

Title	The Chinese consumers and luxury industry : a study of purchasing location
Sub Title	
Author	陸, 晴青(Lu, Qingqing) 浅川, 和宏(Asakawa, Kazuhiro)
Publisher	慶應義塾大学大学院経営管理研究科
Publication year	2017
Jtitle	
JaLC DOI	
Abstract	
Notes	修士学位論文. 2017年度経営学 第3347号
Genre	Thesis or Dissertation
URL	https://koara.lib.keio.ac.jp/xoonips/modules/xoonips/detail.php?koara_id=KO40003001-00002017-3347

慶應義塾大学学術情報リポジトリ(KOARA)に掲載されているコンテンツの著作権は、それぞれの著作者、学会または出版社/発行者に帰属し、その権利は著作権法によって保護されています。引用にあたっては、著作権法を遵守してご利用ください。

The copyrights of content available on the Keio Associated Repository of Academic resources (KOARA) belong to the respective authors, academic societies, or publishers/issuers, and these rights are protected by the Japanese Copyright Act. When quoting the content, please follow the Japanese copyright act.

慶應義塾大学大学院経営管理研究科修士課程

学位論文（ 2017 年度）

論文題名

The Chinese Consumers and Luxury Industry
:A Study of Purchasing Location

主 査	浅川 和宏
副 査	井上 哲浩
副 査	坂下 玄哲
副 査	

氏 名	陸 晴青
-----	------

論 文 要 旨

所属ゼミ	浅川和宏 研究会	氏名	陸晴青
<p>The Chinese Consumers and Luxury Industry :A Study of Purchasing Location</p>			
<p>Abstract</p> <p>The consumption by Chinese consumers in luxury industry represents 30% of global sales, but consumption within China only represents 9%. Price premiums was usually interpreted as the reason of this interesting phenomenon. A better understanding about Chinese consumption of luxury products could help the luxury brands find the suitable strategies to enlarge Chinese luxury market. The purpose of this study was to investigate factors which could influence Chinese consumers' attitude towards shopping location. Based on existing literatures on consumers' behavior towards luxury products as well as communication with consumers of luxury industry, the article tested and estimated 7 hypotheses. The Research was carried out in a quantitative manner through an online questionnaire. Binomial logistic regression model was adopted in this research for evaluating the predict ability of independent variables and interaction. Practically, high-end categories, attention to VIP exclusive services and activities, attention to rarity of products and brands, attention to luxury brands communication through social media, interaction between city of residence and intention of increasing future consumption on luxury products were found to have significant influences on the consumers' attitude towards shopping luxury products within China. City of residence alone and attention to price premiums were examined to be contradictory with previous understanding. China grows at an unprecedented speed, and consumption patterns also change accordingly. This research provided some new perspectives about Chinese consumers in luxury industry.</p>			

Contents

Contents	I
Abstract	2
Chapter 1 Introduction	3
1-1 The uniqueness of Chinese market.....	3
1-2 The evolution of luxury industry in China.....	3
1-3 The purpose of research.....	5
Chapter 2 Methodology	7
2-1 Proposed Model and Hypotheses	7
2-2 Sampling Procedures and Data Collection.....	11
2-3 Analysis Model.....	14
Chapter 3 Results	17
3-1 Respondents Profile.....	17
3-2 Correlation Analysis.....	18
3-3 Hierarchical Regression Analysis.....	19
Chapter 4 Conclusion	24
Acknowledgement.....	28
Reference	29
Appendix 1 Questionnaire (in English)	31

Abstract

The consumption by Chinese consumers in luxury industry represents 30% of global sales, but consumption within China only represents 9%. Price premiums was usually interpreted as the reason of this interesting phenomenon. A better understanding about Chinese consumption of luxury products could help the luxury brands find the suitable strategies to enlarge Chinese luxury market. The purpose of this study was to investigate factors which could influence Chinese consumers' attitude towards shopping location. Based on existing literatures on consumers' behavior towards luxury products as well as communication with consumers of luxury industry, the article tested and estimated 7 hypotheses. The Research was carried out in a quantitative manner through an online questionnaire. Binomial logistic regression model was adopted in this research for evaluating the predict ability of independent variables and interaction. Practically, high-end categories, attention to VIP exclusive services and activities, attention to rarity of products and brands, attention to luxury brands communication through social media, interaction between city of residence and intention of increasing future consumption on luxury products were found to have significant influences on the consumers' attitude towards shopping luxury products within China. City of residence alone and attention to price premiums were examined to be contradictory with previous understanding. China grows at an unprecedented speed, and consumption patterns also change accordingly. This research provided some new perspectives about Chinese consumers in luxury industry.

Chapter 1 Introduction

1-1 The uniqueness of Chinese market

As a part of new markets, more and more global enterprises have their eyes set on China. Due to desire of absorbing new information and technologies, China provided a friendly environment to global enterprises from all over the world. Based on the fast growth of Chinese GDP, China is expected to have the largest population of millionaires in 2018 indicating huge consumption potential for industries like luxury. It is also a Changeable market. Chinese people have consumption patterns different from those of mature markets, and they change so fast that old understanding would soon not apply to new situations anymore. Such fast-growing context also pushes both local and foreign enterprises in China to make timely changes according to the trends of development.

Figure 1-1. The transition of China GDP



1-2 The evolution of luxury industry in China

In 1990s, Frederick Worth from Great British firstly introduced the concept of haute couture, and then he went to France to perfect and commercialized his products. Following him, Coco Chanel and Christian Dior showed up opening the

new era of modern fashion. (Ashok Som, 2015) Along with Chinese economic reform, the concept of luxury came into China. The high-speed development resulted in large population of middle classes. After getting rich, Chinese people changed their attitude towards living quality. The middle classes, especially, have totally different consumption attitudes from traditional Chinese consumers. Prices and functions are no longer the only standards during shopping. They would like to pay more attention on quality, rareness and shopping experience. Therefore, the French and Italian luxury world soon was accepted, and a sizable customer base was formulated.

Luxury industry prospered after getting into China. Multiple luxury brands established their flagship stores in key capital cities. In 2016, luxury products consumption by Chinese people represented 30% of global sales. China became the largest contributor to global luxury market. In 2016, 7.6 million families have purchased luxury products, and this number exceeded the totality of families in Malaysia or Holland. Furthermore, the average consumption of those Chinese families reached 10 thousand dollars which was twice as much as that of French or Italian families. (McKinney, 2017) However, China is still an immature market to luxury industry. The characteristics of Chinese consumers are different from that those of consumers in mature market like Europe and the United State. These undoubtedly are challenges that luxury brands need to face. Besides, due to the speedy growth of Chinese market, consumption patterns of Chinese would change fast, either. Old understandings about this market would soon be not able to apply to new situations. For instance, around 15 years ago, Chinese started to accept luxury product concept from western countries. At that time, people lacked with relevant knowledge. They only paid attention on brand names instead of designs of products and shopping experience. However, with the development of transportation and internet technologies, Chinese people could easily access to markets in other countries. They became much smarter

than before and mastered sufficient information about the whole luxury industry including price differential, shopping atmosphere and product exhibition. Nowadays, Chinese people formulated their own standards for luxury consumption, and they are more demanding about luxury brands. All above perspectives forces luxury brands to put more efforts on strategies and innovations in Chinese market. That is also my purpose to do this research ---- helping global luxury brand overcome Chinese domestic disability.

1-3 The purpose of research

Figure 1-2. Global personal luxury goods market, by consumer nationality, 2000-16E (€ billion)

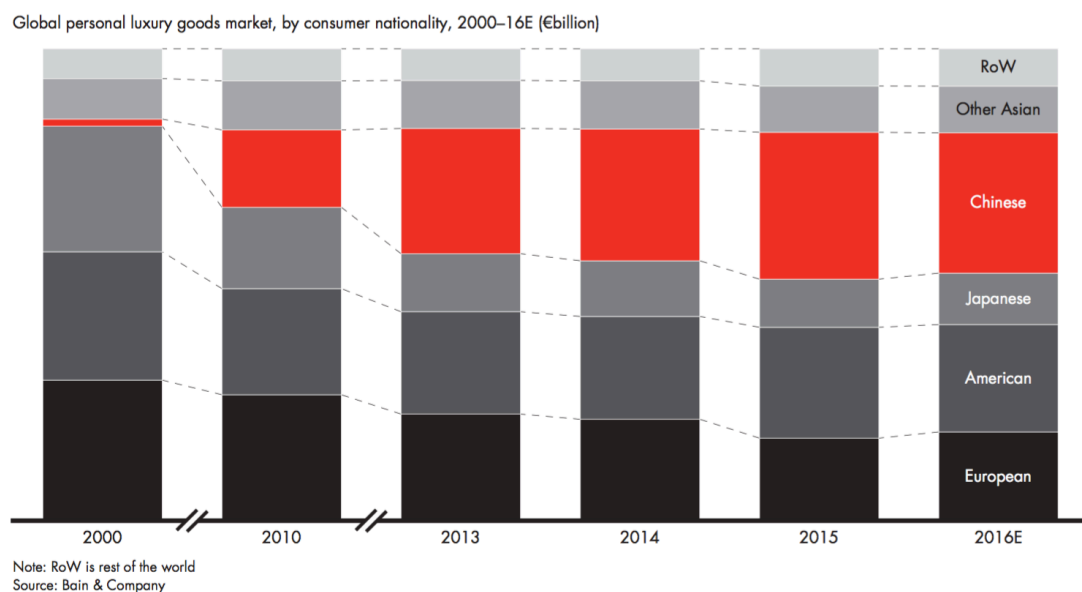
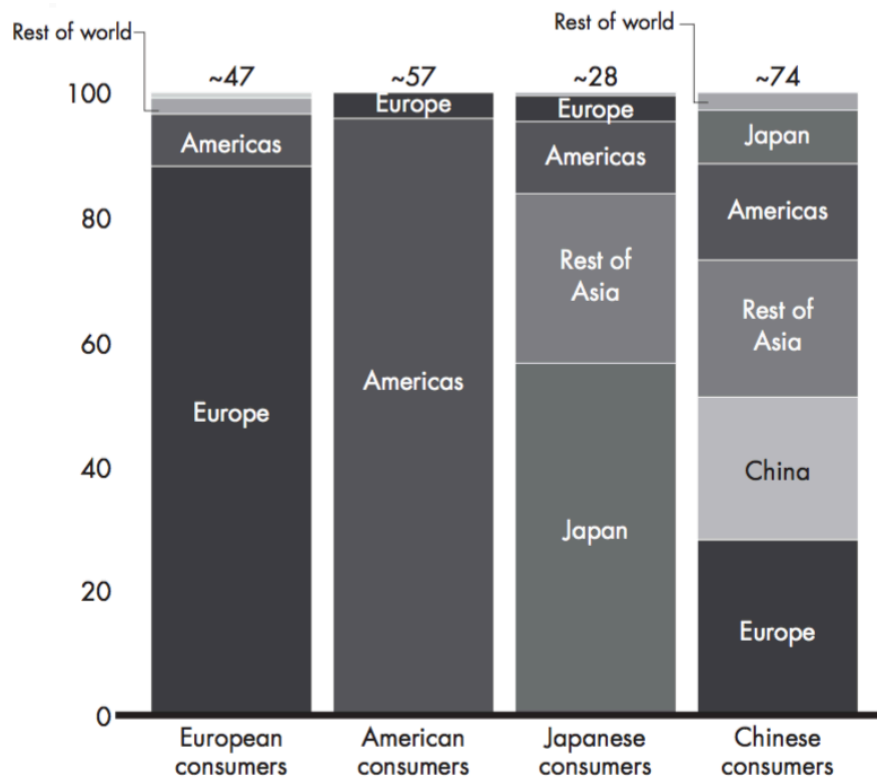


Fig 1-2 and Fig 1-3 are two set of statics released by Bain & Company in 2016. Graph 1-2 shows that the market share of global sales by consumer nationality. Chinese consumers represent 30% of global purchases indicating that China is the great contributor of global luxury market. Figure 1-2 indicates where consumers purchase personal luxury products. Data is categorized by customers'

geographical origins. Consumers from mature markets primarily purchase luxury domestically. However, Chinese people tend to purchase luxury everywhere in the world. Among consumption by Chinese people, only 30% was conducted through channels within China. In other words, Chinese people greatly contributes to global sales, but Chinese luxury market is still covered by haze. Therefore, this set of statics inspired me to conduct an analysis to understand Chinese consumers' attitude towards purchasing locations.

Figure 1-3. Global personal luxury goods market, by consumer nationality, 2000-16E (€ billion)

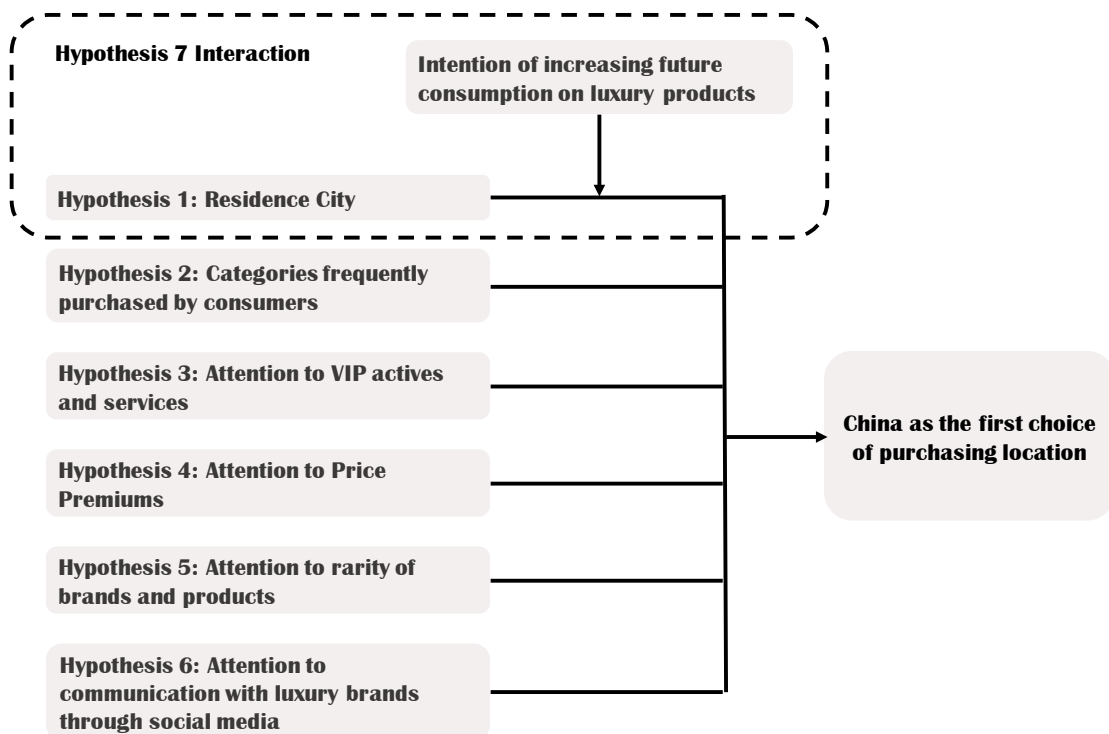


Chapter 2 Methodology

2-1 Proposed Model and Hypotheses

By reviewing the related literature, this part sets out the research model of this analysis in Fig. 2-1 to present the developed relationship between all the variables under investigation. In brief, the model postulates that residence city, categories frequently purchased by consumers, attitude towards VIP activities and services, attitude towards price premiums, attitude towards rarity and attitude towards interaction with brands on social media will significantly influence consumers' attitude towards shopping location. This postulation is based upon relevant literature and also the conversation with experts.

Figure 2-1 Research Model



【Hypothesis 1】 City

Dwelling in key capital cities positively relates consumers' attitude towards shopping luxury products within China.

- According to the information on official websites of luxury brands, flagship stores mostly locate in China's major cities, including Beijing, Chengdu, Dalian, Guangzhou, Hangzhou, Nanjing, Tianjin, Shanghai, Shenyang, Shenzhen, Suzhou. Consumers dwelling in such key capital cities could easily access to luxury brands and products. Consumers who could enjoy the geographic convenience are more likely to purchase through China domestic channels. A positive influence of key capital cities is expected on consumers' attitude towards purchasing luxury products within China.

【Hypothesis 2】 Frequently purchasing high-end categories

Frequently purchasing high-end categories could positively relate consumers' attitudes towards purchasing luxury products within China.

- Jewelries and watches, as typical high-end categories, are generally more expensive than other luxury personal products. Consumers usually need more time for decision-making. Furthermore, based on the needs of consumers, sometimes brands are required to make certain adjustment about products. Due to the characteristics of high-end products, consumers have to show up in store for multiple times to make sure the size and design of products. Therefore, they highly demand timely services communication from stores about such categories. A positive influence of frequently purchasing high-end categories could be expected on consumers' decisions of purchasing within China.

【Hypothesis 3】 Attention to VIP services and activities

Attention to VIP services and activities positively relate the consumers' attitudes towards shopping location of luxury products.

- Different from functional products, luxuries are prominent for added value. Exclusive activities and services which brands provided to VIP consumers could make consumers feel honorable. Previous studies showed that people possess particular needs– such as to be pleased, or to be conspicuous. (Dubois and Laurent, 1994) These needs may drive psychological forces which impel consumers to purchase luxury products. Hermes as a successful brand in China periodically hold exclusive activities to treat VIP customers. Successful VIP activities and services could make consumers feel prestigious and mentally satisfied. In order to enjoy the localized VIP activities and customized services in China, consumers with high attention on such services prefer to accumulate their consumption in same places. Therefore, there would be a positive relation between attention on VIP activities and services and consumers' intention of shopping within China.

【Hypothesis 4】 Attention to Price premiums

Sensitivity about price premiums would negatively relate with the consumers' attitudes towards shopping luxury products within China.

- Prices for luxury goods vary across countries. Ashok, an expert of luxury industry, suggested that price premiums are always barriers to China luxury market. In 2015, Chanel announced their decision about raising prices in Europe and lowering prices in China to close the gap between the two countries. Cartier, Burberry, Patek Philippe, and Louis Vuitton, also reduced prices in China in the spring of 2015. However, Chinese customers still have to pay 16% to 25% more than consumers from the origins of brands. (Homa Zaryyouni, 2014) Based on the statistics released by McKinsey, 60% of luxury product consumers could accept price differential under 20% in 2012. However, nowadays only 20% of consumers could tolerant such price

differential. Therefore, sensitivity to price premiums would negatively relate with consumers' attitude towards purchasing luxury products within China.

【Hypothesis 5】 Attention to Rareness

Attention to rareness negatively relate consumers' attitude towards shopping location of luxury products.

- According to Snyder and Fromkin, people value unique things that are difficult to obtain. Acquiring and displaying unusual objects can satisfy the consumers' need to feel different from other people. Purchasing luxury products is also an expression of self-value. A portion of luxury consumers hope to exhibit their distinctiveness through the uniqueness of products they have. (Jee Hye Lee and Johye Hwang, 2011) However, due to the large population of consumer base, the competition of rare items is extremely severe, and items which could easily access to within China couldn't satisfy the needs of such consumers. Therefore, attention to rareness of products would negatively influence on the consumers' attitude towards purchasing luxury products within China.

【Hypothesis 6】 Social Media

Attention to interaction with luxury brands through social media could positively relate consumers' attitude towards shopping location of luxury products.

- The concept of luxury and the concept of social media seem to be contradictory. Luxury emphasizes on the image of exclusivity, and social media stresses on publicity. However, with increasing influences of social media on daily life, luxury brands also started to investigate and take

advantage of this new platform. Previous research has already confirmed the link between active consumer engagement through social media and feelings of loyalty, trust, satisfaction and connection to the brand, and this impact could not only contribute to online store but also the real store. (Alicia Fiorletta, 2014) Therefore, interaction with luxury brands through social media would drive consumer to purchase within China.

【Hypothesis 7】 City*Increase annual consumption on luxury products in future
An interaction effect was expected between residence city of consumers and future consumption plan of consumers. This interaction would negatively relate with consumers' attitude towards shopping location of luxury products.

- The intention of consumers about whether increasing future consumption on luxury could influence the results of Hypothesis 1. The interaction between Hypothesis 1 and moderator – intention to increase future consumption on luxury- was estimated in this analysis. Even both living in key capital cities, consumers who intend to increase consumption would go abroad to purchase luxury, since the growth of living standards made consumers pay less attention on transportation expenses.

2-2 Sampling Procedures and Data Collection

Research was carried out in a quantitative manner through an online questionnaire. This questionnaire aimed to realize Chinese people's perspectives about shopping location of luxury products and to collect proof to support hypothesis listed in last sector.

The questionnaire was written in Chinese language and put on a platform of Wenjuan.com. Within the questionnaire, 29 questions were included. The questionnaire was distributed through Chinese SNS and could be open for

anyone to answer. This method was selected, since it was easy to operate and could also guarantee a variety of respondents.

The targeted respondents should satisfy 2 conditions. One is to have purchased or be planning on purchasing luxury products. Another one is that respondents should be currently living in China. These conditions aimed to narrow down the sample to real Chinese luxury consumers. Incomplete responses as well as those out of the target group were not considered for analysis. After cleaning the data, finally 131 sets of answers were found valid and used to analyze.

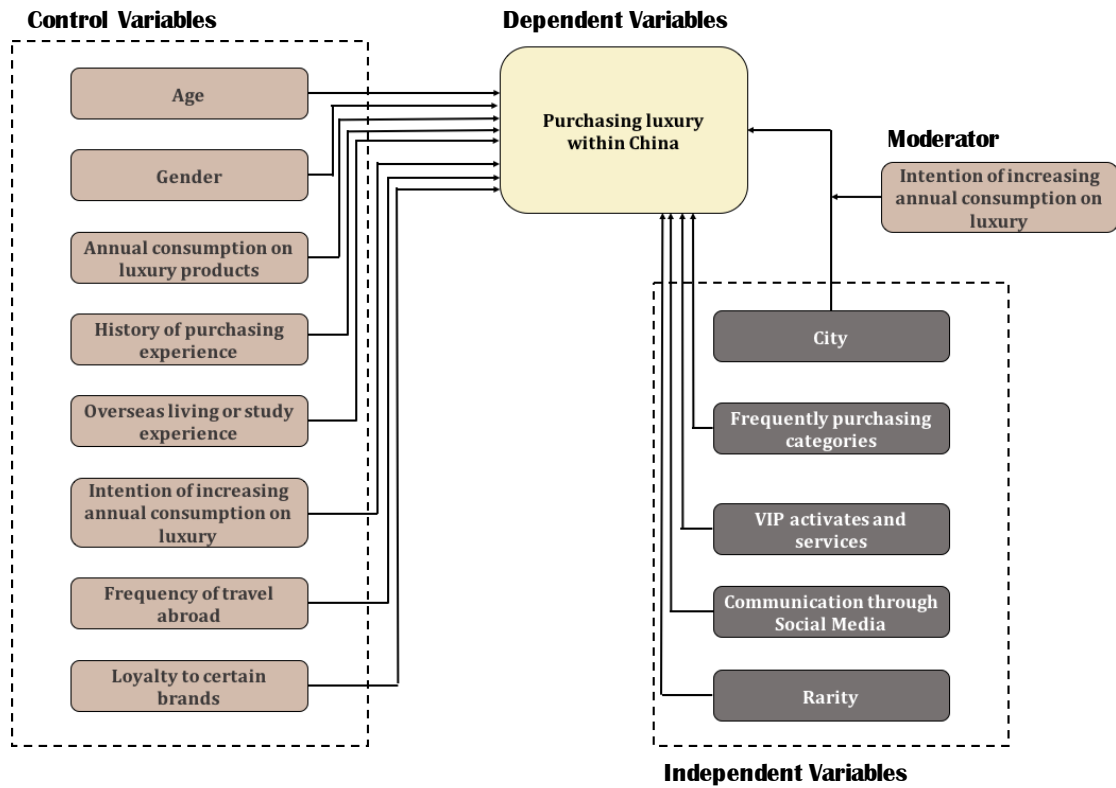
In questionnaire, answers of most questions could not be used directly. Numerical values needed to be assigned to those levels of categorical variables. All the answers were classified into two categories based on the distribution map of answers. Therefore, data was organized to binary dummy variables after cleaning. In this research, purchasing luxury product within China was set as dependent variable. Based on the hypotheses, City of Residence, frequently purchased categories, VIP exclusive services, price premiums, rarity, communication with Luxury brands through SNS were selected as independent variables. Factors including demographic information and shopping behaviors of the respondents was fixed as control variables. Table 3-1 shows standards which used to build dummy variables based on answers of respondents.

Table 2-1 Standards used to define dummy variables

	0	1
Dependent Variable		
First choice of shopping location (by country)	Other countries	China
Control Variables		
Age (Categorical variables)	Under 30	Above 31
Gender (Categorical variables)	Female	Male
Overseas Living or study experience	No	Yes
Frequency of traveling overseas	Under 2	Above 3
Annual Consumption on luxury products	Under 50,000 CNY	Above 50,000 CNY
Intention to Increase future consumption on luxury products	No	Yes
History of purchasing luxury products	Under 3 years	Above 3 years
Loyalty to certain brands	No	Yes
Independent Variables		
Residence City	Other cases	Key capital cities including Beijing, Chengdu, Dalian, Guangzhou, Hangzhou, Nanjing, Tianjin, Shanghai, Shenyang, Shenzhen, Suzhou
Category of luxury products which respondents frequently purchased	Other cases	High-end categories including jewel, watch and haute couture
Pay attention on VIP Activities and Services	No	Yes
Pay attention on Price Premiums	No	Yes
Pay attention on Rarity of brands or products	No	Yes
Pay attention on interaction with luxury brands through Social Media	No	Yes

2-3 Analysis Model

Figure 2-2 Framework for Hierarchical Regression



In this research, binomial logistic regression analysis and hierarchical linear regression analysis were adopted to analyze the relationship between attitude towards shopping location and hypothesizes. Hierarchical regression could clearly show the improvement between new model and previous one after adding new variables. Since statistical data analysis was conducted using IBM SPSS Software, χ^2 and significance were used as a standard to evaluate the performance of models. For example, if the difference of χ^2 between Model A and Model B is statistically significant, it could be concluded that the added variables in Model B explain the dependent variables and beyond the variables in Model A. (Bommae Kim, 2016)

In this research, 3 models were designed. Figure 2-2 indicates the framework of three models. Dependent variable –Purchasing luxury within China– would be abbreviated to PLC for convenience.

Model 1 only involves control variables. The formula of Model 1 could be written as follow:

$$\begin{aligned} \text{PLC} = & \alpha + \beta_1 \text{Age} \\ & + \beta_2 \text{Gender} \\ & + \beta_3 \text{Overseas living or study experience} \\ & + \beta_4 \text{Frequency of traveling overseas} \\ & + \beta_5 \text{Annual consumption on luxury products} \\ & + \beta_6 \text{Schedule of increasing consumption on luxury products} \\ & + \beta_7 \text{History of purchasing luxury products} \\ & + \beta_8 \text{Loyalty to certain brands} \end{aligned}$$

In Model 2, control variables and independent variables are included. The formula of Model 2 could be written as follow:

$$\begin{aligned} \text{PLC} = & \alpha + \beta_1 \text{Age} \\ & + \beta_2 \text{Gender} \\ & + \beta_3 \text{Overseas living or study experience} \\ & + \beta_4 \text{Frequency of traveling overseas} \\ & + \beta_5 \text{Annual consumption on luxury products} \\ & + \beta_6 \text{Schedule of increasing consumption on luxury products} \\ & + \beta_7 \text{History of purchasing luxury products} \\ & + \beta_8 \text{Loyalty to certain brands} \\ & + \beta_9 \text{Residence City} \\ & + \beta_{10} \text{Category which respondents frequently purchased} \\ & + \beta_{11} \text{VIP activities and services} \\ & + \beta_{12} \text{Price premiums} \\ & + \beta_{13} \text{Rarity} \\ & + \beta_{14} \text{Interaction with luxury brands through social media} \end{aligned}$$

Model 3 contains control variables, independent variables and interaction. The formula of Model 3 could be written as follow:

$$\begin{aligned} \text{PLC} = & \alpha + \beta_1 \text{Age} \\ & + \beta_2 \text{Gender} \\ & + \beta_3 \text{Overseas living or study experience} \\ & + \beta_4 \text{Frequency of traveling overseas} \\ & + \beta_5 \text{Annual consumption on luxury products} \\ & + \beta_6 \text{Schedule of increasing consumption on luxury products} \\ & + \beta_7 \text{History of purchasing luxury products} \\ & + \beta_8 \text{Loyalty to certain brands} \\ & + \beta_9 \text{Residence City} \\ & + \beta_{10} \text{Category which respondents frequently purchased} \\ & + \beta_{11} \text{VIP activities and services} \\ & + \beta_{12} \text{Price premiums} \\ & + \beta_{13} \text{Rarity} \\ & + \beta_{14} \text{Interaction with luxury brands through social media} \\ & + \beta_{15} \text{City*Schedule of increasing consumption on luxury products} \end{aligned}$$

Chapter 3 Results

3-1 Respondents Profile

The profile of respondents includes age, gender, educational level and city. According to the data in Table 3-1, the number of males is 31 representing 24% of the valid responses, and the number of females is 100 (76%). In addition, the majority of respondents aged between 21~30 years old, 24% aged between 31~40 years old. The distribution of the respondents in terms of education, about 96.5% of respondents were studying or holding at least Bachelor degree.

Table 3-1. Profile of survey respondents

Demographics	Frequency (N=131)	Percentage (%)
Gender		
Male	31	24%
Female	100	76%
Age (Years)		
~20	3	2%
21~30	94	72%
31~40	31	24%
41~50	2	2%
51~60	1	1%
61~	0	0%
Education		
Secondary school or equivalent	3	2%
Diploma or equivalent	2	1.5%
Bachelor Degree	78	60%
Master Degree	46	35%
PhD	2	1.5%

The brown part of Figure.3-1 shows the location of the respondents, indicating the sample is very widespread. Therefore, this sample could be a valid representation of the Chinese luxury consumers.

Figure 3-1. The residence city of respondents.



3-2 Correlation Analysis

Table 3-2 Correlation among variables

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Independent variables													
City (1)													
Frequently purchasing high-end categories (2)	0.043												
Attention on VIP services and activities (3)	-0.078	-0.054											
Attention on Price Premiums (4)	-0.086	-0.162*	-0.036										
Attention on Rarity of brands and products (5)	-0.094	-0.151*	0.109	-0.099									
Attention on interaction with brand co social media (6)	-0.017	-0.044	0.08	-0.028	0.137								
Control Variables													
Age (7)	0.081	-0.118	-0.006	-0.018	0.092	0.037							
Gender (8)	-0.148*	-0.017	-0.121	-0.011	-0.013	-0.036	0.039						
Annual consumption on luxury products (9)	0.069	-0.149*	0.121	0.151*	0.323**	-0.088	-0.08	-0.079					
History of purchasing experience (10)	0.167*	-0.133	-0.01	0.025	0.246**	-0.089	0.121	0.063	0.264**				
Overseas living or study experience (11)	-0.022	-0.038	0.022	-0.087	-0.026	-0.071	-0.17*	0.166*	0.117	0.082			
Intention of Increasing annual consumption on luxury (12)	-0.079	-0.014	-0.042	-0.031	0.217*	-0.137	-0.02	-0.173*	0.139	-0.03	-0.133		
Frequency of travel abroad (13)	0.102	-0.123	0.043	-0.22*	0.171	-0.053	0.026	0.1	0.36**	0.116	0.142	0.149*	
Loyalty to certain brands (14)	-0.051	-0.001	0.102	-0.203*	0.131	0.028	-0.018	0.121	0.249**	0.066	0.15*	0.063	0.08

** p<0.01 , * p<0.05 , + p<0.1
Values within parentheses : Standard Error

Table 3-2 shows the correlation among variables. The correlations were low, ranging from 0.01 to 0.36, indicating that the determinant variables used in this

study were relatively independent of one another and that there is a low possible presence of multicollinearity for further analysis using multiple regression.

3-3 Hierarchical Regression Analysis

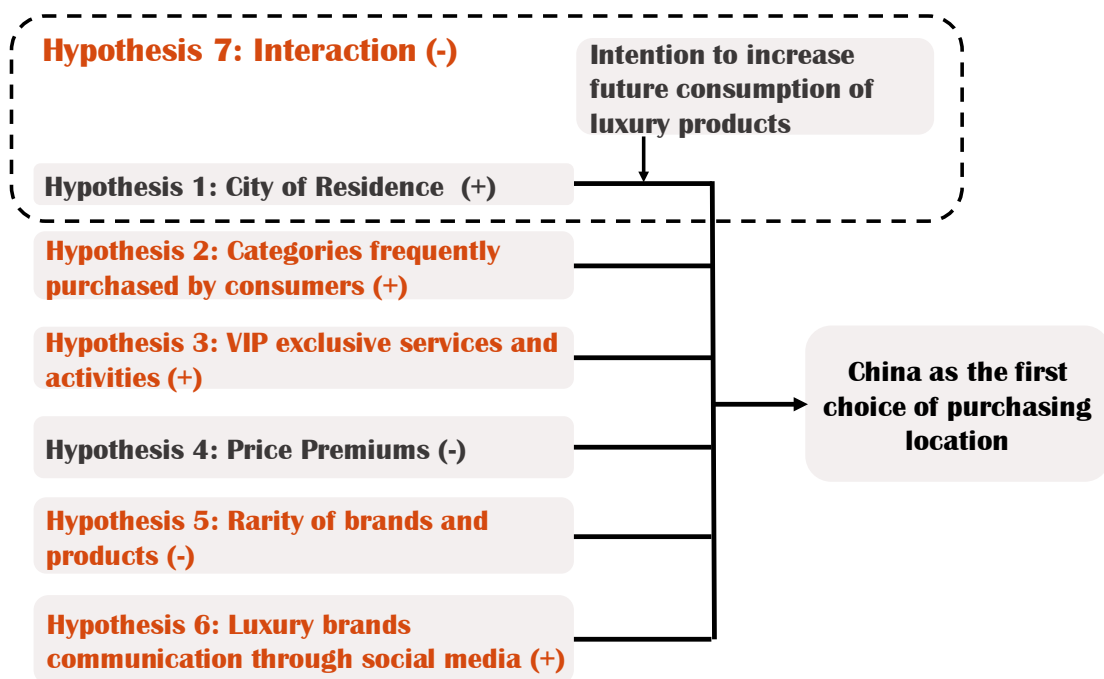
Table 3-3. Hierarchical Regression Analysis

		Model 1	Model 2	Model3
<i>Control Variables</i>	Age	-0.845 (0.882)	-1.692 (1.257)	-2.189 (1.584)
	Gender	-0.516 (0.853)	3.162* (1.688)	5.161* (2.362)
	Annual consumption on luxury products	0.661 (0.854)	3.178* (1.543)	4.694* (2.002)
	History of purchasing experience	0.772 (0.724)	-1.118 (1.058)	-1.503 (1.441)
	Overseas living or study experience	-0.974 (0.734)	-2.367* (1.317)	-3.741* (1.924)
	Intention of increasing annual consumption on luxury	-1.586* (0.722)	-1.794* (1.042)	3.532 (3.143)
	Frequency of travel abroad	-19.182 (6146.867)	-26.331 (4329.398)	-31.254 (4074.475)
	Loyalty to certain brands	-0.917 (0.705)	-2.354* (1.135)	-2.845* (1.339)
<i>Independent variables</i>	City		-0.079 (1.449)	4.758 (3.157)
	Frequently purchasing high-end categories		3.912* (1.959)	6.392** (2.472)
	Attention on VIP services and activities		3.728** (1.276)	4.820** (1.653)
	Attention on Price Premiums		0.429 (0.919)	1.875 (1.211)
	Attention on Rarity of brands and products		-3.084 (2.017)	-4.139* (2.319)
	Attention on interaction with brand through social media		7.009* (2.979)	9.653* (3.838)
<i>Interaction</i>	City*Intention of increasing future consumption on luxury			-7.732* (3.867)
	κ^2	18.135*	41.226**	48.164**

** p<0.01, * p<0.05, + p<0.1, Value within parentheses: Standard Error

Table 3-3 shows the result table of the hierarchical regression analysis. In Model 1, χ^2 is 18.135 and significance is under 0.05. In Model 2, χ^2 is 41.226 and significance is under 0.01. In Model 3, χ^2 is 48.164 and significance is under 0.01. The improvement on χ^2 and significance indicated that independent variables and interaction could predict dependent variable above and beyond the effects of control variables.

Figure.3-2 Simplified model of results



Results of Model 3 were simplified in Figure.3-2. Hypotheses in red font represent ones which got supported by regression analysis, and hypothesis in black font represent ones got rejected. Based on the results of multiple regression in Model 3, the influence of key capital city and attention to price premiums do not significantly relate to consumers' attitude towards purchasing luxury within China, contradictory to Hypothesis 1 and Hypothesis 4. Frequently purchasing high-end categories ($\beta=6.392$, $\rho<0.01$), attention on VIP activities and

services ($\beta=4.82$, $\rho<0.01$), attention on communication with brands through social media ($\beta=9.653$, $\rho<0.05$) were positively related with attitude towards shopping within China supporting Hypothesis 2, Hypothesis 3 and Hypothesis 6. Attention on rarity of brands and products, interaction between city and intention of increasing future consumption on luxury products were found to be negatively related with attitude towards shopping within China, supporting Hypothesis 5 and Hypothesis 7.

Residence city

The significance of Hypothesis 1 is above 0.1, indicating that key capital cities has no impact on consumers' attitude towards shopping domestically. It is likely that the advance of international travel diminished the impact of geographical convenience of domestic stores. Time and expenditure of flight are largely reduced nowadays, so consumers could easily access to other countries. The convenient online shopping context is also a possible explanation which dilutes the convenience of location. Fashion e-commerce such as Net-a-porter and Luisaviaroma offers global mailing services and helps consumers deal with import duties.

Frequent purchasing high-end categories

Frequently purchasing high-end categories was confirmed to be positively related with purchasing domestically. It could be explained from the perspective of service. Unlike ready-to-wear or shoes or bags, jewelries and watches are sold at higher prices. Stores usually provide more comprehensive services to consumers who purchase these products. However, if consumers purchase these high-end categories overseas, they cannot access to those services offered by brands.

Attention on VIP activities and services

VIP exclusive activities and services was confirmed to be positively related with consumers' attitude towards purchasing domestically. Being a member of VIP could make consumers feel prestigious and mentally satisfied. It is also an identity which prove VIP members different from other consumers. The positive impact of VIP services also indicates that Chinese consumers' understanding about luxury are advancing towards maturity. During shopping luxury, they tend to pay more attention on the added value of products instead of the price.

Attention on price premiums

The significance of price premiums in Model 3 was above 0.1, contradictory to the previous understanding about Chinese consumers. One possible explanation is that with the development of China's economy, the increase of disposal income makes people pay less attention on price premiums.

Attention on rarity of products and brands

The result of negative influence of attitude on rarity of products and brands on purchasing intention within China indicates that options of products for Chinese consumers within China are limited. The variety of selection couldn't compete with mature luxury markets.

Attention on interaction with brands of social media

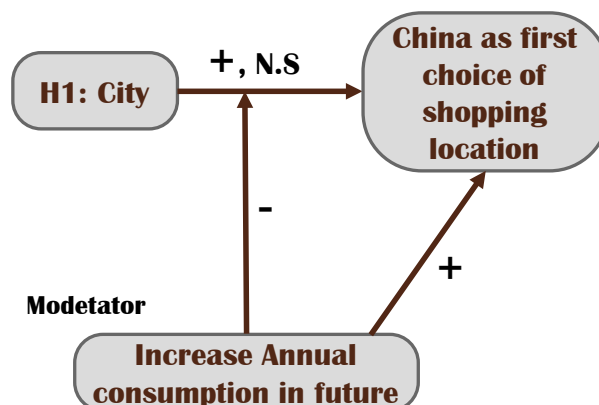
The positive relation between social media communication with brands and shopping luxury within China confirmed the impact of social media on sales in luxury industry. More and more consumers make buying decisions based on social media. (Jennifer Beese, 2011). Social media communication could accelerate the process of purchasing circle. These theories could also apply to

luxury industry. Consumers do not want to wait until traveling to purchase luxury products. The investment on social communication by luxury brand is also expected to be effective on sales in China.

Interaction between City and Intention of Increasing future consumption on luxury products

According to Table 3-2, city has a positive impact on consumers' attitude towards shopping luxury products within China, but this influence was not significant. Moderator - Consumers' intention of increasing future consumption on luxury products - has significant positive impact on consumers' attitude towards shopping luxury products within China. However, the interaction between city and moderator has a negative influence on dependent variables. This phenomenon could be interpreted that city is not a significant variable in model, but if consumers are further classified by moderator, some penchants could be observed. Consumers living in key capital cities who have intention to increase their future consumption on luxury tend to shop luxury products abroad. On the contrary, consumers living in secondary cities who have intention to increase their future consumption on luxury tend to shop luxury products within China. Fig 3-2 shows the mechanism of this interaction.

Figure.3-2 Interaction between city and intention of increasing future consumption on luxury products



Chapter 4 Conclusion

Speaking of promoting sales in Chinese luxury market, people usually make an issue of price premiums, and pricing is always an opinion received from other people and foreign experts, as a solution of attracting consumption back to China. However, it's unlikely that this factor alone will change the behaviors of the Chinese consumers, and their penchants for buying luxury overseas. Solely adjusting price also contains the risk of damaging brand image. Price is just one factor among many that drive purchasing decisions. Service, trust, experience, and perceived prestige also drive Chinese consumers to want to purchase overseas. Depending on the analysis report about Chinese luxury market released by McKinsey, even under the prerequisite that products would be sold in same price, only 70% of Chinese consumers would purchase luxury products within China, indicating that price is not the conclusive factor to determine shopping location. From the analysis in this research, it could also observe that price is not significant to the whole model.

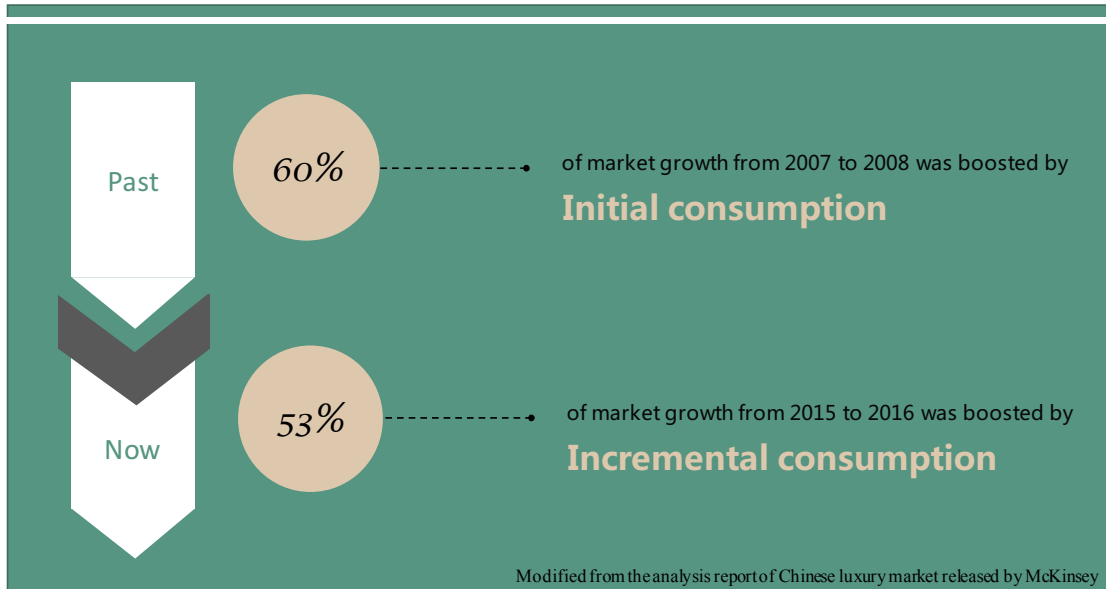
WHY?

According to McKinsey's analysis report about Chinese luxury market (Graph 5-1), the main booster for the growth of China luxury market in 2008 is initial consumption, but in 2016 the main booster is incremental consumption, indicating that Chinese consumers' shopping habits and shopping purposes are gradually changing.

Chinese consumers are sophisticated. Their needs about luxury become more and more individualized. Nowadays, they have accumulated certain experience of luxury products and mastered comprehensive knowledge about luxury market. They are demanding more from luxury brands than before. Marketing strategies of luxury brands should also transfer their goals from short-term explosive growth to long-term sustainable growth to maintain their relationship

with consumers. Otherwise, Chinese consumers would choose alternative luxury brands or alternative locations to shop.

Figure 5-1 Big Changes of Chinese luxury consumption



Based on this research, the image of current consumers and potential consumers for Chinese luxury market got clarified. It offered luxury brands directions to intensify marketing strategies in future. Luxury brands could improve their services and brand image based on the needs of consumers from different sectors.

(1) Consumers of high-end categories

Consumers who frequently purchase high-end categories like jewelries and watches incline to purchase these categories within China. This section of consumers could develop to stable consumers for Chinese luxury market. Trust and comprehensive services are important to these consumers. Therefore, strengthening on timely services and VIP activities are recommended to guarantee the stable development of China's luxury market.

(2) Consumers living in secondary cities

Consumers living in secondary cities hardly access to stores of luxury brands in daily life. They tend to purchase luxury products during traveling overseas or by using proxy buyers. However, according to analysis, secondary city dwellers with intention to increase future consumption on luxury products are confirmed to have penchant to buy luxury in China. It indicates their willing to enjoy luxury shopping in long-term. They are potential consumers for future luxury market. Luxury brands should focus on constructing tight connection with these consumers. Suggestions include investing more on social media communication and VIP services to solidify consumers' loyalty to domestic stores.

(3) Consumers in key capital cities

Consumers living in key capital cities could conveniently visit stores of luxury brands. However, the advance of transportation system and online shopping context may dilute the advantage of location. Based on the results of this analysis, consumers especially with intention to increase future consumption on luxury products incline to purchase overseas. It could be interpreted that added values such as services and prestige provided in Chinese stores could not satisfy Chinese key capital city consumers currently. Luxury brands should emphasize on VIP services and activities within China for these consumers to guarantee the stable development of Chinese luxury market.

(4) Consumers highly interested in rarity of brands and products

Rarity is one characteristic of luxury. However, consumers highly interested in differentiating with other people would take less interest in well-known brands and regular products in China market. Solid relationship between brand and these consumers is difficult to establish. Once the product or brand become trendy, they would abandon it and look elsewhere. Brands

should pay less attention on these consumers, since it would be very costly to satisfy these consumers and payback would not be meaningful.

All in all, Chinese luxury market plays an important role in global scale. However, currently luxury market highly relies on tourism. In 2016, the contribution of Chinese consumers to global sales shrank 1%. The shrinkage was caused by the turbulent political and economic context of Europe and United State in last year. The stable development of luxury industry is highly desired. Therefore, strengthening the luxury market within China could contribute to the stability of global market. With Chinese luxury market gradually approaching to be mature, Chinese consumers also alter their traditional thinking about luxury. Premium experience from luxury brands would be prior to cost performance. Instead of struggling on pricing, luxury brands should make more efforts on added value of products such as prestige image and exclusive services.

Acknowledgement

Foremost, I would like to express my heartfelt gratitude to my supervisor Prof. Asakawa for the continuous support of my thesis, for his patience, motivation, enthusiasm. Owing to his insightful guidance and comment on my thesis and patient revising, the completion of this paper is made possible.

My sincere gratitude also goes to Prof. Inoue and Prof. Sakashita for their valuable advices and encouragement.

Finally, I would like to thank my classmates, friends and all the participants who offer me help during the investigation for their enthusiasm assistance.

Reference

- (1) Martina Avall, [Engaging luxury consumers in social media: Does active consumer engagement influence brand image?] (2017)
- (2) Jee Hye Lee and Johye Hwang: [Luxury marketing: The influences of psychological and demographic characteristics on attitudes toward luxury restaurants] International Journal of Hospitality Management (2011)
- (3) Homa Zaryyouni: [How high are China's Luxury Price Premiums] DAILYINSHIGHTS (2016)
- (4) Brodie, R.J., Iljc, A., B.and Hollebeek: [Consumer engagement in a virtual brand community: An exploratory analysis] Journal of Business Research (2013) [online] Available at: <<https://www.l2inc.com/daily-insights/how-high-are-china-luxury-price-premiums> >
- (5) Alicia Fiorletta: [Connecting Social Media and The Store] (2014) [online] Available at: < <https://www.l2inc.com/daily-insights/how-high-are-china-luxury-price-premiums> >
- (6) Dubois and Laurent: [Attitudes toward the concept of luxury: an exploratory analysis] Asia-Pacific Advances in Consumer Research (1994)
- (7) Hye-Jung Park: [Purchasing global luxury brands among young Korean consumers] Hournal of Fashion Marketing and Management: An International Journal (2008)
- (8) McKinsey: [2017 Chinese Luxury Industry Report] (2017) [online] Available at: < <http://www.199it.com/archives/602246.html> >
- (9) Justin Beneke, Marie-Kristin Scheffer & Wei Du: [Beyond Price – An Exploration in the Factors That Drive Young Adults to Purchase Online] (2010) International Journal of Marketing Studies
- (10) BCG Altagamma: [True-Luxury Global Cons Insight] (2017)
- (11) Bain & Company: [Luxury goods worldwide market study, Fall- Winter

2016] (2016)

- (12) Ashhock Som, Christian Blanckaert: [The Road to Luxury- The evolution, markets and strategies of luxury brand management], "WILEY", p16-17, 20-24, 30-55.
- (13) Bommae Kim: [Hierarchical Linear Regression] (2016) [online] Available at: <http://data.library.virginia.edu/hierarchical-linear-regression/>
- (14) John C. Mowen, David Jolly, Gary S.Nikell: [Factors Influencing Consumer Responses to product Recalls: a Regression Analysis Approach](1981) Advances in Consumer Research Volume 08, p405-407.
- (15) Jennifer Beese: [Social Networks Influence 74% of Consumers' Buying Decisions](2011)[online] Available at: <https://sproutsocial.com/insights/social-networks-influence-buying-decisions/>

Appendix 1 Questionnaire (in English)



Chinese Luxury Consumption

Standards for luxury products

Bag	From 7850 CNY/Piece
Shoes	From 2355 CNY/Pair
Sunglasses	From 1413 CNY/Pair
Other accessories	From 1413 CNY/Piece
Outer	From 10990 CNY/Piece
Dress	From 9420 CNY/Piece
Suit (for man)	From 12560 CNY/Set
Sweater	From 3140 CNY/Piece
Shirt/Blouse	From 1570 CNY/Piece
Jeans	From 1963 CNY/Piece
Cosmetics/Fragrance	From 785 CNY/Piece
Watch	From 15700 CNY/Piece
Smart watch	From 3140 CNY/Piece
Jewel	From 9420 CNY/Piece

means the question is a multiple-choice question

means the question is a single-choice question

___ is an input region.

1、 Which categories have you purchased? (Multiple choices)

- Ready-to-wear
- Bag
- Shoes
- Accessory
- Jewel
- Cosmetics/Fragrance
- Others (Please write down your answer) _____

2、 When did you buy your first luxury?

- Within one year
- About _____ years ago

3、 List 3 top luxury brands in your mind

- 1 _____
- 2 _____
- 3 _____

4、 What is your annual consumption on luxury?

- Below 50,000 CNY
- 60,000~100,000 CNY
- 110,000~150,000 CNY
- 160,000~200,000 CNY
- 210,000~250,000 CNY
- 260,000~300,000 CNY
- 310,000~350,000 CNY
- Above 360,000 CNY

5、 Do you plan to increase your consumption on luxury products

- Yes
- No

6、 How many pieces of luxuries have you purchased?

- 0
- Under 20
- 21~40
- 41~60
- 61~80
- 81~100
- Above 100

7、 How many pieces of luxuries have you purchased in China?

- 0
- Under 10
- 11~20
- 21~30
- 31~40
- 41~50
- Above 51

8、 Do you have special preference to certain brands and purchase products from that brand regularly?

- Yes
- No

9、 What is your first choice of purchasing channel?

- Stores within China
- Outlets within China

- Chinese online stores
- Overseas stores
- Overseas outlets
- E-commerce (ex : Net-a-porter , Shopbop)
- Proxy buyers 职业代购
- Select shop within China
- Others _____

10、 When you purchase luxury, which aspects do you pay more attention?

(Multiple choice)

- Brand
- Classic design
- Innovative design
- Craftsmanship
- Price
- Rarity
- Shopping experience
- Others _____

11、 Which categories do you purchase frequently?

- Ready-to-wear
- Bag
- Shoes
- Accessory
- Jewel
- Watch
- Others _____

12、 (Based on the answer of last question) Where do you usually purchase that categories?

- China
- Europe
- United State
- Japan
- Korea
- Hong Kong
- Dubai
- Other regions _____

13、 Do you understand the price differential between China and other region?

- Do not understand
- Under 10%
- 11%~20%
- 21%~30%
- 31%~40%
- Above 41%

14、 How much price differential could you bear?

- Under 10%
- 11%~20%
- 21%~30%
- 31%~40%
- Above 41%

15、 How many times do you travel within one year? (Input the number)

16、 Will Shopping become the main purpose of travel?

- Yes
- No

17、 First choice of shopping location

- Hong Kong
- Korea
- Japan
- France
- America
- British
- Italy
- Dubai
- Others_____

18、 (Based on the answer of last question) How many times did you travel to that region in past 3 years?

19、 Why do you like shopping there?

- Convenient location
- Shopping atmosphere
- Shopping experience
- Price
- A complete range of products
- A complete range of brands
- Authentic guaranteed

Others _____

20、 Do you like shopping luxury in China?

- No
- Yes

21、 What perspective(s) about shopping luxury in China do you like most?

(Multiple choices)

- Price
- Location
- Shopping experience
- The range of products
- VIP exclusive service and activities
- After services
- Others _____

22、 What perspective(s) about shopping luxury in China do you dislike

most? (Multiple choices)

- Price differential
- Lack of products
- Unavailability of brands
- No guarantee about the authenticity
- Shopping experience
- After services
- VIP exclusive services and activities
- Others _____

23、 Which service would promote your luxury purchases within China?

(Multiple choice, 3 maximum)

- VIP exclusive services and activities
- Communication with brands through social media

- Standard after services
- Low price differential
- Shopping environment
- Authentic guaranteed
- A complete range of brands and products
- Others _____

24、Your Age

- Under 20 years old
- 21~30 years old
- 31~40 years old
- 41~50 years old
- 51~60 years old
- Above 61 岁

25、Gender

- Male
- Female

26、City of Residence

27、Do you have overseas living or study experience?

- Yes
- No

28、Your current occupation

- Foreign enterprises
- Government enterprises
- Self-operated company

- Domestic enterprises in large scale
- Domestic enterprises in small scale
- Students
- Others _____

29、 Your educational background

- High school
- Undergraduate Degree
- Graduate Degree
- PHD
- Others _____