a quota system to obtain a sample comprising 50% male participants and 50% female. Similarly, since some authors suggest that the behaviour of Chinese consumers may

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vary across different regions (Zhang, Grigoriou, & Ly 2008), data were collected using a quota system, with 30% of participants from each of the highly developed ‘Tier 1’ cities of Beijing, Shanghai, and Guangzhou (Sinclair 2010), and 10% from other parts of China. For modelling, location data were re-coded to classify respondents’ locations as in a Tier 1 city, or elsewhere in China.

Although participation in the study was limited to those with a monthly income of more than RMB10,000, it is likely that many participants would be unable to afford the luxury handbags at the higher price points in the choice scenarios. As a result, consistent with the study’s aim of investigating participants’ aspirational choices, and in order to prompt a realistic choice, participants were given the following scenario, combining windfall income from a year-end bonus, and the opportunity for someone to buy a luxury bag for them overseas at a lower price (a very common method of luxury product purchase for Chinese consumers):

Imagine that each year you receive a year-end bonus, and this year, it is likely to be in the range of RMB40,000 to RMB80,000. A month before you are due to receive your year-end bonus, your boss says that he/she is going to Europe and is happy to buy a luxury bag for you as part of your year-end bonus. The bag will cost much less in Europe than in China, so this gives you a chance to get a luxury bag at a cheaper price than you would pay in China. After paying for the bag, if the bag is cheaper than your bonus, your boss will pay you the balance of your bonus in cash. If you choose a bag that is more expensive than your bonus (which may vary from RMB40,000 to RMB80,000), you will pay the difference to your boss.

The questionnaire was developed in English and translated into Simplified

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Chinese. Back translation (Brislin 1970) was used to ensure that the translation was successful. Following recommendations by Bryman (2008), a pilot questionnaire was tested with a convenience sample, resulting in only minor changes to wording. After finalisation of the survey, data were collected using an online survey sent to randomly selected members of a Nielsen online panel of people living in Mainland China. Four blocks of the questionnaire, plus the additional questions, were evenly distributed among 304 participants.

## **4.6 Analysis**

Following Allaway, Gooner, Berkowitz, and Davis (2006), the data were analysed using SPSS (version 23) to conduct Multinomial Logistic Regression, using choice data from the 304 respondents, thus comprising 3,648 observations. The resultant model does not reflect the repeated measurement nature of the data, and instead employs the model as a forecasting device (Louviere & Hensher 1983). Parameter estimates from this type of model will be consistent, but confidence intervals for the parameters will be incorrect, so significance tests need to be interpreted very cautiously (Louviere & Hensher 1983).

The Multinomial Logistic Regression model requires one choice alternative (here, one brand) to be used as the reference category. The choice of other brands is then modeled relative to the choice of the reference category. LV was chosen as the reference category for two reasons: firstly, as the leading market share luxury brand (Deloitte University 2016), the brand is an obvious potential dominant option with which comparisons with other brands can be made. Secondly, as one of the two mid-range luxury brands in the choice scenario, it allowed a comparison with choice of a high price brand (Hermès), a low price brand (Coach), and with the other

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mid-range luxury brand (BV). The study therefore estimated a model for preference for Hermès, BV, and Coach relative to LV. Since the parameter estimates are relative to the reference category, LV, the interpretation of the model is that for every unit change in the independent variable, the probability of buying Hermès, BV, and Coach (respectively) relative to LV goes up (provided  $\beta$  is positive) (UCLA Statistical Consulting Group).

## 4.7 Results

Table 3 summarises the overall sample and choice characteristics. As shown in Table 3, LV was the most preferred brand, being preferred in 29.2% of the choice scenarios. Participants chose an easily recognisable logo in 54.3% of the choice scenarios, and unsurprisingly, were most likely to prefer a low price (chosen in 36.4% of scenarios). More surprising, however, was that the high price option was the second most commonly chosen option, being chosen in 30.5% of the choice scenarios.

The model was highly significant ( $p < 0.001$ ), with a Chi-Square of 1,293 and 66 degrees of freedom. The pseudo R-square estimates ranged from 0.319 (Nagelkerke) to 0.129 (McFadden). There is disagreement on the interpretation of pseudo R-Square estimates (Petrucci 2009), however, many authors (for example, Cerri, Knapp, & Fernandez 2014; Tabatchnick & Fidell 2007) argue that the R-square estimates obtained in a multinomial logistic regression can be interpreted in the same way as R-square estimates in linear regression, that is, as indicating the amount of variance in the dependent variable that is explained by the independent variables. That argument would therefore suggest that from 31.9% to 12.9% of the variability in brand choice is explained by the independent variables in this model, though as noted above, there is disagreement on the interpretation of pseudo R-Square estimates.

**Table 3: Overall sample and choice characteristics**

Sample Characteristics	Percent (n=304)		Choice Characteristics	Percent (n=3648)
Gender			Preferred Brand	
Male	50.0%		Hermès	25.2%
Female	50.0%		BV	17.9%
			LV	29.2%
Age Group			Coach	27.7%
18 to 31	34.9%		Logo	
32 to 45	46.4%		Loud	54.3%
46 to 59	18.8%		Subtle	45.7%
Monthly Income (RMB)			Price	
10,001 to 30,000	66.4%		Low	36.4%
Above 30,001	33.6%		Medium/Low	17.5%
			Medium/High	15.6%
Location			High	30.5%
Tier 1 cities	89.8%		Friend Has:*	
Not Tier 1 cities	10.2%		Hermès	30.6%
	Mean	SD	BV	19.0%
Average Status Consumption	5.316	1.22	LV	29.7%
Average Peer Influence	4.963	1.08	Coach	20.7%
Friend Rating:				
Hermès	5.635	1.32		
BV	4.849	1.27		
LV	5.579	1.26		
Coach	5.158	1.27		

\*for the chosen brand in the choice scenario

Table 4 below summarises the results of the model, showing the significance of each variable in the overall model (columns 2 and 3) and for each brand (columns 4 to 9), and the size and direction of the estimated Beta coefficients. Since, as shown in Table 4, the effect of a number of the independent variables varies across the three

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brand choice models, the following discussion focuses on similarities and differences across those brand choice models.

Table 4 shows a consistent effect of *Logo Prominence* across the three brand models – each brand was more likely to be chosen, relative to LV, if their logo was more easily recognisable. In addition, after allowing for the prominence of the logo of the chosen brand, the effect of the LV logo was significant and negative in all three models. That is, if the LV logo was prominent, each of the other brands was less likely to be chosen. Unsurprisingly, the *Logo Prominence* of a brand *not* chosen was not significant in predicting the choice of another brand, relative to LV. For example, in the model predicting choice of Hermès, prominence of the BV and Coach logos was not significantly associated with the probability of choosing Hermès, relative to LV.

The effect of *Price* was much less consistent than the effect of *Logo*. As with *Logo*, the price of unselected brands (e.g. BV and Coach prices in the Hermès model) was not significant at the 0.05 level in any model. But consistent with normal price/demand curves, Hermès price was significantly and negatively associated with the probability of choosing Hermès, relative to LV, and LV price was significantly and positively associated with the probability of choosing Hermès and Coach. However, the probability of choosing BV, relative to LV, was not associated with either BV or LV price, and Coach price was not associated with the probability of choosing Coach, after allowing for the other factors in the model.

Perhaps unsurprisingly, *Friend Rating* of each brand was significantly and positively associated with the probability of choice of the brand (each significant at  $p < 0.001$ ). Similarly, probability of choosing each brand was negatively associated with *Friend Rating* for LV (each significant at  $p < 0.001$ ). Each brand was therefore more

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likely to be chosen, relative to LV, if *Friend Rating* of the brand increased, and/or if *Friend Rating* for LV decreased.

In contrast, the effect of a friend having one or more of the comparison brands was not consistent across models. A friend having Hermès or BV increased the probability of choice of those brands, relative to LV. However, a friend having Coach did not increase the probability of choice of Coach, and a friend having LV was only significantly (negatively) associated with the probability of choosing Coach. In addition, a friend having BV was significantly associated with choice of each of the other brands – increasing the likelihood of choosing Hermès, but *decreasing* the probability of choosing Coach.

The effect of *Status Consumption* varied markedly across brands. For Hermès, the highest priced brand in this experiment, *Status Consumption* was significantly and positively associated with preference for Hermès. In contrast, for Coach, the lowest priced brand, *Status Consumption* was negatively associated with preference for Coach. For BV (with LV, one of the two mid-priced brands), *Status Consumption* was not associated with preference.

Surprisingly, *Peer Influence* was not significantly associated with preference for any brand (albeit marginally associated with preference for Coach). Post hoc analysis showed that the lack of a significant association between *Peer Influence* and preference for any brand was due to the effect of *Status Consumption*. That is, when *Status Consumption* was removed from the model, *Peer Influence* was significantly associated with preference for Hermès and Coach – positively for Hermès, and negatively for Coach.

**Table 4: Predictors of choice for the whole sample and for each brand<sup>1</sup>**

	Overall Model		Hermès		BV		Coach	
	Chi-Sq	Sig.	Beta	Sig.	Beta	Sig.	Beta	Sig.
Logo:								
Hermès	24.016	<.001	.366	.001	-.159	ns	-.074	ns
BV	15.152	.002	.141	ns	.425	<.001	.028	ns
Coach	9.365	.025	.050	ns	-.021	ns	.288	.007
LV <sup>2</sup>	33.307	<.001	-.532	<.001	-.488	<.001	-.429	<.001
Price:								
Hermès	92.223	<.001	-.023	<.001	-.003	ns	-.002	ns
BV	10.218	.017	.004	ns	-.010	ns	.011	.074
Coach	5.548	ns	-.047	ns	.021	ns	-.041	ns
LV <sup>2</sup>	30.029	<.001	.012	.036	.010	ns	.032	<.001
Friend Rating:								
Hermès	37.6	<.001	.276	<.001	-.147	.033	.106	ns
BV	42.541	<.001	.087	ns	.336	<.001	-.042	ns
Coach	82.384	<.001	.007	ns	-.046	ns	.462	<.001
LV <sup>2</sup>	90.851	<.001	-.476	<.001	-.325	<.001	-.526	<.001
Friend Has:								
Hermès	13.502	.004	.413	.001	-.028	ns	.145	ns
BV	122.233	<.001	.308	.017	1.010	<.001	-.670	<.001
Coach	3.883	.274	.018	ns	.155	ns	-.108	ns
LV <sup>2</sup>	37.069	<.001	.034	ns	-.146	ns	-.650	<.001
Status Consumption	118.962	<.001	.398	<.001	.047	ns	-.369	<.001
Peer Influence	7.119	.068	-.007	ns	-.066	ns	.123	.056
Income	10.459	.015	-.074	ns	-.033	ns	-.343	.002
Age	8.807	.032	.050	ns	-.123	ns	.109	ns
Location	13.03	.005	.050	ns	.121	ns	-.488	.004
Gender	15.707	.001	.198	.045	.024	ns	.357	<.001

<sup>1</sup> Relative to choice of the reference brand LV<sup>2</sup> The reference brand



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Despite the large price differences across and within brands in the different choice scenarios, *Income* was only significantly (and negatively) associated with preference for Coach, indicating that higher income was associated with lower preference for Coach, relative to LV. *Location* was also significant only for Coach, with participants living outside Tier 1 cities less likely to choose Coach, relative to LV. Female participants were more likely to prefer Hermès and Coach, relative to male participants. *Age* was not significant for predicting choice of any brand.

The discussion above shows that, on average, participants preferred more easily recognisable logos, which were chosen in 54.3% of scenarios (see Table 3). However, that percentage also shows that subtle logos were preferred in a substantial minority of choice scenarios (45.7%). In order to investigate whether any of the participant characteristics predicted preference for a subtle logo, a logistic regression was run, using choice of logo (subtle=0 and loud=1) as the dependent variable, and the same independent variables as predictors, with the addition of brand chosen, to assess whether one or more of the independent variables was a significant predictor of the choice of a subtle logo. Backward elimination was then used to remove non-significant variables, progressively removing the least significant independent variable, until only significant ( $p < 0.05$ ) and marginal ( $0.05 \leq p < 0.1$ ) variables remained. Only two variables remained, Status Consumption and Income, but the R-Square estimates for the model were very low (0.004 (Nagelkerke) to 0.003 (Cox & Snell)). The model results are summarised in Table 5. The model shows that participants with higher levels of *Status Consumption* were more likely to choose a product with a loud logo ( $p = 0.003$ ), and those with a higher income were marginally less likely to choose a product with a loud logo ( $p = 0.067$ ). No other variables were significantly associated with choice of a loud versus a subtle logo.

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**Table 5: Backward elimination predicting logo choice**

Variables in the Equation	B	S.E.	Wald	df	Sig.	Exp(B)
Status Consumption	.081	.028	8.646	1	.003	1.084
Income	-.131	.072	3.344	1	.067	.877
Constant	-.082	.164	.254	1	.615	.921

## 4.8 Discussion and conclusion

The results show that the effect of some variables is consistent across brands, but also reveal marked differences in the effect of other variables across brands. The effect of logo was one of the most consistent findings: for each brand, participants were more likely to choose the brand if the logo was prominent. This result could be explained by a preference for conspicuous branding, consistent with a Veblen effect (Bagwell & Bernheim 1996). However, the results also revealed that a substantial segment preferred a subtle logo (45.7%, from Table 3). Preference for conspicuous branding is therefore in no way universal, but the backward elimination model showed that only *Status Consumption* ( $p=0.003$ ) and *Income* ( $p=0.067$ ) predicted choice of a subtle logo. Although this experiment included high and low priced luxury brands (Hermès and Coach, respectively), the finding of a majority of consumers preferring a conspicuous logo (54.3%), yet a very large minority segment preferring a subtle logo (45.7%), suggests that a product range that incorporates both prominent and subtle logo products is most likely to meet the diverse preferences of consumers.

The effect of price was much less consistent across brands, and showed interesting variations from what might be expected on the basis of typical

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price/demand relationships, even for luxury brands, where a higher price, and its associated status, sometimes results in increased demand (or an ‘upward sloping demand curve’) (Deaton & Muellbauer 1980). Hermès was the only brand that showed a typical price/demand relationship: a higher price for Hermès and a lower price for LV were both associated with lower probability of choice of Hermès. This typical price/demand relationship is despite Hermès being the most expensive brand in the experiment, and therefore the brand where response to price might be expected to be most inelastic, according to a classic Veblen effect.

In contrast, preference for Coach was not associated with changes in the price of Coach, although increased price of the reference brand (LV) was associated with increased preference for Coach. As the lowest priced brand, Coach is likely to have been preferred by those who wanted to minimise the price they paid for a luxury brand, thus explaining the apparent price inelasticity to changes in Coach pricing. Other participants appeared to prefer LV (the highest market share luxury brand) at the lower levels of its price range, but their preference switched to Coach if the LV price increased, thus explaining the response to changes in LV price.

Preference for BV was even less consistent with a typical price/demand relationship: within the price range of the experiment, changes in the price of both BV and LV were not associated with a change in the choice of BV. The reasons underlying this apparent price inelasticity (within the experimental parameters) by those who chose BV are unclear. However, BV was the only brand where *Status Consumption* was not associated with brand preference. This finding suggests that participants who chose BV (the least popular brand, chosen in only 17.9% of scenarios) are less influenced by price or by the status associated with the product

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than by the attitudes and behaviour of their friends: both *Friend Rating* and *Friend Has BV* were highly significant for preference for BV (and with logo, were the only significant predictors of preference for BV).

The results suggest that within the luxury brands included in the experiment, BV is differentiated in the mind of consumers, highly attractive to those who chose it, who are therefore price inelastic to changes in the prices of both BV and LV (within the parameters of the experiment). LV, while occupying the same middle price range for luxury brands as BV, is apparently not seen as a substitute for this segment, because a friend having LV, and/or a lower price for LV, did not decrease their probability of choosing BV. Instead, choice of BV was determined by *Logo Prominence* (as with all the brands), but beyond that, only by friends' attitude and behaviour. This positioning of BV as a brand where friends' attitudes and behaviour are particularly important, even relative to other luxury brands, is reinforced by BV being the only brand where *Friend Has BV* was significant in influencing choice of the other brands. For those who chose Hermès (a higher priced brand), a friend having BV (and/or Hermès) increased the probability of buying Hermès, perhaps because friends having BV (and/or Hermès) would suggest enhanced attitudes towards, and increased usage of, luxury brands among the friendship group, therefore increasing choice of the highest priced brand, Hermès. In contrast, a friend having BV *decreased* the probability of choice of Coach, relative to the higher status reference brand, LV, possibly because a friend having BV created aspirations for a higher status brand.

Unsurprisingly, *Friend Rating* was significantly and positively associated with choice of each brand, and *Friend Rating* of LV was negatively associated with choice of other brands. Even after allowing for *Friend Rating*, a friend having the brand

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(*Friend Has*) was associated with choice of both Hermès and BV. In addition, as discussed above, a friend having BV increased choice of Hermès. However, for Coach, a friend having Coach did not increase preference for Coach, although a friend having LV increased preference for LV, relative to Coach. This difference in the effect of friends' brand ownership across the brands, coupled with the negative associations between both *Status Consumption* and *Income* and choice of Coach, suggests that Coach is not as strongly positioned as a luxury brand as the other brands in the experiment. This perception of a lower status for Coach would also be consistent with its lower price range, relative to the other brands. For Coach, friends displaying the brand (that is, a friend having Coach), appears to be insufficient to increase choice of Coach. In contrast, perceived endorsement of the brand (that is, *Friend Rating*) or an increased price of the reference brand was positively associated with choice of Coach. The results suggest that for brands strongly positioned as high status (such as Hermès, BV and LV), product display by referent others will increase preference. However, brands that aspire to be seen as luxury brands, but which may not be seen as such by consumers (such as Coach), may require more active brand promotion and endorsement. As discussed above, participants living outside Tier 1 cities were less likely to choose Coach, possibly due to lower brand awareness and penetration, thus providing additional evidence of the need for increased spending on brand building by less established brands. The bandwagon effect – when demand for a product increases because other consumers (here, referent individuals) – therefore appears to be less important for Coach, the lowest priced brand in the experiment.

#### *4.8.1 Implications for management*

The results show some clear implications for the marketing of luxury products

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in China. Firstly, as noted above, though the majority preference for a conspicuous logo is consistent with long-standing discussion of conspicuous consumption, the data show that a very large minority of Chinese consumers appear to prefer a more subtle logo. A product range that incorporates both prominent and subtle logos is therefore most likely to match these varying consumer preferences. A preference by some consumers for more subtle logos has only relatively recently been noted among Western buyers (Berger & Ward 2010; Han et al. 2010) – and even more recently among Chinese consumers (Joy, Sherry, & Wang 2018) – so it is possible that the size of the segment preferring subtle logos will increase over time. Certainly, the size of the segment that prefers more subtle logos is inconsistent with industry advice for luxury products in China that ‘logos on products need to be as prominent as possible’ (Bowman 2008).

The results also show that pricing of luxury products is complex, with neither the competing economic theories of a standard price/demand nor an upward sloping demand curve explaining the results. Previous research has shown that the consumption occasion and social context can influence consumers’ price sensitivity, but did not examine variation in price sensitivity within one product line (Wakefield & Inman 2003). A standard price/demand curve was observed only for Hermès, and the results show no support for an upward sloping demand curve. The results suggest that price may have a non-linear effect on preference, being less important for mid-price luxury brands, such as BV and LV, because their prices are within an acceptable price range for their target segments. In contrast, the most expensive brands (here, Hermès), may show higher price elasticity because a decrease in price brings the product closer to an acceptable price point for a target segment – such as, in this experiment, consumers who obtain a windfall gain, and those who may otherwise

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prefer lower-priced luxury brands. In contrast, brands which are less strongly positioned as a luxury brand (here, Coach), may not be seen as an acceptable option, so a decrease in price for Coach did not result in an increase in demand. So the marketing strategy needs to ensure that the brand is strongly positioned as a luxury brand. Ideally, demand for the brand will then become price inelastic (within a realistic range) to increases in the brand's price, or decreases in its competitors' prices – a situation that BV appears to have attained, albeit for a smaller segment of consumers.

The finding that Coach was significantly less likely to be preferred by participants living outside Tier 1 cities also shows the importance of ensuring that a brand is seen as aspirational in emerging markets. As the lowest priced brand in the experiment, Coach would be expected to be more attractive to consumers in regions where average incomes are lower, such as, for China, outside Tier 1 cities. The finding that Coach was *less* attractive to consumers in these areas suggests that the brand is failing to attract potential buyers in areas which are likely to become progressively more important for luxury brands.

#### *4.8.2 Implications for further research*

The study shows that there are differences in consumers' preferences for subtle and prominent logos, and that these preferences are consistent across different luxury brands in that a majority of those who chose each brand preferred a prominent logo. However, as discussed above, a large minority preferred a subtle logo, though only *Status Consumption* ( $p=0.003$ ) and *Income* ( $p=0.067$ ) predicted this preference. Further research could investigate these and/or other predictors of preference for a subtle logo. For example, it is possible that a sample with more participants at higher

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incomes will have increased power for predicting preference for a subtle logo. It is also likely that preference for a subtle logo will be strongly influenced by a participant's friends' opinions about the desirability of logo prominence. Further research could investigate this and other factors which may influence preference for a subtle logo.

The differences between brands also suggest promising areas for research. In particular, the reasons for differences in the effect of price between Hermès (where a typical price/demand response was observed), BV (where participants were apparently price inelastic – within the experimental parameters – to changes in the price of BV and/or its competitors), and Coach (where consumers' preferences were related to the price of LV, the reference brand, but not to the price of Coach), are not clear. These differences may be the result of consumers ascribing different levels of status to different brands, and/or to strong differentiation by BV, resulting in lower price elasticity by consumers who prefer that brand. Future research could attempt to determine the reasons underlying these different responses across brands to variations in price.

#### *4.8.3 Limitations*

As with all research, the study has limitations. Firstly, although the large number of choice scenarios (3,648) provided substantial power, a large majority of participants (89.8%) lived in Tier 1 cities, resulting in a lack of power for comparisons between Tier 1 and Non Tier 1 locations. While this limitation has no impact on estimation of the effect of other variables, the models may lack power for detecting differences across locations.

The second limitation concerns the ability of the sample to represent views of



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current customers of luxury brands. The buying power at any income level is much higher in developing economies such as China, so direct currency conversions underestimate actual buying power. Nevertheless, participants at the lower end of the income scale for the experiment would not represent a key market segment for luxury brands. However, luxury product purchases have become the norm in other Asian societies, such as Japan (Haghirian 2011), so these consumers represent an important potential market for luxury brands, albeit perhaps only for occasional purchases and/or purchases of lower end items. Understanding the drivers of preference and choice for these consumers is thus critical for marketers and for researchers.

A final limitation concerns the design of the experiment, and its elicitation of brand choices through the description of a hypothetical end-of-year bonus. To ensure that participants identified their most preferred brand under different choice conditions, they were not given the option of not choosing any brand in a scenario. This design could potentially inflate choice of Coach (the cheapest brand), since under the description of the scenarios, participants were told that they would (hypothetically) be able to retain any bonus which was not spent on a bag. The effect of any inflated preference for Coach does not appear to have been major (Coach was only the second most preferred brand, after LV, and was preferred by only 2.5% more than Hermès). However, predictors of preference for Coach should be interpreted with caution, because they may instead, for some participants, reflect a preference to not buy any of the brands.

#### *4.8.4 Acknowledgements*

I would like to thank Professor Jordan Louviere for his enormous help in designing the choice set and for his suggestions concerning questionnaire design, and

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## 5 CONCLUSION

The previous three chapters have reported on three separate but related studies investigating the behaviour and preferences of Chinese consumers concerning luxury fashion product purchases. This chapter summarises the research findings from those studies and discusses the contributions of the research for marketing practitioners and researchers. Limitations and suggestions for further research are also discussed. The final section provides concluding remarks to the thesis.

### 5.1 Summary of the research findings

The overall objective of the thesis, as discussed in Section 1.6 of Chapter 1, was to contribute to the understanding of the behaviour of luxury product consumers, in particular by extending existing research to examine the behaviour of Chinese luxury good consumers. Within that broad objective, the thesis had three more specific research objectives:

1. to explore the explanations of wealthy repeat Chinese luxury buyers for their luxury purchases, and compare those explanations with those that have been discussed in the literature about Western consumers, and also the motivations that have been proposed, but not tested, of Asian buyers;
2. to provide insights into the factors that influence buyers' decisions to purchase luxury fashion products primarily outside China, though sometimes, under particular circumstances, inside China, and
3. to test the importance of a brand's logo prominence, across different brands, price points, and for different types of consumers.

Both Study 1 and Study 2 addressed the first objective of exploring the explanations of wealthy repeat Chinese luxury buyers for their purchases, though only

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Study 1 addressed the second half of the first objective, that is, comparing those explanations with the motivations previously proposed in the literature.

Unsurprisingly, some of the reported motivations of participants were consistent with previous literature – the use of luxury products to signal wealth and social status, to differentiate from an undesirable social group, and/or to conform with a referent peer group. Other results are more surprising: the first evidence of a luxury brand becoming the subject of a social taboo due to the high levels of adoption by an undesirable referent group, and the repeated preference by some participants for a subtle luxury brand, in contrast with the conspicuous consumption that has been the focus of so much luxury research. Other results, while not inconsistent with (untested) propositions about the behaviours of Asian consumers, were surprising in their magnitude. For example, Wong and Ahuvia (1998) proposed that Asian consumers would be less motivated by hedonic concerns than Western consumers. While these results are not inconsistent with that proposition, the almost total lack of discussion of hedonic issues by the participants in Study 1 suggests very large differences in the motivations of these wealthy repeat buyers of luxury products compared to the Western buyers who have been described in previous literature as placing high value on hedonic features of luxury products.

Both Study 1 and Study 2 also identified factors that influence why and how Chinese consumers buy luxury products – for example, the purchase of luxury products as a gift because of their obvious value and status for recipients, and the frequency of purchasing luxury products outside China, an issue explored in more detail in the results of the second objective.

Study 2 extended the results from Study 1 by focusing on the factors that influence wealthy Chinese luxury fashion buyers to purchase outside (or, rarely, inside)

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China. The study showed that the vast majority of luxury purchases were made outside China: for these wealthy repeat buyers, travelling outside China was apparently inherently associated with buying luxury products, and in some cases, there was a suggestion that participants would travel outside China to buy luxury goods. While price differences due to higher taxes in China would partly explain this preference for buying outside China, the very strong association between travelling and purchasing luxury products suggests that purchases often result from emotional association, rather than from rational evaluations of price differentials.

The strong association between travel and luxury goods purchases is reinforced by the frequency of what Study 2 describes as ‘commissioned purchases’, a method of purchase that has not previously been discussed in the literature. Previous retail and luxury products research has frequently described the importance of the in-store experience. However, for the people who commissioned these expensive high-cost purchases – usually without touching or seeing the product and without the ability to return a product if they did not like it – the in-store experience appears to have been irrelevant. This apparent lack of importance of the in-store experience reinforces the findings from Study 1 that hedonic features appear to be much less important for Chinese consumers compared to Western consumers. In contrast, consumers’ willingness to commission such expensive purchases, largely at the discretion of the buyer, reinforces the importance of luxury products for signalling status, and the importance of peers. The opinions of peers were apparently so important that participants were generally prepared to let them determine which luxury product was purchased as a commissioned purchase, within what were usually very loosely described criteria. These novel purchase channels for Chinese consumers – typically buying outside China, and frequently commissioning a purchase through a

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travelling friend or family member – have clear implications for research and for luxury goods retailers, as will be discussed in the following section.

Finally, Study 3, building on the evidence from Study 1 that many consumers prefer a subtle logo, addressed the last objective of the research by using discrete choice modelling to examine consumers' preference for logo prominence, across different brands, price points, and for different types of consumers. The results showed that participants chose more easily recognisable logos in a small majority of scenarios (54.3% ) – consistent with a preference for conspicuous branding, or a Veblen effect (Bagwell & Bernheim 1996). However, subtle logos were chosen in a substantial minority of choice scenarios (45.7%). A preference for conspicuous branding is therefore in no way universal, suggesting that a product range that incorporates both prominent and subtle logo products is most likely to meet the diverse preferences of consumers.

## **5.2 Contributions of the research**

The objectives of this thesis, as listed above, were to explore the different motivations and behaviours of Chinese luxury fashion consumers, to compare those motivations with those of Western consumers discussed in the literature, and using a discrete choice experiment, and to test the importance of different brand features and individual characteristics on the preferences of Chinese consumers for luxury products. Across the three studies, the thesis makes distinct contributions to research and to practice, as discussed below.

### ***Contributions to research***

Many of the findings from the research are not unexpected: for example, the revealed importance of luxury products for status signalling, affiliation with attractive

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reference groups and differentiation from undesirable groups are consistent with previous reports in the literature (e.g. Amaldoss & Jain 2010; Bearden & Etzel 1982; Childers & Rao 1992). However, the results emphasise that these effects appear to be even more important for Chinese consumers, consistent with previously untested propositions (Wong & Ahuvia 1998). As what is apparently the first academic study to examine the motivations and behaviours of wealthy Chinese repeat buyers of luxury goods, and the first discrete choice study of consumer preferences regarding luxury products (in China or the West), the study makes some important contributions to research.

- Firstly, previous research with Western consumers has argued that hedonic features are important for luxury goods buyers (e.g. Dubois & Laurent 1994; Vigneron & Johnson 1999). These results provide very little evidence to support that proposition for Chinese consumers: for the wealthy repeat buyers of luxury products interviewed in Study 1 and Study 2, choice of luxury products appeared to be dominated by the choice of a brand – almost invariably one that was considered to be acceptable to the interviewee’s peer group. The lack of discussion of hedonic features by Chinese buyers does not show that hedonic features are not important for these buyers: it is possible that Chinese luxury buyers assume that all luxury goods will provide an acceptable level of hedonic satisfaction. However, the lack of discussion of hedonic features by these buyers, in contrast with repeated discussion of the importance of hedonic features in research describing luxury purchasers by Western buyers does suggest that hedonic features are less important for wealthy Asian buyers of luxury products. Previous studies with Western consumers have also discussed rarity as being another attractive feature for luxury buyers (e.g. Dubois & Paternault 1995; Husic & Cicic 2009). Consistent with a previous study that found that rarity

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was not important for Singaporean and Hong Kong buyers (Phau & Prendergast 2000), and with some very recent qualitative evidence from China (Joy, Belk, Wang, & Sherry 2018), Study 1 provides additional evidence that neither rarity nor hedonic features appear to predict luxury choice for Asian luxury goods buyers. Instead, their choices appeared to be largely determined by choice of a brand that is seen as desirable to the consumer's peer group.

- Following on from the importance of a consumer's peer group, as discussed above, Study 1 identified that a brand can become subject to a social taboo. That is, a luxury brand that is associated with an undesirable reference group – or potentially a brand that becomes too popular – may become unattractive to a social group who do not wish to be seen to buy the same luxury brand as a group that they see as inferior. While social taboos have been described at the fashion level, this is the first study to document a brand – let alone a luxury brand – becoming the subject of a social taboo due to its popularity.
- Study 1 and Study 2 also identified the frequency of luxury fashion product purchases by a friend or family member of the end-user, in what the thesis calls a 'commissioned purchase'. This use of a contact to purchase an expensive product that cannot be returned has not been previously described in the literature. It raises questions about the importance of the in-store experience when the person paying for the product does not even enter the store. Although a commissioned purchase has similarities to online buying in the absence of the in-store experience, it raises very different issues of risk, since an online purchase can usually be returned, but a luxury product bought outside China for a Chinese consumer cannot.
- Study 1 also identified that a segment of consumers prefer subtly branded products, in obvious contrast, with the frequent discussion of the use of luxury



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products for conspicuous display (e.g. Mason 1981; Veblen 1899). For many of the wealthy repeat luxury buyers interviewed for Study 1 and Study 2, it appears that a luxury brand only needs to be recognisable to their peer group, rather than being conspicuously branded and so recognisable to the majority of the public. While Study 1 and Study 2 reflected the tiny percentage of Chinese consumers who repeatedly buy luxury goods, the discrete choice experiment in Study 3 suggests that a very large minority of Chinese consumers prefer a subtle logo. Even among Chinese, with their apparent greater emphasis on public display (Wong & Ahuvia 1998), preference for conspicuous luxury products is therefore by no mean universal.

- Previous discussion of the factors that influence luxury buyers has not identified brands as a moderating factor, but the results from Study 3 suggests that the effect of different factors will be moderated by brand. That is, consumers do not appear to respond to variations in product features in the same way across different brands. For example, as discussed in Study 3, there are good reasons to predict that consumers will be more likely to buy luxury brands as their Status Consumption increases (though possibly less likely to buy a lower priced luxury brand like Coach, if it is not seen as sufficiently high status). Similarly, increases in the price of luxury brands would be expected to result in decreased probability of purchase. However, the findings from Study 3 showed very different results across Hermès and BV, with choice of BV unassociated with changes in the price of BV (or the reference brand, LV), Status Consumption and/or Income – variables that significantly influenced probability of choice of the other brands. While these findings may be explained by BV being seen as a niche, highly-differentiated brand, existing research models do not explain what features of a brand or its customers might establish such differentiation.

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### *Contributions for practice*

In addition to the contributions to research listed above, the thesis also has implications for practice.

- Firstly, the finding in Study 2 that many Chinese luxury fashion consumers do not buy luxury fashion goods in China, and/or do not buy themselves, but instead ‘commission’ friends or family to purchase for them when they travel overseas, raises several issues for luxury fashion brands targeting Chinese consumers. For those consumers who do not buy in China, a brand’s luxury store in China may be more important for promotion of the brand by positioning it as a luxury brand co-located with other luxury brands, rather than being important as a sales channel. In addition, for consumers who commission others to buy luxury products for them outside China, the store ambience and customer service in luxury fashion stores is likely to be less important than has been suggested in the literature, because the end-user does not experience the store ambience themselves. Instead, features that make it is easier for the ‘commissioned’ buyer to visit the store (e.g. a convenient location), locate a desired product (e.g. clear product display) and if necessary, communicate with the end-user (in-store wifi), may be used to facilitate these commissioned purchases.
- Secondly, the finding that a brand that is too popular may become subject to a social taboo (Study 1) suggests that a brand needs to ensure that it is still seen as aspirational, even as it becomes accessible to a growing middle class. This strategy can potentially be achieved with a variety of different tactics – keeping the price high, to maintain exclusivity, possibly accompanied with a lower-priced entry level line, limited production lines, especially for the highest priced products (such as Hermès’ Birkin range) and/or limited edition and/or high-priced lines (e.g. customised and/or exotic components, such as crocodile skin).

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- Thirdly, despite the typical association of luxury products with conspicuous consumption, the finding that a very large proportion of the sample in Study 3 preferred a subtle logo suggests that brands need to carefully consider their product line strategy. Highly recognisable logos were preferred in a small majority of choice scenarios in Study 3, so such logos are still important for luxury brands, but given the large (and possibly increasing) percentage of consumers who apparently prefer a subtle logo, a branding/design strategy where different products carry logos with varying levels of conspicuousness may be able to respond to the different preferences of different consumers.
  - Finally, the results in Study 3 also show that pricing of luxury products is complex. The finding from Study 3 that consumers will pay a higher price for their preferred brand – and from Study 1, that a higher-priced brand may be more attractive – show the value of a premium pricing strategy, potentially accompanied by a subtle logo, to retain the brand’s exclusivity. That strategy would be consistent with the upward-sloping demand curves discussed in Chapter 4, but as also discussed in Chapter 4, there has been little experimental investigation of upward-sloping demand curves. These results do not support the idea of an upward-sloping demand curve for luxury products: consistent with a typical downward-sloping demand curve, demand for Hermès increased in the choice scenario as the price decreased. In contrast, demand for BV was not associated with changes in the price, and was thus inconsistent with both an upward or downward-sloping demand curve. This apparent price insensitivity of participants who chose BV shows that a well-differentiated brand can increase the price insensitivity of consumers. However, the increased preference for Hermès at lower prices (possibly because the brand was too expensive for them to afford at the higher-price levels, even with the windfall income envisaged

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in the scenario) suggests that consumers' ability to pay will still have a major impact on demand for luxury products.

### **5.3 Limitations of the research**

As discussed in each of the studies, the findings of the research should be considered in the light of some limitations. The findings of the first and second studies are based on small and non-random samples of heavy Chinese buyers. The thesis does not claim these samples are representative of wealthy Chinese buyers of luxury products, but small samples can suggest ideas, allow limited conclusions and contribute to theory development. The motivations for purchase of luxury products may be different for less frequent buyers, or for luxury buyers in other countries. However, the study provides the first evidence of the apparent prevalence of a new buying method, the 'commissioned purchase' of luxury products, so the small and non-random samples do not negate the importance of the results.

Despite the large number of choice scenarios (3,648) providing substantial power in the third study, a large majority of participants (89.8%) lived in either Beijing, Shanghai, or Guangzhou, resulting in a lack of power for comparisons between major cities (Beijing, Shanghai, and Guangzhou) and other cities in China. The model thus may lack of power for detecting differences across different regions in China. In addition, the participants at the lower end of the income scale in the third study would not represent a key market segment for luxury brands, but these consumers represent an important potential market for luxury brands. Understanding the drivers of preference and choice of these consumers is thus critical for marketers and for researchers. A final limitation of the third study concerns the design of the experiment, and its elicitation of brand choices through the description of a hypothetical end-of-year bonus. To ensure that participants identified their most

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preferred brand under different choice conditions, they were not given the option of not choosing any brand in a scenario. This design could potentially inflate choice of Coach (the cheapest brand), since under the description of the scenarios, participants were told that they would (hypothetically) be able to retain any bonus which was not spent on a bag. The effect of any inflated preference for Coach does not appear to have been major (Coach was only the second most preferred brand, after LV, and was preferred by only 2.5% more than Hermès). However, predictors of preference for Coach should be interpreted with caution, because they may instead, for some participants, reflect a preference to not buy any of the brands.

Finally, as discussed in the introduction to the thesis, the Chinese fashion market and luxury consumption in China have evolved rapidly over the past hundred years and continue to evolve. As the Chinese retail market evolves, consumer behaviours will be influenced by emerging trends – globalization driving increased consumption of Western brands versus patriotism driving increased consumption of Chinese brands, service innovation, such as online purchases with home delivery, the growing purchasing power of millennials, and the growth of local Chinese luxury brands. The results presented in the thesis represent the thinking and behaviours of the participants during this particular research period, but the behaviour of Chinese luxury buyers is likely to continue to evolve.

## **5.4 Recommendations for future research**

The thesis offers a number of areas for further research. Following the limitations discussed above, further research would benefit by attempting to replicate the first study with luxury buyers in other countries, such as Japan, a country which shares many cultural characteristics with China, and which might therefore share similar motivations for the purchase of luxury products.

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Additional research would also be valuable to further investigate how Chinese luxury consumers value the in-store experience when they make luxury product purchases, since the most common method, the ‘commissioned purchase’, provides no in-store luxurious experience to the end-user, but instead offers a lower price. Understanding how Chinese luxury consumers evaluate the in-store experience may allow design of an in-store experience which may be more desirable for Chinese consumers.

The final recommendation for further research stems from the fact that a major minority in Study 3 preferred a subtle logo. Further research investigating the factors that influence preference for a subtle logo and what kind of product elements are considered by consumers as subtle and/or prominent branding would be beneficial to develop theory in this area.

## **5.5 Concluding remarks**

With the growing importance of Chinese luxury fashion consumers to the global luxury fashion market, gaining understanding of this group of consumers becomes important to both marketing academics and industry practitioners. As shown by this thesis, while Chinese luxury goods consumers share important characteristics with those of Western buyers discussed in the literature – for example, the use of luxury goods for status signalling and the importance of peers in the choice of luxury goods – Chinese luxury fashion consumers also appear to be different from Western consumers in important ways. While there are of course differences across luxury fashion goods consumers in China, as in any country, on average, Chinese consumers appear to put less emphasis on the hedonic features of luxury fashion products, and also place less emphasis on the rarity of the luxury goods they buy. These factors help to explain why so many Chinese luxury consumers commission their luxury

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purchases through a travelling friend or family member.

As well as providing the first discussion of commissioned purchases of luxury products, the thesis makes a distinct contribution to the growing body of literature on the Chinese luxury fashion market by identifying a luxury fashion brand becoming subject to a social taboo, and by raising questions about the importance of the luxury in-store experience when commissioned purchases are so common. The thesis has also offered insights into the preference for logo prominence by Chinese consumers. With a large minority preferring a subtle logo for their luxury handbag purchases, conspicuous branding for luxury goods in China may not be the strategic choice that has been suggested in some industry reports. The choices of Chinese luxury fashion consumers are complicated, and will continue to evolve, but this thesis has shown that ongoing research into this dynamic market can continue to provide new insights into the behaviour of luxury goods consumers.

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## 7 APPENDIX – ETHICS FINAL APPROVAL

### 7.1 Ethics Final Approval for Study 1 in Chapter 2

3 December 2009

Ms Kit Ying Canie Chu Lo

Flat B, G/F, 9 Boyce Road

Jardine's Lookout

HONG KONG

**Reference: Lo\_R00007**

Dear Canie,

**RE: FINAL APPROVAL**

Title of project: "An investigation of Chinese consumers' purchase behaviour of luxury brands"

Thank you for your recent correspondence. Your response has addressed the issues raised by the Ethics Review Committee (Business & Economics) and you may now commence your research.

Please note the following standard requirements of approval:

1. Approval will be for period of twelve (12) months. At the end of this period, if the project has been completed, abandoned, discontinued or not commenced for any reason, you are required to submit a Final Report on the project. If you complete the work earlier than you had planned you must submit a Final Report as soon as the work is completed. The Final Report is available at: [http://www.research.mq.edu.au/researchers/ethics/human\\_ethics/forms](http://www.research.mq.edu.au/researchers/ethics/human_ethics/forms)
2. However, at the end of the 12 month period if the project is still current you should instead submit an application for renewal of the approval if the project has run for less than five (5) years. This form is available at [http://www.research.mq.edu.au/researchers/ethics/human\\_ethics/forms](http://www.research.mq.edu.au/researchers/ethics/human_ethics/forms). If the project has run for more than five (5) years you cannot renew approval for the project. You will need to complete and submit a Final Report (see Point 1 above) and submit a new application for the project. (The five year limit on renewal of approvals allows the Committee to fully re-review research in

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an environment where legislation, guidelines and requirements are continually changing, for example, new child protection and privacy laws).

3. Please remember the Committee must be notified of any alteration to the project.
4. You must notify the Committee immediately in the event of any adverse effects on participants or of any unforeseen events that might affect continued ethical acceptability of the project.
5. At all times you are responsible for the ethical conduct of your research in accordance with the guidelines established by the University.

[http://www.research.mq.edu.au/researchers/ethics/human\\_ethics/policy](http://www.research.mq.edu.au/researchers/ethics/human_ethics/policy)

If you will be applying for or have applied for internal or external funding for the above project it is your responsibility to provide Macquarie University's Research Grants Officer with a copy of this letter as soon as possible. The Research Grants Officer will not inform external funding agencies that you have final approval for your project and funds will not be released until the Research Grants Officer has received a copy of this final approval letter.

Yours sincerely



Julie Zeller

Chair, Ethics Review Committee (Business & Economics)



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## 7.2 Ethics Final Approval for Study 2 in Chapter 3

Dear A/Prof Burton

**Re: "An investigation of Chinese working females' purchase behaviour of luxury fashion brands"(Ethics Ref: 5201000930)**

Thank you for your recent correspondence. Your response has addressed the issues raised by the Human Research Ethics Committee and you may now commence your research.

The following personnel are authorised to conduct this research:

A/Prof Suzan Burton- Chief Investigator/Supervisor

Ms Kit Ying Canie Chu Lo- Co-Investigator

Please note the following standard requirements of approval:

1. The approval of this project is conditional upon your continuing compliance with the National Statement on Ethical Conduct in Human Research (2007).

2. Approval will be for a period of five (5) years subject to the provision of annual reports. Your first progress report is due on 17th September 2011.

If you complete the work earlier than you had planned you must submit a Final Report as soon as the work is completed. If the project has been discontinued or not commenced for any reason, you are also required to submit a Final Report for the project.

Progress reports and Final Reports are available at the following website:

[http://www.research.mq.edu.au/for/researchers/how\\_to\\_obtain\\_ethics\\_approval/human\\_research\\_ethics/forms](http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics/forms)

3. If the project has run for more than five (5) years you cannot renew approval for the project. You will need to complete and submit a Final Report and submit a new application for the project. (The five year limit on renewal of approvals allows the Committee to fully re-review research in an environment where legislation, guidelines and requirements are continually changing, for example, new child protection and privacy laws).

4. All amendments to the project must be reviewed and approved by the Committee before implementation. Please complete and submit a Request for Amendment Form available at the following website:

[http://www.research.mq.edu.au/for/researchers/how\\_to\\_obtain\\_ethics\\_approval/](http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/)

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human\_research\_ethics/forms

5. Please notify the Committee immediately in the event of any adverse effects on participants or of any unforeseen events that affect the continued ethical acceptability of the project.

6. At all times you are responsible for the ethical conduct of your research in accordance with the guidelines established by the University. This information is available at the following websites:

<http://www.mq.edu.au/policy/>

[http://www.research.mq.edu.au/for/researchers/how\\_to\\_obtain\\_ethics\\_approval/human\\_research\\_ethics/policy](http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics/policy)

If you will be applying for or have applied for internal or external funding for the above project it is your responsibility to provide the Macquarie University's Research Grants Management Assistant with a copy of this email as soon as possible. Internal and External funding agencies will not be informed that you have final approval for your project and funds will not be released until the Research Grants Management Assistant has received a copy of this email.

If you need to provide a hard copy letter of Final Approval to an external organisation as evidence that you have Final Approval, please do not hesitate to contact the Ethics Secretariat at the address below.

Please retain a copy of this email as this is your official notification of final ethics approval.

Yours sincerely

Dr Karolyn White

Director of Research Ethics

Chair, Human Research Ethics Committee

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### 7.3 Ethics Final Approval for Study 3 in Chapter 4

Dear Dr. Nesbit,

**RE: 'An Investigation of Chinese consumers' values in buying luxury brands' (Ref: 5201600048)**

The above application was reviewed by the MGSM Ethics Sub-Committee. The MGSM Ethics Sub-Committee wishes to thank you for your well-written application. Approval of this application has been granted, effective "22/03/2016". This approval constitutes ethical approval only.

This research meets the requirements of the National Statement on Ethical Conduct in Human Research (2007). The National Statement is available at the following web site:

[http://www.nhmrc.gov.au/\\_files\\_nhmrc/publications/attachments/e72.pdf](http://www.nhmrc.gov.au/_files_nhmrc/publications/attachments/e72.pdf).

The following personnel are authorised to conduct this research:

Chief Investigator: Dr. Paul Nesbit

Other Personnel: Canie Chu

NB. STUDENTS: IT IS YOUR RESPONSIBILITY TO KEEP A COPY OF THIS APPROVAL EMAIL TO SUBMIT WITH YOUR THESIS.

Please note the following standard requirements of approval:

1. The approval of this project is conditional upon your continuing compliance with the National Statement on Ethical Conduct in Human Research (2007).
2. Approval will be for a period of five (5) years subject to the provision of annual reports.

Progress Report 1 Due: 22/03/ 2017

Progress Report 2 Due: 22/03/ 2018

Progress Report 3 Due: 22/03/ 2019

Progress Report 4 Due: 22/03/ 2020

Final Report Due: 22/03/ 2021

NB. If you complete the work earlier than you had planned you must submit a Final Report as soon as the work is completed. If the project has been discontinued or not commenced for any reason, you are also required to submit a Final Report for the project.

Progress reports and Final Reports are available at the following website:

[http://www.research.mq.edu.au/for/researchers/how\\_to\\_obtain\\_ethics\\_approval/human\\_research\\_ethics/forms](http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics/forms)

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3. If the project has run for more than five (5) years you cannot renew approval for the project. You will need to complete and submit a Final Report and submit a new application for the project. (The five year limit on renewal of approvals allows the Committee to fully re-review research in an environment where legislation, guidelines and requirements are continually changing, for example, new child protection and privacy laws).
  4. All amendments to the project must be reviewed and approved by the Committee before implementation. Please complete and submit a Request for Amendment Form available at the following website:  
[http://www.research.mq.edu.au/for/researchers/how\\_to\\_obtain\\_ethics\\_approval/human\\_research\\_ethics/forms](http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics/forms)
  5. Please notify the Committee immediately in the event of any adverse effects on participants or of any unforeseen events that affect the continued ethical acceptability of the project.
  6. At all times you are responsible for the ethical conduct of your research in accordance with the guidelines established by the University. This information is available at the following websites:  
<http://www.mq.edu.au/policy/>  
[http://www.research.mq.edu.au/for/researchers/how\\_to\\_obtain\\_ethics\\_approval/human\\_research\\_ethics/policy](http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics/policy)

If you will be applying for or have applied for internal or external funding for the above project it is your responsibility to provide the Macquarie University's Research Grants Management Assistant with a copy of this email as soon as possible. Internal and External funding agencies will not be informed that you have final approval for your project and funds will not be released until the Research Grants Management Assistant has received a copy of this email.

If you need to provide a hard copy letter of Final Approval to an external organisation as evidence that you have Final Approval, please do not hesitate to contact the FHS Ethics at the address below.

Please retain a copy of this email as this is your official notification of final ethics approval.

Yours sincerely,

Chair

MGSM Ethics Sub-Committee

Email: [ethics@mgsm.edu.au](mailto:ethics@mgsm.edu.au)

Web: <http://www.research.mq.edu.au/>