

Evaluation And Development Of A Conceptual Model For Investigating Chinese Consumer's Perspectives Of Luxury Value

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ABSTRACT

The researchers' goal in doing this study was to provide a theoretical framework that, based on focus group results and reviews of relevant literature, would explain to Chinese buyers how much luxury items are worth. A focus group discussion was conducted to get insight into the thought processes of Chinese consumers while evaluating the value of high-end products. Findings To better understand how Chinese consumers perceive and buy luxury items, this research integrates several perspectives into a multidimensional model. It provides a complete picture of how the Chinese consumer sees themselves and their community in luxury products. Researchers should be aware that their sample size was rather limited (just three sites), therefore their findings may not be representative of all Chinese clients. Due to the small sample size of this quantitative investigation, a measuring instrument based on the proposed conceptual model is required. For the theoretical model to be useful in future empirical studies, researchers would also want to test it further. Originality In addition to adding to the little literature on the topic of luxury in the Chinese market, our study has shed light on how the perceived value of luxury influences the buying behaviours and habits of Chinese customers. Additionally, it has provided theoretical insight into the phenomenon of luxury consumption. It might provide valuable insight into the Chinese luxury goods industry's marketing strategies.

Keywords: *Chinese consumer, Luxury value, Luxury goods, Chinese luxury market, Purchasing decisions.*

INTRODUCTION

Over the past few decades, the market for high-end consumer items has exploded. More and more people can afford to splurge on luxury items every year, and this is mostly attributable to rising incomes and buying power. People from every corner of the globe buy these products. The percentage of Chinese people living in extreme wealth has skyrocketed throughout the previous 30 years. According to (Zhang et al., 2023), this country's nominal GDP by expenditure method surpassed that of Italy in 2000, the UK in 2002, Germany in 2007, and Japan in 2009. The result was China's economy becoming the world's second-largest, surpassing even the United States. After China's "open door" policy allowed several foreign luxury brands to enter the Chinese market in the 1970s, trade between the two nations skyrocketed. Almost every internationally renowned luxury brand has significantly increased its presence in China in recent years (Sun & Xu, 2023), maybe due to the country's reputation as one of the most fascinating and exciting prestige marketplaces on the planet. That is only one of many reasons why China is quickly becoming a global powerhouse in high-end retail. Luxury goods sales have exploded in the last few years, according to the research. According to some estimates, sales of luxury goods have increased significantly, with the Chinese luxury business's goods valued at 180 billion Yuan, or \$28 billion (Eastman et al., 2020).

China is the best place to sell high-end goods because of their massive purchasing power. Worldwide, sales of luxury

items have skyrocketed, with 31% of the market coming from China, 24% from the US, and 18% from Europe. Even though China's sales of luxury products had never before seen such a severe decline, the government nonetheless invested about \$19 billion in the firm. A resurgence in Chinese demand for luxury items was seen in 2015, and analysts anticipate that this trend will continue (Li & Li, 2020).

1. BACKGROUND OF THE STUDY

The Chinese market is now seen by global luxury goods organisations as the most promising market with the highest pace of increase, according to data by. When it comes to high-end consumer goods, the Chinese market is often considered to be among the most interesting and exciting options available. This perception is well-founded. China also ranks among the world's most populous countries. Almost every major luxury brand in the world has substantially expanded its footprint in China in recent years since the nation has emerged as a crucial market for these products. With a significant uptick in sales in China over the last few years, the luxury goods industry in China is now worth an estimated \$28 billion, or 180 billion Yuan (Mathur, 2019). When it comes to luxury goods and services, Chinese consumers make up the biggest and fastest-growing national identity, and Chinese customers are at the forefront of this growth. As a consequence, the overall amount of money spent on luxury products has skyrocketed over the globe. This is because 31% of all luxury goods sales now originate from Chinese customers, and the Chinese market has grown into a crucial area for all premium firms. Next on the list are buyers in the United States (24% of all luxury goods sales) and Europe (18% of all luxury goods purchases). The Chinese market has grown into a major player for all premium companies, which is why this is happening. Despite China's first annual decline in sales of luxury goods, the nation nevertheless spent about \$19 billion on such items in 2014 (Guo & Li, 2021).

Sales of high-end goods fell in China for the first time this year. Industry experts are hopeful that China's luxury goods market will continue its rising trajectory, which has not been seen since 2015. Managers must know the growing Chinese consumers they aim for, even if many foreign luxury businesses are cognisant of the tremendous future growth potential in China. To achieve maximum success in the Chinese luxury market, the fashion industry's high-end products need to cater to this specific demographic. The vastness and increasing purchasing power of the Chinese consumer market have propelled Chinese buyers to the forefront of the global luxury goods industry in the last decade. Because of these reasons, Chinese consumers have grown into a significant force in the international luxury goods industry (Liu & Li, 2023).

2. PURPOSE OF THE STUDY

Building an all-encompassing conceptual model that delves into the viewpoints of Chinese customers on the value of luxury is the goal of this subject. With this model, researchers want to better understand what drives their views and choices on high-end products. Luxury companies targeting the Chinese market may benefit from the research's grasp of cultural subtleties, psychological motives, and market dynamics. In the end, the results helped improve marketing tactics and boost customer involvement in the dynamic luxury industry.

3. LITERATURE REVIEW

Although this trend presents luxury brands with intriguing new opportunities for growth, it also brings up important concerns on how to cater to customers from varied cultural backgrounds. Formations based on shared cultural and ethnic traits. The bulk of international studies examining the factors that contribute to luxury spending have been disregarded. Examine ideas of cultural influences or consumption motivations after demonstrating in the introductory chapter that research on this topic is lacking. Then, talk about the most recent findings in the luxury industry and assess these theories (Cohen & Miller, 2020).

Researchers take a look at cultural orientation, assimilation, and wasteful expenditure, as well as their sources and effects. The chapter starts with a brief overview of the origins of luxury goods and the luxury market. An in-depth theoretical analysis is conducted by reviewing the literature on the causes behind luxury purchases made by Western and Chinese consumers. The literature on culture and acculturation is reviewed in the section that follows. Models of acculturation, cultural components for comparing cultures, and cultural models are discussed here. The impact of cultural background on the buying of luxury items is finally investigated via a complex system (Chen & Yang, 2020). A focus was placed on culture and acculturation. To develop and suggest research hypotheses, it is necessary to conduct a literature review and consider the research problem. The foundation for subsequent chapters is laid in this chapter, which draws connections to previous research and supplies relevant models, concepts, and approaches. The lack of literature is highlighted near the conclusion of the chapter. The chapter concludes with suggestions for further research based on the existing material. Depict lavishness Academics or business executives have researched luxury spending for decades (Jiang & Wang, 2021).

4. RESEARCH QUESTION

- i. How do traditional Chinese values and cultural heritage shape perceptions of luxury value among Chinese consumers?

5. RESEARCH METHODOLOGY

The researcher used a convenient sampling technique in this research.

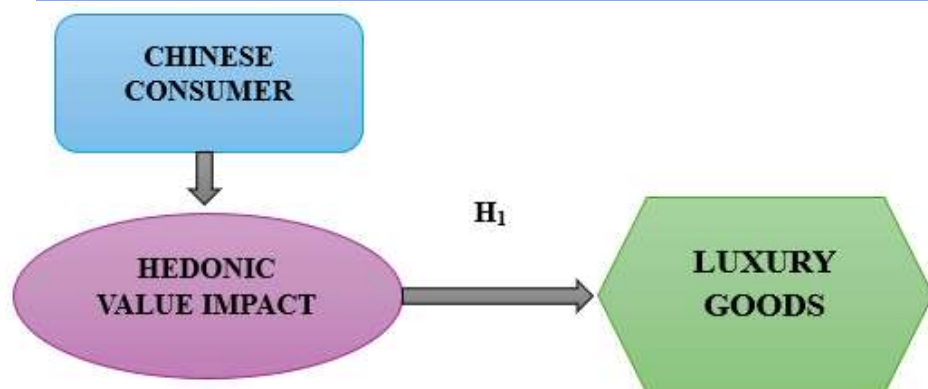
Research design: The researcher used SPSS version 25 to do the quantitative data analysis. The 95% confidence interval and odds ratio worked together to provide details on the origin and development of this statistical correlation. At the level of statistical significance, the p-value was established as being less than 0.05. A thorough comprehension of its essential features was achieved by descriptive analysis of the data. The use of computers to analyse data and mathematical, arithmetic and statistical analysis to objectively evaluate survey, poll, or questionnaire responses are hallmarks of quantitative techniques.

Sampling: A convenient sampling technique was applied for the study. The research relied on questionnaires to gather its data. The Rao-soft program determined a sample size of 657. A total of 896 questionnaires were distributed; 823 were returned, and 45 were excluded due to incompleteness. In the end, 778 questionnaires were used for the research.

Data and Measurement: A questionnaire survey served as the main data collector for the study. There were two sections to the survey: (A) General demographic information and (B) Online & non-online channel factor replies on a 5-point Likert scale. Secondary data was gathered from a variety of sources, with an emphasis on online databases.

Statistical Tools: Descriptive analysis was used to grasp the fundamental character of the data. The researcher applied ANOVA for the analysis of the data.

5.1 Conceptual Framework



6. RESULTS

7.1 Factor Analysis

When validating the underlying constituent structure of a collection of measurement items, Factor Analysis (FA) is often used. It is believed that latent, non-observable factors influence the observed variables' scores. Models are the backbone of the accuracy analysis (FA) technique. Linking observable occurrences, underlying causes, or measurement mistakes is the main emphasis of this study.

One way to determine whether data is suitable for factor analysis is to use the Kaiser-Meyer-Olkin (KMO) Method. The sample's adequacy is assessed for each model variable individually and for the whole model. A large amount of potential shared variation among numerous variables may be measured using statistics. Factor analysis works well with data that has lower percentages.

With KMO, they may create numbers between zero and one at random. Kaiser-Meyer-Olkin (KMO) values between 0.8 and 1 indicate that the sample is adequate.

It is necessary to take remedial action if the KMO is less than 0.6, which indicates that the sampling is inadequate. Use their best discretion; some authors use 0.5 as this, therefore the range is 0.5 to 0.6.

- If the KMO is close to 0, it means that the partial correlations are large compared to the overall correlations. Component analysis is severely hindered by large correlations, to restate.

Kaiser's cutoffs for acceptability are as follows:

A dismal 0.050 to 0.059.

- 0.60 - 0.69 below-average

Typical range for a middle grade: 0.70–0.79.

Having a quality point value between 0.80 and 0.89.

The range from 0.90 to 1.00 is stunning.

Table 1: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.943
Bartlett's Test of Sphericity	Approx. Chi-Square	6014.577
	df	190
	Sig.	.000

The overall significance of the correlation matrices was further confirmed by using Bartlett's Test of Sphericity. A value of 0.943 is the Kaiser-Meyer-Olkin sampling adequacy. By using Bartlett's sphericity test, researchers found a p-value of 0.00. A significant test result from Bartlett's sphericity test demonstrated that the correlation matrix is not a correlation matrix.

7.2 Test for hypothesis

7.2.1 Dependent Variable (Luxury Goods)

The high price tag and illustrious reputation of a brand are common indicators of the high quality and exclusivity offered by luxury products. Products in this category often denote affluence and social standing; they include things like high-end apparel, jewellery, cars, and gadgets. When compared to essentials, luxury products are more often linked to prosperity and individuality. Beyond their practicality, these objects are appealing because of the feelings they elicit and the sense of self they express. Luxury products are important in many cultures because they attract buyers due to their perceived worth, scarcity, and the idealised lifestyle they symbolise (Wang & Yang, 2022).

7.2.2 Independent Variable

❖ Chinese Consumer

Aspiration, cultural importance, and social prestige all play a role in the Chinese consumer-luxury good dynamic. Consumption of high-end goods is often a reflection of one's sense of self and the values held by one's community. Luxury products are seen as investments by Chinese customers, who value brand legacy, exclusivity, and quality more than just buying them. This connection is continually changing and plays a significant role in China's luxury industry due to variables such as social media, how consumers are seen by their peers, and changing consumer tastes (Frank, 2019).

• Hedonic Value Impact

Hedonic value impact pertains to the emotional & sensory gratification obtained from a product and service, prioritising pleasure and enjoyment above practical usefulness. It affects customer behaviour by improving the whole experience, often resulting in heightened brand loyalty and repeated purchases. Aesthetics, sensory appeal, or brand image are contributing factors to its value. When customers recognise substantial hedonic value, they are more inclined to interact with the brand, disseminate positive experiences, and prioritise pleasure in their purchasing choices.

▪ Relationship Between Hedonic Value Impact and Luxury Goods

The sensory and emotional advantages that high-end items provide are the basis of the link between hedonic impact value and these commodities. The hedonic effect value of a product is the amount of pleasure and contentment it

provides, with an emphasis on how the product makes the consumer feel. The uniqueness, exclusivity, and high quality of luxury items may make people feel pampered and free to express themselves. These products sell well because of the practicality they provide as well as the pleasant feelings (such as happiness, pride, and status) they evoke in buyers. The luxury industry relies on customer loyalty because this emotional connection raises the perceived worth of luxury items, making them more appealing (Lin & Chen, 2019).

Based on the above discussion, the researcher formulated the following hypothesis, which was to analyse the relationship between hedonic value impact and luxury goods.

“H₀: There is no significant relationship between hedonic value impact and luxury goods.”

“H₁: There is a significant relationship between hedonic value impact and luxury goods.”

Table 2: H₁ ANOVA Test

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	68971.927	491	5747.661	1988.151	.000
Within Groups	251.513	286	2.891		
Total	69223.440	777			

In this study, the result is significant. The value of F is 1988.151, which reaches significance with a *p*-value of .000 (which is less than the .05 alpha level). This means the ***“H₁: There is a significant relationship between hedonic value impact and luxury goods.”*** is accepted and the null hypothesis is rejected.

7. DISCUSSION

Statistical approaches are used to analyse data about the viewpoints of Chinese consumers on the value of luxury in a quantitative analysis of the subject. Consider conducting surveys to get quantitative data on aspects like brand impression, buying habits, and emotional reactions to high-end products. Some important criteria to consider include the frequency of luxury purchases, spending habits, and the impact of demographics. Researchers may study the relationship between these characteristics and the perceived value of luxury as a whole by using methods like regression analysis. To back up successful marketing tactics aimed at the Chinese luxury market; this data-driven method seeks to verify the conceptual model.

8. CONCLUSION

The intricate interaction of cultural, emotional, or social elements impacting purchase behaviour is highlighted, in conclusion, by the assessment and construction of a conceptual model for analysing Chinese consumers' opinions on luxury value. Consumers are looking for experiences that represent their status and identity more than ever before, and the results highlight the significance of knowing local tastes and values. For luxury businesses looking to connect with and meet the changing demands of the Chinese market, this approach is a great starting point.

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