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Conceptualization of Luxury Orientations and their Effects on Actual Luxury Purchase

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ABSTRACT

The global luxury goods industry, which includes jewellery, drinks, fashion, cosmetics, fragrances, watches, luggage and handbags, has been on an upward climb in China in recent years. Over the past decade, Chinese consumers have become wealthier and are regarded as one of the most important targets for global marketers of luxury products. Bain and Company (2018) reported that the Chinese market has continued to increase its total market share of global luxury goods, which moved from just 1% in 2000 to 33% in 2018. It was further argued that Chinese consumers now lead the consumption of luxury goods both at home and outside (Deloitte, 2019). This growing trend is consistent across different categories of luxury goods. The number of Chinese millionaires is expected to surpass any other nation by 2021, and China is also expected to have the most affluent households in the world. As consumers are becoming more sophisticated, it is natural that Chinese luxury consumers are going to be more global, more demanding but still spending (McKinsey and Company, 2017). Therefore, luxury marketing in China has become a very popular research topic for marketers and academics.

Based on the theoretical concepts of Chinese culture and using the literature of luxury research as a foundation, the purpose of this thesis is to examine the underlying reasons for the increasing growth in luxury consumption among Chinese consumers. This research topic is important for both academics and marketing practitioners as the findings will make new contributions to the literature on face, which is an important factor underlying luxury consumption among Chinese consumers. In addition to traditional face value, this thesis also investigates other important factors leading to luxury consumption in China, including investment, hedonism and uniqueness. Overall, this thesis attempts to measure the different luxury orientations that drive actual purchases. Consumers of various luxury orientations may act very differently in their luxury purchasing habits.

A research gap has been identified that there is minimal research empirically investigating the linkage between luxury orientations and actual purchase behaviour in China. Although past literature has studied the motives for luxury consumer purchasing behaviour in Asia, most research on the China market has been done by Western researchers with Western perspectives, and not enough effort has been put into understanding this topic from the perspective of local culture. In addition, past research studies in this area (Wang, Sun and

Song 2010; Tse, Belk and Zhou, 1989; Ho, 1976; Li and Su, 2006; Tse, 1996) focus on the impacts of various luxury orientations on “intention to purchase” or attitudes towards luxury consumption. It seems that very few have explored actual purchases and the related motivating factors in the context of Chinese culture. Therefore, I expect to discover the effects of various luxury orientations in the China market so that global marketers can identify the most important values that influence luxury purchases. I also hope that this thesis will serve as a catalyst to stimulate more research projects and publications in Chinese marketing studies.

CHAPTER 1

INTRODUCTION

1.1 Chapter Overview

This chapter describes the purpose of the study and the area of enquiry, plus it provides the background for the entire study. It explains why people consume luxury products, specifically focusing on the key underlying factors leading to Chinese consumers' luxury consumption. In this introductory chapter, three main areas of interest are considered. Based on the past literature on the consumption of luxury products by Chinese consumers, this research is of vital importance for today's luxury business worldwide. First, background on academic and industry interest in luxury consumption is discussed. Second, this chapter demonstrates the significance of the study based on some significant real-life observations that interest researchers and lead to development of a research model on Chinese luxury consumption. The related theoretical concepts such as Chinese culture and the development of luxury research are discussed as a foundation for the thesis. Third, in view of current research in this area, this chapter attempts to identify the research gap that needs to be addressed and to discuss the objectives of the study. Finally, the organisation of the remaining chapters is presented.

1.2 Significance of the Thesis

1.2.1 Background

A famous report on luxury consumption in China by McKinsey and Company (2011), "Tapping China's Luxury Goods Market", argues that due to shifting attitudes toward displaying wealth, more Chinese consumers are buying luxury goods. As a result, China's love for luxury is percolating to the lower economic strata, creating opportunities and challenges for marketers accustomed to serving only the very rich. In addition to the very rich, a growing number of Chinese consumers from the middle class and white-collar workers are buying luxury products, which makes the luxury market more complex and challenging for marketers.

Chinese consumers are becoming not just richer but also more knowledgeable about

brands, including global brands, in recent years. They are familiar with nearly twice as many brands today than they were before, as indicated by the McKinsey report (2011) “Understanding China’s Growing Love for Luxury”. As they become familiar with luxury goods, Chinese consumers are becoming savvier about the relationship between quality and price. The report further states that in 2010 (McKinsey, 2011), 66% of knowledgeable Chinese consumers realised that the price of luxury goods is at least 20% higher in China compared to Hong Kong, while only 20% knew this fact in 2008.

Increasing disposable income of consumers has made China an important market for luxury brands. Another piece of research by McKinsey (2013) pointed out that more than 75% of China’s urban consumers will earn \$9,000 to \$34,000 a year by 2022. The higher percentage of the middle class in the population at large will translate into higher disposable income.

Despite the Chinese economy slowing down in 2018 for the first time in 28 years, luxury goods sales grew in Mainland China, and Chinese consumers now lead the consumption of luxury goods both at home and abroad (Deloitte, 2019). Another recent study by McKinsey and Company (2017) forecast that affluent Chinese consumers are projected to account for up to 44% of global luxury consumption by 2025. The *Financial Times* (2017) also pointed out that Chinese consumers account for one in three luxury purchases globally, and they will remain an important source of overseas tourist flows. Chinese consumers represent a large proportion of the luxury market globally, a study by Bain and Company (2018) pointed out that the Chinese continue to increase their total share of the global luxury goods pie, which has moved from just 1% in 2000 to 33% in 2018.

As a result of the growing importance of luxury consumption in China over the last two decades, marketing literature (McKinsey and Company, 1990, 2011, 2017; Bain & Company, 2018; Deloitte, 2019) has recently paid much attention to studies relating to luxury consumption in China. Despite the recent emergence of the Chinese market for luxury goods, little is understood about the value of luxury purchases and how best to market luxury brands to Chinese consumers.

From the academic perspective, in fact, research interest in luxury is not a modern phenomenon. Early research relating to luxury consumption stemmed from the work of Rae (1834), Veblen (1899) and Keasbey (1903), and their influence laid the foundations for

luxury brand consumption. In view of the tremendous growth of research interest in the field, various aspects of luxury consumption have been addressed. These include status and conspicuous consumption (Mason, 2001; Shipman, 2004; Trigg, 2001; Truong, Simmons, McColl and Kitchen, 2008), the value of luxury, brand conceptualisation and measurement (Dubois and Paternault, 1995; Luxury Institute, 2005; Vigneron and Johnson, 1999, 2004; Wiedmann, Hennigs and Siebels, 2009) and cross-cultural perspectives on motivations for luxury consumption (Dubois, Czellar and Laurent, 2005; Tidwell and Dubois, 1994; Wong and Ahuvia, 1998).

With the rapid growth of this emerging market for luxury brands, and the limited knowledge of buying behaviour among Chinese consumers, marketers need to ask themselves a few questions. Who are China's luxury consumers? Why are they buying luxury goods? What are they looking for? How do they make decisions? Are all Chinese consumers the same? In order to answer these questions, some real-life cases were observed to illustrate the significance of this thesis.

1.2.2 Some observations about Chinese luxury consumption

Observation 1: A luxury brand's negative publicity incident

Based on some press reports (Jing Daily, 2012; South China Morning Post, 2012; Hong Kong Standard, 2012; Forbes, 2012), one of the biggest negative stories about a luxury brand in Hong Kong in 2012 was a massive Facebook-organised protest against the Italian fashion house Dolce & Gabbana. It occurred after a security guard prevented a local Chinese person from taking photographs outside its flagship store in a busy shopping area. The protestors said a security guard at Harbour City (one of the busiest shopping malls in Hong Kong) threatened to smash a reporter's camera as he tried to take a photo of the shop from the street.

According to Hong Kong people, Dolce & Gabbana announced that only Mainland tourists and foreigners could freely take pictures of the shop, citing copyright protection as the reason. Therefore, an angry public organised a protest of over 1,000 participants through Facebook, who gathered on Canton Road to demonstrate their rage by taking photos of the shop. The shop and other luxury stores on the same street had to close for business during the protests.

<https://jingdaily.com/what-luxury-brands-should-learn-from-dolce-gabbanas-hong-kong-pr-disaster/> (downloaded in September 2017)

The above is a real case of negative publicity that happened in Hong Kong. This incident highlighted some lessons for luxury brands in their marketing strategy for Chinese consumers. In addition to the importance of social media's impact on consumer brand perceptions nowadays, the most important lesson is that luxury brands need to understand the culture of Chinese consumers who, being face-conscious, must be treated or serviced in a meticulous manner. Many of them like to be treated as VIPs by retailers, especially younger luxury Chinese consumers (So, 2011, 2012).

In Chinese culture, "face" plays an important role in the consumption of luxury brands. China is regarded as a collectivistic and high-power distance society that values success and wealth (Hofstede, 1991; Triandis, 1998). This explains why Chinese consumers value luxury brands that they believe will bring respect and prestige. Compared to American consumers, Confucian values of the Chinese are more influenced by face and peer groups, and consumption is regarded more as a tool to serve higher-order social needs (Li and Su, 2006; Phau and Prendergast, 2000). This can explain the reason for the high demand of Louis Vuitton and Gucci bags among Asian consumers (*Strategic Direction*, 2005).

Face orientation is one of the most common issues examined in the context of Chinese culture. Past research studies have put a lot of effort into understanding the concept of face from the cultural perspective (Bond, 1986; Ting-Toomey, 1988; Hofstede, 1991, 2001; Yau, 1988; Yang, 1981). Bond (1986) argues that there are different types of face-related behaviours in contexts such as "self-face", "others' face", "losing one's face" and "hurting one's face". Much has been discussed in the literature on face from the cultural perspective. However, there is a need to re-examine the concept of face with reference to the Chinese luxury consumption phenomenon. Based on the cultural value of face, more in-depth investigation of the abstract concept of face needs to be carried out in order to fully understand the inner motives of luxury consumption behaviour. As face is a complex concept, this thesis attempts to understand specific dimensions of the face concept so as to construct a comprehensive model of face to measure luxury consumption more accurately.

Observation 2: Chinese consumers want to stand out from their peers

Observation 2 consists of three cases relating to unique attitudes of Chinese consumers: a real-life Chinese consumer's buying experience, and discussions on two topics based on marketing reports. The details are as follows:

a. The case of Mr. Zhao

Mr. Zhao, who is from Beijing and works for Morgan Stanley in New York, was planning to buy a watch costing \$24,275 at a Hublot boutique that he had seen advertised on Instagram.

He likes this brand because he feels, "The watch tells you I'm 26." He said that if he wore a more traditional timepiece, his friends might ask sceptically, "Why do you have your father's or grandpa's watch?"

Mr. Zhao represents the future. He is part of a new generation of wealthy mainland Chinese men who look for luxury brands that can highlight their unique personality.

Ellen Hou, the Chief Executive of Carat China, a communications agency based in Beijing, said, "A new affluent Chinese class has become a more globalised kind of consumer." Ms. Hou said the shift required brands to have a new "product logic", advertising through social media and emphasising the uniqueness, authenticity and craftsmanship of their watches.

Leo Poon, Tag Heuer company's General Manager for the region, commented, "We are not creating a classic watch... We're creating something different."

<https://www.nytimes.com/2017/09/04/fashion/watches-hong-kong-china.html> (downloaded in September 2017)

b. Report from *Euromonitor International*, 2016

"With enough options of luxury brands and products, consumers are turning to more unique and exclusive items that help them to stand out among their peers. The overexposure of a brand logo is considered unsophisticated, and consumers have extended their choices beyond traditional luxury houses to up-and-coming young designers. A number of niche luxury brands and designer labels have won great popularity among Chinese consumers."

(Euromonitor International, 2016)

c. Chinese consumers buy niche luxury (*Red Luxury*, 2015)

"Chinese consumers are now more aware of different niche and uncommon luxurious brands; 90% of modern Chinese women bought niche luxury brands on their last trips

abroad. These Chinese consumers use these items as a way to reflect their personality and express their individuality. These trendsetters who mix and match different luxury brands are very fashion-forward, young, knowledgeable and work as white-collars. They are searching for unique, limited editions and curated pieces from popular luxury brands as well as less famous products.”

<http://red-luxury.com/brands-retail/six-reasons-why-chinese-buy-luxury-goods-29174> Red Luxury (downloaded in September 2017)

The above cases demonstrate that the new trend among Chinese luxury consumers is that they are no longer just buying luxury for social status to show they are wealthy; they are beginning to buy luxury for what they like. Most importantly, they want to purchase brands that can demonstrate their unique taste and personality. They are buying luxury products to discover and display their self-identity and for their self-enjoyment, as indicated in these cases. The concepts of uniqueness and hedonism are well studied in Western literature. Hedonism and uniqueness have emerged as important factors for luxury consumption in the China market too, and it would be interesting to examine the effect of these two factors on Chinese consumers and their luxury purchases.

Observation 3: Chinese regard gold and jewellery as an investment

There are four cases under this observation about the investment attitudes of Chinese consumers, especially in respect to jewellery consumption.

- a. “Six Reasons Why Chinese Buy Luxury Goods” *Red Luxury* (2015): Chinese regard buying jewellery as an investment

“Many consumers in China believe that buying luxury goods is an investment for the future, as its value will increase; this is true for watches, wines, jewellery, antiques and arts. The luxury market in China is growing in sophistication where more local consumers, around 29% in 2013 by KPMG research, are able to appreciate the heritage and history of a luxury brand. Moreover, collecting unique luxurious items is also a way to reflect personal taste.”

<http://red-luxury.com/brands-retail/six-reasons-why-chinese-buy-luxury-goods-29174> Red Luxury (downloaded in September 2017)

- b. Chinese like gold jewellery as investments (*Gentlemen in China*, 3 August 2017)

Most Chinese consumers have a preference for gold consumption in the market, accounting for 50% of sales. Gold has a strong symbolism in the country as it represents financial and spiritual protection. Gold is attracting strong demand; particularly due to its return on investment, it becomes an investment opportunity.

<https://www.marketingtochina.com/gold-opportunities-in-chinas-jewelry-market> (downloaded in September 2017)

- c. “China’s jewellery market: new perspectives on consumer behaviour”, World Gold Council (2016)

“My last purchase of gold jewellery happened at Xinyuan, the local store. I bought a pure-gold pendant with a shape of a Buddha for my daughter, since the Chinese pronunciation of Buddha is close to ‘fu’, which means good luck in Chinese. I hope it could bring her happiness and good luck...And I think it also maintains value,” said Weifang, an older Chinese consumer.

[chinas-jewellery-market-new-perspectives_en%20\(1\).pdf](#) (downloaded in September 2017)

- d. China drives growth in hard luxury, *Financial Times* (2014)

Marcus Grubb, Managing Director of Investment Strategy at the World Gold Council, said: “Although Western markets have traditionally been driven by discretionary spending and personal taste, Asia – where investment remains the key motivation and sales are currently extremely strong – is moving that way too. People are purchasing both for short-term enjoyment as well as with long-term asset potential in mind. It’s a reflection of the recovery of confidence in the global economy.”

<https://www.ft.com/content/4be9514c-5cff-11e3-a558-00144feabdc0> (downloaded in September 2017)

Cases in Observation 3 indicate that consumers in China view luxury products, such as gold and fine jewellery, as an investment opportunity that has the ability to generate a high return on investment and maintain value in the future. In particular, jewellery and gold are regarded as items that retain value in the long term. In the past, investment as a factor of luxury consumption has not been systematically examined. Hence, this study attempts to measure the effects of investment perspective on Chinese luxury consumption.

Overall, these real-life observations help to highlight the significance of examining the underlying factors that might influence Chinese luxury consumption, such as the concepts of face, hedonism, uniqueness and investment.

1.2.3 Why is this study significant?

In order to measure the motives behind luxury product purchases and the consumption behaviour of Chinese consumers, this study develops for the first time a new measurement scale by modifying the well-known Brand Luxury Index (BLI) developed by Vigneron and Johnson (2004), Kapferer (1998) and Dubois et al. (2001). In addition, this study also works on a multi-methods approach incorporating both qualitative and quantitative research methods to collect information from marketers and consumers in the field of jewellery products. Instead of using a student sample (Li and Su, 2006), adult samples are adopted to be more representative, especially when applied to actual luxury brand purchases. In this context, collaboration between marketing academics and practical marketers is crucial and will lead to valuable new findings in the area of luxury research.

In the worldwide market, jewellery is regarded as the star category within the luxury goods market (Bain and Company, 2015, 2017, 2018), and it has a higher growth rate than other luxury product categories; jewellery accounts for 6% compared to the fashion and apparel category at 2% and accessories at 5% (Bain and Company, 2015). In China, jewellery is one of the most popular and important luxury products (McKinsey, 2011; *China Daily*, 2014). It was also pointed out that China was the second largest market after the USA, and it accounted for 40% of world jewellery consumption (*Gentlemen in China*, 2017). A recent study by Deloitte (2019) mentioned that eight out of the nine luxury goods companies based in China and Hong Kong are jewelers. Based on the important position of jewellery in the luxury market in China, jewellery is thus the luxury product category chosen for examining Chinese luxury consumption in this thesis.

Overall, this thesis is a significant endeavour to improve the knowledge regarding luxury consumption in China, an emerging market for global marketers. This study aims to provide knowledge and understanding of consumers' motives towards luxury consumption in the China market, something that is of vital importance to global marketers. Luxury brands that fit their target market's values and motivations are more likely to be successful. Further,

insights for luxury marketing practices, such as product positioning, segmentation and marketing communication strategies, are suggested. Most importantly, the findings of this thesis will be able to help prospective luxury brand marketers seeking to tap the Chinese market. This thesis will also develop a luxury consumption model to measure the underlying motives that drive actual purchases and contribute to the academic literature pertaining to Chinese consumers. In short, this thesis will contribute greatly to our knowledge of consumer behaviour in China, an emerging market for many global brands. In a broader scope, the findings also provide knowledge to enable governments and policymakers, especially in Hong Kong, to set better policies and regulations for industries such as tourism and retailing, in order to facilitate further development of luxury purchase opportunities.

1.3 Research Gap and Objectives

1.3.1 Research gap

a. Western approach to luxury orientations

Although past literature has studied the motives of luxury consumer purchasing behaviours in Asia, little research seems to have covered the perspective of Chinese cultural orientation and its influence on luxury consumption. In other words, extant work on the China market is conducted from the Western perspective, with limited effort given to understanding local culture. Due to globalisation and increasing exposure to Western culture, there is a need to find out more about the results of this cultural transition of Chinese consumers and how Chinese culture influences and motivates luxury consumption. Typical cultural factors that influence Chinese luxury consumption are the concepts of face, uniqueness, investment and hedonism. It is important for both marketers and academics alike to examine the underlying reasons for the increasing growth of luxury consumption among Chinese consumers.

b. Actual purchase versus intention to purchase

The majority of extant research has employed Chinese as sample (Wang, Sun and Song, 2010; Tse, Belk and Zhou, 1989; Ho, 1976; Li and Su, 2006; Tse, 1996) to examine the concept of face and its impacts on consumption. However, very few research studies have looked into actual purchases and related motivating factors in the context of Chinese culture. Also, past research mainly focused on the impacts of various luxury orientations on

“intention to purchase” or attitudes toward luxury consumption (Wong and Ahuvia, 1998; Li and Su, 2006; Richins and Dawson, 1992; Vigneron and Johnson, 2004; Wiedmann, Hennigs and Siebels, 2009). The concept of “intention to buy” may be relatively weak in determining the final actions of purchasing, as respondents need to imagine their future response, and the effect may not reflect reality. Therefore, this thesis aims to measure luxury orientations and their effects on the actual purchase of luxury products by Chinese consumers.

For practitioners, how to develop marketing strategies for luxury consumers is the key. It is therefore necessary for luxury brand managers to develop a coherent and integrated long-term global strategy that takes into account country-specific requirements. China is the most important luxury market in the world (McKinsey and Company, 2017) and, thus, understanding its consumers’ preferences and motivations is crucial for developing winning strategies. Further, so far most of the past research in this area has been based on consumers’ attitudes and intentions to buy. Affective attitudes are a powerful predictor of behaviour because they involve consumers’ feelings and emotions. However, it will be more realistic and practical to conduct research to understand the actual purchase experience of consumers. Doing so, marketers can understand the actual behaviour of their target consumers and can have more precise future marketing planning.

However, currently there is minimal research that empirically investigates the linkage between luxury orientations and actual purchase behaviour towards different luxury brands.

1.3.2 Objectives of the thesis

a. First objective

The first objective is to contribute to the literature on face as an important factor underlying luxury consumption of Chinese people by providing a better understanding of the concept, giving directions for future research and offering recommendations for international luxury marketing managers in making marketing strategies.

To understand luxury consumption in the Chinese market, one needs to look more closely at collectivism’s influence on consumption (Wong and Ahuvia, 1998; Hofstede and Bond, 1988). As much past research has pointed out that Chinese consumers, with their

interdependent self-concept, emphasises social roles and public perceptions as central to one's identity, it leads to the focus on face (Ho, 1977; Yau, 1986; Zheng, 1992; Li and Su, 2006; Ting-Toomey, 1988).

Past research studies have put a lot of effort into understanding the concept of face from cultural perspectives (Bond, 1986; Ting-Toomey, 1988; Hofstede, 1991, 2001; Yau, 1988; Yang, 1981). It is important to understand the inner motives of consumers that trigger luxury consumption. As face is a complex concept for explaining Chinese luxury consumption, there is a need to examine specific dimensions of the face concept in order to construct a comprehensive model of face to measure luxury consumption more accurately. Finally, this thesis provides a valid and reliable new scale of face orientation to measure effects on luxury purchases.

b. Second objective

Understanding the concept of Chinese luxury consumption orientations is a complex matter, as Chinese consumers are not homogenous. China represents a huge consumer market encompassing different lifestyles and subcultures due to different social and economic standards, and consumers are very different in terms of their perceptions and attitudes towards luxury. Hence, it is expected that Chinese consumers are influenced by different luxury orientations and are not motivated in the same way when purchasing luxury goods. Therefore, the second objective of this thesis is to investigate other important factors and motives in addition to face that lead to luxury consumption in China, such as investment, hedonism and uniqueness.

For luxury consumption, traditional Chinese are influenced by their strong saving mentality whereby they save money for future use (Faure and Fang, 2008). Such a saving attitude further supports Chinese culture's desire for the preserved value of luxury goods leading to long-term value. They tend to trust and attach high value to luxury brands due to the assumption of high brand quality and reassurance (Vigneron and Johnson, 2004). In other words, Chinese consumers value the expected appreciation and long-lasting style of luxury goods. Hence, this indicates that luxury brands constitute an important investment value to Chinese consumers.

Furthermore, Chinese people like to differentiate themselves from the masses to enhance self-concept and self-image as a means of invidious distinction (Leibenstein, 1950;

Veblen, 1899). This indicates that Chinese consumers are concerned with the uniqueness of luxury products that can provide perceived exclusivity and rareness and can finally enhance their desire and preference for it (Verhallen and Robben, 1994). Uniqueness is hence another important factor influencing the Chinese consumer's purchasing behaviour.

The traditional literature on the effects of hedonism on luxury consumption (Sheth, Newman and Gross, 1991; Wiedmann, Hennings and Siebels, 2009; Vigneron and Johnson, 2004; Dittmar, 1994) has pointed out that the importance of intrinsic attractiveness of luxury brands leads to personal rewards and fulfilment. Luxury consumers use luxury items to integrate symbolic meaning into their own identity, or they use the brands to support and develop their personal identity. On the other hand, research studies on hedonism (Wiedmann, Hennings and Siebels, 2009; Wong and Ahuvia, 1998) have also discovered that hedonism does not have a strong positive effect on luxury purchases, especially in Asian societies.

Researchers have argued that Chinese consumers who have strong Confucian traditions tend to be more concerned with interdependent construal and face orientation than the individual self and hedonistic orientation of Western consumers (Wong and Ahuvia, 1998; Yang, 1963; Monkhouse, Barnes and Stephan, 2012). Therefore, when applying this to luxury consumption, it will be an exciting topic for marketing academics and practitioners to understand to what extent hedonism orientation affects Chinese consumers. This thesis aims to investigate how likely Chinese consumers will be influenced by hedonism in their luxury brand purchase.

Overall, this thesis attempts to measure the different luxury orientations that drive actual purchases. Consumers of different orientations may act very differently in their luxury purchasing habits.

1.4 Structure of the Thesis

This thesis is organised into six chapters. The first introductory chapter provides an overview of the entire thesis, such as the significance of the research, the research objectives and research gaps. In Chapter 2 (literature review), the concept of luxury consumption and the nature of Chinese luxury orientations are explored. This chapter contains an examination and review of the previous literature relating to the research objectives of this thesis. It contains the development of luxury research from the classical economic approach to the

marketing and psychological approach. In addition, insights can be drawn from past literature to develop the framework of this thesis. This chapter concludes with a discussion of how a model can be built on previous research.

Based on the literature on luxury consumption and value, a structural model of four luxury orientations, and a model of detailed face orientation of three dimensions, are proposed in Chapter 3. This chapter contains the main theoretical part of the thesis. With respect to each theoretical dimension of luxury orientations, potential marketing implications are presented. Each component of the model, as well as related hypotheses, are presented and discussed.

In Chapter 4, the methods of collecting empirical data for testing the models and hypotheses are discussed. Results of a pilot study are presented. Results of the two stages of research – qualitative and quantitative – are presented and discussed. Details of in-depth company interviews and consumer interviews, quantitative research fieldwork and sampling procedures are presented.

Chapter 5 contains the analysis used for developing the Luxury Orientation Scale and testing the models and hypotheses. This chapter is divided into five parts. The first part presents the profile of the sample. The second part is the process of developing the Face Orientation Scale and the investigation of three underlying dimensions. The third part examines the four luxury orientations and their influences on actual luxury brand purchases. Finally, the model of luxury orientations and the hypothesised links between determinants of global and local luxury brand purchases are tested.

The concluding chapter serves to summarise the thesis and draw conclusions based on the results compared to the hypotheses and objectives of the thesis. It also offers implications on theoretical and managerial perspectives and recommendations for future research.

1.5 Chapter Conclusion

To conclude, this chapter has described the purpose of the thesis and the area of luxury consumption motivation among Chinese consumers. In particular, this thesis attempts to investigate the multi-dimensional luxury motives specific to Chinese culture. Cultural factors that motivate purchases of luxury products are also explored.

The background of the entire thesis and the importance of luxury motivations are

discussed. Next, the significance of the study in light of marketplace globalisation is presented. This study also attempts to demonstrate the limitations of applying Western theories to luxury consumption behaviour in a Chinese context.

The research gaps are discussed based on the limitations of past research. The contribution of the study is also stated with reference to contributions to academics as well as marketing practitioners. Finally, the structure and organisation of the thesis are presented.

CHAPTER 2

LITERATURE REVIEW

2.1 Chapter Overview

This chapter provides an overall review of most of the important literature on the concept of luxury consumption. It begins by discussing the meaning of luxury consumption and then reviews previous literature associated with luxury consumption and various influencing variables. Several streams of research on luxury consumption are reviewed and discussed. First, the classical literature on “luxury”, “prestige consumption” and “conspicuous consumption” began in the 1800s (Rae, 1834; Veblen, 1899) when economists started to realise the significance of sociological-economic effects on the consumption of prestige goods, especially among the wealthy. Second, the socio-psychological approach to luxury consumption, particularly studies on Asia and China, are reviewed (Chadha and Husband, 2006; Wong and Ahuvia, 1998). They focus on the issue of face and Chinese consumers’ motives for luxury consumption. Third, research on luxury consumption relating to measurement scales of luxury (B. Dubois, G. Laurent and S. Czellar, 2001, 2005; Kapferer, 1998) and multidimensional models of luxury values (Wiedmann, Hennigs and Siebels, 2009). Finally, some insights are offered based on luxury consumption literature that impacted development of this study.

2.2 What is Luxury Consumption?

An understanding of the concept of luxury consumption cannot be achieved without understanding the definition of the concept of luxury. Luxury is derived from the Latin word *luxus*, which means indulgence of the senses, regardless of cost (Mootee, 2004). According to the *Latin Oxford Dictionary*, luxury refers to “soft or extravagant living, overindulgence. Luxury, according to the *Oxford Dictionary*, “is a state of great comfort or elegance, especially when involving great expense...a pleasure obtained only rarely” (accessed in 2017: <https://en.oxforddictionaries.com/definition/luxury>). The *Cambridge Dictionary* defines luxury as “great comfort, especially as provided by expensive and beautiful things, something

expensive that is pleasant to have but is not necessary” (accessed in 2017: <https://dictionary.cambridge.org/zht/luxury>). In America, luxury is defined in the *Collins Dictionary* as “the use and enjoyment of the best and most costly things that offer the most physical comfort and satisfaction...anything contributing to such enjoyment, usually something considered unnecessary to life and health” (accessed in 2017: <https://www.collinsdictionary.com/dictionary/english/luxury>).

To summarise, the common elements that contribute to the meaning of luxury described in various dictionaries are expensive, pleasure, exclusivity, rarity and high quality. In addition to pleasure and high quality, luxury also seems to imply some kind of negative connotation, such as unnecessary consumption and overindulgence. Over the years, an increasing number of academic researchers have discussed the concept of luxury (Rae, 1834; Veblen, 1899; Berry, 1994; Leibenstein, 1950; Vigneron and Johnson, 1999) and have developed their own opinions and understandings of the subject. Although there is a consensus among scholars that “luxury” consists of several underlying components, there has been little agreement on one clear definition.

There is no single or definitive meaning of luxury. Rather, there are many approaches to defining luxury in academic literature. Berry (1994), in his book *The Idea of Luxury*, developed a conceptual analysis of luxury. In this innovative study, Berry explored the meaning and ramifications of the idea of luxury. Insights from political theory, philosophy and intellectual history are used in a sophisticated conceptual analysis complemented by a series of specific historical investigations. Berry suggests that the value attached to luxury is a crucial component in any society’s self-understanding, and he shows how luxury has changed from being an essentially negative term threatening social virtue, to a guileless ploy supporting consumption. He said that “luxury goods are seemingly to be associated with expensiveness and rarity” and that the concept of “luxury” can be explained from “social meaning” and “individual meaning”. The social meaning of luxury refers to the rare/exclusive nature inherent in the quality of the goods, while the individual meaning refers to individuals’ perceptions of luxury or aspects of relativity. Hence, luxury refers to the highest level of prestigious brands that includes various physical and psychological values (Vigneron and Johnson, 1999). Consumers do not just value excellent quality, but they also value the social status and prestige often conferred by branded goods.

The word “luxury” appears very frequently in our daily lives, but its meaning is still vague. As Kapferer and Bastien (2009) said, “Luxury has become commonplace and is becoming devoid of meaning progressively.” They further suggested that there is no longer a discourse on “luxury”, and instead the terms now used are “accessible luxury”, “true luxury” and “new luxury”, etc. Therefore, there is no single definition of luxury, and the meaning of luxury changes over time and across different markets. Different consumers in various markets have very different understandings of the concept of luxury. Cornell (2002) observes that luxury is a slippery term to define because of strong involvement of the human element and value recognition from others. Although researchers do not agree on a single definition of “luxury”, they agree that luxury goods are conducive to pleasure and comfort and impart esteem to owners, in addition to functional utility (Skukla, 2010).

In this thesis, the concept of luxury as defined by Skukla (2010) is adopted; it is a means of many consumers to seek pleasure and comfort as well as self-esteem. This is especially the case in Asian countries as suggested by many previous scholars (Wong and Ahuvia, 1998; Li and Su, 2006; Chadha and Husband, 2006).

2.3 Conceptualisation of Luxury Consumption

Luxury consumption has long been an important component of the economy and has evoked a great deal of interest among marketing scholars. Despite a large body of research on luxury consumption, most studies have been conducted in Western and developed countries (Dubois and Duquesne, 1992; Dubois and Laurent, 1994; Vigneron and Johnson, 2004). However, China is becoming an attractive market for luxury brands (Wong and Ahuvia, 1998) and a growing number of research scholars have developed interest in understanding luxury consumption in this market. The concept of luxury consumption has extended from providing functional utilities to providing social esteem and prestige to luxury consumers. Extant literature has widely discussed luxury consumption from different perspectives: (1) economic perspectives; (2) sociological perspectives; (3) psychological perspectives; and (4) measurement and typology perspectives.

2.3.1 Economic perspectives on luxury consumption

Luxury consumption has been an important research topic for economists since 1834 (John Rae, 1834; Veblen, Thorstein, 1899; Keasbey, Lindley M., 1903; Leibenstein, H., 1950; Dittmar, H., 1994; Bagwell and Bemheim, 1996; Corneo, G. and Jeanne, O., 1997; Simon Kemp, 1998; Mason, 2000, 2001; Trigg, A.B, 2001; Shipman, A., 2004).

The dominant utilitarian view regards consumption as being determined by the law of supply and demand. Traditionally, economists ignore symbolism and human factors as determinants of consumption. However, a group of economists began in 1834 (Rae, 1834; Veblen, 1899) to realise consumption values should go beyond utilitarianism. Rae (1834) and Veblen (1899) were the first to note that, as wealth increases and spreads through society, satisfying subsistence needs does not drive consumer behaviour anymore. Rather, attempts to attain esteem and the envy of fellow human beings motivates individuals to move towards conspicuous consumption. Therefore, luxury consumption cannot be explained purely by economic or social perspectives since people's consumption attitudes are often influenced by multiple values.

Early economists argued that economic life is driven not by the notion of utility but by social vestige (Rae, 1834; Veblen, 1899). The objectives of conspicuous consumption are displaying wealth and social status, since people, especially the upper class, feel the need to be seen as superior to others. Therefore, people "emulate" more respected members of their peer groups in order to acquire higher status. To discuss luxury consumption from economic perspectives, the following streams of literature are reviewed:

1. Conspicuous consumption
2. Demand curves of conspicuous consumption: bandwagon and snob effects
3. The luxury-necessity dimension
4. Economic, monetary and investment value

2.3.1.1 Conspicuous consumption

In 1834, Rae was one of the earliest economists to study the consumption of "utility" and "luxury". Two important terms relating to consumption of luxury were examined – "vanity" and "display". According to Rae (1834), "luxury" means "the expenditure occasioned by the passion of vanity". Vanity is described as "the mere desire of superiority

over others”, and it is the “vain” pleasure taken in surpassing others. Hence, people have a desire to be perceived as highly ranked in society. In addition to vanity, “propensity to show” is important, i.e., to be acknowledged by people or “to be seen” from a social level of superiority.

Later, Veblen in his *The Theory of the Leisure Class* (1899), provided the foundation concepts of conspicuous consumption and the conspicuous class was introduced. Conspicuous consumption is defined as the use of money or other resources to display a social status higher than others. Veblen (1899) introduced “pecuniary emulation” to show that people “emulate” more respected members of their group in order to gain a higher status. Veblen (1899) commented that people’s desire for goods increases with prices and scarcity, especially for “socially visible” goods, compared with goods consumed in private or “private goods”. Further, certain brands are considered to be more “high class” than others and are therefore viewed as a display of wealth. Veblen (1899) labelled these goods as “prestige” or “status” goods as they help users to advertise their wealth and achieve greater social status. Conspicuous consumption is viewed by Veblen (1899) as the most important factor in determining consumer behaviour, not just for the rich but for all social classes. Each social class tries to emulate the consumption behaviour of the class above it to distinguish itself from others.

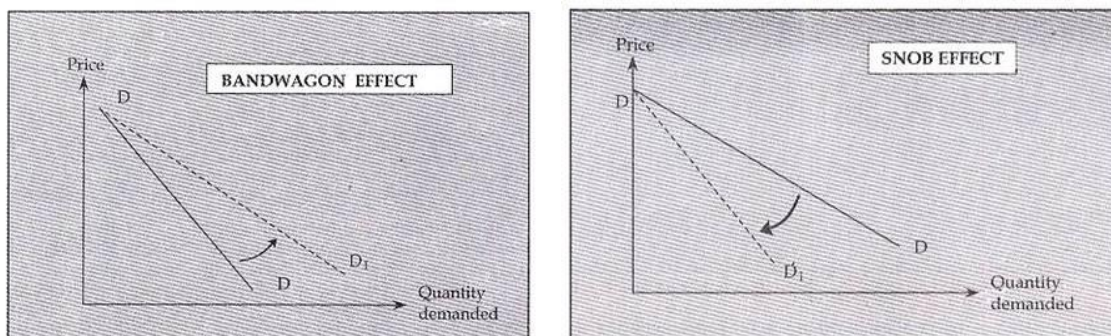
Along the same lines, Keasbey (1903), another economist, identified “prestige value” as a third form of value in addition to the traditional economic values of “value in use” and “value in exchange”. According to Keasbey, prestige value indicates the importance a person attaches to the possession of a product not primarily for immediate consumption, but rather to raise his social position and prestige. This possession implies power and social prestige that finally contribute to one’s prestige and distinguishes one’s status. Therefore, any commodity that possesses prestige value is regarded as a standard to measure the amount of prestige and wellbeing.

Another economic study by Bagwell and Bernheim (1996) examined conditions under which “Veblen effects” arise from the desire to achieve social status by signalling wealth through conspicuous consumption. They discussed that “budget” brands are priced at marginal cost, while “luxury” brands, though not intrinsically superior, are sold at higher prices for consumers seeking to advertise their wealth. Therefore, luxury brands earn supernormal profits from the characteristics of demand. Consumers pay a higher price for a

functionally equivalent good because they crave the status brought about by such material displays of wealth.

2.3.1.2 Demand curves of conspicuous consumption: The “bandwagon” and “snob” effects

Consumers purchase conspicuous goods to signal high income and social status. Influential research on conspicuous consumption by Leibenstein (1950) explored the external effects believed to impact an individual’s demand curve. Using economic terms, he highlighted the importance of external effects on utility and offered a mathematical explanation of effects on consumer values on product prices. He introduced two types of effects under conspicuous consumption – bandwagon effects and snob effects. He divided the demand for goods into these two effects. The bandwagon effect describes a situation in which the demand for goods increases because others are buying the same item, whereas the snob effect is the opposite, where market demand decreases because others are purchasing it also. The bandwagon effect demonstrates how people value and follow their reference groups, so that the demand curve will usually be upward sloping, which means that a price increase triggers an increase in signalling value for that item and its market demand grows. On the contrary, the demand curve of the snob effect demonstrates that consumers’ interest declines when luxury brands become popular and consumer demand increases despite the high price, as long as they perceive the brand to be luxurious. The two demand curves (bandwagon and snob effects) can be seen in the graphs below (Figures 2.1a and 2.1b).



Figures 2.1a and 2.1b: Bandwagon Effect and Snob Effect

2.3.1.3 The luxury-necessity dimension

Kemp (1998) studied the luxury-necessity dimension and attempted to compare the differences between the two concepts, discovering that people’s perceptions of luxury are

strongly related to the economic concept of price elasticity. Luxury goods differ from necessities in being positive rather than negative reinforcements, and the perceived necessity of a product is strongly related to the desire to regulate its distribution if it is in short supply.

In addition to the price elasticity concept, Kemp (1998) discovered that individuals' opinions and beliefs differ about which goods are necessities and which are luxuries. Therefore, an item can be either a luxury or a necessity for the same potential consumer in different situations. For example, dental work usually is classified as a necessity; however, it is not always clear whether dental work is done for social reasons and it is often rated towards the luxury end of the scale. Kemp's research results indicate that ratings of luxury versus necessity are social perceptions modified by differing values and tastes of the individual. This indicates that the ratings are strongly influenced by social values and the preferences of individual consumers. Different people do not therefore always agree as to which goods are luxuries and which are not. In addition, the luxuriousness of a good is correlated with a willingness to dispense with it when the price doubles. In other words, goods perceived as luxuries are likely to be less frequently purchased if the price doubles. In general, the results of Kemp (1998) are consistent with Berry's (1994) contention that the idea of luxury is not simply a matter of personal taste.

2.3.1.4 Economic, monetary and investment value

Some economists have studied customer values in terms of specific direct monetary aspects, such as price, resale price, discount and investment, etc. This refers to the value of the product expressed in dollars and cents, and what is given up or sacrificed to obtain a product. Smith and Colgate (2007) argued that the economic value of consumption refers to the cost sacrifice concept, where consumers try to minimise the costs and other sacrifices that may be involved in the purchase, ownership and use of a product. These costs involve economic costs, psychological costs, personal investment and risks associated with the consumption and purchasing of the product.

Wiedmann et al. (2009) proposed a hierarchical structure composed of four latent luxury values (financial, functional, individual and social), and commented that financial value was measured by price. Status-conscious consumers tend to use the price as an indicator of prestige. Therefore, prestige pricing sets the price rather high to suggest high quality or high status to make products or services more desirable (Erickson and Johansson,

1995; Groth and McDaniel, 1993). This monetary concept is particularly relevant to Chinese consumers who have traditionally had a strong saving and investment mentality, i.e., to save money for future use, for healthcare, future retirement, the only child's education and family elders, etc. (Faure and Fang, 2008). Such attitudes towards savings suggest a Chinese preference for a preserved value associated with luxury goods that have a long-term value and resale value, e.g., the price of Rolex watches tends to go up. In other words, Chinese consumers value an increasing price and the long-lasting style of luxury goods.

2.3.2 Socio-psychological perspectives on luxury consumption

As discussed in the previous section, economists have been interested in luxury consumption not just from an economic perspective but also the significant role of society and status associated with the possession of luxury goods (Veblen, 1899; Leibenstein, 1950; Keasbey, 1903; Bagwell and Bernheim, 1996). People's desire to possess luxury brands as a symbolic sign of group membership or the bandwagon effect is discussed by Leibenstein (1950). Thus, luxury brands and products are often characterised by prestige value, social referencing and the construction of one's self, factors that appear to be determinants of luxury consumption (Wiedmann, Hennigs and Siebels, 2009). The following subsections explore some of the literature on luxury consumption from the socio-psychological perspective:

1. Perceived social value: Bandwagon effects
2. Materialism
3. Status consumption value
4. Public meaning of possession
5. "Dream" and awareness

Perceived social value: Bandwagon effect Leibenstein (1950) introduced the concept of "bandwagon" and "snob" effects to illustrate the social value of luxury consumption; people's desire to possess luxury brands may serve as a symbolic marker of group membership. From a social perspective, the bandwagon effect influences an individual to conform with prestige groups and to distinguish one's self from non-prestige reference groups (Belk, 1988; Dittmar, 1994).

A study by Corneo and Jeanne (1997) on the two effects commented that the occurrence of a snob or bandwagon effect depends on how social norms allocate status on the basis of relative income. They argue that this consumption behaviour depends on the characteristics of consumer behaviour, and also on whether consumers are snobbish or conformist. In short, the two types of incentives for conspicuous consumption are: the desire not to be identified with the poor (bandwagon effect) and the desire to be identified with the rich (snob effect). Both effects are interpersonal and relate to the response of others in the social context.

Materialism Materialism has been studied in literature focusing on its causes and consequences, the behaviour and personality of materialists, and moral considerations of materialism (Belk, 1983; Fournier and Richins, 1991; Richins and Dawson, 1992). Richins and Dawson (1992) argue that materialism is a mindset and a value that guides people's choices in consumption behaviour, and therefore materialism influences the type of goods purchased. Materialistic consumers regard luxury brands as a means to reach happiness and to evaluate personal or others' success. Richins and Dawson (1992) developed a values-oriented materialism scale with three components: acquisition centrality, acquisition as the pursuit of happiness and possession-defined success.

1. Acquisition centrality – Materialists place possessions and their acquisition at the centre of their lives;
2. Acquisition as the pursuit of happiness – One of the reasons that possessions and their acquisitions are so central to materialists is that they view these as essential to satisfaction and wellbeing in life. Belk (1984) notes that “at the highest levels of materialism...possessions assume a central place in a person's life and are believed to provide the greatest sources of satisfaction and dissatisfaction”.
3. Possession-defined success – Materialists tend to judge their own and others' success by the number and quality of possessions accumulated. Materialists view themselves as successful to the extent that they possess products that project these desired images.

Richins and Dawson (1992) further studied the high and low materialists and found them to be different in terms of spending behaviours. High materialists tend to spend more on themselves than low materialists. The finding also indicated that respondents higher in materialism were more likely to value “financial security” and less likely to value “warm

relationships with others” than respondents with low materialism. As expected, one of the common statements about materialists is that they are self-centred and unconcerned about others.

Luxury consumption may be especially appealing to materialistic consumers (Belk, 1985, 1988; Mason, 1981; Wong and Ahuvia, 1998). Materialists consider their possessions as signals of success and wealth to others (Richins and Dawson, 1992). More generally, materialists may use luxury products and services to construct their identity and to enhance their self-concept (Belk, 1985; Dittmar, 1994, 2008; Richins, 1994; Vigneron and Johnson, 2004). Also, materialists consider the consumption of luxury goods as a path to personal happiness (Richins and Dawson, 1992; Vigneron and Johnson, 2004). Hence it is suggested that materialists may spend more on luxury than low materialism consumers. However, the underlying factors, such as personality traits, individual differences and cultural factors, are strongly associated with materialism and are therefore important in influencing consumption.

Status consumption value Status consumption has been studied mainly from a social-psychological perspective to understand how status affects luxury consumption. In this section, status consumption is discussed: (a) What is status? (b) The need to jump to a higher social hierarchy; and (c) Factors associated with status consumption.

1. What is status?

Different from materialism, people tend to value social status, and the consumption of luxury goods may be a means to gain status. Eastman et al. (1999) defined status as “a form of power that consists of respect, consideration and envy from others”. Individuals often gain recognition and distinction by spending their income on products that display status and success to significant others.

Mason (2000) stated that consumers purchase luxury goods as a symbol to demonstrate their status with a wish to move up to a higher social level, or to ensure their status among peers. Social status is the perceived image that can be demonstrated through a dimension of conspicuous consumption and the use of products that project an image of wealth for the purpose of inflating self-ego and self-concepts (Marcoux et al., 1997; Mehta, 1999; Veblen, 1934). Hence, there is a strong relationship between status and consumption. The latter therefore enhances the consumer’s status.

2. The need for conspicuous consumption: Jumping to a higher social hierarchy

Based on Veblen's "pecuniary emulation", Mason (1981, 2000) further expanded the theoretical linkages between status striving or status maintenance and the patterns of consumption motivations. To Mason, conspicuous consumption is a process by virtue of which individuals may achieve or maintain status. He makes an important distinction between "horizontal" and "vertical" status emulation (Mason, 2000). Horizontal emulation occurs within groups when individuals try to enhance status through emulatory consumption. Vertical emulation involves moving from one's own status group to a "higher" one. Further, Mason (2001) suggested that pure conspicuous consumers derive satisfaction from audience reaction to the wealth displayed and not from the value of the product itself. He argues that conspicuous consumption is considered a function of cultural values, social class structure and reference group influence. As a consequence, consumption is not for conventional utilitarian purposes but for social and psychological motives associated with attempts to improve relative social standing and prestige. However, for the status emulation concept, Mason did not explicitly conclude that vertical emulation leads to a higher degree of conspicuous consumption than horizontal emulation. The reason could be that consumers need to place more effort on enhancing their ability to join the higher status group by higher conspicuous consumption compared to that of the higher status group. It is logical to expect different degrees of emulation efforts in "vertical" and "horizontal" status emulations. In other words, consumers who want to climb up the social ladder need to place greater emphasis on consumption of status products. This is supported by O'Cass and McEwen (2004) in that the level of perceived status significantly influences the likelihood of a brand being chosen by consumers for status consumption and conspicuous consumption.

3. Factors associated with status consumption: Face and culture

According to previous research on status consumption, social-psychological factors have been the dominant factors influencing status consumption (O'Cass and Frost, 2002; Shukla, 2008; Liao and Wang, 2009). Status refers to an individual's position or rank in society (Dawson and Cavell, 1987). In contemporary society, people represent their social status mainly through consumption as a means of fulfilling their own sense of achievement (Belk, 1988; Eastman et al., 1999). Therefore, owning luxury products is a way of presenting a wealthy image and gaining face (Zhang, Tian and Grigoriou, 2011). Some have argued that face consciousness motivates people to enhance their social standing through the

consumption of luxury products (Liao and Wang, 2009). They further provided empirical evidence to indicate that face consciousness is positively related to brand consciousness. Particularly, people in Chinese society are motivated to present themselves positively in social interactions, and they are sensitive to evaluation by others. Hence, face consciousness tends to be an important motive for Chinese consumers to purchase luxury brands

Eastman et al. (1999, p. 42), as the early scholars who first gave a meaning to status consumption, defined status consumption as “the motivational process by which individuals strive to improve their social standing through conspicuous consumption that confers or symbolises status for both individual and surrounding others”. Later, O’Cass and Frost (2004) had a very different viewpoint, defining status consumption as the personal nature of owning status-laden possessions, which may or may not be publicly displayed. From the two definitions, it is obvious that some literature considers status consumption as a kind of conspicuous consumption, while others regard status consumption and conspicuous consumption as two different concepts (O’Cass and Frost, 2004; O’Cass and McEwen, 2004). On one hand, it appears that status consumption is more a matter of the desire to gain prestige from the acquisition of status-laden products and brands while conspicuous consumption focuses on the visual display or overt usage of products in the presence of others. On the other hand, O’Cass and McEwen (2004) pointed out that consumers may wear Calvin Klein underwear because they see the brand as symbolising luxury and their own wealth in being able to afford expensive lingerie. This does not imply that they will show their undergarments to people of high status as a means of advancing their social standing, which is in contrast to wearing a labelled Calvin Klein shirt or pair of jeans. The argument of O’Cass and McEwen (2004) indicates that status consumption of luxury brands may be a function to satisfy consumers’ own self-egos also, not just to impress others. However, it can also be argued that in recent years trendy young people tend to treat underwear as a fashion and the logos on the underwear are exposed and are meant to be seen by others. In this situation, it is interesting to observe that fashion underwear is also a sign of status and brand consciousness.

Another important factor affecting status consumption is the cross-national factor or cross-cultural factor (Mason, 2002; Shukla, 2008). Nowadays, consumers are exposed to global status and luxury brands, and therefore it is useful to understand how consumers living in different cultures (individualistic versus collectivist) and economies (developed versus emerging) are affected by socio-psychological pressures.

It has been argued that culture remains influential on consumer value perceptions, while consumption patterns in developed and emerging markets differ significantly (De Mooij, 2004; Sharma, 2010; Shukla, 2010). Sharma (2010) suggested that materialism is playing an increasing role in emerging markets for luxury consumption. Materialism seems to be growing in Eastern emerging markets and it is slowing down in developed Western markets. Another viewpoint from an interesting study by Shukla (2011) on the differences between two developed markets (the USA and UK) and emerging luxury markets (India and Malaysia) observed that materialism is a significant predictor of luxury purchase intentions in both developing and emerging markets. The results concluded that status value had a significant positive effect on consumer luxury purchase intentions in both developed Western and emerging Eastern markets.

Previous research on status value and luxury consumption from the cross-national context has contributed to the study of luxury consumption. However, although status value may be a predictor for luxury consumption for both developed and emerging markets, further research should explore the effects in China, which has become the dominant luxury market in recent years. It may be too generalised to study the emerging markets and developed markets represented by just two markets of each kind, as each developed market or emerging market has its own unique culture that affects luxury and status values. China, for example, has a unique culture that places important value on face in luxury or status consumption, while it may be different from the culture of luxury consumption in India and Malaysia.

Public meaning dimensions of possession Besides the status value of luxury consumption, previous research has also examined private and public meanings of materialism that impact consumers' perceived values of luxury consumption. This section discusses public and private meanings of possession that provide influential value for luxury consumption. Next, there are discussions on the relationship between the public meaning of possession and face consumption, with a particular focus on the Chinese market. Finally, the shift from the traditional Chinese utilitarian value to face value consumption is explored.

1. Public and private meanings

Richins (1994) studied materialism through two meanings of possessions: public and private. For "public meaning" it is derived from socialisation and participation in shared activities. People are influenced by advertising, media and highly visible and distinct social

subgroups. Dittmar (1994) agrees with Richin's (1994) public-private meaning dimensions of possession as material symbols that do play an important role in structuring people's perceptions of different socio-economic groups. Material possessions are used to locate other people in a social-material hierarchy, in other words, evaluating others by their material possessions and then forming impressions of others. The public meanings of an object result from socialisation and participation in shared activities, while private meanings consist of these public meanings shaped by the private knowledge and experience of the possessor. For instance, a gold-plated Rolex watch carries the public meaning of prestige, but its private meaning may be a compound of a "present from an ex-lover".

As for "private meaning", possessors are influenced by private knowledge and personal experiences with respect to the object (Richins, 1994). Cultural norms are considered influential for the cultivation of private meaning. In the West, the true self generally refers to one's private self, and conformity is usually seen as a negative trait indicating a lack of personal integrity, a willingness to betray one's personal convictions and tastes to gain social advantage, or a cowardly fear of others' opinions. Some argue that hedonic value gratifies the internal private self. People with an independent self-concept and private meaning usually emphasise the importance of the internal self and hedonic experience as the motivators for luxury consumption. Tse et al. (1989) also found that advertising in Hong Kong, which is the Asian society with the greatest exposure to Western culture, has more hedonic advertising themes than both Taiwan and China. As such, Hong Kong people tend to have more concern for the "private meaning" than their counterparts in Taiwan and China.

Wong and Ahuvia (1998) proposed that hedonistic people emphasise the importance of the internal self that motivates luxury consumption. These consumers seek to gain self-directed pleasure from consumption by focusing on the achievement of hedonistic gratification and self-awareness, rather than meeting others' expectations (Tsai, 2005). In other words, they are concerned with the "private meaning" of the possession. Hence, people who value hedonism are purchasing luxury not to show off, but to please themselves. Also, research has pointed out that consumers who are exposed to developed Western markets seek more hedonistic experience than those in Eastern emerging markets (Tse et al., 1989). Relative to Western consumers, Southeast Asian consumers place more emphasis on publicly visible possessions (Wong and Ahuvia, 1998). Hence, Mainland Chinese consumers are more

concerned about the public meaning of possession, such as luxury brands, which can symbolically claim a vertical location within the socio-economic hierarchy.

2. Utilitarian value to face value

Some early research on consumption and cultural values of Chinese consumers through examining advertising appeals assumes such appeals can reflect the cultural value of the market (Belk and Polly, 1985; Belk, Tse and Zhou, 1989). One of these studies based on advertising appeals to project consumption values of three Chinese societies, concluded that People's Republic of China (PRC) citizens value utilitarian benefits more than their counterparts in Hong Kong and Taiwan (Belk, Tse and Zhou, 1989). It is indicated that Hong Kong, the most Western-influenced place, uses luxury and Western lifestyle appeal and emphasises enjoyment, an easier life and consumption experience, whereas PRC advertising more emphasises utilitarian benefits and better lifestyles. Belk, Tse and Zhou (1989) further pointed out that product performance, quality assurance and technological content advertising themes were expected to appeal to PRC consumers who are less informed of product attributes. However, as time goes on, this viewpoint is becoming less valid for the Mainland Chinese market where consumers, especially luxury consumers, are willing to pay more for luxury brands in order to gain status and face. Therefore, some previous research on the China market may not reflect the real situation at present, and this needs to be revisited in terms of the motivation factors surrounding consumption in this market.

3. Public meaning and face culture

To understand luxury consumption in Southeast Asia, one needs to look more closely at the impact of collectivism on consumption (Wong and Ahuvia, 1998; Hofstede and Bond, 1988). Wong and Ahuvia (1998) examined four aspects of Asian traditions that are particularly relevant to the practice of branded luxury consumption: (a) interdependent self-concepts; (b) the balance between individual and group needs; (c) hierarchy; and (d) legitimacy of group affiliations. Their study highlighted differences between the interdependent construct of Asian cultures versus the independent construct of Western cultures.

Asian people with their interdependent self-concept emphasise social roles and public perceptions as central to one's identity. It leads to the Asian focus on "face" (Ho, 1977). Similarly, Chinese people in Confucian culture are always under pressure to live up to the expectations of others in order to preserve face. Hence, the concern for *mien-tzu* exerts a

mutually coercive power upon members of the social network (Yau, 1986). Zheng (1992) explains how, in Hong Kong, the need to maintain *mien-tzu* creates ever-escalating expectations of what possessions are needed to maintain a socially appropriate appearance.

Since financial status is the central social concern in Southeast Asian societies, publicly visible markers are needed to communicate financial achievement (Wong and Ahuvia, 1998). Therefore, Southeast Asians pay a great deal of attention to possessions that are both public and visible, such as designer label goods, expensive cars, jewellery, etc. This reflects the value that an interdependent self places on social conformity in a materially focused, family-oriented and hierarchical culture. This indicates that the public meaning of visible possessions helps users to enhance face.

4. Public meaning and uniqueness

Uniqueness is defined as the perceived exclusivity and rareness of a product that enhances a consumer's desire or preference for it (Verhallen, 1982; Lynn, 1991; Pantzalis, 1995). It is argued that the more unique a brand is deemed, and the more expensive it is compared to normal standards, the more valuable it becomes (Verhallen and Robben, 1994). Therefore, a luxury product or service is, by definition, not affordable for everybody; otherwise it would not be regarded as a luxury item.

Similarly, as argued by Leibenstein (1950) in his bandwagon and snob effects of conspicuous consumption, snobbish consumers feel that if everybody owns a conspicuous good, it loses its signalling value. In effect, they desire an image of being unique, different and exclusive. This group of people tries to differentiate from the masses to enhance their self-concept. According to Leibenstein (1950), the final effect is drawn from the work of Veblen (1899) that consumption and demand are the functions of product price and a means of invidious distinction.

Over time, public and private meanings shift when the values of products change. For example, public meaning shift occurs when a product that previously had been valued for its uniqueness becomes common, which would perhaps destroy its special nature for some consumers. In addition, it has been shown that consumers tend to prefer products whose meanings are congruent with their self-concepts (Belk, 1982). This implies that the popularity of a product or brand can destroy its prestige or status in the minds of some consumers. In other words, popular luxury products lose the characteristic of uniqueness and exclusivity,

and Chinese luxury consumers lose interest in such brands since they no longer help to enhance face. This echoes the concept of face consumption by Li and Su (2006) whereby individuals try to enhance, maintain or save self-face, as well as show respect to others' face through the consumption of products. In their research, one of the face consumption characteristics is distinctiveness, i.e., the products must be either named brands or more expensive than products that Chinese usually consume.

This suggested that face products must be distinctive, whether through a brand or high price, because face stands for group face and group interests, which are more important than personal interests (Li and Su, 2006; Ting-Toomey, 1988). Chinese consumers are willing to pay more for face products to show in public than they would for products they usually consume. Therefore, face products need to be distinctive in nature to save face for users.

Consistency between the public meaning of a possession and one's self-concept is one of the concerns in the meanings of possession. It is pointed out that consumers prefer products whose meanings are congruent with their self-concepts (Belk, 1982). When applied to the consumption of luxury brands, the perceived extended-self dimension is transferred from the consumption of luxury brands to enhancing self-concept.

In recent years, brand name or expensiveness do not necessarily indicate distinctiveness, as the number of Chinese consumers that can afford luxury brands is increasing. Uniqueness is not totally related to brand name and expensiveness. For example, Louis Vuitton, though a famous and expensive French brand, has become ubiquitous in recent years even in emerging markets such as China. This drift towards the "masstige" market (a portmanteau of mass and prestige) has caused Louis Vuitton to lose its lustre among consumers and has contributed to a slowdown in sales growth (*South China Morning Post* [SCMP], 2016). On the other hand, Swatch's limited-edition watches are not expensive and yet collectors are proud of their possessions. Hence, the sense of exclusivity and uniqueness turns the inexpensive limited-edition Swatch watch into a kind of face consumption. Collectors can show off their taste, status and prestige self-image. This further highlights the importance of uniqueness in luxury consumption, to demonstrate the public meaning and face for users. High prices and reputable brands are not the only factors leading to the perception of face.

Overall, studies of material possessions are the strong groundwork for understanding purchasing behaviour and motivations for consumption, especially for luxury brands. Therefore, consumers' motives for the possession of luxury products or brands can be derived from the perceived meaning and values offered by the brands. In short, face saving and uniqueness of products are important factors behind such motivations for the purchase of luxury brands.

“Dream” and “awareness” According to Kapferer (2015), luxury sells dreams. Luxury brands are in the business of selling dreams and are able to demand premium prices. The dream becomes visible and accessible for those ready and willing to pay the high price. Therefore, luxury brands tend to raise their prices in order to ensure the brand remains a dream and not too accessible in the minds of consumers. According to Kapferer (2015), “dream” and “awareness” are two important concepts in luxury consumption. He suggested that luxury brands, unlike fast-moving consumer goods, should not advertise to sell, as luxury is meant to communicate a dream and to recreate it; this cannot be achieved if the focus is on short-term sales increases. In addition, he argued that luxury should communicate to non-targets to build awareness among such groups. The recognition by non-owners in the luxury market helps to generate admiration from others.

The concepts of dream and awareness are considered significant in luxury consumption (Kapferer, 1997, 2015; Dubois and Paternault, 1995). Kapferer (1997) suggested the following principles for managing luxury brands:

- It is important to preserve a difference between brand awareness and brand diffusion in order to let consumers dream of the brand. The dream of luxury has to be constantly regenerated, and it is necessary to ensure that more people know and be aware of the brand than those who actually buy it.
- Luxury brands must maintain high standards and quality. Luxury brands nowadays are overextended in a wide variety of product categories, which might lead to low-cost production and poor product quality.
- There should be pressure for change on luxury brand managements. Never compromise on the brand's set of values or its deeply rooted identity traits. A brand is a living memory (Kapferer, 1997).

In addition to the concept of dream, Kapferer (1977) pointed out that the concept of brand awareness is also crucial in luxury consumption. This brand awareness concept refers to the importance of having greater numbers of people know the brand is more important than the actual number of people buying the brand. In other words, luxury brands rely on social recognition and the brand's popularity. They rely on the recognition of not just potential buyers but also non-buyers. Kapferer (1997) further argued that those who are aware of the brand can be divided into buyers and dreamers. Four different situations and four customer types are identified:

1. Buyers who still dream of the brand;
2. Buyers who no longer dream of the brand;
3. Non-buyers who dream of the brand but do not actually buy (target);
4. Non-buyers who do not dream of the brand (Kapferer, 1997).

These segments reflect the luxury consumption behaviour of Mainland Chinese consumers who are interested in buying brands that are well known in the country, particularly among their peers. Buyers dream of the brand and buy the brand when they know that there are other dreamers (buyers and non-buyers) who may or may not be able financially to possess the brand. Therefore, the demand for some dreamer brands is very high among Mainland Chinese consumers, e.g., Chanel, Louis Vuitton, Tiffany, etc.

Some luxury brands are perceived as leading brands that define the trend, driving taste and class of the day. These brands are powerful in the luxury market and need to further examine the details of their attributes. Kapferer (1997) discussed how luxury brands differ from "up-market" brands or ordinary brands, pointing out that it is dangerous to simply apply classical methods to luxury management. The luxury market comprises three levels (Figure 2.2). The top of the pyramid is the griffe – the creator's signature engraved on a unique work, while the second level is that of luxury brands produced in small series within a workshop and featuring very fine craftsmanship, e.g., Cartier, Rolls-Royce. The third level is that of streamlined mass production (e.g., Dior or YSL) where the brand's fame generates added value for expensive and prime-quality products.

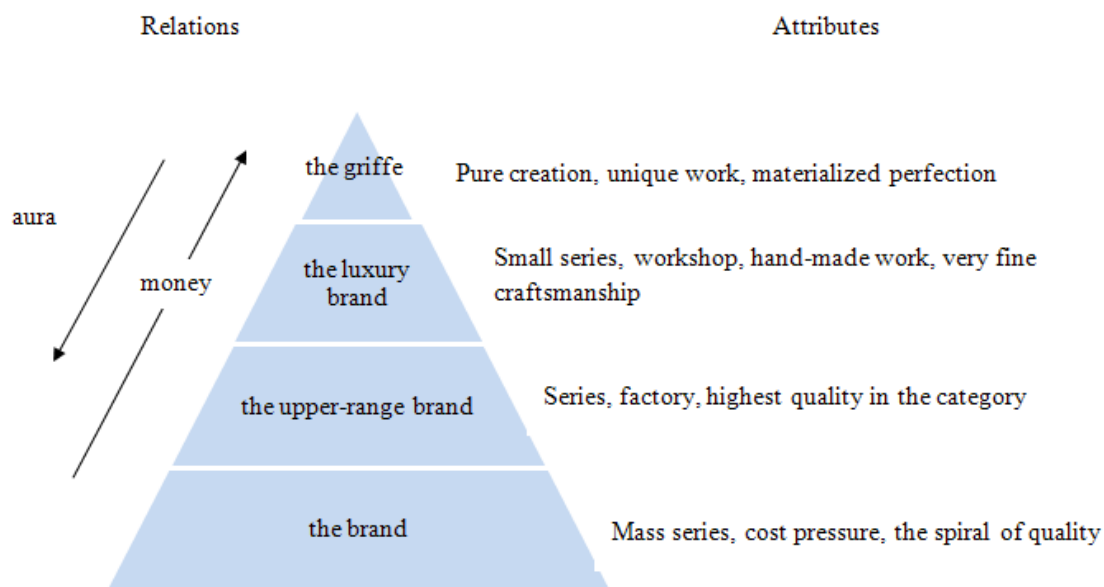


Figure 2.2: The luxury and Brand System (Source: Kapferer, 1997)

Dubois and Paternault (1995) also examined the “dream” formula for explaining attitudes towards the luxury concept. They empirically explored the status of international luxury brands in the USA and argued that each luxury brand can be positioned in terms of the awareness-purchase-dream relationship. The level of diffusion of a luxury brand adversely affects its “dream” appeal – i.e., luxury products are perceived by consumers as rare products; when over diffused, they gradually lose their luxury character. Awareness feeds dreams, but purchasing makes dreams come true and can contribute to its destruction. This supports the well-known “rarity principle” underlying conspicuous consumption (Veblen, 1899; Mason, 1981). Therefore, many luxury companies lose their identity and character when trying to expand too quickly and they are not able to exploit a confidence-inspiring name.

Not totally agreeing with Dubois and Paternault’s rarity principle (1995), Kapferer (2012) added to the rarity principle the concept of “abundant rarity” strategies that luxury brands have had no choice but to abandon products with the intention to restrict production in order to maintain rarity. Although not liked by shareholders because it prevents growth, many luxury brands such as Hermes are doing it to keep their brands physically exclusive and scarce. In the same article, Kapferer (2012) characterised “abundant rarity” strategies as feelings of exclusivity, actual exclusivity and artificial rarity tactics. Many luxury brands adopt limited-edition tactics to create the feelings of rarity.

However, as pointed out in Kapferer's recent study (2016), Louis Vuitton has continued to grow, has created physical rarity and is still considered a leading luxury brand on the global market. This indicates that rarity alone may not be the major determinant of "perceived luxury", a phrase coined by Kapferer (2016). In the case of Louis Vuitton, the two factors that influence its dream are "status and class" and "product superiority" as consumers still perceive Louis Vuitton as a luxury brand even though the sales volume continues to expand in the global market.

In line with the brand awareness argument by Kapferer, another study conducted in Singapore also rejects the rarity principle that exists in US findings (Phau and Prendergast, 2002). They suggest the importance of awareness and the rarity principle may not be relevant in Asian luxury markets. Both Kapferer (2016) and Phau and Prendergast's (2002) arguments seem to reflect the reality. Consumers in Asia tend to continue to pursue and desire luxury brands as long as awareness and purchase levels are high, especially in collectivistic cultures such as Singapore, Hong Kong and China. Hence the rarity principle may not be relevant in collectivist societies, whereas the rarity principle may be relevant in individualistic societies such as North America. It seems that although brand awareness and rarity are opposite concepts as suggested by various researchers (Veblen, 1899; Mason, 1981; Dubois and Paternault, 1995), popularity leads to loss of the dream. When applied to Asian consumers, rarity is not a strong determinant for luxury consumption. Brand popularity and awareness may be more important among Asian consumers for their dreams.

Veblen's theory (1899) of conspicuous consumption mainly focuses on individuals emulating consumption patterns of other individuals situated at higher levels in the social hierarchy. However, as the economy and social norms change over the years, Veblen's approach has been criticised as being too restrictive in that it relies on the "trickle-down" effects of consumption patterns from the top of the social hierarchy (Trigg, 2001). By examining the relationship between Veblen (1899) and Bourdieu (1984, 1990), Trigg (2001) developed a more general framework of conspicuous consumption. It argues that consumers no longer display their wealth conspicuously, and status is conveyed in more sophisticated and subtle ways (Mason, 1998). Therefore, as Bourdieu (1984, 1990) suggests, consumer behaviour is no longer shaped by positions of social class but by lifestyles that cut across the social hierarchy. Similarly, Shipman (2004) commented that conspicuousness has shifted from "waste" to "taste" in conspicuous consumption for the social and natural environment. It

explores the possibility of branded products representing mass production of symbolic goods in high-income economies, but that branded production relocates to lower-income economies in the midst of globalisation.

2.3.3 Empirical research studies in luxury consumption

To understand the concept of luxury goods, in addition to economic approaches that focused on the modelling of demand-level effects on luxury goods and conspicuous consumption (Veblen, 1899; Leibenstein, 1950), the marketing approach (Dubois and Duquesne, 1993; Dubois, Laurent and Czellar, 2001) and psychological approach (Vigneron and Johnson, 1999), many researchers have attempted to define luxury consumption from the quantitative perspective, such as developing scale, looking into the underlying factors and frameworks to measure attitudes and behaviours (the Dubois-Laurent Scale, 1994; Tidwell, 1994; Dubois, Laurent and Czellar, 2001, 2005; Vigneron and Johnson, 1999, 2004). The objectives of these studies were to use scientific and quantitative methods to further define and clarify the concept of luxury consumption that can derive knowledge from actual experiences and observations. The influential empirical research studies in luxury consumption to be covered in this study can be subdivided into two streams:

1. To examine typologies of luxury consumers and luxury brands; and
2. Exploring measurement scales relating to luxury value.

2.3.3.1 Typologies of luxury consumers and luxury brands

The marketing literature has recently seen a great deal of interest in the study of luxury branding strategy and luxury consumer profiles. In this context, past research efforts in the luxury product market have analysed luxury brand types and identified luxury consumer segments (Dubois and Duquesne, 1993; Dubois and Laurent, 1994; Han, Nunes and Dreze, 2010; Kapferer and Bastien, 1998). Incorporating relevant theoretical and empirical findings, these research efforts focused on understanding the reasons or motivations behind luxury consumption where marketers were able to understand the different dimensions influencing consumers' perceptions of luxury values. Some of these studies focused on:

- a. Luxury consumers by acquisition of product types;
- b. Consumer types and brand logo prominence;
- c. Luxury brand typologies.

a. Luxury consumers by acquisition of product types

Dubois and Duquesne (1993) identified luxury consumers by observing acquisitions of different product types and frequency of purchases. They define luxury consumers as any person who has acquired at least three products belonging to the “accessible luxury goods” category in the past two years and two products of “exceptional luxury goods” over a period of three years. The two types of luxury goods can be found in Table 2.1. The goods are classified based on their selling price, diffusion level and repurchase rate. Dubois and Duquesne (1993) further argued that income and culture play a very important role in influencing the acquisition of luxury goods. Regarding attitudes towards luxury consumption, consumers can be divided into two types. The first is traditional luxury consumers who are motivated by a desire to impress others with an ostentatious display of wealth by consuming high-quality products with aesthetic design and excellent services. The other type of consumer is those buying luxury products to extend their self-personality image for social symbolism. Hence, luxury marketers are facing different market segments: one of authenticity and the quest for absolute quality, where brands act as standards of excellence, and the other focuses on social image in which brands represent symbols. The sample used in their survey was based in Europe and covered five European luxury markets: Great Britain, France, West Germany, Italy and Spain. This indicates that the findings may not be representative of consumer attitudes in other cultures, such as Chinese and Asian consumers.

Accessible luxury goods:

(1) Have you bought or received over the course of the past two years?

- a bottle of champagne worth more than \$20
- a bottle of perfume worth more than \$40
- a scarf or tie worth more than \$40
- a pen or lighter worth more than \$100
- an article of jewellery \$100-\$500
- a leather product worth more than \$200
- a watch worth more than \$400

- none of the above products

Exceptional luxury goods:

(2) Have you bought or received over the course of the past three years?

- an article of gold jewellery worth more than \$400
- a piece of diamond jewellery
- an article of clothing worth more than \$500
- silverware
- an antique
- a hi-fi stereo or video equipment worth more than \$1,200
- a fur coat worth more than \$2,000
- none of the above products

Table 2.1: Evaluation of Luxury Goods Acquisition of Dubois and Duquesne (Source: Dubois and Duquesne, 1993, “The Market for Luxury Goods: Income Versus Culture”, *European Journal of Marketing*, Vol. 27, No. 1, pp. 35-44)

The ambivalent nature of respondents’ feelings towards the concept of luxury was examined by Dubois and Laurent (1994). One of the earliest measurements of the meaning of luxury – the Dubois-Laurent Luxury Scale – was developed to measure attitudes toward the luxury concept. Their results point out that the world of “luxury” is associated with “upscale”, “quality”, “good taste”, “class” but also “flashiness” and “bad taste”. All these terms overlap in meaning to a certain extent. The fact that both “good taste” and “bad taste” are associated with luxury reveals the ambivalent nature of consumers’ feelings. When respondents are asked to comment on their personal rapport with luxury, most respondents express a positive attitude, but also confess a relative lack of expertise and infrequent purchases. When asked to comment on others, 50% consider that “people who buy luxury products seek to imitate the rich”. The structure of people’s predispositions toward luxury is affected by both the perception of the luxury world and the perceived fit with such a world.

b. Consumer types and brand logo prominence

In the modern world of luxury consumption, it is common for luxury brands to be more visible to signal something different about users’ social standing. For example, a woman who uses a Gucci bag (\$695) gives the impression of a better social status than a woman carrying a Coach bag (\$268). Han, Nunes and Dreze (2010) introduced “brand prominence”, a construct reflecting the conspicuousness of a brand’s mark or logo on a

product. The authors propose a taxonomy that assigns consumers to one of four groups according to wealth and the need for status – Patrician, Parvenu, Proletarian and Poseur. They demonstrate how each group’s preference for conspicuously or inconspicuously branded luxury goods corresponds predictably with their desire to associate with or dissociate from members of their own and other groups. “Quiet” and “loud” luxury goods were studied. It was discovered that wealthy consumers with a low need for status want to associate with their own kind and will pay a premium for “quiet” goods that only they can recognise. Wealthy consumers possessing a high need for status use “loud” luxury goods to signal to the less affluent that they are not one of them. Those who have a high need for status but cannot afford true luxury use “loud” counterfeits to emulate those they recognise as being wealthy. For this, there is a growing demand for counterfeit luxury brand consumption, and this has generated researchers’ interest in understanding the social motives, such as the social identity of counterfeiting consumption (Perez et al., 2010; Jiang and Cova, 2012; Bian and Moutinho, 2009). Surprisingly, financial purpose is not the only reason for counterfeit consumption, as self-image enhancement, intrinsic hedonic outputs and a sense of interest are shown to be the most powerful motivational drivers of the consumption of counterfeit branded products (Bian, Wang, Smith and Yannopoulou, 2016).

Unlike Veblen’s (1899) view of conspicuous consumption that assumes the prevalence of a need for status, Han, Nunes and Dreze (2010) propose classification of consumers into four groups to better understand the luxury market to capture the many different motivations for conspicuous consumption. On the other hand, it is further argued that although branding experts typically advise marketers to ensure that their brand is clearly and prominently displayed on products, this prescription may not hold for some luxury goods, particularly those at the very high end of the product line. The less expensive and louder products are geared to a different class of customers than subtler and more expensive goods. Marketers should target the two types of customers simultaneously by making their brands more or less prominent.

c. Luxury brand typologies

There has been a trend of growing consumer interest in luxury brands in the past two decades. Researchers have therefore started paying greater attention to this phenomenon of luxury consumption. Different consumers are attracted by luxury products and brands for different benefits and emotions. Kapferer and Bastien (1998) examined the reasons why

consumers like luxury brands. They measured what young consumers thought about 76 international luxury brands and tried to understand more from the consumers' viewpoints. Young executives were asked to select from a list of attributes what they expected from luxury brands that made the brands seductive and attractive (Table 2.2). Four types of luxury brands were identified, each characterised by a different value or functional profile, and aimed at different consumer segments. The four concepts of luxury are:

(i) Authenticity of the experience: Rate highly on beauty of the object, excellence of the product, being magical and unique, e.g., Rolls-Royce, Cartier, Chaumet and Hermes, etc.

(ii) Creative niche luxury: Rate highly on the facets of creativity and the product's sensuality, e.g., T. Mulgler, Gucci, JP Gaultier, Boss, etc.

(iii) Safe values and prestige: Rate highly on beauty of the product and brand magic. Most important of all is timelessness and international reputation, i.e., the brand needs to remain classic and never out of fashion, e.g., Louis Vuitton, Dunhill, Porsche.

(iv) Outstanding badges: Highly value the feeling of rarity attached to possession and consumption of the brand. Such brands must be very well known so that they project onto their buyers the very exclusive images of a privileged minority. These expensive brands help the consumer position himself as wealthy, e.g., Mercedes-Benz and Chivas.

The beauty of the object	79%
The excellence of its product	75%
Its magic	47%
Its uniqueness	46%
Its great creativity	36%
Its sensuality	34%
It gives the feeling of exclusiveness	30%
It indicates savoir-faire and a respect for traditions	30%
It is never out of fashion	28%
Its international reputation	23%
Its craftsman-like production process	19%
It should have a long history	14%
It has grown out of a creative genius	11%
The satisfaction of belonging to a minority	10%
Knowing we are one of the few to have one	9%
It is at the forefront of fashion	9%

Table 2.2: Attributes of Luxury Brands Make the Brand Seductive and Attractive (Source: Kapferer, J.N [1998], “Why Are We Seduced by Luxury Brands?”, *Journal of Brand Management*, Vol. 6, No. 1, pp. 44-49)

2.3.3.2 Measurement and scales of luxury value

In addition to developing a typology of luxury consumers and brands, luxury researchers have also been interested in measuring the typology and segments of consumers with an empirical approach (the Dubois-Laurent Scale, 1994; Tidwell, 1994; Dubois, Laurent and Czellar, 2001, 2005; Vigneron and Johnson, 1999, 2004; Wiedmann, Hennigs and Siebels, 2007). Scales and measurements supported by empirical findings were developed for marketers to further understand factors and frameworks influencing consumers’ decision-

making processes about luxury consumption. Some interesting literature in this area relates to the following:

1. Cross-cultural differences towards the concept of luxury
2. Prestige-seeking consumer behaviour and the Brand Luxury Index (BLI)
3. Multidimensional luxury value framework

Cross-cultural differences towards the concept of luxury The Dubois-Laurent Scale (1994) for measuring the concept of luxury in the minds of consumers was administered to comparable samples in France and Australia (Tidwell and Dubois, 1996). The Australian results showed a strong negative attitude for the conspicuous consumption of luxury products. Luxury is seen by Australians as artificial. However, past research in Australia revealed that Australians, too, secretly strive for luxury products and in fact have luxury products, but are inconspicuous in their consumption (Tidwell, 1994). Conversely, the French results were significantly different from those in Australia. The French data shows a strong relationship between the consumer's self-concept and the concept of luxury, and they relate to conspicuous consumption (Veblen, 1899; Mason, 1981). This study pointed out that cultural expectations are different from individual aspirations, and that actual self is different from the ideal self. Furthermore, one may find products that are considered luxurious in certain cultures but are not considered a luxury in other cultures. For example, expensive paintings are considered luxury items in France, but not in Australia. Therefore, consumer perceptions, attitudes and actual consumption behaviour toward luxury products may vary across cultures.

Ten dimensions of luxury were identified by Dubois, Laurent and Czellar (2001, 2005) after conducting both qualitative and quantitative research on attitudes towards luxury in 20 countries. The sample countries covered 19 Western countries on four continents (Europe, North America and the Asia-Pacific region) while Hong Kong, a city with Chinese culture, was also included. Ten characteristics of luxury products were identified: quality; high price; scarcity; aesthetics; personal history; superfluousness; mental reservation/conspicuousness; personal distance and uneasiness; involvement: deep interest and pleasure; and involvement: sign value (Table 2.3). This was a large-scale study covering 20 countries and it generated ten dimensions of luxury attitudes. However, the sample was mainly focused on European countries, with only one Asian city (Hong Kong) included. Hence the findings may not be representative of Asian countries. In addition, the 1,848 sample respondents were students,

who may not be target consumers for luxury brands and, therefore, their attitudes may not be relevant for luxury consumption.

1. Excellent quality	Exceptional ingredients, component delicacy and expertise, craftsmanship, better quality, fine replica is good
2. Very high price	Expensive, elite and premium pricing
3. Scarcity and uniqueness	Restricted distribution, limited number, tailor-made, few people own it, everyone should access it, not mass produced, not in supermarkets
4. Aesthetics and poly-sensuality	Piece of art, beauty, dream, pleasant, makes life beautiful, one buys for pleasure
5. Ancestral heritage and personal history/competence	Long history, tradition, pass on to other generations, some education needed, I almost never buy, could talk for hours, don't know much about
6. Superfluosity	Uselessness, non-functional
7. Mental reservations/conspicuousness	Old-fashioned, flashy, a bit of a snob, imitate the rich
8. Personal distance and uneasiness	Not at ease, disguising myself
9. Involvement: deep interest and pleasure	Good taste, rather like luxury, not interested in
10. Involvement: sign value	Reveal who we are, differentiate from others, refined people
11. Specific items	Should be taxed more, offered as gifts, does not advertise

Table 2.3: The Ten Dimensions of Luxury (Source: Dubois, Laurent and Czellar, 2001)

Prestige-seeking consumer behaviour and the Brand Luxury Index

Vigneron

and Johnson (1999) developed a conceptual framework to help understand people's motivations for consuming prestige brands. This framework of prestige-seeking consumer behaviour (PSCB) is the result of multiple motivations, in particular sociability and self-expression. Three types of brands were categorised as prestigious: upmarket, premium and luxury in an increasing order of prestige. Luxury was considered as the extreme end of the

prestige-brand category. It is expected that people have different perceptions about the level of prestige for the same brand. Supplementing the traditional three-factor structure (snob, Veblenian and Bandwagon motives) developed by Leibenstein (1950), Vigneron and Johnson (1999) identified five values of prestige (conspicuous, unique, social, emotional and quality) combined with five relevant motivations (Veblenian, snob, bandwagon, hedonist, perfectionist) (Table 2.4).

Values	Motivations
Conspicuous	Veblenian
Unique	Snob
Social	Bandwagon
Emotional	Hedonist
Quality	Perfectionist

Table 2.4: Vigneron and Johnson’s Five Values and Five Relevant Motivations of Prestige-Seeking Behaviour

Later, after a review of the conceptual framework of prestige-seeking behaviour (1999), Vigneron and Johnson (2004) further developed a multidimensional scale – the Brand Luxury Index (BLI) that aggregates five subscales to measure the overall index of luxury. Extending from studies of attitudes toward luxury carried out by Kapferer (1998) and Dubois et al. (2001) (Table 2.5), Vigneron and Johnson (2004) identified five dimensions of luxury brand consumption, interpersonal- and personal-oriented perceptions: conspicuousness, uniqueness, quality, hedonic and extended self (Table 2.5). This prestige model establishes a balance between personal- and interpersonal-oriented motives for luxury consumption. The BLI scale measures the amount of luxury from a high to low range, and it is useful for comparing several luxury brands and for identifying competitive advantages.

The scale allows marketers to rank brands and discover factors that affect the luxury dimension. For example, Mercedes-Benz and Porsche received very similar scores for quality and uniqueness, but conspicuousness is much higher for Mercedes, which makes this car brand more luxurious than Porsche. Therefore, luxury scale measurement is not merely

measuring the expected monetary value, but rather brand luxury. Table 2.6 puts the three scales together and summarises the overall attitudes toward luxury values that fall into similar factors across the three scales.

Non-personal-oriented perception	Perceived conspicuous	Conspicuous, elitist, expensive, wealthy
	Perceived uniqueness	Exclusive, precious, rare, unique
	Perceived quality	Crafted, luxurious, quality, sophisticated, superior
Personal-oriented perception	Perceived hedonic	Exquisite, glamorous, stunning
	Perceived extended self	Leading, powerful, rewarding, successful

Table 2.5: Vigneron and Johnson's Framework for the Brand Luxury Index (Source: Vigneron and Johnson (2004), "Measuring Perceptions of Brand Luxury", *Journal of Brand Management*, Vol. 11, No. 6, pp. 484-506)

	Vigneron and Johnson (2004)	Kapferer (1998)	Dubois, Laurent and Czellar (2001)
Conspicuousness	Conspicuous Elitist Extremely expensive For the wealthy	- Belonging to a minority - Its price	- Conspicuous - Elitist - Very high price - Differentiate from others
Uniqueness	Very exclusive Precious Rare Unique	- Exclusiveness - Its uniqueness	- Scarcity - Uniqueness
Quality	Crafted Luxurious Best quality Sophisticated Superior	- Craftsmanship - Its quality - Beauty of object - Excellence of product	- Not mass produced - Rather like luxury - Excellent quality - Good taste
Hedonism	Exquisite Glamorous Stunning	- Its great creativity - Its sensuality - Its magic	- Pleasure - Aesthetics and poly-sensuality - Makes life beautiful
Extended self	Leading Very powerful Rewarding Successful	- International reputation - Long history - Grown out of a creative genius - Never out of fashion - Forefront of fashion	- Refined people - Reveal who you are pleasing - Ancestral heritage and personal history - Superfluous and non-functional - Makes dreams

Table 2.6: Review of Factors Describing Luxury Brands across Three Studies (Source: Kapferer, J.N (1998), “Why Are We Seduced by Luxury Brands?”, *Journal of Brand Management*, Vol. 6, No. 1, pp. 44-49; Dubois, B. et al. (2001), “Consumer Rapport to Luxury: Analyzing Complex and Ambivalent Attitudes,” *Consumer Research Working Paper*, No. 736, HEC, Jouy-en-Josas, France; Vigneron and Johnson (2004), “Measuring Perceptions of Brand Luxury,” *Journal of Brand Management*, Vol. 11, No. 6, pp. 484-506.

Multidimensional luxury value framework As the luxury brand market has been going through continuous and dynamic growth, researchers are interested in understanding how the traditional conspicuous consumption model transforms into a new experiential luxury consumption model. Marketers and researchers alike are interested in understanding the way consumers define luxury (Wiedmann, Hennigs and Siebels, 2007) and how their

perceptions of luxury value affect their purchase behaviours, or factors that motivate consumers for luxury consumption.

In order to identify different types of luxury consumers, Wiedmann, Hennigs and Siebels (2009) established a multidimensional luxury value framework. The research was motivated by the need for a clearer conceptualisation and measurement of consumers' luxury value perceptions. They believe that it is insufficient to explain the whole picture of luxury consumption in terms of socially oriented consumer motives. The research study explores a multidimensional framework of luxury value as a general basis for identifying value-based consumer segments. The results help marketers better understand consumers' luxury value perceptions based on social, individual, functional and financial aspects (Figure 2.3). As a result, four clusters or segments were identified: Materialists, rational functionalists, extravagant prestige-seekers and introvert hedonists.

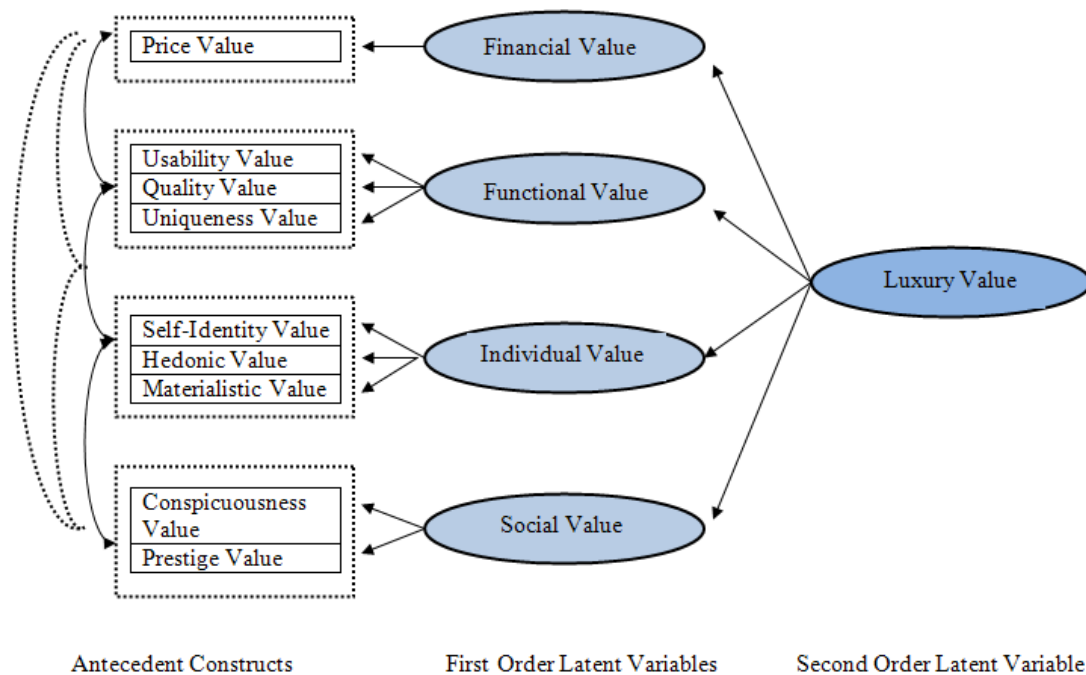


Figure 2.3: The Conceptual Model of Wiedmann, Hennigs and Siebels (2009), *Psychology & Marketing*

- a. **Materialists:** Received the highest ratings for the materialistic and usability value of luxury goods. The quality and self-identity value aspects are rather unimportant. They are the most positive toward luxury goods.
- b. **Rational functionalists:** Received the highest ratings for quality value, followed by uniqueness and self-identity value. They purchase exclusive luxury products and perceive individual needs as being more important than the desire to impress others.
- c. **Extravagant prestige-seekers:** Received the highest rating for prestige value followed by extravagance. Social aspects are the most important for luxury purchases. They are concerned about other people's opinions.
- d. **Introvert hedonists:** Consider hedonic values of self-directed pleasure and life enrichment to be the most important. Luxury brands are sources of pleasure and quality of life. They are the least enthusiastic about luxury consumption.

In this model of the multidimensional framework of luxury value, Wiedmann, Hennigs and Siebels (2009) believe that luxury consumers when buying luxury goods possess similar values regardless of their country of origin. They also suggest that the basic luxury motivational drivers are expected to be the same among the four dimensions of luxury value perception: financial, functional, personal and social. On the other hand, they point out the research limitation that the luxury market is not homogeneous, so for marketers to understand consumer segments from a global level, more cross-cultural studies are needed in order to identify discriminating drivers of various consumer segments in different continents.

Although the model developed by Wiedmann, Hennigs and Siebels (WHS) (2009) provides a useful way of measuring the motivation factors and values for luxury consumption from the empirical research point of view, it has several shortcomings. Firstly, it seems that the model of the four luxury value dimensions is too general for measuring luxury consumption attitudes across different cultures and it may not be applicable in some markets.

Secondly, the definition of predictive values in the WHS Model (2009) is not clear. For the financial value in the model, the price value is considered as the only indicator of the outstanding quality or exclusivity of a luxury product. However, in many Asian cultures, financial value when purchasing luxury products refers to the investment value and resale

value of premium-priced products. When spending on some expensive items, for example, jewellery or watches, consumers expect to preserve value, or in other words it is a kind of saving for the future. They can even pass the luxury items to their next generations.

Thirdly, it is unusual to include uniqueness and quality under the category of functional value. Functional values normally relate to the functional benefits gained by consumers, such as product features and other attributes. In the meantime, the social value of the model cannot be complete if the face concept is included. The model only looked at conspicuous and prestige value in the social aspect. In many recent studies, the face concept has been widely studied and it is an influential value from the social perspective of luxury consumption.

Fourthly, the WHS Model (2009) mainly examines consumers' attitudes towards luxury consumption based on a list of attitudes, and these attitudes may not lead to actual brand purchases. It would be more appropriate if we explore consumers' luxury attitudes in terms of brand purchase behaviours. A more realistic research setting design could be to include, for example, actual luxury brands and actual consumption history so as to enhance the reliability of respondents' responses.

Fifth, in Asian markets like China, the social value alone can be too general a motivation factor, and it may not be focused enough to describe the complex underlying cultural orientations behind Chinese consumers' luxury consumption. Past research has indicated that consumers' motives for luxury consumption vary across cultures (Wong and Ahuvia, 1998), and collectivistic and individualistic self-concepts account for the difference in luxury consumption motivation across Asian and Western societies. As a Confucian society, Chinese people regard face as an important concern and, hence, luxury brand consumption reflects their face and social status (Hofstede and Bond, 1988; Wong and Ahuvia, 1998; Li and Su, 2006).

In summary, the WHS Model (2009) may not be comprehensive enough when applied in the Chinese context. It is one of the earliest studies on luxury consumption values and it has made a great contribution to the concept of luxury values. However, the above observations indicate that there exists a gap for further research studies to examine applications of the model in various aspects. These include whether price is the only determinant from the financial perspective; appropriateness of uniqueness as an indicator of

functional value; face value should be included in the model's social value in Chinese culture; and perceived value of luxury consumption may not lead to consumption behaviour. Therefore, research on real purchases of actual luxury brands can better reflect the reality of luxury consumption.

Overall, there is room to improve current luxury consumption value models (Wiedmann, Hennigs and Siebels, 2009; Vigneron and Johnson, 2004), especially in the China market where culture and face are the dominant orientations that determine a propensity for luxury purchases. Further discussion of luxury consumption in the model of face can be seen in Chapter 3.

2.4 Insights from Existing Literature and Their Impact on the Current Study

This chapter has reviewed various streams of literature from classical economic theories to modern marketing theories on the concept of luxury consumption and motivations for consuming luxury products. The early studies on luxury mainly focused on conspicuous consumption and utility value (Leibenstein, 1950; Veblen, 1899; Mason, 2000). Recently, research approaches have been changing from utility perspectives to social and psychological perspectives (Vigneron and Johnson, 1999, 2004; Wong and Ahuvia, 1998). Materialism is another important research scope that many academics have looked at in advancing our understanding of luxury consumption (Richins and Dawson, 1992).

Then, inspired by the BLI developed by Vigneron and Johnson (2004), empirical studies looked into measuring attitudes and perceptions of luxury values and consumption. Frameworks focusing on the differences between non-personal and personal perceptions have provided insights for further research. Later, Wiedman, Hennigs and Siebels (2009) further modified the BLI scale and incorporated four luxury value dimensions, namely financial, functional, individual and social. However, certain luxury value dimensions, such as the financial value dimension, were not properly defined in the context of Asian markets, especially for China, and it needs to be redefined or at least re-operationalised in future studies. Asian consumers actually possess strong appetites for luxury consumption despite low incomes (Li and Su, 2006). Due to the heavy influence of face, Asian consumers must purchase luxury to save and maintain face. Hence, in China the financial price value and

general social value are not sufficiently contributing to the understanding of Chinese orientations and motivations toward luxury consumption. This insight leads to formulation of the model to be presented in the next chapter.

Most past research on luxury consumption has centred on values and attitudes towards luxury consumption in a rather general perspective, whereby respondents are tested on their attitudes and intentions to buy luxury products. There is a lack of research attempting to measure actual purchases of luxury brands and culture-specific orientations. Intention to buy and attitudes do not reflect the real situation of consumers' actual behaviours in the luxury brand context, while actual purchases of luxury brands can reflect the strong effects derived from luxury consumption orientations, such as face orientation.

The gap in previous research, together with the changing current situation of the luxury market in China, leaves several unanswered and unexplored questions. With the concept of luxury consumption being redefined by the contemporary China market, it has become the focus of this research. As such, below are some research questions that lead to the conceptual model and hypotheses development in Chapter 3.

2.4.1 Research questions:

“Face” is a universal concern but it seems to be particularly salient in Chinese culture (Bond, 1991; Hu, 1944; Lin, 1939; Faure and Fang, 2008). In Chinese culture, face is conceptualised in two ways: as *lian* (face) and as *mian* or *mianzi* (image). Saving face can be an important motive underlying Chinese consumers' strong appetite for luxuries, despite the low average income (Zhou and Belk, 2004; Zhou and Nakamoto, 2000; Li and Su, 2006). Zhou and Belk (2004) argue that Asian consumers buy luxury products primarily to enhance and maintain their face.

The previous literature has tried to study face orientation in luxury consumption and to identify some deeper dimensions (Hofstede, 1991, 2001; Mooij, 2004; Phau and Prendergast, 2000; Wong and Ahuvia, 1998; Wang, Sun and Song, 2010). There are different viewpoints about the concept of face orientation. In general, most scholars have argued that face is an important factor influencing luxury consumption. Some suggest cultural factors is influencing face orientation, such as avoiding shame (Yau, 1988), to gain respect (Phau and

Prendergast, 2000; Wang, Sun and Song, 2010) and to be distinguished (Wong and Ahuvia, 1998). Others argue that Chinese consumers are engaging in almost pathological levels of consumption of foreign luxury fashion goods as they desperately purchase global-branded luxury fashion goods seeking to acquire cultural meanings to satisfy their self-concept (or *mianzi*) (Wang and Chen, 2004; Peter and Olson, 2008). However, no studies have looked into face orientation for luxury consumption at a multi-dimensional level. Therefore, there is a need to develop a reliable and valid construct of face orientation consisting of the relevant dimensions of face value.

In addition, there is a growing trend towards building models of luxury consumption based on various luxury values (Wiedmann, Hennigs and Siebels, 2009; Vigneron and Johnson, 2004). However, these models do not take into consideration cultural issues, especially in the China market that is different from the Western world. Hence, there is also a need to build a relevant model of luxury consumption in Chinese culture to uncover the real motivators. Based on these observations, it is necessary to raise a few research questions:

1. In order to understand the effect of face in detail, can face orientation be measured in a multidimensional level?
2. What are the most relevant dimensions of face orientation among Chinese consumers?
3. In addition to face orientation, what are the other relevant orientations leading to luxury brand purchases?
4. Would the various luxury orientations or motivators have different effects on actual purchases of local and global luxury brands?

Development of the Scale of Face Orientation

The complex concept of face orientation is a crucial cultural factor impacting the luxury consumption of Chinese consumers. However, most of the past luxury literature on face suffered from the following shortcomings.

Firstly, much face literature was developed from Western perspectives and remained at the conceptual and theoretical levels, for instance, Wong and Ahuvia's (1998) concept of family face and luxury consumption, and the conceptual models from other research on luxury consumption (Kapferer and Bastien, 2009; Wiedmann, Hennigs and Siebels, 2009). More empirical research work from the Chinese perspective are needed in understanding fundamental and important Chinese cultural values of face behind their luxury consumption.

Secondly, although some literature that studied the concept of face in Chinese consumption had developed scales to measure face (Bao, Zhou and Su, 2003; Wiedmann, Hennigs and Siebels, 2009; Li and Su, 2006; Liao and Wang, 2009; Siu, Kwan and Zeng, 2016; Sun, Chen and Li, 2015), many of them utilised college students as their samples, which is not reliable for measuring luxury consumption based on the purchasing ability of the sample.

Thirdly, many previous face scales were too general in describing face orientation. In fact, the concept of face was not well defined and operationalised. For example, Liao and Wang's (2009) model considers face as a moderator and mediator only. Li and Su's (2006) scale uses three dimensions - "conformity", "distinctive" and "other-oriented" to measure face consumption. However, the two dimensions "conformity" and "other-oriented" seem to carry the same meaning, as conformity face consumption also considers the "others" element as an "other-oriented" dimension. Further, "other-oriented" face consumption should not only be related to gift-giving as stated in their research. This would make the measurement of face consumption too narrowly defined.

Fourthly, many past face measurements looked at face saving, face consciousness and brand consciousness (Liao and Wang, 2009; Li and Su, 2006), and did not take into account some important values of face construct in Chinese culture. These Chinese cultural values, such as the feeling of shame or *ch'ih* for oneself and for the family (Yau, 1988; King and Myers, 1977) or gaining respect from others, are influential determinants for Chinese consumers in their luxury purchases.

In short, the concept of face was loosely defined by the previous literature, and hence there is a need to build an empirical model of Face Orientation by incorporating more extraneous variables specifically based on Chinese cultural values such as avoiding shame, gaining respecting and distinguishing out from others. The detailed elaboration of literature on the concept of face and related Chinese cultural values will be further discussed in Chapter Three to support the need for developing a new scale of Face Orientation for Chinese luxury consumption, while the validation of the scale will appear in Chapter Four.

In summary, based on observations from the past literature on face and other luxury orientations, there are two research questions proposed in this thesis:

(1) First, a question on the measurement scale of Face Orientation:

There exists a reliable and valid construct of Face Orientation consisting of three dimensions: Avoiding Shame, Gaining Respect and Distinguishing Out.

The research question on Face Orientation will be presented in Chapter Three as a Model of Face Orientation; operationalisation of Face Orientation will be presented in Chapter Four; while the test of reliability and validity will be described in Chapter Five.

(2) Second, a question on how luxury orientations influence actual purchases of luxury brands:

A model of luxury orientations (Face, Uniqueness, Hedonism and Investment) will be developed to examine the relationship between luxury orientations and actual purchases of luxury brands. This model of luxury orientations will be presented in Chapter Three, while its operationalisation will be described in Chapter Four.

2.5 Chapter Conclusion

This chapter presents a review of literature on the concept of luxury and luxury consumption. A summary of the relevant literature is presented in Appendices A1 and A2. The literature began with the classical economic approach of conspicuous consumption, such as the economic approach by Rae (1834), Veblen's *The Theory of the Leisure Class* (1899) and the conceptual analysis of luxury by Berry (1994) on the motives and values, measurement and scale, luxury in Asia and motives of Chinese luxury purchase behaviour. The objective of Chapter 2 is to review the previous academic research as reference and to provide insights for development of a research model for the current study.

As a result of the literature review, two research questions have been raised. The first one is about the advocacy of a scale for face orientation, while the second question is the possibility of building a model of motivators affecting actual luxury purchases. The model is presented in the following chapter.

CHAPTER 3

MODEL DEVELOPMENT FOR LUXURY ORIENTATIONS AND THEIR EFFECTS ON ACTUAL LUXURY PURCHASES

3.1 Chapter Overview

Over the past two decades, China has seen the penetration of a Western lifestyle and the rise of consumer buying power. Hence, it is becoming an attractive market for branded luxury products. Marketers all over the world are interested in understanding the reasons behind this growth in consumption. In Chinese culture, consumption is not just meant to meet basic needs. It also fulfils social needs for identification, status and social recognition. Luxury brands act as social codes and indicators of success. As such, the trend of consuming luxury goods is intrinsically intertwined with some traditional Chinese values, e.g., face. This chapter explores the motives and reasons for luxury consumption of Chinese consumers with respect to the traditional concepts of Chinese culture and face. With the understanding of these luxury orientations, a research framework will be developed for the study and to provide several hypotheses for testing. A detailed review table in Appendix 3.1 provides an overall picture of the impact of culture with specific reference to Chinese culture and luxury consumption.

3.2 Model of Luxury Orientations and Luxury Purchases

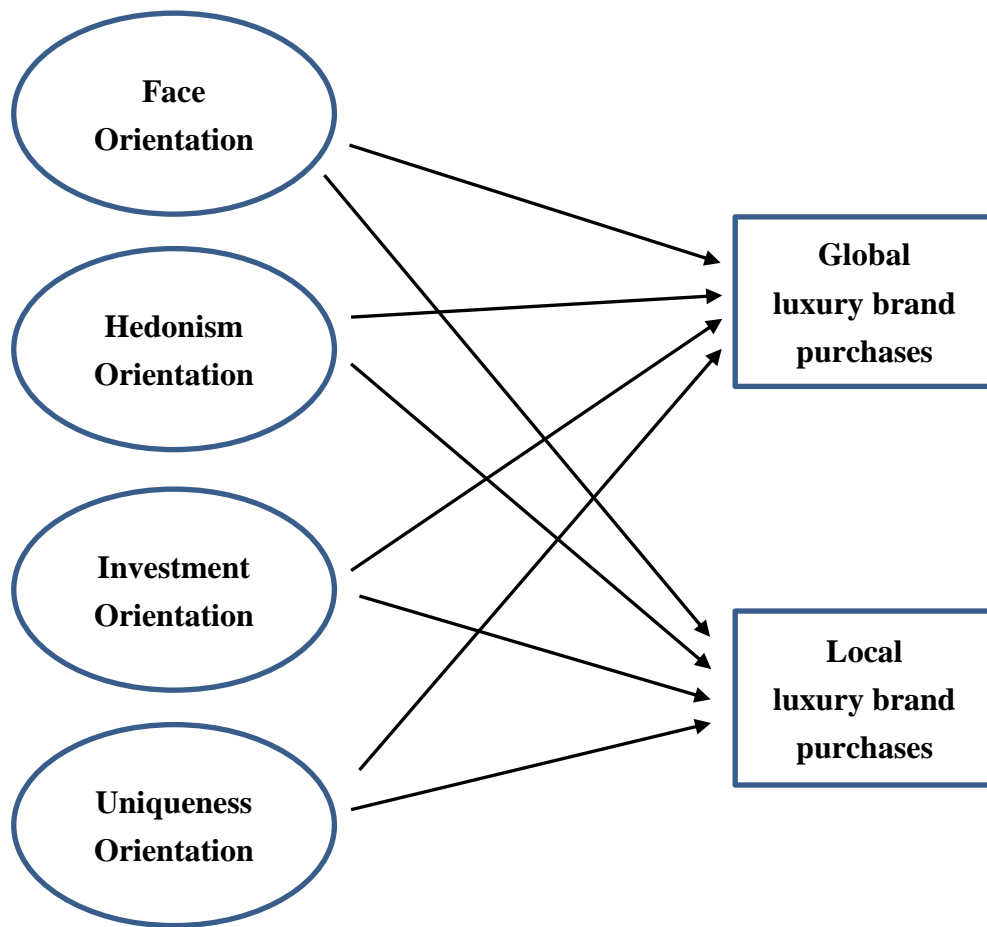


Figure 3.1: Description of the Model of Luxury Orientations (Face, Hedonism, Investment and Uniqueness) and Relations with Global and Local Luxury Brand Purchases

Previous studies have examined the motivations behind luxury consumption (Berry, 1994; Dittmar, 2004; Vigneron and Johnson, 1999, 2004) and focused on consumer motivation to impress others as a social perspective. Research studies covering Asian and Western societies seem to suggest that socially oriented motives are the key driver for Chinese consumers in the luxury market (Wong and Ahuvia, 1998). However, little has been done to examine in detail consumer orientations behind the social motives among Chinese luxury consumers.

The model of motives and luxury consumption (Figure 3.1) incorporates four orientations towards luxury consumption (global and local brands) among Chinese consumers.

The framework highlights the important luxury consumption orientations in detail for Chinese people: face, hedonism, investment and uniqueness. To further understand the pattern of Chinese luxury purchases and its relationship with the orientations (luxury consumption orientations), this research also attempts to investigate the impact of the four luxury consumption orientations on actual purchases of global and local brands. In Figure 3.1 the four luxury consumption orientations represent the independent variables, while the actual global brand purchases and local brand purchases represent dependent variables. In other words, in the model of luxury consumption and brand purchases (Figure 3.1), there are four exogenous and two endogenous variables.

Limited research has explored the luxury brand market (Wong and Ahuvia, 1998; Dubois and Duquesne, 1993; Dubois and Paternault, 1995). Some research has studied luxury consumption values with branding such as global luxury brands, brand origins, countries of origin, brand image and brand status, etc. (O’Cass and Frost, 2002; Aiello et al., 2009; Park, 2000; Park, Rabolt and Jeon, 2008; Zhang and Kim, 2013). Most have focused on attitudes and intention to buy, and nothing has been done to examine the motives behind actual purchases of global luxury brands. Studies show that stated intentions to purchase do not perfectly correlate with stated or revealed behaviour (Bagozzi, 1981; Blackwell et al., 1999; Kalwani and Silk, 1982; Morwitz and Schmittlein, 1992; Warshaw, 1980).

The concept of “intention to buy” may be relatively weak for determining actual brand purchasing behaviour, as respondents need to imagine their future actions that may change with time. Common questions to ask related to “intention to buy” would be “how likely is it that you will buy luxury brands within six months from now”, which requires some imagination on the part of respondents, and it will only be good enough for estimating respondents’ future attitudes, and not the actual actions and behaviours when purchasing. Therefore, this study aims to develop a model of the four dominant Chinese luxury brand orientations with respect to their effects on actual brand purchases.

1. Face Orientation
2. Hedonism Orientation
3. Investment Orientation
4. Uniqueness Orientation
5. Actual purchases of global luxury brands
6. Actual purchases of local luxury brands

The first four components are independent variables of the model while the last two components are dependent variables. Core components of the model are the luxury consumption orientations, treated as independent variables, while the major dependent variables are the actual purchases of global and local luxury brands. The various components of the model are discussed in the following sections, and the analytical method chosen to test the relationships between variables is described in the next chapter.

3.2.1 Cultural theory and face orientation

The first luxury orientation to be discussed is Face Orientation. The concept of Face Orientation in this thesis is developed from Kluckhohn and Strodtbeck's (K & S) (1961) Values Orientation Theory. The K & S Framework asserts that cultural values can be classified into five dimensions: (a) man-nature orientation; (b) man-himself orientation; (c) relational orientation; (d) past-time orientation; and (e) activity orientation. The K & S Framework (1961) and its roots influenced the selection of dimensions of some frameworks commonly used today. For example, elements of the relationship orientation are echoed in Hofstede's individualism and power distance concepts (Hofstede, 1980). Hofstede (1980) asserts that Chinese emphasise primacy of the interests of specific social groups (e.g., family) and the maintenance of group cohesiveness. This indicates how Chinese place importance on their relationships with others (i.e., relational orientation), and most researchers point to their unique collectivist nature (Hofstede, 1980; Yau, 1994).

Later, the K & S relationship value orientation theory was adopted by Yau (1988) to study Chinese cultural values in the marketing context. On the whole, the K & S framework has proven to be applicable to analysis of Chinese cultural values, which are largely formed from and nurtured by interpersonal relationships and social orientations. Yau (1988) examined the concept of face from the Chinese cultural perspective that face is of central importance in cultural and social values because of its pervasive influence in interpersonal relations among Chinese. Further, based on the concept of group orientation, Yau (1988) pointed out that it is to be expected that satisfaction with a product may not be derived solely from one's expectations towards, or disconfirmation with the product, but from other members of the family. This is especially true in the context of a Chinese extended family. This further suggests that face orientation is influential in the purchasing behaviour of luxury

goods among Chinese. However, the drawback of Yau's work (1988) was its lack of development of a full scale of face at that time. Therefore, this research will contribute to filling this void.

Face orientation in luxury consumption can be explained by values deeply embedded in Chinese culture. The face concept in this thesis is discussed from the following perspectives:

- Chinese culture and face
- Three dimensions of face: Avoiding shame, gaining respect and distinguishing oneself

3.2.1.1 Chinese culture and face

Face is a universal concern but it seems to be particularly salient in Chinese culture (Bond, 1991; Hu, 1944; Lin, 1939; Yau, 1988; Faure and Fang, 2008). In Chinese culture, face is conceptualised in two ways: as *lian* (face) and as *mian* or *mianzi* (image). Hu (1944) defines *lian* (face) as something that “represents the confidence of society in the integrity of ego's moral character, the loss of which makes it impossible for him/her to function properly within the community”. *Mian* or *mianzi* “stands for the kind of prestige that is emphasised in society, a reputation achieved through getting on in life, through success and ostentation” (Hu, 1944). Yu and Gu (1990) argue that *mian* or *mianzi* and self-esteem are mixed together in Chinese culture in that one's self-esteem is formed on the basis of others' remarks. Therefore, if one's self-esteem increases, then consequently one has face (Yu and Gu, 1990).

Gao (1998) supports the salience of the concepts of “face” and “other” in explaining and interpreting interpersonal communications of Chinese. According to Gao (1998), in Chinese culture the loss of *lian* does the most damage to self, social relations and interpersonal interactions. The notion of “other” is also significant in interpersonal communications. The self of a Chinese person is defined by relations with others (Chu, 1985). The importance of others (the third party) explains the role of social expectations, social conformity, external opinions and personal achievement in development of self (Yang, 1981).

Saving face could be an important motive underlying Chinese consumers' strong appetite for luxuries, despite the low average income (Zhou and Belk, 2004; Zhou and Nakamoto, 2000; Li and Su, 2006). Zhou and Belk (2004) argue that Asian consumers buy luxury products primarily to enhance and maintain their face. Similarly, Li and Su (2006)

argue that Chinese consumers are more likely to relate product brands and price to face than their US counterparts. Further, Li and Su (2006) explain the differences between “others’ face” orientation and “self-face” orientation. The former builds on the significant attention that people pay to others. Chinese people are concerned about the feelings of others; as one Chinese saying goes, “If you honour me a linear foot, I should in return honour you ten feet.” It is further argued that in the USA, people care more about personal prestige than others’ prestige. Li and Su (2006) also point out that face and prestige are two different concepts; one is common in collectivist cultures, while the other is common in individualistic cultures. Face consumption is different from status consumption as face consumers are not just showing off their own possessions, but they also try to maintain or save face for others. This implies that Chinese luxury consumption is not just self-oriented, but also oriented to others and designed to show respect accordingly.

Similarly, Bond (1986) argues that there are five types of face behaviours. In addition to “self-face” and “others’ face” behaviour, other face behaviours include: losing one’s face, hurting one’s face and saving one’s face. In general, losing face may cause an individual to experience an uneasy feeling of emotional arousal that has been labelled as embarrassment or shame. Therefore, to maintain harmony within oneself or with group members, the Chinese tend to protect their own face as well as the face of others.

In recent empirical studies of face saving (Mounhouse et al., 2014; Siu, Kwan and Zeng, 2016; Sun, Chen and Li, 2015), results further proved that the role of face saving is significantly influencing luxury consumption, especially in Asian cultures. Siu, Kwan and Zeng (2016) suggested that brand equity is positively related to consumers’ attitudes toward luxury brands, and those who highly value face saving are more willing to pay a premium price for luxury brands even if they do not have a strong liking for the brand. Furthermore, the findings of Siu et al. (2016) indicate that emotional responses are linked to consumers’ attitudes and they strongly predict behavioural intentions. Another recent study by Sun, Chen and Li (2015) also confirms that there is a positive influence of face consciousness on status consumption that supports the idea that social status obtained by ostentatious consumption is a means of gaining face. Overall, the current literature on face and face saving reinforces the need for a more indigenous concept, such as face, to explain Chinese consumers and social behaviours as mentioned in the section on culture and face theory.

On the other hand, some argue that face is a negative value. It is pointed out that Hofstede may have misinterpreted face to be a negative value in business (Fang, 2003). In fact, according to Ting-Toomey (1988), face can be both positive and negative. Goffman (1955) defined face as a positive social value that is effective in “self-regulating” members in any society. Face is a complex issue from the perspective of motivation orientation, and it can be quite different in varied cultures. In China, the concept of face saving is not enough to explain Chinese behaviour caused by face orientation based on the existing literature. Therefore, this thesis will examine the concept of face from a multi-dimensional perspective, and not just restricted to the value of face saving.

3.2.1.2 Face Orientation and three dimensions

Extant literature on Face Orientation leads to identification of the following three dimensions: Avoiding Shame, Gaining Respect and Distinguishing Out (Figure 3.2).

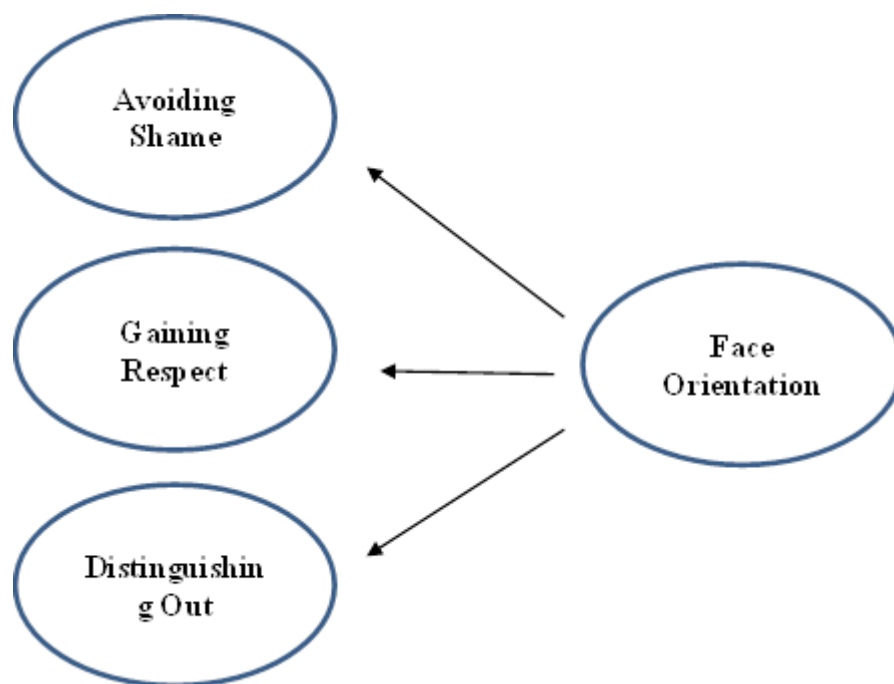


Figure 3.2: Face Orientation and Three Dimensions

1. Avoiding Shame

Uncertainty avoidance (Hofstede, 1991, 2001) refers to the extent to which people feel threatened by uncertainty and ambiguity and try to avoid such situations. In cultures where the tendency to avoid uncertainty is strong, there is a need for rules and formality to structure life. People who practise high uncertainty avoidance are less open to change and innovation than people with a low uncertainty avoidance attitude. Low uncertainty avoidance cultures believe in generalists and common sense, hence conflict and competition do not threaten them. On the contrary, high uncertainty avoidance culture people tend to be more emotional and they find conflict and competition threatening.

Hofstede has successfully pointed out the possible relationship between uncertainty avoidance and emotion arousal. However, he failed to directly connect uncertainty avoidance to shame avoidance as shame, from the viewpoint of Chinese consumers, is not an uncertainty but a psychological reality. It is something that we cannot avoid in our relationships with others. Therefore, Yau (1988) posits that the significance of face (*lien*) cannot be fully appreciated without realising its close relationship with the Chinese concept of *ch'ih*, which, in the Chinese context, literally implies “shame” in English. King and Myers (1977) suggested that in Chinese culture, *lien* is an incomplete concept. They further mentioned the Chinese face-shame complex, in contrast with the Western sin-guilt complex, that Chinese people consider shame or *ch'ih* as a fundamental value of human beings. Therefore, Chinese people try their very best to avoid shame. In cases of complete loss of *lien*, committing suicide may be the final resort in some cases (Yau, 1988).

2. Gaining Respect

Power distance (Hofstede, 1991, 2001) can be defined as “the extent to which less powerful members of a society accept and expect that power is distributed unequally”. It is reflected in values of both less powerful and more powerful members of society. Cultures that endorse low power distance expect and accept power relations that are more democratic, e.g., America. For high power distance countries such as China, the less powerful accept power relations that are more autocratic. In high power distance cultures, status is important to demonstrate one’s social position, and older people are important because they gain respect from their age. In cultures of low power distance, powerful people try to look less powerful, and older people try to look younger (Mooij, 2004).

As such, people in high power distance countries with Confucian values, such as a respect for authority and a desire for harmony, explain why people are buying luxury goods, i.e., to maintain their social position and prestige (Phau and Prendergast, 2000). It is also pointed out by Wang, Sun and Song (2010) that consumers in high power distance cultures are more likely to buy luxury goods because of social status and affiliation norms. They further argued that Chinese consumers are thrifty about buying goods for themselves but are willing to spend big money on branded luxuries for gifts to enhance face. Therefore, when applying this concept to luxury consumption among Chinese consumers, it is obvious that ownership and a good knowledge of luxury brands leads to perception of authority and respectable status among peers. Using luxuries helps people gain approval and respect from the class or classes to which they aspire.

3. Distinguishing Out

Wong and Ahuvia (1998) argue that the rarity principle may not be relevant in Asian luxury markets. As a collectivistic society, Chinese consumers continue to pursue and desire luxury brands as long as awareness and purchase levels are high. The social and cultural factors of Asian societies are behind this motivation. Asian consumers value the uniqueness of possessing luxury brands that make them stand out from their peers. As pointed out by Wang, Sun and Song (2010), Chinese consumers buy luxuries for both social and personal reasons. Social comparison, gifting and others' influence are important motives for Chinese luxury consumption.

Because the Asian interdependent self focuses more on the public, outer self than the Western, independent self, Asian group norms and goals frequently emphasise public and visible possessions as the way to enhance economic status and communicate financial achievements. Therefore, Wong and Ahuvia (1998) argued that Southeast Asians pay a great deal of attention to possessions that are both public and visible, such as designer label goods, expensive cars, jewellery, etc.

As such, it is hypothesised (H1) that:

Hypothesis 1:

A reliable and valid construct of Face Orientation is positively composed of three face dimensions: Avoiding Shame, Gaining Respect and Distinguishing Out.

3.2.2 Hedonism Orientation

Face is the traditional dominant culture that the Chinese are concerned with, and it can be achieved through luxury consumption (Bond, 1991; Hu, 1944; Lin, 1939; Faure and Fang, 2008). In modern Chinese society there is a growing number of hedonistic consumers who value not only face but also personal subjective preferences for luxury brands that lead to a satisfaction of emotional needs and personal rewards (Sheth, Newman and Gross, 1991; Wiedmann, Hennings and Siebels, 2009; Vigneron and Johnson, 2004).

Hedonism describes the perceived subjective utility and intrinsically attractive properties associated with the consumption of a luxury brand. It relates to the arousing of feelings and the affective states received from personal rewards and fulfilment (Sheth, Newman and Gross, 1991; Wiedmann, Hennings and Siebels, 2009; Vigneron and Johnson, 2004). These subjective emotional benefits, rather than functional benefits, refer to the luxury dimension reflected by sensory gratification, aesthetic beauty and sensory pleasure from luxury consumption. Consumers may use luxury items to integrate symbolic meaning into their own identity or they may use brands to support and develop that identity (Vigneron and Johnson, 2004; Dittmar, 1994). It is also pointed out that consistency between the public meaning of a possession and one's self-concept is one of the popular concerns in studies of meaning of possession (Belk, 1982). When applying this to the consumption of luxury brands, the perceived extended-self dimension is transferred from the consumption of luxury brands to enhancing self-concept. Compared to other luxury consumers, introvert hedonistic consumers are less likely to be enthusiastic about luxury goods.

3.2.3 Investment Orientation

To acquire information regarding consumer motives and value perceptions, Wiedmann, Hennings and Siebels (2007) developed a four-dimensional model that explains luxury consumption. They pointed out that the financial dimension is one of the important values of luxury consumption. The financial dimension addresses direct monetary aspects such as price, resale cost, discount and investment, referring to the money value of the product. Considering the financial component of luxury, particularly in economically

turbulent times, there are consumers who regard luxury goods (e.g., watches and jewellery) as a stable investment that protects against inflation.

Traditional Chinese tend to have a strong savings mentality as they save money for future use, such as for healthcare, future retirement, the only child's education and family elders, etc. (Faure and Fang, 2008). Such an attitude towards savings further supports the Chinese preference for luxury goods that have a long-term value, e.g., the price of a Rolex watch goes up. In other words, Chinese consumers value increasing prices and the long-lasting style of luxury goods.

High quality is also a significant predictor of Chinese luxury consumption. Luxury brands are often viewed as standards of excellence. Consumers may trust and attach a high value to luxury brands due to the assumption of high quality and reassurance (Vigneron and Johnson, 2004). Consumers often associate high price with high quality. Hence, high-price luxury brands are becoming popular and are strongly in demand, especially for Chinese consumers who do not have extensive luxury consumption experience.

3.2.4 Uniqueness Orientation

As argued by Leibenstein (1950), uniqueness relates to conspicuous consumption in which snobbish consumers feel negative if everybody owns the same product since that kills its signalling value. In other words, they desire an image of being unique, different and exclusive. These people try to differentiate themselves from the masses to enhance their self-concept. According to Leibenstein, the final effect is drawn from the work of Veblen (1899) that consumption and demand are a function of product price and a means of invidious distinction.

Dittmar (1994) and Richin (1994) studied the public-private meaning dimensions of object possession. They argued that material possessions are used to locate other people in a social-material hierarchy. In other words, evaluating others by their material possessions and to form impressions of others. It is also argued that a public meaning shift occurs when a product that previously was valued for its uniqueness becomes common. This implies the popularity of a product or brand destroys its prestige or status in the minds of some

consumers. Therefore, consumers' motives for possession of products or brands derive from the perceived meaning and values offered by the brands.

Further, Kapferer and Bastien (2009) found that competition and brand positioning are irrelevant in the world of luxury marketing, and so being unique is what counts. Contrary to the classical marketing concept, luxury brands do not aim to compete but attempt to be unique and create dream brands in the minds of consumers. Hence, it is challenging for luxury brands to achieve growth objectives and preserve rarity at the same time. Kapferer (2012) commented that the concept of "abundant rarity" is the common strategy used by luxury brands to restrict the quantity of the product to generate exclusivity. This practice is due to the worry of luxury brands that penetration or fast growth may dilute the perception of luxuriousness in their brands. However, there exists a dilemma of growing or remaining rare, as physical rarity or scarcity are not welcomed by shareholders of listed luxury groups because it prevents fast growth.

On the other hand, it is surprising to observe that, as luxury products continue to penetrate global markets, the prestige of some brands like Louis Vuitton has not declined at all. This seems at odds with the concept of luxury being tied to rarity and exclusivity. How can we reconcile these facts with theory? Kapferer (2012) suggested that luxury brands enact virtual-rarity tactics, i.e., physical rarity of ingredients or craft has been replaced by virtual rarity. The traditional physical rarity and prestige relationship is then questionable. According to Kapferer (2012, 2015), it is not necessary to restrict the quantity of goods or penetration in the luxury market. Rather, the perceived rarity or virtual rarity is the key to growth for many popular luxury brands like Louis Vuitton and Rolex to remain prestigious even though their sales are increasing. This phenomenon can be observed from the non-linear relationship of uniqueness and luxury consumption suggested by Kapferer (2012).

From Kapferer's (2012) model of luxury-rarity relationship (Figure 3.3), three types of relationships between consumer perceptions of luxury and brand penetration are extracted. The basic equation of the luxury-rarity relationship predicts that a product's luxury status is diluted when its penetration rate increases because too many people own it. A less stringent prediction is that increasing penetration first boosts a product's luxury status by making the brand visible and recognised, but then reaches a tipping point beyond which luxury status dilution occurs. However, brands like Louis Vuitton have so far succeeded in postponing this tipping point; for example, half the women in Tokyo offices own a Louis Vuitton bag

(Chadha and Husband, 2006). According to Ipsos (2011) data, consumers in Japan still regard this brand as the most luxurious. It seems that the luxury industry actually creates a new phenomenon whereby the luxury status is not diluted but actually reinforced.

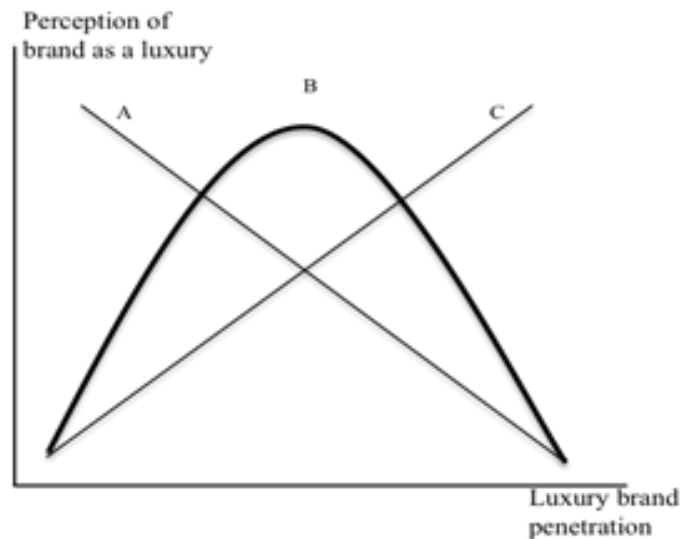


Figure 3.3: Kapferer's Model of the Luxury-Rarity Relationship (J.N Kapferer, 2012)

In order to grow in terms of sales and yet remain rare, Kapferer (2012) further suggested that rarity can be artificially induced as luxury brands enact virtual-rarity tactics, replacing physical rarity of ingredients or craft. To communicate and build virtual rarity, brands need to build dreams and communicate far beyond the actual target. For example, Chanel advertises its most prestigious jewellery line and not the accessible ones. Luxury brands often capitalise on a few celebrities who symbolise uniqueness and the unique personality of the brands.

3.3 Luxury Brand Purchases

In recent years, brand preference has emerged as an important topic for understanding the effects of branding on luxury consumption of wealthy Chinese consumers. This is not just because China is a major market for luxury goods, but because the Chinese lack brand knowledge (Zhan and He, 2011). Most Chinese consumers can name only a few luxury brands in any luxury product category and therefore they tend to be loyal to only a few

brands, mainly due to their limited knowledge of the availability of brands. Research results suggest that there are impacts of interpersonal influences, brand image and brand origin on luxury brand perception in developing countries (Shukla, 2011; Aiello et al., 2008). In Shukla's study (2011), empirical findings provide evidence that consumers in developing countries tend to rely heavily on interpersonal influences, and hence word of mouth becomes an important channel of social networking and communication for luxury brands. As for the dependent variables of the model in this thesis, two major components are considered:

1. Actual global luxury brand purchases
2. Actual local luxury brand purchases

When considering these components, two important concepts must be clarified. The first concept is global and local brands, which relate to the country of origin. The second concept is between actual purchase and intention to buy.

3.3.1 Global luxury brand versus local luxury brand

In the world of rapid globalisation, consumers are faced with varieties between global and local brands, making their choice of consumption worth researching (Batra, Alden, Steenkamp and Ramachander, 2000). Global brands are often preferred by consumers as they have the ability to associate status, wealth and prestige with the self-identity of a consumer and further enhance social standing in a social class (Alden and Steenkamp, 1999). However, in certain circumstances, consumers may prefer local brands over global brands when consumer ethnocentrism is the concern. Nueno and Quelch (1998) pointed out that the global expansion of luxury brands has been largely related to rising wealth in emerging markets in Asia. Despite the growing demand for luxury brands in the global marketplace, only a limited amount of research has been conducted to explore the luxury brand market relating to luxury global versus luxury local brands. Most previous literature focused mainly on global and local brands.

As one of the contributions to this research, the concept of global and local brands will be applied to luxury brand consumption. Additionally, this thesis will investigate the purchase influence of Face Orientation and other luxury orientations on luxury global brands

compared to luxury local brands in China. The criteria of luxury global brands versus luxury local brands will be mentioned in this section.

a. Global brands

Several previous studies have attempted to define global brands (Ramaswamy, Alden, Steenkamp and Ramachander, 2000; Jap and Warveni, 2010, 2013; Strizhakova et al., 2008; Steenkamp et al., 2003; Steenkamp, 2014). Some defined them as those that use similar brand names, positioning strategies and marketing mixes in most of their target markets (Levitt, 1983; Yip and Hult, 2012). Others take a consumer perspective and define global brands as those perceived to be global by consumers and which are available in multiple countries with generally similar and coordinated marketing strategies (Steenkamp, et al., 2003; Strizhakova et al., 2008). Steenkamp (2014) defines them as brands that use the same name and logo, have awareness, availability and acceptance in multiple regions of the world, derive some percent of sales from outside their home region, and are managed in an internationally coordinated manner. In this thesis, Steenkamp's (2014) definition is adopted.

b. Local brands

Local brands, on the other hand, are mainly available in local markets and are associated with and symbolise the local country or culture (Batra et al., 2000). In this thesis, that particular definition is used. There have been numerous studies on consumers' preferences for global brands and imported goods (Ramaswamy, Alden, Steenkamp and Ramachander, 2000; Jap and Warveni, 2010, 2013; Wang and Chen, 2004; Peter and Olson, 2008) mainly due to the perceived high quality, prestige, trustworthiness, uniqueness and other social-psychological values. In contrast, there has also been research related to consumer preferences for local brands (Ha, 1998; Park, 1999; Sharma et al., 1995). Some have argued that consumers in developed countries tend to prefer their own countries' products as a phenomenon of consumer nationalism (Hong and Wyer, 1989). Others have suggested that consumers generally prefer to purchase their respective countries' local goods because they feel it is morally appropriate (Shimp and Sharma, 1987).

c. The preference for global brands versus local brands in developing countries

Uncles and Saurazas (2000) pointed out that far less is known about how consumers in developing countries perceive local and international brands. Li et al. (1997) found that

when Chinese respondents were asked about their perceptions of products from their “home country” and those of Japan and the USA, they held favourable perceptions of both Japanese and American products, but unfavourable perceptions of Chinese products. Chinese consumers perceive the possession of a global brand as a symbol of status and success. More generally, it has been argued that consumers in developing countries do not necessarily have the same level of patriotism towards their countries’ products.

Besides the positive attitudes toward purchasing global brands to achieve an image of prestige and social status, there exist some negative attitudes towards purchasing global brands. Studies have identified the significantly negative influence of consumer ethnocentrism on purchasing imported goods (Ha, 1998; Park, 1999; Sharma et al., 1995; Alden, Steenkamp and Batra, 1999). In particular, the concept of consumer ethnocentrism has been found to have a significant influence on attitudes toward imported products (Shimp and Sharma, 1987; Durvsula et al., 1997; Brodowsky, 1998). Consumer ethnocentrism represents the beliefs held by consumers about the appropriateness, indeed morality, of purchasing foreign-made products (Shimp and Sharma, 1987). Some consumers may prefer local brands as they display consumer ethnocentrism for various reasons, such as a fear of loss of job due to the import of global brands and an unpatriotic sense when purchasing global brands (Kaynak and Kara, 2002).

Along similar lines, Park (1999) identified the significant influence of consumer ethnocentrism on attitudes toward imported clothing in the Korean market. In this research, the findings indicated that there is a negative relationship between consumer ethnocentrism and attitudes toward purchasing global luxury brands. This implies that consumers tend not to buy global brands under the influence of strong ethnocentrism. Later, Ho et al. (2012) found similar results, i.e., consumers prefer global brands due to the desire for higher prestige and the status of global brands, but at the same time their desire was also to own a brand (local or regional) they could closely relate to. In sum, ethnocentrism may act as a reason for preferring local brands over global brands.

d. Criteria for global luxury brands versus local luxury brands

Based on the above discussion on global brand literature (Batra, Ramaswamy et al., 2000; Jap, 2010; Steenkamp, Batra and Alden, 2003; Steenkamp, 2014), a global brand is defined from a consumer’s perspective as a brand believed to be marketed and recognised in

multiple countries. In turn, a local brand is produced domestically for a specific national market and it is usually only obtainable in that particular region (Batra et al., 2000). Hence, the criteria to be adopted in this research for classifying global brands and local brands can be summarised as follows:

Criteria of globalness

1. Availability and distribution – multiple regions
2. Percentage of sales from outside the home region
3. International coordinated manner
4. High level of recognition in the global market

Further, this concept of globalness, together with an understanding of luxury literature as discussed in Chapter 2 (Kapferer, 1998; Berry, 1994; Dubois et al., 2001; Shukla, 2010; Mason, 2000; Dubois and Paternault, 1995), the criteria for global luxury brands and local luxury brands can be developed (Table 3.1). Kapferer's (1998) criteria of luxury were adopted in this study. Generally speaking, luxury is defined as expensive, pleasure, exclusivity, rarity and high quality (Kapferer 1998).

Criteria of luxury

1. High standards, high quality and high price
2. High in beauty and creativity
3. High on timelessness and international reputation
4. High value on the feeling of rarity, exclusive images

In this study, four brands were proposed in the research representing global luxury and local luxury brands (Cartier, Tiffany, Chow Tai Fook and Chow Sang Sang). With respect to the perceived globalness and localness of these luxury brands, in order to confirm if these four brands fall into respective categories, a simple expert opinion survey was conducted to verify the classification. Three jewellers in Hong Kong were interviewed individually to indicate their opinions on their perceived globalness versus localness and luxury image of the four brands chosen to study in this research. They agreed unanimously that the four brands fall into the expected status. Details can be found in Table 3.1. It clearly indicated that Cartier and Tiffany are considered in the global luxury category while Chow

Tai Fook and Chow Sang Sang are considered local luxury brands. Detailed opinions on perceived globalness and luxuriousness from a high to low level are shown in Table 3.1. Thus, Chow Tai Fook and Chow Sang Sang are confirmed to be in the category of local luxury brands, while Cartier and Tiffany are confirmed to be global luxury brands.

	Local luxury brands		Global luxury brands	
	Chow Tai Fook	Chow Sang Sang	Cartier	Tiffany
Criteria of globalness				
Availability and distribution – multiple regions	Low	Low	High	High
Percentage of sales from outside the home region	Low	Low	High	High
International coordinated manner	Low	Low	High	High
High level of recognition in the global market	Low	Low	High	High
Criteria of global luxury brands				
High standards, high quality and high price	High	High	High	High
High in beauty and creativity	High	High	High	High
High on timelessness	High	High	High	High
High value on the feeling of rarity, exclusive images	Medium /High	Medium /High	High	High

Table 3.1: Criteria of Global Luxury Brands and Local Luxury Brands (based on expert opinions: three jewellers/practitioners in Hong Kong)

3.3.2 Intention to buy versus actual purchase behaviour

Consumers' self-reported intentions have been used widely in academic and commercial research because they represent easy-to-collect proxies of behaviour. It is argued that most academic studies and companies rely on consumers' purchase intentions to forecast their adoption of new products or repeat purchases. However, it is well known that consumers' self-reported purchase intentions can only provide weak predictions of future purchase

behaviour (Chandon, Morwitz and Reinartz, 2005). It is also commented by Carrington, Neville and Whitwell (2010) that ethically minded consumers do not always walk their talk. There exists a gap between what consumers say they are going to do and what they actually do at the point of purchase. This explains why so many new products fail even after they perform well in purchase intention tests. Therefore, intention to buy may not be an effective predictor of the actual purchasing behaviour or final consumption.

The intention-behaviour link is of particular interest for studies about purchasing local and international brands (Uncles and Saurazas, 2000). The intention-behaviour link studies show that stated intentions to purchase do not perfectly correlate with stated or revealed behaviour (Bagozzi, 1981; Blackwell et al., 1999; Kalwani and Silk, 1982; Morwitz and Schmittlein, 1992; Warshaw, 1980). For a variety of reasons, consumers may say they prefer to buy local or international brands, but then these preferences are not reflected in their behaviour. Reasons for this include the influence of situational factors, product availability, the ability of consumers to buy (e.g., depending on income levels) and measurement effects (e.g., whether there was a long interval between asking about intentions and measurement of the behaviour). While all these factors may explain the discrepancies, we also must allow for the possibility that consumers do not have accurate country-of-origin knowledge. To conclude, actual purchases seem to be the more reliable measure of the various luxury motivation values.

3.4 Relationships between Luxury Orientations and Luxury Brand Purchases (Global and Local)

3.4.1 Face Orientation and luxury brand purchases

Chinese culture has played an important role in driving consumption of luxury brands. The face concept explains why Chinese consumers value luxury brands that they believe bring respect and prestige. As a collectivistic society, Chinese people regard success and wealth as very important symbols of self-identity (Hofstede, 1991; Triandis, 1998). Face or *mianzi* is an important concern in Chinese society because this refers to the social status of a person and another's face, which plays an important role in interpersonal communication in China (Gao, 1998). In other words, respecting another's face and maintaining one's self-face

helps better communication and avoid conflicts in Chinese societies. Compared with American consumers, Chinese are influenced more by face and peer groups (Li and Su, 2006). Luxury consumption is regarded more as a tool to serve higher-order social needs. It is also argued that face consciousness relates to product consumption, especially for high-prestige branded products that can bring face to consumers (Tse, 1996). This can explain the reason for the high demand of Louis Vuitton and Gucci bags among Asian consumers (*Strategic Direction*, 2005). In summary, Confucian values such as respect for authority and desire for harmony explain why people buy luxury items, i.e., to maintain social position and prestige (Phau and Prendergast, 2000).

It is a common belief that by buying and using luxury goods, Chinese consumers preserve face, enhance others' opinions about self and maintain status (Ho, 1976; Wong and Ahuvia, 1998). Interestingly, however, Chinese might be thrifty when buying goods for themselves but they are willing to spend big money on branded luxury products for gifts to enhance face (Wong and Ahuvia, 1998; Wang, Sun and Song, 2010). On the other hand, there is literature on the preference for local brands (Ha, 1998; Park, 1999; Sharma et al., 1995; Alden, Steenkamp and Batra, 1999) and, in reality, many Chinese consumers are loyal to local brands, especially famous and quality local brands.

3.4.1.1 Face Orientation and global brand purchases

Consumers in developing countries seem to have a high preference for global brands over local brands. According to research by Batra, Ramaswamy, Alden, Steenkamp and Ramachander (2000), consumers in developing countries tend to be in favour of non-local brands not merely because of the perceived high quality, but also because of the high associated social status. A brand's non-local origin has been argued to symbolise cosmopolitanism and prestige. On special occasions, the purchase of global luxury brands will avoid embarrassment and gain respects from peers. Consumers in developing countries want to be able to participate in the global community through access to branded products from all over the world. This suggests that consumers who have a stronger preference for Western brands do so as a result of the non-local-status enhancing reasons.

In China, there is a tendency for consumers to prefer global brands over local brands. Jap (2010) pointed out reasons and priorities for Chinese consumers' preference for global brands over local brands. The reasons and priorities are: (a) quality; (b) prestige and

durability; (c) product design; (d) brand trustworthiness; (e) customer service; and (f) product uniqueness. In the study, almost every participant unanimously shared the same views and experiences that global brands were perceived to have much higher and better product quality and performance than local brands, although global brands tended to be more expensive than their local counterparts. On the contrary, the participants' major concerns with local brands were classified into different categories: (a) low quality; (b) low trustworthiness; (c) poor product design; (d) mismanagement of local brands; and (e) consumer nationalism. In general, Chinese consumers believe that global brands lead to favourable social acceptance and face (or *mianzi*), and Jap's study (2010) highlights that Chinese have higher respect and trust for global brands. Hence, it is clear that the three dimensions of Face Orientation – Avoiding Shame, Distinguishing Out and Gaining Respect – are positively related to the preference of global luxury brands among Chinese consumers.

The famous Cartier campaign had a strong impact on the China market. “Odyssee de Cartier”, a campaign by the Publicis agency in 2012, was an allegory of Cartier's history, made for the brand's 165th anniversary, told via the mythical, round-the-world journey of a panther with its longstanding emblem. This television campaign lasted over three minutes and was almost like a trailer for a video game, with the objective of touching people emotionally. Cartier utilised a big budget by using a stunning real panther and the Great Wall near Beijing as the background, which created a strong impact among Chinese. The powerful creative strategy aroused significant Chinese consumer interest and successfully highlighted Cartier's rich history and strengthened its already prestigious brand positioning. This advertising strategy by Cartier indicates the important position of the Chinese market for this famous global brand.

Another more recent study of Jap (2013) on country of origin and Chinese luxury consumption pointed out that Chinese consumers perceive country of origin as an important factor influencing their luxury purchases. The results note that, in spite of the high price of global brands, many Chinese consumers prefer to purchase them because of more favourable perceptions and the impression of global brands offering higher product quality, stronger brand reputation and trustworthiness, better customer service and social prestige (Jap, 2013). They highly appreciate the commitment of global brands to long-term technological and product innovation. In contrast, they perceive local brands to be short-sighted and less consumer-oriented in terms of product quality and innovation.

Another piece of research on luxury fashion brands points out that Chinese consumers engage in almost pathological levels of consumption of foreign luxury fashion goods as they desperately purchase global-branded luxury fashion goods seeking to acquire cultural meaning to satisfy their self-concept (*mianzi*) (Wang and Chen, 2004; Peter and Olson, 2008). Therefore, many Chinese consumers purchase global brands because global brands or imported goods symbolise higher social status, prestige, high fashion and reliability.

Hence, the following hypothesis is proposed:

Hypothesis 2a:

Face Orientation positively influences Chinese consumers to purchase global luxury brands.

3.4.1.2 Face Orientation has a higher effect on global luxury brand purchases than local brands

There are conflicting views on preferences for local brands in luxury consumption. On one hand, research findings indicate that ethnocentrism is negatively related to global brand purchases (Roy and Chau, 2011; Ho et al., 2012; Chiu and Ho, 2015). Conversely, research findings also suggest that global or non-local brands appeal to consumers in developing countries (Batra et al., 2000; Jap, 2013).

Despite the popularity of global brands among Chinese consumers as discussed by most previous research, a study conducted by Chiu and Ho (2015) showed that Asian consumers generally prefer Asian rather than European automotive brands. Asian brands also rank highest in perceived quality and brand loyalty, followed by European brands and then local brands.

Roy and Chau (2011) and Ho et al. (2012) studied global versus local brands in the automobile industry in Malaysia. Roy and Chau's (2011) findings confirm the current notion that globalisation might not always be an appropriate strategy given the presence of strong local iconic brands. The global practice of standardising marketing mix elements should be treated with caution and should not be applied to all segments indiscriminately. There are clearly certain segments, e.g., low status-seeking consumers who perceive they get more value from the local brand, especially for strong local brands. In reality, some strong local brands have developed a strong loyalty and brand image in the local market due to a long

history of high product quality and reliability, such as Chow Tai Fook and Chow Sang Sang in the Asian jewellery market. These two brands are among the most reliable and dominant jewellery brands in the minds of Chinese consumers.

Consumers in developing markets are increasingly faced with a choice between older local brands and newer non-local or foreign brands. Many researchers are beginning to study the reasons for their choice (Batra et al., 2000). It is argued that consumers in developing countries perceive the country of origin as a factor indicating not only quality but also symbolic social values, and they give preference to trademark “non-local” brands compared to local brands (Batra et al., 2000). Hence, it is challenging for well-established local brands to compete with Western global brands that are perceived as providing better quality and superior image.

Based on the above discussion, the following hypothesis is offered:

Hypothesis 2b:

Face Orientation has a higher positive influence on purchases of global luxury brands than on local luxury brands.

3.4.2 Hedonism Orientation and luxury brand purchases

Hedonism is a motivation to meet inner thoughts and feelings, pleasure and excitement. Hirschman and Holbrook (1982) define hedonic consumption as “consumers’ multisensory images, fantasies and emotional arousal in using products”. Multisensory means the experiences received from multiple sensory systems: taste, touch, smell and visual. These sensory systems are emotional as well as mechanical in that they are affected by personal preferences. People who rely on their inner preferences and are not susceptible to interpersonal influences – for example, role-relaxed consumers or inner-directed consumers – are more likely to have hedonic motivation (Vigneron and Johnson, 2004). Aesthetic appeal, sensory gratification and intrinsic enjoyment represent forms of hedonic experience (Rossiter and Percy, 1987; Horiuchi, 1984; Richins, 1994; Wong and Ahuvia, 1998; Dubois and Paternault, 1997; Vigneron and Johnson, 1999).

Luxury researchers have found that luxury goods are used more for hedonic purposes while necessities are used to meet utilitarian purposes (Khan et al., 2004; Dubois et al., 2004; Kivetz and Simonson, 2002a, 2002b; Strahilevitz and Myers, 1998). Dubois and Laurent (1996) suggested that there is an increasing number of consumers who purchase luxury goods primarily to gratify themselves rather than to impress others. This tendency is more obvious among individuals with high personal orientation (Vigneron and Johnson, 1999). For consumers in developing countries, Batra et al. (2000) examined the extent to which the impact of a non-local country of origin is affected by a consumer's admiration of lifestyles in economically developed countries. They suggested that these consumers admire lifestyles of developed Western countries. In other words, consumers enjoy the feeling of being associated with the Western lifestyle, which gives them a unique self-identity and finally might affect their consumption orientation.

In the meantime, there has been an increase in the number of Chinese consumers spending more money on self-indulgence as well as self-enjoyment in search of luxury experiences, and these numbers are on the rise (*Red Luxury*, 2015). However, traditional Chinese consumers who are strong in interdependent self (Wong and Ahuvia, 1998) are expected to be more concerned with face and investment value than such hedonistic values. This is reflected in their investment attitudes and saving of money for future use, such as for healthcare, future retirement and family (Faure and Fang, 2008). As mentioned in the last section, for most Chinese, face orientation is the most dominant factor behind luxury consumption (Li and Su, 2006).

Conversely, it is argued that hedonism does not have a positive effect on luxury purchases (Wiedmann, Hennigs and Siebels, 2009). The introvert hedonist segment is the smallest group among materialists, rational functionalists and extravagant prestige seekers. Introvert hedonists are less likely than other consumers to be enthusiastic about luxury goods. This signals a weak correlation between hedonism and luxury brand purchases for Chinese.

In addition, it is pointed out that an independent construal of self is dominant in Western cultures, while the interdependent construal of self is commonly found in Southeast Asian cultures (Wong and Ahuvia, 1998). In Southeast Asian Confucian traditions, conformity to the group is seen in a more positive light (Yang, 1963). Therefore, it seems that Western consumers assign greater importance to hedonic experience while Southeast Asian consumers place more emphasis upon publicly visible possessions. In other words, Asians

place more importance on the symbolic value, especially when they are consuming luxury products in public (Wong and Ahuvia, 1998).

Another study by Monkhouse, Barnes and Stephan (2012) discovered that face saving serves as a dominant predictor of luxury consumption, and face-conscious consumers have low levels of hedonism. Hedonism orientation is not a strong predictor of luxury consumption among Asian consumers. Further, Monkhouse et al. (2012) suggested that marketers should steer away from featuring any forms of “self-indulgence” in creative advertising.

This concept was further endorsed by Shukla (2012), who provides empirical evidence that personal pleasure seeking and the symbolic benefits relating to hedonism are important to consumers in developed Western markets, but not in emerging Eastern markets. These findings relating to materialism contradict Sharma (2010), who suggested the increasing role played by materialism in emerging markets.

Widely speaking, Asian consumers are less likely to be influenced by hedonism orientation in luxury brand purchases, while face orientation is a more effective factor. Hence, it is expected that hedonistic-oriented Chinese are not positively related to global luxury brands. Hedonistic-oriented consumers may even generate a negative attitude toward global luxury brands as these brands represent vanity and extravagant lifestyle, which is against their life principles. This group of Chinese consumers does not need social approval from peers, as social status is not important to them. In fact, they might even feel uncomfortable with luxury brands both global and local.

Based on this discussion, it is hypothesised that:

Hypothesis 3a:

Hedonism Orientation negatively influences Chinese consumers’ purchases of global luxury brands.

Hypothesis 3b:

Hedonism Orientation does not have an impact on the purchase of global luxury brands or local luxury brands for Chinese consumers.

3.4.3 Investment Orientation and luxury brand purchases

The investment orientation concept has not been literally defined academically from a marketing and branding perspective. It is usually discussed by practitioners in the finance and economic sectors in actual monetary terms, but not much academic research has been undertaken on the emotional effects of investment on purchasing behaviour. This thesis examines the following important values that can affect investment orientation on luxury consumption, i.e., increase future financial value, perceived resale value and heritage value.

First, many consumers in China believe that buying luxury goods is an investment for the future as its value will increase. This appears true for watches, wine, jewels, antiques and art. The luxury market in China is growing in sophistication, where more local consumers, around 29% in 2013 according to KPMG research (*Red Luxury*, 2015), are able to appreciate the heritage and history of a luxury brand.

Second, luxury goods are meant to last a lifetime and hold their value, and that is the reason why they are also called “investment pieces”. The RealReal, a luxury brand site (*Fortune*, 2014) recently tapped its database of 500,000 luxury products from 500 designer brands to find which brands have the highest resale value, and which hold value the longest. The start-up found that Chanel, Christian Louboutin and Hermès held value the longest. In jewellery, similar interest was found in Rolex and Cartier pieces, along with Van Cleef & Arpels.

Third, according to Milton Pedraza, CEO of the Luxury Institute, luxury brands should not offer discounts. If a luxury brand frequently discounts its goods at stores or online via flash sales, consumers perceive that they do not have to pay the full price for that brand. Therefore, brands like Chanel and Hermès do not hold sales in their stores and they have a limited number of retail outlets. Chanel does not even sell its goods online, except for beauty products. Pedraza further mentioned that luxury creates a perception of purity backed up with design quality and heritage. He said, “If I buy something, I will think, ‘Wow it has long-term investment value.’” (*Fortune*, 2014).

Traditional Chinese tend to have a strong savings mentality and they save money for future use like healthcare, future retirement, the only child’s education and family elders (Faure and Fang, 2008). Such an attitude towards savings further supports the Chinese

preference for the preserved value of luxury goods, e.g., the price of Rolex watches will go up. In other words, Chinese consumers value the potential appreciation in price and the long-lasting nature of luxury goods.

Traditional Chinese culture involves saving for the future (Faure and Fang, 2008). If purely focusing on investment value, luxury consumption may not be directly correlated to investment-oriented consumers as there are many alternative investment avenues available to Chinese consumers, such as the stock market, property, gold, etc. Rather, luxury consumption by Chinese consumers who value social status and face is positively affected by their investment orientation, which ultimately leads to luxury brand consumption. It is expected the effect is higher in the case of global brands compared to local luxury brands.

Hence, the following hypotheses are proposed:

Hypothesis 4a:

Investment Orientation positively impacts Chinese consumers' purchases of global luxury brands.

Hypothesis 4b:

Investment Orientation has a higher positive influence on the purchase of global luxury brands than local luxury brands.

3.4.4 Uniqueness Orientation and luxury brand purchases

Kumagai and Nagasawa (2015) examined the determinants of consumer attitudes toward luxury brands in Japan and China, and they suggested that perceived rarity does not always have a positive impact on consumers' attitudes towards luxury brands, which supports Kapferer's (2012) view. In other words, these arguments indicate that rarity is not always positively related to luxury brand purchases, and nor are they in a linear relationship.

In recent years, luxury brands have actually been selling symbolic and magical power to the masses and they are not just restricted to the wealthy upper class. Particularly in the Chinese market, high-luxury brand awareness among the masses (non-buyers) is important for luxury buyers to feel superior and for gaining face and status by possessing luxury brands. There exists a cultural gap between Asia and the West, where Asian consumers feel safer

buying prestigious Western brands with which individuals around them are familiar. Therefore, simply remaining unique and scarce may not be an effective strategy for luxury brands, while awareness among non-target consumers and perceived rarity are effective strategies for luxury consumption.

Modern Chinese consumers are now more aware of different niche and uncommon luxury brands; 90% of modern Chinese women bought niche luxury brands on their last trip abroad (*Red Luxury*, 2015). They use these items as a way to reflect their personality and to express their individuality. These trendsetters are very fashion-forward, young and knowledgeable. These consumers usually spend on unique, limited editions and curated pieces from popular luxury brands as well as on less famous products (*Red Luxury*, 2015). This highlights the preference of Chinese consumers for luxury brands with unique characteristics, particularly global brands as they are less common in the local market.

A study conducted in Korea by Park, Rabolt and Jeon (2008) demonstrated that the need for uniqueness is positively related to purchasing intentions toward global brands. The recent influx of global brands onto the Korean market reflects the high demand for global brands among consumers who are seeking a scarcity value to differentiate themselves in a rather uniform society. The report indicated that young Korean consumers' uniqueness is often expressed through expensive foreign brands with scarcity value, i.e., brands globally well recognised. These brands help visibly demonstrate self-image and social status. By the same token, Chinese consumers with a high need for uniqueness tend to have a higher preference for global luxury brands as these brands are rare, more expensive and fewer people can afford them. Uniqueness Orientation, therefore, is expected to be impactful on global brand purchases among Chinese consumers.

Hence, the following hypotheses are proposed:

Hypothesis 5a

Uniqueness Orientation has a positive impact on Chinese consumers' purchases of global luxury brands.

Hypothesis 5b

Uniqueness Orientation has a higher positive influence on purchases of global luxury brands than that of local luxury brands.

3.5 Chapter Conclusion

In order to examine the influence of Chinese culture on luxury consumption further, this chapter reviews literature on how Chinese values motivate luxury purchases, such as *lian* (face) and *mianzi* (image). It is interesting to explore Chinese consumption after the emergence of Western culture through the globalisation process. The change of culture can be reflected in consumption behaviour and attitudes of the young generation in China. To conclude, culture is a powerful variable for luxury consumption. Therefore, luxury brands that fit the target market's values and motivations are more likely to be successful.

Based on the past literature about luxury motivations, this chapter develops a conceptual framework and model for future empirical research. In addition, developed from the conceptual model of luxury consumption, several hypotheses are proposed to test the various dimensions of luxury consumption values and motivations. The four luxury motivation orientations, namely Face, Hedonism, Investment and Uniqueness, are hypothesised to correlate with Chinese consumers' actual luxury brand purchases of global and local brands.

CHAPTER 4

RESEARCH METHODOLOGY

4.1 Chapter Overview

Chapter Three presented an outline of the theoretical model designed to explain luxury consumption orientations and their effects on luxury brand purchases. This chapter describes the overall research design and methodology of the study, and it shows how the model and hypotheses are to be tested. The discussion begins with a description of the research design used. The research study consists of both qualitative and quantitative research methods aimed at exploring luxury consumption orientations of Mainland and Hong Kong consumers and how these orientations influence actual purchases.

This chapter firstly discusses the exploratory qualitative research work of this study, including in-depth interviews of luxury companies and in-depth interviews with consumers. Implications are drawn from the exploratory research to develop the framework for the main survey study. Then the detailed design of the main quantitative survey will be described, such as the questionnaire design, sampling procedure and fieldwork.

4.2 Research Design

To explore Chinese consumers' luxury consumption orientations, this thesis examines the luxury motivations among Chinese consumers.

Chinese consumers represent a large proportion of luxury consumption globally. It was projected by McKinsey and Company (2011) that affluent Chinese consumers are going to make up to 44% of global luxury consumption by 2025. The report further commented that wealthy Chinese will represent a major force behind this increase in luxury spending. By 2025, 7.6 million Chinese households will consume CNY1 trillion in global luxury sales, an amount double that of 2016, and equivalent to the combined spending of the French, Italian, Japanese, UK and US markets in 2016. The *Financial Times* (2017) has also pointed out that Chinese consumers

account for one in three luxury purchases globally, and it will remain an important source of overseas tourist flows.

China is the second largest jewellery market after the USA, with an estimated turnover of more than USD80 billion, accounting for 40% of global consumption (*Gentlemen in China*, 2017). According to Bain and Company (2017), although the global luxury goods industry is believed to have grown by 2-4% in 2017, the research report further indicates a need for luxury brands to refocus on their customers to better anticipate and cater to their needs for better marketing and branding strategies.

In this study, jewellery is the luxury product category chosen for examining Chinese consumers' luxury consumption orientation and their actual purchases. In the luxury industry, jewellery is commonly agreed to be one of the most popular product types to represent consumers' appetite for luxury consumption (Table 4.1) (McKinsey, 2011; *China Daily*, 2013). A report by McKinsey and Company (2011) shows jewellery is among the four most popular luxury product categories: ready-to-wear, leather goods, jewellery and watches. From the world's top five luxury categories (*Euromonitor*, 2015): 1. designer apparel; 2. luxury jewellery and timepieces; 3. luxury leather goods; 4. luxury beauty products; and 5. luxury alcohol. Jewellery and timepieces represent the second largest category in terms of value after designer apparel. Further, McKinsey and Company (2014) discussed the future trend of jewellery among different luxury products, and expected that national or regional jewellery brands would join the ranks of top global brands by 2020. Some industry observers project that the ten largest jewellery houses will double their market share by 2020. In particular, jewellery is one of the most popular luxury purchases for Chinese consumers. In the prevailing oriental culture, jewellery is almost a must gift on some special occasions in China, including weddings, engagements and birthdays of the elderly.

Although jewellery is a key luxury product for Chinese consumers, and this industry has been studied by many industrial research firms, little academic research seems to have examined jewellery as an object for understanding Chinese consumer behaviour in spending on luxury goods. Therefore, jewellery is one of the most appropriate luxury product categories for measuring luxury orientations among Chinese consumers.

This study attempts to measure the actual consumption of global and local brands of jewellery by Chinese consumers. Two local luxury brands and two global luxury brands were

selected for testing. The two most popular global jewellery brands in Chinese consumers' minds (Sino Weibo, 2015) are Cartier and Tiffany, while Chow Tai Fook and Chow Sang Sang are the two most popular Hong Kong local luxury jewellery brands. Based on their perceived luxuriousness, these four brands were chosen to be included in the main study. It was pointed out that, despite the high preference for international brands like Cartier and Tiffany, mass market jewellery brands such as Chow Tai Fook, Chow Sang Sang and Luk Fook also have large shares of the jewellery market in Hong Kong (SCMP, 2015). These popular Hong Kong jewellery retailers command a 40% share of the market.

	2008	2010
Ready-to-wear	<ol style="list-style-type: none"> 1 Good material 2 Superior craftsmanship 3 Innovative design 	<ol style="list-style-type: none"> 1 Superior craftsmanship 2 Internationally well-known brands 3 Good material
Leather goods	<ol style="list-style-type: none"> 1 Superior craftsmanship 2 Innovative design 3 Good material 	<ol style="list-style-type: none"> 1 Internationally well-known brands 2 Superior craftsmanship 3 Good material
Jewelry	<ol style="list-style-type: none"> 1 Innovative design 2 Superior craftsmanship 3 Timeless style 	<ol style="list-style-type: none"> 1 Superior craftsmanship 2 Innovative design 3 Internationally well-known brands
Watches	<ol style="list-style-type: none"> 1 Superior craftsmanship 2 Innovative design 3 Internationally well-known brands 	<ol style="list-style-type: none"> 1 Superior craftsmanship 2 Internationally well-known brands 3 Innovative design

Table 4.1: Top Luxury Categories and Buying Factors

(Source: McKinsey and Company's Report "Tapping China's Luxury-Goods Market", Atsmon et al., 2011)

4.3 Data Collection Methods

In order to collect accurate and representative data, the data collection methods are in two phases and three stages as indicated in Figure 4.1. Details of the research design of this study will be discussed as following:

Phase One: Exploratory qualitative research study

Stage 1: Company in-depth interviews (Cartier and Chow Sang Sang)

Stage 2: Consumer in-depth interviews (actual consumers from Mainland China and Hong Kong)

Phase Two: Quantitative main research study

Stage 3: Consumer survey research study

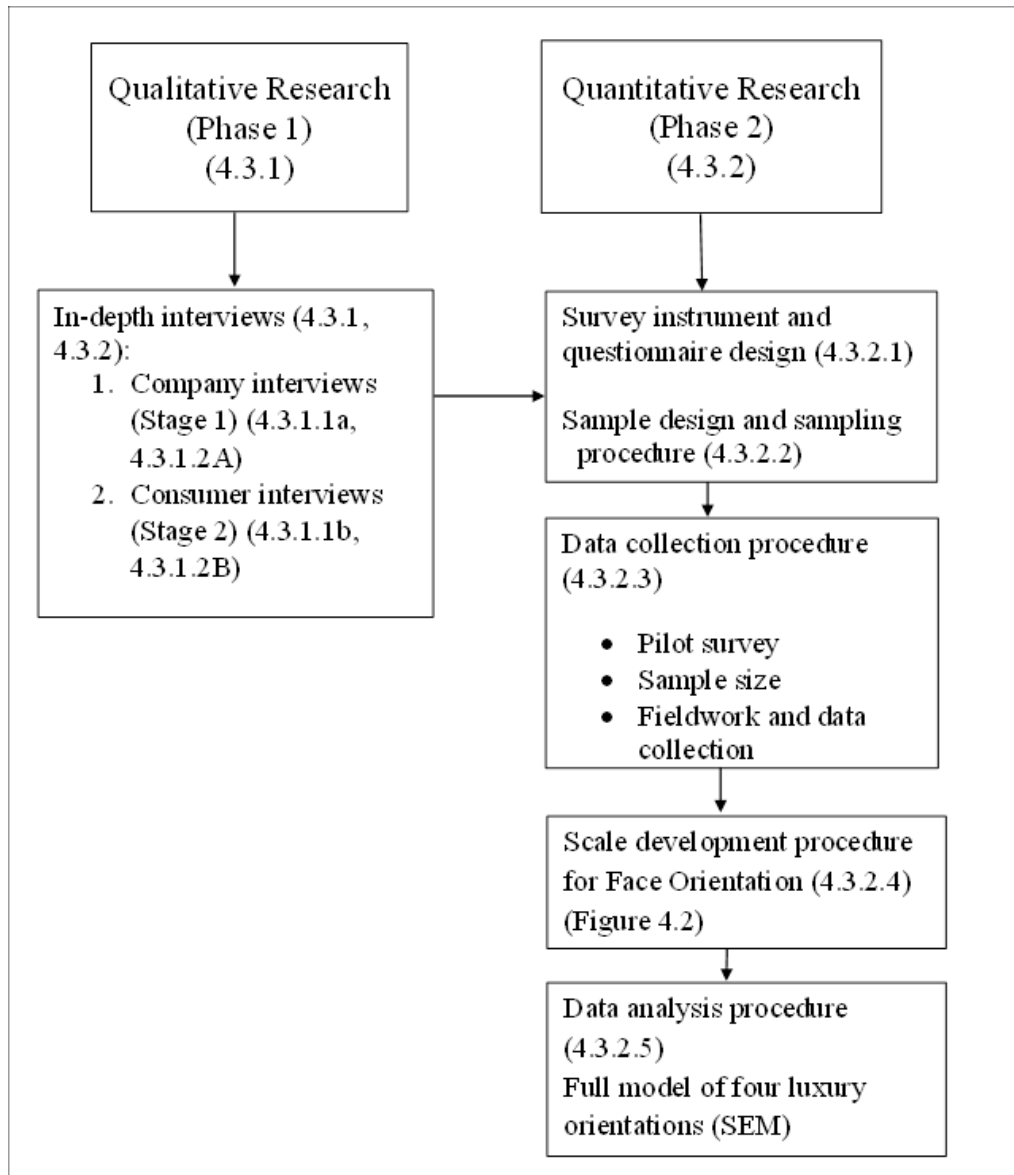


Figure 4.1: Multi-Research Design Adopted in this Research

4.3.1 Qualitative research study (Phase 1)

The first phase of this study is exploratory qualitative research with the purpose of collecting insights and opinions from luxury jeweller practitioners and luxury jewellery consumers so as to better understand actual consumer behaviour in this market to lay the foundation for the research.

This exploratory level was divided into two stages (Table 4.2 and Figure 4.1). The first stage consisted of in-depth interviews with three luxury brand suppliers. This was undertaken to obtain their perceptions of Chinese consumers' luxury orientations. The second

stage involved consumer in-depth interviews to explore Chinese consumers' views.

Phase 1:	Stage 1	Stage 2
Exploratory qualitative research	Company in-depth interviews	Consumer in-depth interviews
Respondents	<u>3 luxury jewellery brands:</u> Cartier Chow Sang Sang Emphasis	<u>15 respondents (total):</u> 7 from the Mainland 8 from Hong Kong

Table 4.2: Exploratory and Qualitative Research (Phase 1)

4.3.1.1 Design of the exploratory research (Phase 1)

a. In-depth interviews of luxury brand practitioners (Stage 1):

To explore the luxury market from practitioners' points of view, three in-depth interviews with luxury jewellers were conducted in Hong Kong. Three jewellery brands, one global (Cartier) and two local (Chow Sang Sang and Emphasis) brands were selected for in-depth face-to-face interviews. Cartier is one of the best-known international jewellery brands, while Chow Sang Sang is also a well-known local and regional brand jewellery retailer. The third one was Chow Sang Sang's young and modern line, Emphasis.

With referrals in the jewellery industry, unstructured face-to-face interviews were arranged with senior management practitioners from the three brands. In order to provide convenience for the respondents, interviews were conducted in their offices during office hours. The interviews lasted from 1.5 to 2 hours. Based on their rich experience in retailing, the respondents were very helpful and cooperative in giving in-depth and insightful opinions on their customers' behaviour and attitudes toward luxury jewellery consumption.

As an initial stage of the study, the objective of carrying out in-depth interviews with jewellery practitioners is to form the foundation for the quantitative main study at a later stage in the study. It can help in determining the research design, sampling methodology, questionnaire design, data collection method, etc. Specifically for this

research, the interviews provide very useful opinions and insights for understanding luxury orientations and brand perceptions of their consumers from practitioners' perspectives.

b. In-depth interviews with luxury brand consumers

After the company in-depth interviews, in-depth consumer interviews were conducted to collect luxury shoppers' opinions and insights. This was the second stage of the qualitative research study. The sample consisted of 15 respondents, seven from the Mainland and eight from Hong Kong (Table 4.3). The respondents were aged between 23 and 50. A snowballing sampling technique was adopted to gather the interviewees. First, the researcher located a few target jewellery consumers through the jewellery retailers. Then the first batch of interviewees referred their friends to be interviewed, these also being jewellery buyers in Hong Kong.

So as to have more balanced and neutral views from the jewellery consumers, interviewees were classified into "experienced" and "occasional" luxury buyers according to their purchasing habits. Those with experience of over ten years of buying and having a regular habit of consuming luxury products were classified as experienced. For instance, the highest frequency of purchasing was once a month on average for experienced Mainland buyers. Such buyers had vast experience and knowledge of different luxury brands. They often develop a strong sense of brand loyalty with a few brand choices of luxury products. The occasional buyers consume luxury brands only on special occasions, such as birthdays, weddings and holidays. Usually the occasional buyers only have rather short exposure to the luxury market. They seem to have weaker brand connections and they also possess different consumer traits compared to experienced buyers. Collecting consumers' opinions from experienced and occasional buyers provided a more balanced view of their consumption orientations, especially in terms of their perceptions related to the meaning of luxury.

Four experienced and three occasional buyers were identified in the group of Mainland consumers, while four experienced and four occasional buyers from Hong Kong were approached. They were interviewed in a relaxed atmosphere, mostly in coffee shops. The respondents were allowed to discuss freely their feelings and

attitudes towards luxury buying behaviour. An unstructured list of questions (Table 4.4) about their attitudes and opinions on motivations for luxury consumption was prepared for discussion. Each interview lasted approximately for one hour.

Respondent	Age	Nationality	Experience in luxury
1	23	Mainland Chinese	Experienced*
2	40	Mainland Chinese	Experienced
3	42	Mainland Chinese	Experienced
4	29	Mainland Chinese	Experienced
5	24	Mainland Chinese	Occasional**
6	27	Mainland Chinese	Occasional
7	35	Mainland Chinese	Occasional
8	45	HK	Experienced
9	48	HK	Experienced
10	47	HK	Experienced
11	46	HK	Experienced
12	50	HK	Occasional
13	50	HK	Occasional
14	50	HK	Occasional
15	46	HK	Occasional

Table 4.3: Profile of the Pilot Study: In-Depth Interviews

*Those who have experience of over ten years and have a regular habit of consuming luxury products.

**Those who only consume luxury brands on special occasions, such as birthdays, weddings and holidays.

The unstructured list of questions (Table 4.4) was prepared for discussions with respondents on their luxury consumption orientations, consumption perception, luxury brand image and luxury consumption satisfaction.

Unstructured question content	Insights
The meaning of luxury	Luxury brand consumption orientations
Reasons for buying luxury brands/goods	
The image of people using luxury brands	Luxury brand consumption perceptions
Gifting behaviour – is a luxury brand a must when giving gifts?	
Importance of the brand’s history	Luxury brand image
Importance of the brand’s country of origin	
Should big logos be displayed in an eye-catching place?	
Online luxury purchases	Luxury brand consumption satisfaction
In-store experience of luxury brands	
Should luxury brands offer sales or discounts?	

Table 4.4: An Unstructured List of Questions on Opinions about Luxury Consumption

As part of the exploratory qualitative research, in-depth interviews with luxury consumers are of vital importance. The objectives are to collect insights from consumers or users of luxury brands about their luxury orientations, the reasons for their purchases, what they value most in luxury jewellery brands, their attitudes and habits of purchases, etc. Together with inputs from the in-depth practitioner interviews, the opinions of consumers are useful for the survey in the second phase of the study, such as to reconfirm the hypotheses, to develop the luxury orientation constructs model and questionnaire design, etc.

4.3.1.2 Results of exploratory research

A. Results of company in-depth interviews (Stage 1)

The three interviews were successfully conducted, and opinions were collected to draw on the expertise of these famous retail brands. Nowadays the majority of luxury business in Hong Kong relies on Mainland shoppers. Hong Kong marketers who have extensive experience in dealing with both Hong Kong and Mainland shoppers are able to provide a very useful picture for understanding the behaviour and consumption values of Chinese shoppers. From the three company interviews, some common opinions were extracted, such as face or social status orientation as the dominant factor that leads to luxury jewellery purchases. In addition, consumers are searching for uniqueness, hedonism and investment value through their jewellery purchases. Details of the three interviews are as follows:

Company 1: Cartier (global luxury brand):

The interview was conducted with the Jewellery Manager, Ms. Shirley Lam, who is responsible for the luxury jewellery department. According to Ms. Lam, 70% of its customers are Mainland shoppers, while only 30% are local Hong Kong shoppers.

According to Ms. Lam, Mainland Chinese consumers are more willing to spend than Hong Kong consumers. They are younger and very brand conscious. Customers from different cities behave very differently. Those from first-tier cities are usually more knowledgeable and less concerned about the brand prominence issue, while people coming from smaller cities do care about big logos on the jewellery. In general, Ms. Lam feels that Mainland shoppers are buying Cartier jewels mainly for social reasons, such as showing off in front of their relatives and friends about their social status. On the contrary, she feels Hong Kong shoppers are more concerned with self-satisfaction.

For this expensive international brand, shoppers are normally motivated to shop because of their own feelings toward the brand, brand status and perceived brand quality, while price is the least important consideration. Ms. Lam also mentioned that the most popular items for Mainland shoppers are signature designs with logos clearly shown on them so they are quite distinct from other brands. This implies the importance of uniqueness and face orientation for Mainland luxury consumers. She further emphasised, “Those with the Cartier logo are the best-selling items because they deliver confidence and representation of the brand.” She said these designs are well known and have high awareness among shoppers’ peers and friends back home.

However, when the company wanted to maintain contact and develop a VIP plan, Mainland shoppers were not willing to disclose their contact details for future relations. These Chinese consumers may worry that extravagant spending on luxury jewellery is a sensitive issue and is not acceptable in China.

As for Hong Kong customers, Ms. Lam commented that they are more knowledgeable about the latest trends and updated designs, although they do not spend as much as their Mainland counterparts. In general, Mainland Chinese are particularly keen to buy unique signature items and the exclusive logo means a lot to them. In other words, they are concerned to project a unique self-image to their peers at home. Hence, face-saving and social status are the ultimate goals for them.

A more detailed summary of the interview of Cartier can be found in Appendix B.

Company 2: Chow Sang Sang Jewellery (local luxury brand)

Mr. Winston Chow, Director and Deputy General Manager of the Chow Sang Sang Jewellery (CSSJ) group, was interviewed. He spent more than one hour sharing his experience and insights about the jewellery market and his perceptions of Chinese consumers' luxury consumption orientations. CSSJ is one of the biggest jewellery retailers in Hong Kong and the region. With a 70+-year history, CSSJ is famous for offering quality jewellery. It currently operates more than 100 shops in the Greater China region. Of the total turnover, HKD5,749 million, or 69%, is attributable to jewellery retail, increasing 55% since the first half of 2010. Operating profit rose 66% to HKD626 million. Hong Kong and Macau accounted for 61% of total jewellery retail turnover. Out of this, 47% came from Mainlanders (Interim Report of Chow Sang Sang Holding International Limited, 2011).

According to Mr. Chow, two-thirds of the company's business is from Mainland China. He said Mainland Chinese customers have a bigger budget to spend on gift items than when buying for self-use. In line with the Cartier interview, Mr. Chow also commented that Mainland Chinese shoppers like to buy signature items with logos of famous brands, including that of CSSJ. The business carries different brands including some Italian ones in addition to its own signature design brand. The consumption preference and attitude reflect that Chinese shoppers are status oriented and self-satisfaction oriented.

Mr. Chow further emphasised that many loyal Chinese customers of CSSJ come back to their shop every time they visit Hong Kong. He stated that Mainland shoppers trust only retailers with a long history and reputable image. CSSJ has earned their trust so they continue to buy and recommend friends and relatives to buy from CSSJ. They often come in the shop with a group of friends who have bought from CSSJ before, or through referrals. In other words, Chinese consumers are face oriented and they usually buy brands that their friends have recommended or approved.

When asked about the criteria of success, Ms Chow highlighted that buying from CSSJ ensures shoppers obtain genuine quality, such as real gold and diamonds. In particular, they have a reliable image in the minds of Mainland people. To Mainland shoppers, trustworthiness is very important for purchasing jewellery, as they believe these items have investment value. Therefore, they are very loyal to reputable retailers for such a quality guarantee. Mr. Chow was very confident and said, “Mainland shoppers that have never been to Hong Kong look for our brand especially when they are buying gifts.” In general, Mr. Chow is very proud of his company and the relationship developed with Mainland customers. In short, one can observe that Chinese shoppers purchase only at retailers with reputable, reliable images where they are confident of the good and genuine quality of the luxury jewellery being bought.

A more detailed summary of the interview of Chow Sang Sang can be found in Appendix C.

Company 3: Emphasis (local luxury brand)

Emphasis is a younger designer brand of Chow Sang Sang, and it has been present for just over ten years in Hong Kong. This sub-brand of Chow Sang Sang is targeting modern, trendy and young-at-heart Chinese consumers. The interview was conducted with Ms. Carol Wong, Brand Manager of Emphasis. Although the company has no retail store in Mainland China, Ms. Wong said many Mainland Chinese like their brand, though the awareness is not as high as Chow Sang Sang. They are targeting fashion-oriented young customers who like modern and unconventional designs. Ms. Wong said face consciousness is a very important factor for Mainland Chinese shoppers, especially visible brand logos that should be displayed on items. She further commented that their brand focuses on not just good quality, but it emphasises more

the unique modern designs that attract modern Mainland jewellery shoppers who are keen to try out the reputable and unique logos and demonstrate them to friends. Thus they can show their good taste and social status. In other words, young and modern Chinese are very face oriented and uniqueness oriented. Big logos are no longer the best attraction for them to buy jewellery.

A more detailed summary of the interview of Emphasis can be found in Appendix D.

Key opinions from company in-depth interviews	Number of mentions	Related luxury orientations
- Chinese consumers are willing to spend on luxury jewellery items for themselves and as gifts	12	IO/HO
- Chinese consumers are very brand conscious when buying luxury jewellery	10	FO/UO
- They buy luxury jewellery for social reasons	12	FO
- Price is less important compared to social status when they are buying luxury jewellery	8	FO
- Reputation of brands/logos is important for Chinese consumers	11	FO/UO
- They tend to buy from high-quality and reputable retailers	10	IO
- They are buying jewellery for self-satisfaction orientations	10	HO
- They are buying luxury jewellery for face-saving reasons	15	FO
- They are buying the unique design of luxury jewellery and this is valued by Chinese consumers	12	UO
- Investment value is important in their purchase of luxury jewellery	11	IO

Table 4.5: Content Analysis of Company In-Depth Interviews: Opinions and Ideas Collected from Three Jewellery Companies

Key: FO = Face Orientation, UO = Uniqueness Orientation, HO = Hedonism Orientation, IO = Investment Orientation

Implications and content analysis of the company interviews:

The above table (Table 4.5) illustrates the key messages and information collected from the company in-depth interviews on how they view the attitudes of their consumers when purchasing jewellery. Also, the number of mentions of key opinions collected from the three jewellery companies indicates the related luxury orientations to be adopted at a later stage in the main quantitative study in Phase 2. Opinions that were mentioned equal to 5 or less or are not related to the four luxury orientations were not reported in the table.

Overall, the interviews proved useful for better understanding the actual buying behaviour of luxury Chinese consumers and their values. In general, the three in-depth interviews have consistent comments about luxury consumption values of Chinese consumers. All of them stated that Mainland Chinese consumers are willing to spend on expensive luxury jewellery items and they buy for social reasons, investment value, unique design and self-satisfaction in terms of hedonism.

They also pointed out that high awareness of the brand among their friends is important, as they can make sure that the items they bought are known to their friends. In doing so, they feel respected and are perceived to have high social status. Face was emphasised by Mr. Chow, who believed that Mainland Chinese customers need face when buying jewellery, so prominent brands are popular. Chinese consumers can show off the items that they bought from Hong Kong among their peers who have knowledge of well-known brands. Also, uniqueness in style and design is also considered an important element among modern shoppers looking to show off their good taste. For Hong Kong consumers also, the interview results were consistent. Compared with Mainland shoppers, Hong Kong shoppers are relatively less brand conscious, less willing to spend and do not go for prominent brands.

B. Results of consumer in-depth interviews (Stage 2)

Method of analysing consumer in-depth interviews

1. Quoting – get transcript, highlight key words or phrases
2. Classification: Consumers' opinions are divided into six groups of aspects
 - (a) Meaning of luxury brands and the image of luxury brand consumption

- (b) Reasons for consuming luxury brands
- (c) Necessary to choose luxury brands for gifts?
- (d) Should the logo be displayed prominently?
- (e) Online shopping
- (f) Investment and price

The findings relating to consumer in-depth interviews are classified into the following categories and are discussed as follows:

(a) Meaning of luxury brands and the image of luxury brand consumption

The in-depth interviews with Mainland respondents suggest that they consider people who wear luxury brands fashionable, wealthy and more successful. All Mainland shoppers (seven out of seven interviewees) associated luxury brands with higher social status and believe these brands can raise one's social status and impress others. None of them showed concern for how luxury goods can reflect a better taste and style. On the other hand, they often talk about how their peers regard consuming luxury brands as a way to climb up the social ladder, and how society is now viewing luxury goods as a social norm.

Interestingly, the Mainland Chinese interviewees repeatedly stressed that their motivation for purchasing luxury products is different from the rest of luxury brand buyers. They kept emphasising that they simply buy luxury to reward and satisfy themselves rather than trying to impress others. However, it appears there is a rather contradictory attitude here when Mainland consumers try to identify what luxury brands mean to themselves and to their peers. They are trying to justify their own luxury consumption by providing some socially approved reasons instead of vanity. Nonetheless, they all emphasised that other people in China are buying to "show off".

Of the Hong Kong interviewees, three regarded face and social status as the main reason for buying luxury brands. Four interviewees thought consuming luxury brands can better reflect personal taste and aesthetics. Four out of seven interviewees mentioned that self-satisfaction is the most important motivation behind consumption, such as better quality and design. Overall, the Hong Kong interviewees perceived luxury as a reflection of their personal taste, social status, product durability and the preservable long-term value of products. In short, it noted that Hong Kong buyers

seem to be more concerned with their personal preferences and practicality than simply consumption to impress others.

In general, both groups agreed that social status is an important driving force behind luxury consumption. Also, both groups were concerned with the exclusivity of luxury goods and agreed that when a brand gets too common it eventually loses its attractiveness and becomes less desirable. They both preferred brands that are more exclusive and unique. Some Chinese consumers who have experience in luxury brand purchases are more concerned with exclusivity and they expect extreme uniqueness of the luxury brand. On the other hand, less-experienced luxury consumers are not so concerned with exclusivity. However, the less-experienced Mainland Chinese respondents seemed to like brands to be well known to their friends as they need their approval. This indicates the importance of extreme uniqueness and varied attitudes toward different levels of uniqueness.

(b) Reasons for consuming luxury brands

Mainland buyers with extensive experience of over ten years in the luxury goods market are more knowledgeable about different luxury brands. Like Hong Kong consumers, they are concerned with the design, quality and in-store service of luxury brands. Given their rich experience as luxury consumers, they have already developed strong emotional ties with a few brands that suit their needs and “personality”. They are looking for brands that match their self-concept and are in line with the concept of hedonism.

Meanwhile, occasional buyers are more easily driven by special occasions, advertisements, brands and peer pressure. They care about the famous luxury brands they are buying. Most of them justified their purchases for reasons of pleasing and awarding themselves, rather than any external social reasons. Interestingly, both experienced and occasional buyers were influenced by word of mouth. This indicates that, in China, consumers care about their peers’ approval and are influenced by reference groups. In other words, Chinese consumers are both face and group oriented (Yau, 1986; Monkhouse, Barnes and Stephan, 2012).

For Hong Kong consumers, self-satisfaction, quality and design are the major reasons for purchasing luxury products. They are generally more sensible and realistic

compared to Mainland shoppers, who are more face and social status oriented. VIP service also plays a role in attracting consumers to purchase more. One Chinese respondent actually said she bought more when she was served in a very polite manner by the in-store sales lady. The interesting fact is that five out of the seven Hong Kong respondents said they do not consider very popular brands, because they thought these brands cannot reflect good taste and uniqueness. When a brand becomes too popular and common among shoppers, it eventually loses its uniqueness and turns off some buyers who are looking for extraordinary products instead. This opinion was common among Hong Kong Chinese and experienced Mainland Chinese luxury buyers. In sum, both groups were concerned about social status as well as the unique image of the luxury items when making a purchase.

(c) Necessary to choose luxury brands for gifts?

All Mainland interviewees noted that “it depends on the social status of the receiver”, “budget” and “occasion” to decide whether a luxury brand should be chosen as a gift. When it comes to business contacts, particularly when buying gifts for superiors or people of respectable status, luxury brands are considered necessary. This indicates that luxury brands as gifts help givers and receivers to save face.

Similarly, three out of four experienced Hong Kong buyers said they choose luxury products over other items for gifts to show more respect to the receiver. One interviewee also mentioned that “Mainland Chinese business contacts are easily pleased when they receive luxury products as gifts”. The remaining four interviewees considered that needs and preferences of receivers are more important than simply buying luxury brands. This further indicates that the face element is important when buying luxury gifts for Chinese business contacts.

(d) Should the logo be displayed prominently?

Although Mainland shoppers said that buying luxury is simply for self-satisfaction instead of displaying wealth and being flashy, they tend to prefer logos that are eye-catching and easy to recognise. One Mainland interviewee said, “It is necessary to have catchy logos, otherwise there is no point in buying the luxury brand.”

In contrast, almost all Hong Kong buyers thought it unnecessary to have eye-catching logos on luxury products. One Hong Kong interviewee preferred “understated brands” and “understated designs”, while some felt that wearing large logos associated with popular brands on clothes or on their bags would make them feel like they are helping the brand to advertise when they carry such products.

Although both groups of Chinese consumers care about luxury consumption for social status, they have different views regarding logo displays. Both are searching for extremely unique features to stand out from the crowd. Logos are perceived to be important, but it seems that interviewees prefer unique and exclusive logos that can highlight face and good taste. The rationale is that logos of luxury brands let people see the product as a sign of quality and wealth. On the other hand, some individuals who already have money and status do not need to showcase their standing. They prefer a more understated approach and focus on discrete luxury to distinguish themselves from other luxury buyers. Overall, this reflects that, in addition to face orientation, luxury brand logos can satisfy users’ exclusivity or uniqueness orientations.

(e) Online shopping

Most interviewees do not prefer online shopping for jewellery items, as they said, “There is no guarantee of the quality of goods sold over the internet, especially jewellery items.” They said they enjoy touching the products and seeing the products in shops before they purchase. More than half of those who like to buy from offline shops are relatively more mature and experienced shoppers. Their opinions can be explained by the fact that Hong Kong is the most popular place for Mainland shoppers to purchase luxury items, and it represents a location of trustworthiness with a guarantee of genuine quality. Particularly, it is important for consumers to ensure the authenticity of goods for future preservation and investment value.

(f) Investment and price

Interviewees generally do not prefer luxury brands to go on sale as it will lower the value of luxury products and make them less attractive. This result is consistent with Morgan Stanley’s report (SCMP, 2015), which suggested that many Chinese like to chase deluxe branded handbags or cars, but when they buy jewellery they feel “value

for money” is more important. Jewellery luxury goods are timeless and can be regarded as an investment for future value. *Red Luxury* (2015) reported that many consumers in China believe that buying luxury goods is an investment for the future as its value increases. This is true for watches, wine, jewellery, antiques and arts. Therefore, many people are starting to collect these items for their increased monetary value in the future.

The luxury market in China is growing in terms of sophistication as more local consumers (KPMG report, 2013) are able to appreciate the heritage and history of a luxury brand. Moreover, collecting unique luxurious items is also a way to reflect personal taste. These purchases are mostly planned, as finding and collecting distinctive artefacts requires a considerable amount of time and expertise (*Red Luxury*, 2015). This suggests jewellery is one of the most important investment items among Chinese consumers.

Timelessness and uniqueness of jewellery are also important for investment purposes. Many interviewees mentioned that when too many people can afford to buy a brand due to a discounted price, then the brand loses its uniqueness and exclusiveness.

A more detailed summary of the consumer interviews can be found in Appendix E.

Implications and content analysis of consumer in-depth interviews

The main opinions and ideas collected from the consumer in-depth interviews were content analysed by the number of contents, and they can be summarised into three main categories: (1) Factors affecting purchase decisions of luxury brands; (2) Meaning of luxury brands; and (3) Image of people wearing luxury brands (Table 4.6). Further, the analysis suggests the four related luxury orientations to be examined in the main survey study at a later stage. Opinions that were mentioned equal to 5 or less or were not related to the four luxury orientations were not reported in the table.

Consistent with the past literature on luxury consumption (Vigneron and Johnson, 1999, 2004; Berry, 1994; Dittmar, 1994; Corneo and Jeanne, 1997; O’Cass and Frost, 2002) regarding the motives for consuming luxury brands, many Mainland Chinese interviewees care about the importance of “buying to impress others” or interpersonal influence. However, luxury consumption orientations or motives for buying luxury

brands should not be restricted purely to interpersonal motivation attributes (Hansen, 1998; Wong and Ahuvia, 1998; Vigneron and Johnson, 1999, 2004; Wiedmann, Hennigs and Siebels, 2009). Face orientation is only one dominant factor leading to luxury consumption. Vigneron and Johnson (2004) introduced two types of luxury consumption orientations: social and personal orientation. Similarly, the results of the in-depth consumer interviews of this study pointed out that the interviewees were both social oriented (value face saving and uniqueness) and personal oriented (value hedonism and investment). Hence, people are not merely motivated by social values when buying luxury brands.

	Number of mentions	Related luxury orientations
Factors affecting purchase decisions for luxury brands		
- Strong brand loyalty	10	FO
- Product design, quality and style	28	UO/HO
- User experience is of good quality	18	HO
- For special occasions	18	FO
- Branding and word-of-mouth effect	25	FO
- Self-satisfaction	38	HO
- Reflect personal taste/more appealing	14	HO
- Better personal service, VIP service	18	HO
- Function/durability/practical	19	IO
- Social status	39	FO
- Country of origin	24	IO
- History of the brand	20	IO
- Uniqueness of the product and brand	29	UO
- Value of the brand/product	18	IO
Meaning of luxury brands		
- Social identity	27	FO
- Self-satisfaction	31	HO
- Personal taste	18	HO/UO
- Matching self-concept	10	HO
- Economic power	15	IO
- Good quality and practicality	38	IO
Image of people wearing luxury brands		
- When the brand gets too common and less appreciated and loses its exclusiveness	29	FO
- They are trendy and fashionable	28	UO/HO/FO
- They have social status and are more superior	30	FO
- Reflect personal taste/more appealing	26	UO/HO

Table 4.6: Content Analysis of Consumer In-Depth Interviews: Three Categories of Opinions and Ideas

Key: FO = Face Orientation, UO = Uniqueness Orientation, HO = Hedonism Orientation, IO = Investment Orientation

The findings from the in-depth consumer interviews were fruitful and constructive, and they further confirm that Mainland consumers are motivated by social status or face value, hedonism, uniqueness and investment values when purchasing luxury goods.

(a) Face Orientation

Generally speaking, Chinese interviewees are very concerned about face saving when they buy luxury brands and they care about the judgement of their peers. Face orientation is the dominant factor influencing luxury purchases among Chinese. Interestingly, Mainland Chinese who are experienced in buying luxury goods do not want to admit the fact that the objective of buying luxury goods is to gain social status and impress others. Instead of talking about their own attitudes and opinions, they rather talk about their friends' behaviours of luxury consumption. When explaining to the interviewer, they like to cite examples and describe the behaviour of other people. One interviewee said: "China is becoming rich and many of my friends buy luxury brands to show off, but I won't do that." Most of the time it is their friends who like to buy luxury to show off and not them. The interviewees were usually experienced shoppers who frequently go to Hong Kong to buy jewellery. It is common in China for people to feel shame for being too extravagant because of a traditional Chinese culture perspective, so they do not openly admit that buying luxury is for social status. Chinese cultural factors may provide explanations for the response that traditional beliefs of good attributes such as thrift and humility may have influenced them to give socially approved reasons for their own luxury purchases, hence not being direct in admitting a preference for luxury consumption. In fact, this is another evidence of face saving, as they were trying to avoid being embarrassed by admitting they buy luxury for status.

Hong Kong interviewees gave relatively more direct answers and openly admitted that buying luxury brands would give them better social status and satisfy their needs for self-satisfaction. Overall, China is low in individualism and high in power distance, hence Mainland Chinese luxury consumer behaviour is less individual but more for the need of maintaining group approval and relationships (Hofstede, 2001).

(b) Uniqueness

Both groups were concerned with exclusivity and agreed that when a brand gets too common it eventually loses its attractiveness and becomes less desirable. Uniqueness orientation is another important factor behind luxury brand purchase decisions of Chinese consumers. Regarding the preference for logo displays on goods, the results are consistent with the findings of Han, Nunes and Dreze (2010) that some interviewees like to purchase “loud” luxury goods, while others rather settle for “quiet” luxury. In general, some Mainland Chinese were keen to have more visible logos displayed on goods, while others like to have understated logos or no logo. Rather, these interviewees preferred unique and exclusive designs that are not commonly owned by other luxury consumers. This is in line with Han, Nunes and Dreze’s (2010) argument that wealthy consumers low in a need for status want to associate with their own kind and pay a premium for “quiet” goods that only they can recognise. Wealthy consumers high in a need for status, use “loud” luxury goods to signal to the less affluent that they are not one of them. Surprisingly, some Mainland Chinese interviewees even worry their luxury brand goods are too flashy, which may signal to others that they are wealthy.

(c) Hedonism

Like Hong Kong consumers, experienced Mainland Chinese consumers were also concerned about the design, quality and in-store service. Both groups of Mainland Chinese interviewees, especially those with rich experience in luxury consumption have developed strong emotional ties with a few brands that suit their needs and “personality”. From the interviews it can be observed that the self-concept or hedonism orientation influences luxury brand purchases. In addition to social status, they were also concerned about their own satisfaction through the enjoyment of the luxury product’s quality.

(d) Investment

The respondents generally do not prefer luxury brands selling at discounts, i.e., going on sale, as they feel this lowers their value and makes them less attractive. One of the most important decision criteria among Chinese people making a purchase is the preservation of future value. Jewellery is one of the most popular investment items

among Chinese consumers, especially when they need to buy gifts for special occasions such as weddings, birthdays, etc. Hence, investment orientation is another influencing factor for luxury brand consumption among Chinese.

To conclude, face orientation influences both groups of Chinese consumers, but one can note that Mainland Chinese are less direct while Hong Kong consumers are more direct in admitting social status considerations. This suggests that though Mainland Chinese have a strong appetite for luxury brands, they want to hide the fact that they buy luxury items for face-saving purposes. In addition to face orientation, searching for uniqueness, investment and hedonism are also the reasons behind luxury consumption for Chinese shoppers. It can be observed that luxury consumption is growing rapidly in China and therefore the complex underlying luxury consumption orientations – such as face, hedonism, uniqueness and investment – are increasingly important issues that marketers need to understand.

Results from these interviews have helped to develop the questionnaire further and the operationalisation of the four constructs (details in the next section).

4.3.2 Quantitative research study (Phase 2)

Results of the above two stages of the exploratory research (company and consumer in-depth interviews) in Phase 1 justified the choice of the four luxury consumption orientations to be included in the main study, which is the third stage of data collection. In this section the following are discussed:

1. Survey instrument and questionnaire design
2. The sample and sampling procedures
3. Data collection procedures
4. Scale development
5. Data analysis methods

4.3.2.1 Survey instrument and questionnaire design

The questionnaire was phrased with simple and straightforward questions. The instrument consisted of basic attitude statements, and simple close-ended questions relating to

the choice of brands being purchased. Respondents were asked to rate their luxury consumption orientations. The operationalisation of the scale is discussed later in this section. The questions were answered using a six-point Likert scale. Likert scales are used to describe either positive or negative responses to statements. Six-point scales were used to avoid the centrality of “neither agree nor disagree”. This is sometimes called a “forced choice” method where the neutral option is removed. Hence, respondents are forced to take sides. The rationale behind this is that the neutral option can be seen as an easy one to take when a respondent is unsure, and so whether it is a true neutral option is questionable. Particularly in the Chinese culture, people tend to be neutral and not be too direct in their judgement (Yang, 1981).

The questionnaire consisted of three main sections. The first measured the actual purchasing experience and actual luxury brand purchases. The second focused on the major constructs of this research study, namely luxury values and orientations of the respondents. The third covered relevant demographic information of the respondents.

A structured questionnaire was therefore used to investigate the four luxury orientations affecting the respondents’ purchasing behaviours in the two sub-populations. The entire questionnaire, administered in Chinese, was back-translated to ensure that the meanings of all items in the Chinese version were the same as in the original English version. To ensure better understanding of the questions, both simplified Chinese and traditional Chinese versions were used for Mainland Chinese and Hong Kong respondents respectively.

The questionnaire is composed of three parts:

Part 1. Actual purchase of luxury brands

Part 2. Scales for luxury consumption orientations

Part 3. Demographic variables

Part 1: Actual purchase of luxury brands

a. Procedure of questions in Part 1

In order to test the hypotheses, respondents were asked to indicate if they had bought the following four famous jewellery brands: Tiffany, Cartier, Chow Tai Fook or Chow Sang Sang. To avoid bias whereby respondents would select their preferred luxury brand, they

were asked about their past experience of consuming luxury brands before further questions were posed on their luxury consumption orientations. The first part of the questionnaire aimed to measure respondents' actual purchasing behaviour of luxury jewellery brands and to test the relationship with luxury consumption orientations in Part 2. Their past purchases of the four famous luxury jewellery brands were categorised into global (Cartier and Tiffany) and local (Chow Seng Seng and Chow Tai Fook).

- b. The rationale for choosing Cartier and Tiffany as global luxury brands, and Chow Tai Fook and Chow Sang Sang as local luxury brands

The rationale for choosing these four brands was based on objective information on their performance and their popularity in the minds of Chinese consumers. For global brands, Cartier and Tiffany, the two most popular international jewellery brands in the Chinese consumer's mind (Sino Weibo, 2015), were selected. These two brands were the most-purchased international luxury jewellery brands by interviewees in Stages 1 and 2. Most importantly, as evidenced during the in-depth consumer interviews at the exploratory stage, consumers considered Cartier and Tiffany to be the two most popular luxury global jewellery brands.

For the luxury local jewellery brands, Chow Tai Fook and Chow Sang Sang were chosen. The "Global Powers of Luxury Goods 2015" report conducted by Deloitte released in 2015 on the top 100 global luxury brand rankings, Hong Kong jewellery giant Chow Tai Fook ranked as the fourth-largest luxury goods company in the world (*Jing Daily*, 2015). It was also pointed out that, despite a high preference for international brands like Cartier and Tiffany, jewellery brands such as Chow Tai Fook, Chow Sang Sang and Luk Fook still own a significant share of the jewellery market in Hong Kong. A report by Morgan Stanley (SCMP, 2015) revealed that these top three Hong Kong-listed jewellery brands (Chow Tai Fook, Chow Sang Sang and Luk Fook) own a 40% share of the jewellery market in Hong Kong. According to the BBC News (2011), Chow Tai Fook and Chow Sang Sang might not have quite the same prestige as Tiffany or Cartier, but they are well-respected brands in China and the region. These two local brands were the most popular among Mainland shoppers who visited Hong Kong to buy wedding gifts and wedding jewellery. It was argued that when Chinese buy jewellery, they feel "value for money" is very important and this tends to benefit the Hong Kong-listed luxury jewellery brands Chow Tai Fook, Chow Sang Sang and Luk Fook (SCMP, 2015).

With respect to the performance of these brands and, together with opinions collected from the exploratory stage (Stage 2) of the in-depth interviews with the consumers in this study, Chow Tai Fook and Chow Sang Sang were then classified as the top local luxury jewellery brands in the region. Therefore, these two brands were adopted in the study to represent the local luxury brands, while Cartier and Tiffany were adopted as luxury global brands.

Part 2: Operationalisation of the scale of luxury orientations

Part 2 consisted of a list of attitude statements developed from two sources. First, the statements were adapted and modified from scales used in prior research (Wang, Sun and Song, 2011; Bao, Zhou and Su, 2003; Forsythe, 2011; Wiedmann, Hennings and Siebels, 2009) and, second, based on opinions from the qualitative research and in-depth consumer interviews. Finally, an adapted scale of 31 statements was developed. A new Luxury Orientation Scale or questionnaire was designed with an inventory of 31 items, including 14 items for the Face Orientation scale, seven items for Uniqueness, five items for Investment Orientation and five items for Hedonism.

Face Orientation

There were 14 items for Face Orientation adapted from the past literature (Wang, Sun and Song, 2011; Bao, Zhou and Su, 2003; Li and Su, 2006; Forsythe, 2011), combined with opinions collected from the company and consumer in-depth interviews. These consisted of three sub-dimensions.

People buy luxury goods in order to

1. Not bring shame to themselves
2. Gain attention from others, how others perceive them
3. Protect the pride of the family
4. Safeguard face
5. Enhance and improve face
6. Not buy cheap gifts for friends to avoid both parties losing face

When people buy luxury goods,

7. It is important that others like the products and brands that they buy
8. They sometimes do so because their friends also consume such goods
9. It does not matter what their friends think of the different brands before they purchase
10. They will be satisfied when other people compliment them for the product
11. It is because they admire people who own luxury goods

People buy luxury goods in order to

12. Distinguish themselves from others
13. Conform to their social status
14. Bring them a sense of prestige

Table 4.7: Items for the Three Dimensions of Face Orientation

Uniqueness Orientation

A total of seven items were used for uniqueness. These items were adapted from the previous literature (Wang, Sun and Song, 2011; Wiedmann, Hennings and Siebels, 2009) and opinions obtained from in-depth interviews (Stages 1 and 2).

People buy luxury goods

15. In order to feel that wearing them makes them feel different
16. In order to feel special
17. In order to feel different from others
18. To be among a few prestigious people that own such products
19. To make themselves stand out
20. That are not mass-produced
21. Because they are exclusive

Table 4.8: Items for Uniqueness Orientation

Investment Orientation

There were five items used for investment, and these were also adapted from past literature (Wang, Sun and Song, 2010) and opinions collected from the in-depth interviews.

People buy luxury goods

22. Because they believe the value of such goods will increase in the future
23. For the purpose of making an investment
24. For the purpose of passing them on to their children
25. To share them with their family members
26. As they will remain fashionable over the long term

Table 4.9: Items for Investment Orientation

Hedonism Orientation

There were five items used to measure hedonism. They were adapted from the past literature (Bao, Zhou and Su, 2003) and opinions from the in-depth interviews.

People buy luxury goods

27. To make themselves dream
28. For a feeling of fulfilment
29. For their self-indulgence
30. For their own pleasure
31. To bring joy

Table 4.10: Items for Hedonism Orientation

The design of attitude statements in this research has adopted the indirect questioning technique (Fisher, 1993) due to the sensitive nature of luxury consumption of jewellery in the Chinese market. The phrasing of the 31 items in this new luxury orientation scale was adapted from the original format that focused on respondents' personal attitudes towards luxury orientations. In order to avoid bias, all items were in an indirect questioning format,

for example, instead of “Named products and brands purchase can bring me a sense of prestige” (Bao, Zhou and Su, 2003), the item was changed to “People buy luxury brands because that will bring them a sense of prestige”. The indirect question wording is supported by McNeeley (2012) who has investigated the validity of indirect questioning in reducing social desirability bias, and found that the indirect questioning technique reduces social desirability bias.

In fact, where many research topics are considered sensitive or threatening, studies have shown that respondents tend to answer inaccurately (Schuman, H. and Presser, S., 1981; S. McNeeley, 2012). The sensitive or embarrassing questions make respondents feel uneasy, such as topics related to drugs, alcohol, sexual behaviour, etc. Respondents may find it embarrassing to admit that they did not engage in the desirable behaviour or did engage in the undesirable one, resulting in deliberately over- and under-reporting respectively. These inaccurate answers or social desirability bias (Schwarz and Oyserman, 2001) affects the reliability of the research data.

On the other hand, cultural characteristics of the group being surveyed must be considered when attempting to conduct surveys on sensitive topics, as the sensitivity of the topic can vary depending upon the target population (Barnett, 1998). Different cultural groups have different norms and preferences, where in this study the collectivistic Chinese respondents who may consider buying global luxury jewellery is an extravagant lifestyle which against their humble lifestyle.

In addition to the literature on the effects of indirect questioning techniques (McNeeley, 2012; N. Schwarz and D. Oyserman, 2001; Schuman, H. and Presser, S., 1981), the reason for adopting the indirect questioning technique in this research was also supported by opinions collected from company and consumer in-depth interviews. According to the interview with the manager of Cartier, she said Chinese consumers are unwilling to disclose their contact details when asked to join VIP programmes of the brand. It is common that many Chinese who are newly affluent are afraid to be labelled as corrupt and as an object to be investigated. This indicates that many Chinese luxury consumers are still concerned about how they are perceived by others and they try to conform to the social norm of the humble Chinese culture.

For the consumer in-depth interviews, the majority of respondents during the

interview did not admit they were keen on buying luxury brands, but they expressed that buying luxury goods was popular and common among their friends. This suggests that Chinese consumers may not like to openly admit their luxury purchasing habits, as it may not be socially desirable within traditional Chinese culture.

With the understanding that Chinese consumers may feel embarrassed about answering sensitive questions on their luxury purchases and thus they may provide socially desirable answers (therefore not addressing directly their own purchasing behaviours), the indirect attitude statement technique or third-party approach was used in the questionnaire design to encourage respondents to answer more objectively. Most importantly, many Chinese might still think that buying luxury items is not in line with Chinese culture. Traditional Chinese culture tends to have a strong savings mentality, i.e., they save money for future use, such as for healthcare, future retirement, their child's education, family elders, etc. (Faure and Fang, 2008). This kind of Chinese behaviour actually also reflects the concern for face saving and the desire to be seen as responsible consumers who do not behave against their traditional culture.

In order to avoid the mid-point tendency associated with the Chinese who want to be neutral in their attitudes to maintain harmony, respondents in this survey were asked to rate these statements using a six-point Likert scale, ranging from strongly disagree (1) to strongly agree (6). According to Yang (1979), six-point scales are better for Chinese respondents.

Part 3: Demographic variables

In the questionnaire, the last section related to classification data so that information about respondents' age, gender, income, nationality and marital status was obtained. Nationality was measured by two options: either Mainland Chinese or Hong Kong. Filter questions at the beginning of the questionnaire were used so that respondents with nationalities other than these two would be excluded from the study. The sample of the questionnaire is attached in Appendix F.

4.3.2.2 The sample and sampling procedures

This section deals with the characteristics of respondents in the personal interview survey. First, the population and sampling frame are discussed. Then, a presentation of the

determination of sample size is given, followed by a description of how respondents in the survey were identified.

(a) Population

To test the hypotheses, data was drawn from the two populations, namely luxury consumers from Hong Kong and Mainland China.

(b) Sampling frame and unit

The sampling frame of the main study relates to the accessible population from which the sample can be systematically drawn. Therefore, Hong Kong was chosen as the location for the study, as it is one of the most popular cities for Chinese luxury shoppers. Hong Kong is one of the world's top destinations for luxury brands, attracting 84% of luxury companies, with 41% of international retailers having a presence there (CBRE, 2011). It was ranked number one city in Asia for luxury purchases, especially for Mainland tourists, as reported in CBRE's "How Global is the Business of Retail" (2012). Over 70% of visitors to Hong Kong come from Mainland China (CBRE, 2012). In addition, it was also discovered from the in-depth company interviews that over 70% of the luxury jewellery retailers' business comes from Mainland visitors. Hence, Hong Kong is an appropriate location for this study.

In terms of respondents' ages, the survey only selected shoppers aged between 18 and 60, as people within this age bracket have higher spending power and are more likely to purchase luxury products. A research study by Ching-Yaw Chen et al. (2012) explored the differences between Taiwanese women's purchasing decisions in the case of luxury goods, and it discovered that women aged 21-40 years dominate luxury goods shopping and most of them are well educated and independent.

In this study, the population was confined to Mainland and Hong Kong Chinese luxury shoppers. Other nationalities were excluded.

(c) Sampling units

Personal interviews in shopping malls were conducted in busy areas in Hong Kong where Mainland tourists like to visit.

In order to provide a representative sampling frame, five locations in the busiest shopping districts in Hong Kong were selected: Tsim Sha Tsui, Central, Causeway Bay,

Shatin and Mongkok, covering Hong Kong Island, Kowloon and the New Territories. These shopping districts represent high- and middle-end shopping districts.

(d) Sampling methods

Convenience (semi-systematic) sampling was used to select respondents in the shopping districts. The interviews took place in front of the most popular high-end luxury brand boutiques where usually a long line of shoppers is waiting outside stores for the chance to get in. These shops are Tiffany, Chanel, Cartier and Chow Tai Fook, etc. Large numbers of Mainland shoppers flood into Hong Kong to shop every day. Therefore, with heavy visitor traffic, the average waiting time for shoppers is around 30-45 minutes, which is long enough for the interview to be successfully completed.

In fact, many shoppers were happy to answer the interviewers to pass time while waiting outside the luxury stores. Therefore, respondents were selected from these queues. In order to ensure representativeness, every third person in the line was asked to participate in the survey. Whilst this study used a convenience sampling method, respondents had ample time to fill in the questionnaire while they were waiting to enter the stores (Exhibits 4.1 - 4.6)



www.alamy.com - AFF6AR

Exhibit 4.1



Exhibit 4.2



Exhibit 4.3



Exhibit 4.4



Exhibit 4.5



Exhibit 4.6

4.3.2.3 Data collection procedure and fieldwork

(a) Pilot survey

The survey was divided into two stages: a pilot survey and the main survey. To prepare for the main survey study, a pilot study was carried out as a small-scale version of the main survey. Generally, its purposes are to uncover possible problem areas and to evaluate findings in terms of how far the approach was likely to succeed in attainment of the overall research objectives.

The pilot survey was subdivided into retailer pilot tests and consumer pilot tests. In the retailer pilot test, two luxury jewellery retailers were interviewed in a relaxed atmosphere to collect their insights based on an unstructured list of questions to help with the questionnaire formulation.

A small-scale consumer pilot test consisting of 20 respondents (ten Mainland Chinese and ten Hong Kong Chinese) was carried out to learn more about their views and opinions about the questionnaire. The consumers' inputs helped to improve understanding of the actual motives and factors that drive their luxury consumption attitudes, which proved insightful in drafting the final questionnaire.

During the pilot test, 20 respondents were asked to complete the questionnaire. After

they completed the questionnaire, some were selected to be interviewed and asked to discuss whether they understood the wordings of the statements and questions. Only minor modifications were made based on their feedback. The findings were helpful in confirming the validity of the questionnaire and the conceptual model. The final questionnaire and conceptual model were then modified according to the results of the pilot survey.

(b) Sample size

Based on the formula:

$$n = z^2 C^2 / r_2$$

z = standard error for a 95% confidence interval

C = coefficient of variation (sd/mean)

r = measure of relative precision

$z = 2.38$ (99.5% confidence)

$C = 0.392$ (HK), 0.435 (ML)

$r = 0.05$

$n(\text{HK}) = 348$

$n(\text{ML}) = 435$

The total sample size was 801, with 363 Hong Kong and 438 Mainland respondents.

(c) Fieldwork

During the fieldwork, Hong Kong proved to be the most popular shopping location for Mainland shoppers. Although the number of Mainland shoppers is declining, Hong Kong is today still one of the most popular shopping cities for Mainland visitors to purchase luxury brands.

For the actual fieldwork of the main study, research was conducted over a few months

from December to March. This was a good time as it fitted well into the popular shopping season between the Christmas and Chinese New Year festivals. During that time of year, many Mainland shoppers visit Hong Kong to buy gifts and goods for these festivals.

The fieldwork was carried out by 25 interviewers who were final-year students at the Chinese University of Hong Kong. In order to ensure reliability of the interviews, they were divided into five groups and each group had a leader to supervise and coordinate the fieldwork logistics. The author and two experienced research assistants organised the schedule of the fieldwork and visited the interview sites to double check and supervise to make sure the fieldwork procedure was properly carried out. Then the author and research assistants worked through all the statements to check the consistency of the answers to ensure the quality and reliability of the data collected. Finally, around 20 questionnaires were discarded due to incomplete information.

4.3.2.4 Scale development procedure for Face Orientation and luxury orientations of Investment, Hedonism and Uniqueness

Scale of Face Orientation

As the Face Orientation Scale was completely new to the literature, it was subject to a full-scale development procedure and this is discussed in Figure 4.2. Other scales such as hedonism, uniqueness and investment adapted from existing literature will be reported in Figure 4.3.

In Figure 4.2, the left-hand column lists the procedures of scale development of Face Orientation, while the right-hand column illustrates the techniques and statistics adopted from Churchill (1979), Yau (1994) and DeVellis (2003, 2016) to support procedures of scale development of Face Orientation. Each step is depicted as follows, and the results of the analysis will be reported in detail in Chapter 5 according to the procedures in Figure 4.2.

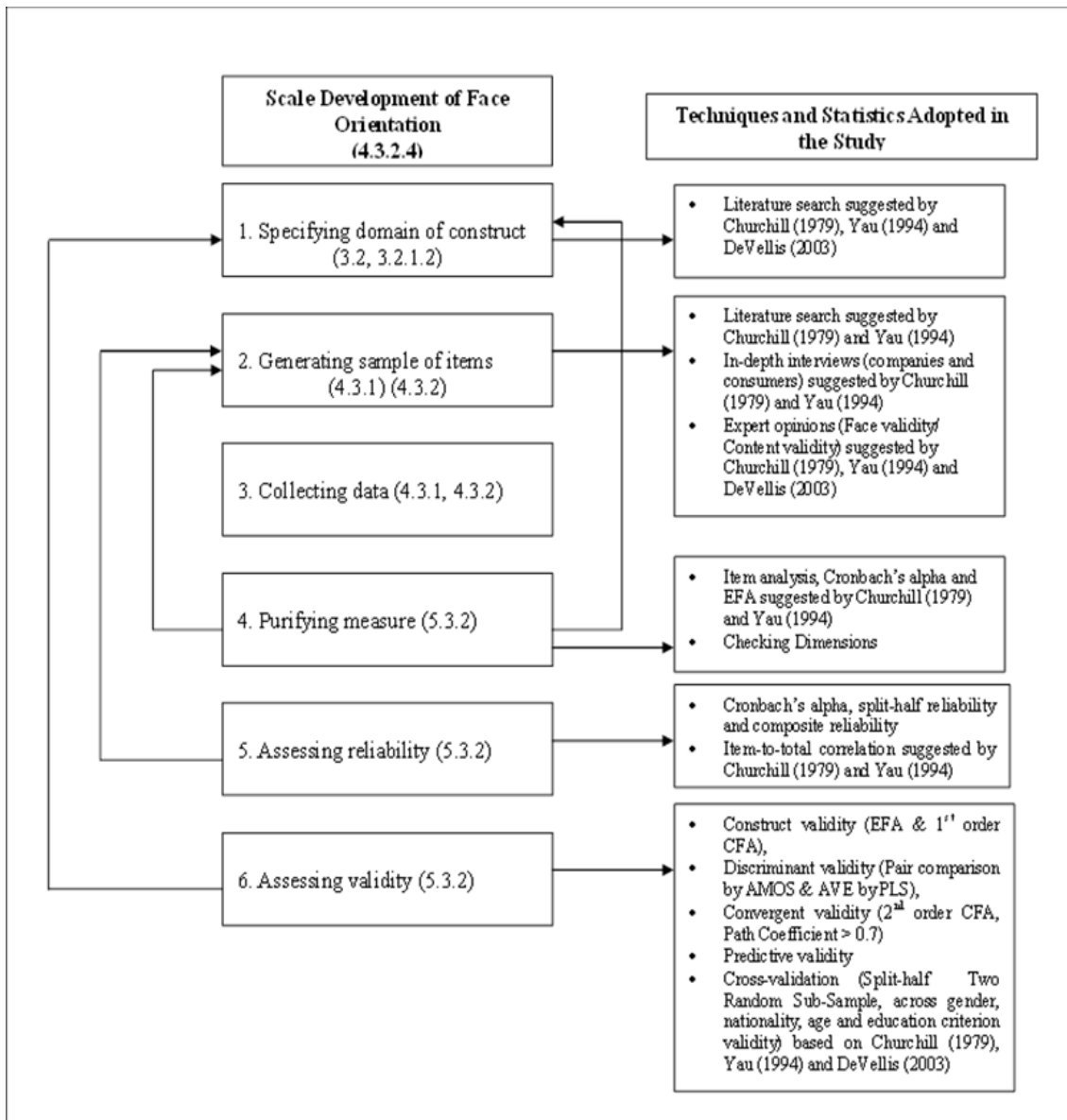


Figure 4.2: Research Design Model for Face Orientation in this Study

1. Specifying domain of the construct As suggested by Churchill (1979), Yau (1994) and De Vellis (2003, 2016), the literature review in Chapter 3 has already indicated the domains of the Face Orientation Scale. The step has been performed, and three face dimensions were found as indicated in 4.3.1. They are (1) Avoiding Shame; (2) Gaining Respect; and (3) Distinguishing Out.
2. Generating sample of items As suggested by Churchill (1979), Yau (1994) and De Vellis (2003, 2016), expert opinions from practitioner and consumer in-depth interviews were conducted so that insights and opinions were collected for the questionnaire and sample designs as indicated in 4.3.2.1. A sample of items was generated as shown in Tables 4.7, 4.8, 4.9 and 4.10. Face validity and content validity will be conducted and reported in Chapter 5.
3. Collecting data The data collection procedure was carried out in two stages: qualitative (4.3.1) and quantitative (4.3.2). For the quantitative research stage, three steps were carried out: (1) pilot survey; (b) sample size; and (c) fieldwork and data collection. Details can be found in 4.3.2.3
4. Purifying measures Item analysis was performed and the sample was divided into four parts. With respect to each item, the means of the first and the fourth quartiles were compared using a two-sample t-test. Then exploratory factor analysis (EFA) was performed to assess the dimensionality of Face Orientation, and the items comprising the three components were subject to an exploratory factor analysis. This was undertaken after the components had been purified in order to avoid spurious results (Churchill, 1979).
5. Assessment reliability (5.3.2) With reliability analysis, no item-to-total coefficients below 0.4 was found for each dimension respectively, signifying strong internal reliability.
6. Assessing validity (5.3.2) Scale validity represents the third stage of development of the Face Orientation Scale, which includes a series of tasks to assess construct validity, convergent validity and discriminant validity (Churchill, 1979; De Vellis, 2003). The statistics package AMOS 18.01 was employed to examine the different forms of validity. (Results of this section will be reported in Chapter 5 (5.3.2))

The subjective measure of the scale for Face Orientation may introduce the risk of common method variance. This was the reason why various measurement scales were used in the questionnaire as a precaution (Podsakoff, MacKenzie and Lee, 2003; Malhortra, Kim and Patil, 2006). This thesis also examined the proposition of a single-factor phenomena in the exploratory factor analysis of the Face Orientation Scale, which was found not supported (Harman, 1976). The results are reported later in Chapter 5 in the section on scale validity. Thus, there was risk of common method variance.

Scale of luxury orientations: Investment, Hedonism and Uniqueness

Besides Face Orientation, the three luxury orientations (Investment, Hedonism and Uniqueness) also need to be examined. Figure 4.3 shows the procedure for the scale design of Uniqueness, Hedonism and Investment. First, the scales need to reach the threshold of the reliability assessment (Alpha >0.7). Second, it is necessary to confirm if the four orientations will discriminate among each other using EFA so that items of one orientation will not be overlapping with other orientations. As these scales are well established, it is not necessary to examine their validity. Results of the analysis will be reported in Chapter 5.

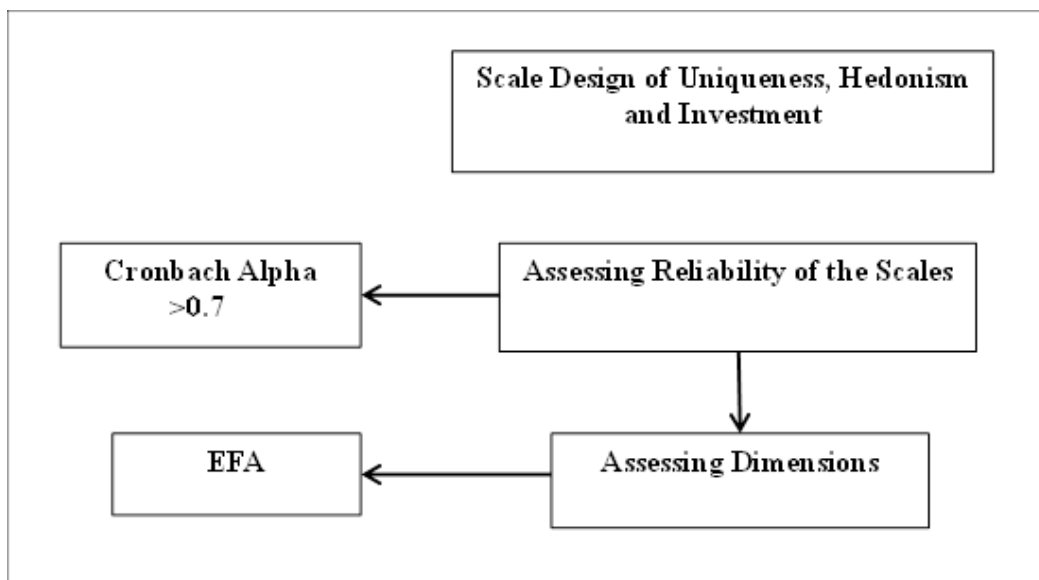


Figure 4.3: Scale Design of Luxury Orientations: Uniqueness, Hedonism and Investment

4.3.2.5 Data analysis method

In this section, an attempt is made to specify the structure of the model of luxury consumption orientations and its impact on luxury brand consumption. Structural equation model (SEM) 5 using AMOS and partial least squares (PLS) were adopted to analyse the data. In this study, AMOS was adopted to assess the validity of the scale for face orientation, while the PLS structural equation model (PLS-SEM) was used to test the model of luxury consumption orientation and, in particular, the quadratic and moderating effects.

(a) Why the structural equation model?

SEM allows hypothesised models of market behaviour, and the testing or confirmation of these models statistically. Technically, SEM estimates the unknown coefficients in a set of linear structural equations. Variables in the equation system are usually directly observed variables, and unmeasured latent variables that are not observed but relate to observed variables.

With SEM, marketers can visually examine the relationships that exist among variables of interest in order to prioritise resources to better serve their customers. The fact that unobservable, hard-to-measure latent variables can be used in SEM makes it ideal for tackling business research problems.

In general, there are two approaches available to estimate the parameters of SEM, namely, the covariance-based approach (CB-SEM) (Jöreskog, 1978; Rigdon, 1998) and the variance-based approach of partial least squares SEM (PLS-SEM) (Wold, 1982; Hair et al., 2017).

Statistical packages commonly used to conduct SEM are AMOS and LISREL, which are CB-SEM. In contrast to CB-SEM, PLS stresses prediction and exploration and it is able to handle complex models. It also relaxes the demands on data as well as the specifications of relationships (e.g., Jöreskog and Wold, 1982). The procedure involves a variety of benefits that can be fruitful for international business and marketing researchers to exploit. For instance, it better serves predictive and exploratory purposes involved in situations of soft theory (Sosik et al., 2009) and it is better suited to explain complex models or relationships (Fornell, 1982; Wold, 1985).

PLS-SEM is a useful tool for identifying and establishing relationships between constructs, and for developing explanations for these relationships. It is a useful tool for theorising in management research in general (Hair et al., 2017) in different management disciplines. The primary purpose of the PLS approach is to predict the indicators by means of component expansion (Jöreskog and Wold, 1982). In line with this notion, Hair et al. (2011) recommend:

- “If the goal is predicting key target constructs or identifying key ‘driver’ constructs, select PLS-SEM.”
- “If the goal is theory testing, theory confirmation or comparison of alternative theories, select CB-SEM.”
- “If the research is exploratory or an extension of an existing structural theory, select PLS-SEM.”
- PLS-SEM can also deal with interaction and quadratic effects that bring out the relationships between constructs.
- PLS-SEM is easy to use and very user-friendly

(b) Data analysis procedure

Data analysis was carried out right after the data collection process. Cronbach alpha and confirmatory factor analysis were used to examine reliability and validity of the constructs. Based on the factors, respondents were classified into different luxury consumption-oriented groups. SEM was then used to examine the relationship between constructs of different luxury consumption orientations and the actual purchases of global versus local luxury brands.

Data collected from the survey was analysed in two stages. First, through the use of SPSS and AMOS, procedures of exploratory factor analysis, reliability and validity of the Face Orientation Scale were employed. Detailed descriptions of the analyses are provided in Chapter 5. Then Smart PLS was used to test the structural model of the four luxury consumption orientations and their impact on luxury brand consumption.

4.4 Conclusion

This chapter has described the research methodology of the study. The design is based on five stages: data collection (both qualitative and quantitative), measurement and instrument design, sampling design, data collection procedure and data analysis. The stages are discussed in some detail. For the data collection method, company interviews and consumer personal interviews were conducted to provide insights and opinions for the design of the main survey. The structure and design of the questionnaire, which made wide use of measurement scales adopted from previous literature and was developed from the exploratory in-depth interviews, is fully explained. Two samples of Mainland Chinese luxury shoppers and Hong Kong luxury shoppers of 438 and 363 people respectively were obtained from busy luxury shopping districts in Hong Kong where most Chinese people shop for luxury brands. The detailed data collection procedure, with a description of the pilot survey and locations of the fieldwork, are also discussed. Finally, the data analysis method based on structural equation modelling is explained along with the relevance of the statistical packages. The analysis of the results and findings from the research is presented in Chapter 5.

CHAPTER 5

DATA ANALYSIS AND RESULTS

5.1 Chapter Overview

In the data analysis phase of this study, the theoretical model of Chinese luxury orientations relating to Face, Hedonism, Uniqueness and Investment were verified, using data collected from the Chinese respondents (Chapter 4). The first section of this chapter describes the profile of respondents and survey responses. This is of critical importance to any survey research because the representativeness of the final sample significantly affects the conclusions. The second section explores the reliability and validity of the Face Orientation Scale. The final two sections provide results of analysis of the model of Face Orientation and the model of the four luxury orientations with respect to their respective impacts on global and local luxury brand purchases.

5.2 Profile of Respondents

The following section describes the profile of respondents in this survey, including age, gender and income distribution.

5.2.1 Age and gender

Survey respondents were asked to report their age and gender. Aggregated results obtained from respondents are contained in Table 5.1. Female respondents represent 86.02% of the total sample, whereas males comprise 13.9%. While the sample was divided into two groups (Hong Kong respondents and Mainland China respondents), males in the Mainland Chinese group contribute a higher percentage (16.67%) compared to that of Hong Kong Chinese (10.7%) (Table 5.1). Females in the Mainland category account for 83.33% of the respondents, while Hong Kong females represent 89.26%. The age distribution of both Mainland China and Hong Kong samples are similar, and the majority of respondents fall into the categories of adults aged 21-40 (Mainland 87.67%; Hong Kong 91.74%), which

represent the group of consumers who have strong purchasing power. A total of 89.52% of the respondents fall into the age group between 21 and 50.

		China N = 438 (54.68%)		Hong Kong N = 363 (45.32%)		Total N = 801 (100%)	
		Frequency	Percent	Frequency	Percent	Frequency	Percent
Gender	Male	73	16.67	39	10.74	112	13.98
	Female	365	83.33	324	89.26	689	86.02
Age	20 or below	14	3.20	13	3.58	27	3.37
	21-30	132	30.14	136	37.47	268	33.46
	31-40	146	33.33	122	33.61	268	33.46
	41-50	106	24.20	75	20.66	181	22.60
	51 or above	40	9.13	17	4.68	57	7.12
	Total	438	100.00	363	100.00	801	100.00

Table 5.1: Profile of respondents

A significant difference exists in gender distribution between males and females in the sample. This reflects the reality of shopping behaviour and the sex of shoppers in Hong Kong.

According to *China Briefing* (2012), traditional Chinese men have been regarded as the primary consumers of luxury goods. This is largely because of the custom of giving gifts to business partners and government officials, but women are now catching up. They contribute over 50% to the luxury market segment today, compared to 20% a decade ago (Bain, 2014). A study by McKinsey (2012) found that, compared to men, women tend to shop more and spend more on personal care products and food. In addition, Chinese women are both brand and price conscious, while men usually go after brands they prefer. Research done by HSBC in 2010 on luxury goods said “the future is female,” highlighting the importance of female consumers to many global luxury brands.

5.2.2 Income distribution in Hong Kong and China

The average annual income in China increased to CNY62,029 (or CNY5,169 monthly) in 2015 from CNY21,001 (CNY1,750 monthly) in 2006. Wages in China averaged CNY7152.95 (CNY596 monthly) from 1952 until 2015, reaching an all-time high of CNY62,029 (CNY5,169 monthly) in 2015 (Ministry of Human Resources and Social Security [MOHRSS], China, 2015).



Figure 5.1: China Average Yearly Wages (MOHRSS, China, 2015)

Average wages in Hong Kong increased to HKD15,126 in the second quarter of 2016 from HKD13,473 in 2013. (Census and Statistics Department, Hong Kong, 2016) (Chart 5.2).

Compared with Mainland China average monthly wages (CNY5,169), Hong Kong monthly wages (HKD15,126) are almost three times those in the Mainland. In other words, Hong Kong people are relatively better off than Mainland Chinese, which can be seen in the difference between monthly income in the two places. This again indicates the higher income level and disposable income in Hong Kong. However, this might not be reflected in the actual luxury purchasing behaviour of Chinese shoppers from the Mainland.



Figure 5.2: Hong Kong Average Monthly Salaries (Census and Statistics Department, Hong Kong, 2016)

5.2.3 Personal and household income of respondents

During the interviews, respondents were asked to specify monthly personal and household income. The results for these two questions are reported in Tables 5.2 and 5.3. Income for both groups of respondents is skewed towards the middle to lower income brackets (RMB25,000 and below per month). Some 67.81% of the China sample and 64.46% of the Hong Kong sample were in this bracket. This reflects the reality of Hong Kong income distribution, while for the China sample it is relatively higher than the average income distribution in the country. The rationale is easy to understand in that those who come to Hong Kong for shopping from the Mainland are relatively better off financially.

The occupation distribution of the sample in this study is relatively even. A large percentage of the sample falls into the three categories: white-collar workers (30.24%), managerial and professional (14.39%) and housewives (19.27%) (Table 5.4).

	China		Hong Kong		Total	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
CNY10,000 or below/	200	45.66	117	32.23	319	38.90
CNY10,001-25,000	97	22.15	117	32.23	214	26.10
CNY25,001-40,000	73	16.67	72	19.83	146	17.80
CNY40,001-55,000	27	6.16	30	8.26	57	6.95
CNY55,001-70,000	23	5.25	16	4.41	40	4.88
CNY70,001 or above	6	1.37	8	2.20	14	1.71
Total	426	97.26	360	99.17	790	96.34
Missing system	12	2.74	3	0.83	30	3.66
Total	438	100.00	363	100.00	820	100.00

Table 5.2: Personal Income (Monthly)

	China		Hong Kong		Total	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
CNY10,000 or below	40	9.13	9	2.48	49	5.98
CNY10,001-25,000	95	21.69	80	22.04	176	21.46
CNY25,001-40,000	101	23.06	106	29.20	208	25.37
CNY40,001-55,000	68	15.53	74	20.39	142	17.32
CNY55,001-70,000	53	12.10	44	12.12	98	11.95
CNY70,001 or above	58	13.24	44	12.12	103	12.56
Total	415	94.75	357	98.35	776	94.60

Table 5.3: Household Income (Monthly)

	China		Hong Kong		Total	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Others	24	5.48	4	1.10	28	3.41
White collar	120	27.40	127	34.99	248	30.24
Managerial level & professional	73	16.67	45	12.40	118	14.39
Blue collar	53	12.10	63	17.36	117	14.27
Student	60	13.70	44	12.12	105	12.80
Housewife	82	18.72	75	20.66	158	19.27
Retired	26	5.94	5	1.38	31	3.78
Total	438	100.00	363	100.00	805	98.17
Missing					15	1.83
Total	438	100.00	363	100.00	820	100.00

Table 5.4: Occupation

5.3 Data Analysis

5.3.1 Luxury preference and purchase experience

Results from this study suggest that all the respondents except one have purchased luxury brands listed in the questionnaire (Table 5.5). This signals that all respondents are luxury purchasers and have some preferences in the brands listed. A sampling method was used in selecting respondents in shopping malls. Interestingly, only one out of the random Hong Kong sample and one out of the China sample had never purchased any of the listed brands.

	Hong Kong		China	
	Frequency	Percent	Frequency	Percent
Choosing “0” for both preference and purchase (for all the brands)	1	0.28	1	0.23

Table 5.5: Respondents Do Not Prefer and Have Never Bought Any of the Brands

5.3.1.2 Luxury brands purchased

In this research study, respondents were asked to indicate their preferences from four popular luxury jewellery brands in Asia (global brands: Tiffany, Cartier; local brands: Chow Sang Sang, Chow Tai Fook). The respondents needed to indicate “1”, “2” or “3” for the top three most preferred of the four jewellery brands. For both Hong Kong and Mainland Chinese respondents, the top two most-preferred luxury brands were global or imported brands, while the least-preferred two brands were the two local brands. To be more precise, only the result scores of “1” were used to indicate the preference of these brands. Table 5.6 indicates that global brands are most preferred by both Hong Kong and Chinese respondents. Cartier (34.7% of Hong Kong respondents; 32.2% of Mainland respondents) and Tiffany (32.5% of Hong Kong respondents; 28.8% of Mainland respondents) were the most preferred among both Hong Kong and Mainland respondents. On the other hand, the two local luxury brands of Chow Sang Sang and Chow Tai Fook both received the lowest preference from both groups of consumers (Chow Sang Sang 19.6% Hong Kong and 27.6% China; Chow Tai Fook 22.9% Hong Kong and 28.1% China). The results signal that although these two local luxury brands are very popular among local Hong Kong people and Chinese Mainlanders in their actual daily shopping behaviour, consumers do not consider them as their first preference.

Interestingly, when it comes to actual purchases, results suggest the local brand purchase experience is higher than global brand purchases (Table 5.7). Although extant literature suggests a strong preference among Chinese consumers for global brands compared to local brands, results from this study do not totally agree with this argument. The actual purchase experiences of the two global brands are not significantly better than the two local brands (Chow Sang Sang and Chow Tai Fook). In other words, although consumers prefer global brands to local brands (Table 5.6), they tend to purchase local brands too. This might

be due to the financial factor that Western brands are usually much more expensive compared to local brands. Overall, Mainland Chinese consumers have higher purchases for all luxury brands (both global and local) compared to Hong Kong consumers.

Brands	Percentage choosing “1” (preference)	Hong Kong (N = 398 responses) (N = 363 respondents)				China (N = 511 responses) (N = 438 respondents)			
		Frequency	% of responses	% of respondents	Rank	Frequency	% of responses	% of respondents	Rank
Local brands	Chow Sang Sang	71	17.9	19.6	4	121	23.7	27.6	4
	Chow Tai Fook	83	20.9	22.9	3	123	24.1	28.1	3
Global brands	Cartier	126	31.7	34.7	1	141	27.6	32.2	1
	Tiffany	118	29.6	32.5	2	126	24.7	28.8	2

Table 5.6: Preferences for Luxury Brands

Brands	Brands purchased	Hong Kong (N = 476 responses) (N = 363 respondents)				China (N = 642 responses) (N = 438 respondents)			
		Frequency	% of responses	% of respondents	Rank	Frequency	% of Responses	% of respondents	Rank
Local brands	Chow Sang Sang	141	29.6	38.8	1	178	27.7	40.6	2
	Chow Tai Fook	123	25.8	33.9	2	207	32.2	47.3	1
Global brands	Cartier	92	19.32	25.3	4	121	18.8	27.6	4
	Tiffany	120	25.21	33.1	3	136	21.2	31.1	3

Table 5.7: Purchase Experience of Luxury Brands between Hong Kong and China

Table 5.8: Purchase Experience of Luxury Brands between Hong Kong and China

5.3.2 Development of the Face Orientation Scale

Referring to Figure 4.2 in Chapter 4, with reference to the scale development of Face Orientation, three more steps have to be carried out, i.e., steps 4, 5 and 6. After collecting data, the measure of Face Orientation has to be purified by two tests: item analysis and exploratory factor analysis (EFA).

Item analysis

These analyses form the fourth stage of the scale development process that was performed after data collection, as the first stage involved selecting 14 items related to Face Orientation.

To perform item analysis, the sample was divided equally into four parts. With respect to each item, mean values of the first and fourth quartiles were compared using a two-sample t-test. As a result, two items were deleted. These items were “people buying luxury goods in order to enhance and improve face,” and “when people buy luxury goods, it does not matter what their friends think of the different brands before they purchase”. The distribution of the first item was flat due to answers that were almost equally distributed, while the second item was deleted probably because it was a negative statement. Elimination of these two items did not create any adverse effect on content validity of the scale, as deletions were spread over two subscales or dimensions.

To purify the measurement scale for Face Orientation after data collection, the sample was split into two subsamples (De Vellis, 1991). First the sample was split into two halves. Reliabilities of the two samples were 0.833 and 0.787 respectively. No item with relatively low communalities was deleted, resulting in twelve items for further purification.

Exploratory factor analysis

To assess the dimensionality of Face Orientation, items comprising the three components were subjected to an EFA. This was undertaken after the components had been purified, in order to avoid spurious results (Churchill, 1979). Following Hair et al. (1998, pp. 87-138), the items were subjected to measuring the three key components via a principal

component analysis with varimax rotation. One item with low communality of below 0.50 was deleted, and this item was “people buying luxury goods in order to not buy cheap gifts for friends to avoid both parties losing face”. The small communality indicates that the item did not contribute enough to the subscale.

Factor	1	2	3	Item-to-total correlation
Avoiding Shame				
Variance explained = 22.20%				
Cronbach alpha coefficient = 0.830				
Average variance extracted (AVE) = 0.60				
A1. Not bring shame to themselves	.755			0.560
A2. To gain attention from others, how they perceive them	.727			0.660
A3. To protect the pride of the family	.781			0.610
A4. To safeguard face	.536			0.584
Distinguishing Out				
Variance explained = 21.70%				
Cronbach alpha coefficient = 0.792				
Average variance extracted (AVE) = 0.706				
C1. To distinguish themselves from others			.627	0.592
C2. Conform to their social status			.842	0.658
C3. To bring them a sense of prestige			.778	0.653
Gaining Respect				
Variance explained = 20.40%				
Cronbach alpha coefficient = 0.764				
Average variance extracted (AVE) = 0.585				
B1. It is important that others like the products and brands that they buy		.730		0.537
B2. They sometimes do so because their friends also consume such goods		.780		0.614
B4. They will be satisfied when other people compliment them on the luxury products		.648		0.566
B5. It is because they admire people who own luxury goods		.664		0.536

*Loadings that are smaller than 0.5 are not shown

Table 5.8: Exploratory Factor Analysis, Reliability Coefficients and Average Variance of Extract

After the three items were deleted, resulting in a battery of eleven items, four for both the first and last components, and three for the second one. The final three factors together accounted for 64.3% of the total variance. The items loaded significantly on each of the corresponding factors, indicating multi-dimensionality of the sample. These factors were labelled as Avoiding Shame, Distinguishing Out and Gaining Respect (Table 5.8).

Two exploratory analyses were run with two and four factors respectively. Results of the three-factor analysis indicated that items that belong to Distinguishing Out were split and combined with the other two factors, whereas results of the four-factor analysis show that items that belong to gaining respect split into two and form two factors. Hence, the three-factor result seems optimal.

Reliability assessment

On reliability analysis, no item with an item-to-total correlation above 0.4 was deleted. The alpha coefficients for the three components of Avoiding Shame, Distinguishing Out and Gaining Respect were 0.830, 0.792 and 0.764 respectively, which are higher than the threshold of 0.7 (Nunnally, 1978). Similarly, composite reliability coefficients for the three components were 0.88, 0.88 and 0.85 respectively, which are also higher than their respective average variance extracted (Table 5.8). Internal consistency for each subscale was examined by using item-to-total correlation. The last column of Table 5.8 shows the correlations range from 0.54 to 0.66, which is higher than 0.4, indicating all components have consistent reliability.

The threat of common method variance was examined by means of the Harman one-factor test (Podsakoff and Organ, 1986). Because the majority of the total variance could not be explained by one general factor, common method variance was not considered an issue with the data. Furthermore, the way in which the items were grouped was in line with what was expected.

Scale validity

This was the third stage of development of the Face Orientation scale, which included a series of tasks to assess construct validity, convergent validity and discriminant validity (Churchill, 1979; DeVellis, 2003). The AMOS 18.01 statistics package was employed to examine all different forms of validity. To examine construct validity, the results of EFA

were subjected to a further confirmatory factor analysis. Figure 5.3 shows the confirmatory model. The latent variables are represented by ellipses, while the observed variables are represented by rectangles (Arbuckle, 2003; Schumacher and Lomax, 1996; Steenkamp and van Trijp, 1991). The observed variables are connected to the latent variables by an arrow, signifying that these measurement items are theoretically attributed to the latent variable. The values next to the arrows connecting the latent variables to the observed variables are the factor loadings and they serve as regression coefficients (Schumacher and Lomax, 1996).

The response error (indicated by the numbers pointing to the observed variables) of the measurement items indicates the portion of the observed variables that measures factors other than the hypothesised one (Malhotra, et al., 1996). The curved lines in Figure 5.3 connecting pairs of factors indicate inter-correlations between the face dimensions.

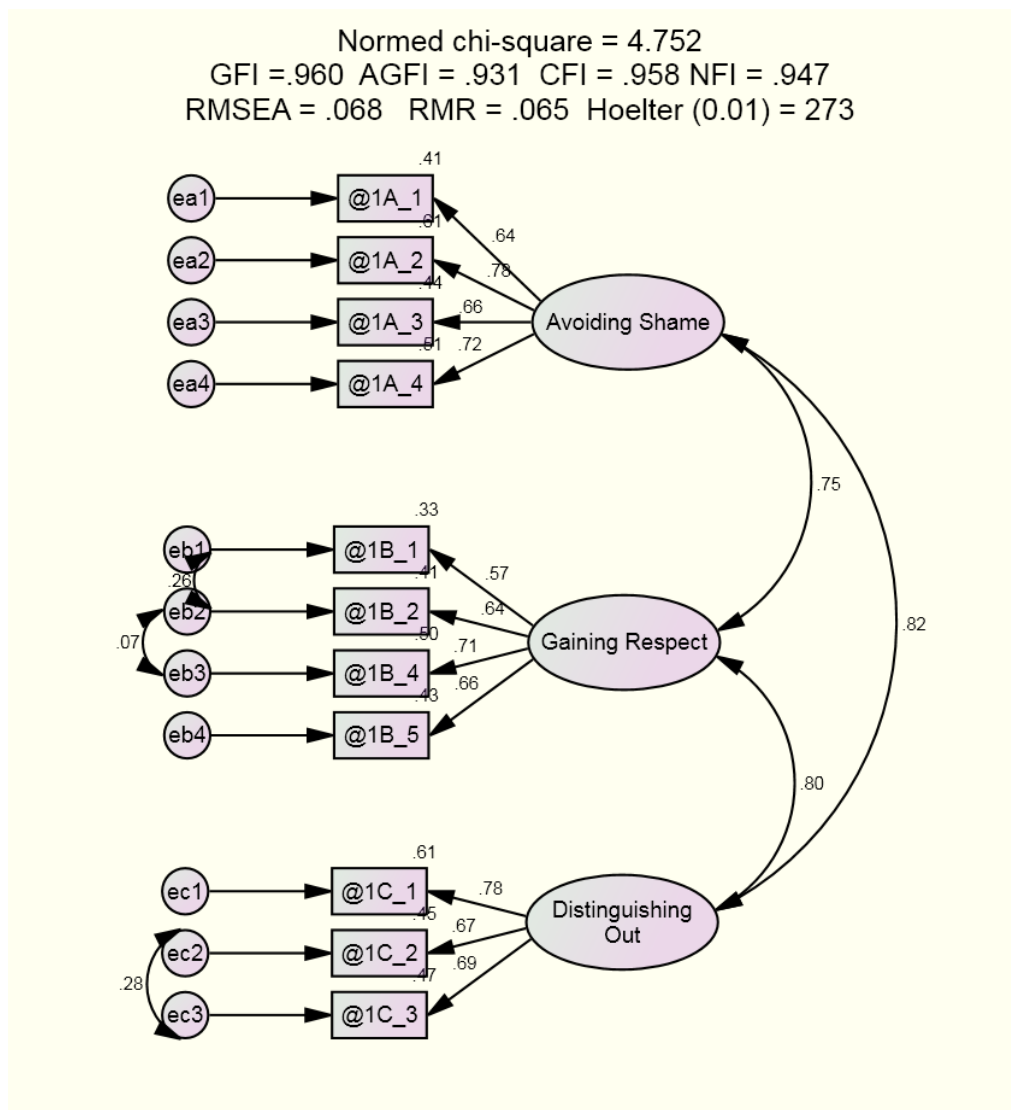


Figure: 5.3: Three Dimensions of Face Orientation

Normed Chi-square = 4.681
 GFI = .960 AFGI = .932 CFI = .958 NFI = .947
 RMSEA = .068 RMR = .065 Hoelter(0.01) = 275

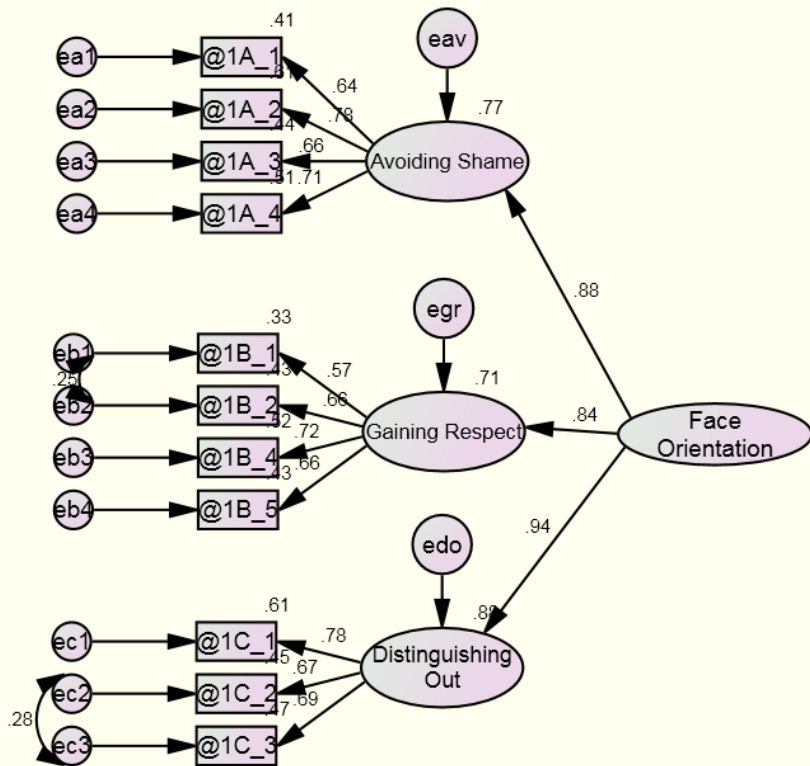


Figure 5.4: Second Order Confirmatory Factor Model

The goodness-of-fit measure determines the degree to which the data fits the method (Arbuckle, 2003; Bentler, 1990). There are several criteria that provide insights into the goodness of fit of a model. The chi-square statistic was found to be 175.8 with 37 degrees of freedom, and it is significant at the 0.00 level and the normed CMIN/df = 4.752, which is larger than 3. As indicated in Figure 5.3, analysis of the Face Orientation's eleven-item model produced acceptable goodness of fit. The goodness of fit in terms of both GFI (0.960), AGFI (0.931) and CFI (0.958) are larger than 0.9, while RMSEA (0.068) and RMR (0.065) are less than 0.08. These findings indicate that the five-factor model fits the data well. As

such, the results as shown in Figure 5.4 suggest that the construct validity of Face Orientation is warranted.

Convergent validity refers to the degree of agreement between two or more measures or items for the same construct. Evidence of convergent validity in the Face Orientation Scale was examined in two ways. First, the relationship between the scale and its three components and, second, simple correlations among the three components of the scale were considered.

Similar to Figure 5.3, a second-order factor model was constructed with Face Orientation as the second-order factor. That is, Face Orientation is a construct that consists of three components (Figure 3). Results as shown in Figure 5.4 are encouraging. Although the normed chi-square (CMIN/df) is 4.181, and larger than the threshold of 3, the various goodness-of-fit measures indicate that the model fits the data well. GFI, AGFI and CFI were found to be 0.96, 0.93 and 0.96 respectively, all of which are higher than the threshold of 0.90. In addition, the RMSEA and RMR were found to be 0.068 and 0.65 respectively, indicating the errors are acceptable.

With respect to the relationship of the three components to the Face Orientation Scale, standardised regression weights of the components were 0.88, 0.84 and 0.940, all significant at $p < .01$. This is a good indication that all components contribute highly to the scale, indicating that the three components converge on a common construct above.

Results of the two approaches indicate that the scale has convergent validity.

To test for discriminant validity, two approaches were adopted. First, the correlations between each pair of components were examined to see if they were significantly different from 1.0. Because the correlation between Gaining Respect and Distinguishing Out was the closest among all correlations to 1.0 (0.790), a test was conducted comparing the model of Figure 5.3 to a similar model with the correlation between Gaining Respect and Distinguishing Out constrained to equal 1.0. Results were supported by the model of Figure 5.3 (chi-square difference = 47.1 (192.6 - 145.1); $df = 1$; $p < .001$). Thus, the hypothesis that Gaining Respect and Distinguishing Out are of the same dimensions must be rejected. Therefore, it appears that the model as a function of the three distinct components achieved satisfactory discriminant validity.

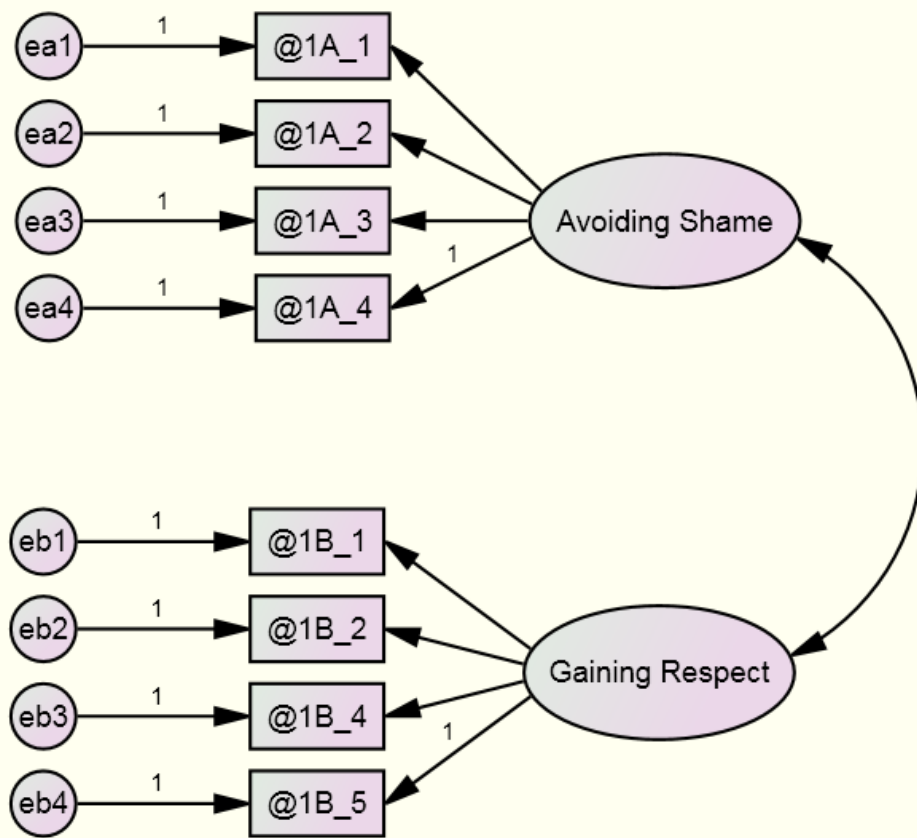


Figure 5.5: Unconstrained Model with Two Components

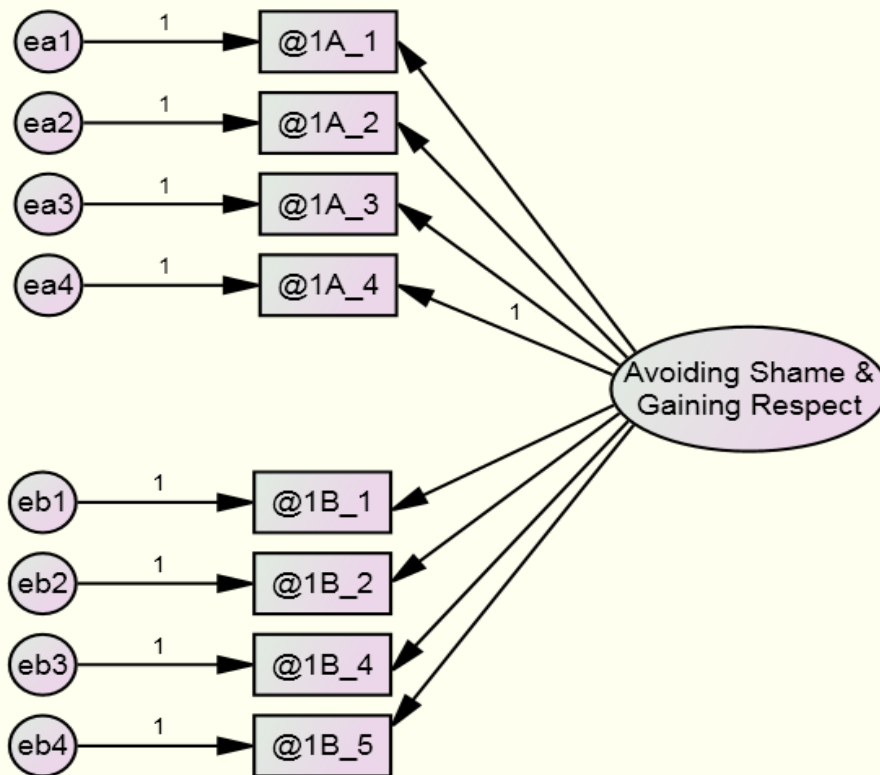


Figure 5.6: Constrained Model with Two Components Collapsing into One

Second, performances of the two models were compared. The first was an unconstrained model with two components and their respective items. The second constrained model was one in which the two components were collapsed into one (see Figure 5.6). If the constrained model fitness deteriorates when the items from the two components are collapsed, it can be concluded that there exists discriminant validity between these two underlying components. Since there were three components in the scale, three pairs of components were formed and three comparisons made. Figure 5.5 shows an unconstrained model with the components Avoiding Shame and Gaining Respect. A confirmatory factor analysis was performed with a bootstrap of 200 samples, and the overall model fitness was found fairly acceptable, with chi-square = 117.85, df = 19, chi-square/df = 6.203, 7, GFI = .964, AGFI = 0.932, CFI = .952, RMSEA = .080 and RMR = 0.67. Following this, a one-factor structure was imposed on the data and the confirmatory factor analysis was carried out

again. The overall model fitness seriously deteriorated with a chi-square = 305.2, df = 20, chi-square/df = 15.26, RMSEA = 0.133, GFI = 0.90 and CFI = 0.86 (see Table 5.9). This result is not considered satisfactory and therefore it can be concluded that there exists discriminant validity between Avoiding Shame and Gaining Respect.

Pairs of dimensions	Chi-square: Unconstrained two-factor model	Chi-square: Constrained model	Difference in df	Chi-square difference
Avoiding Shame/Gaining Respect	117.85	305.20	1	187.35*
Avoiding Shame/ Distinguishing Out	111.45	247.10	1	135.65
Gaining Respect/ Distinguishing Out	79.10	233.80	1	154.70

Table 5.9: Discriminant Validity: Overall Model Fitness

The same was repeated for the other two pairs of components. A summary of the findings is shown in Table 5.9, which indicates that the overall model fit consistently deteriorated when items from any two components were collapsed into one. Thus, there exists discriminant validity among all pairs of components.

At the final stage of the scale development, but not adopted by Churchill (1989) and DeVellis (2003) in their models, Sin et al. (2005) suggest that it is imperative for a newly developed scale such as Face Orientation to achieve cross-sample stability, so that it can be used to gauge Face Orientation in various kinds of contacts. To achieve cross-sample stability, it was decided to split the sample into two random subsamples, a Hong Kong subsample and a Mainland Chinese subsample. This is an addition to the literature scale development.

Technically, cross-sample stability was assessed using the following procedure. First, a confirmatory factor analysis model was specified with Face Orientation as the latent manifest variable. Second, the extent to which this specification is invariant across the two subsamples was examined. In this analysis, sequential testing procedures for examining

increasingly restrictive forms of variance were adopted (Cheung and Rensvold, 1999; Mullen, 1995; Singh, 1995).

Goodness-of-fit index	Acceptable value (range)	Model				
		M1: Equal factor weights	M2: With structure weights	M3: With structure covariances	M4: With structural residuals	M5: With measurement residuals
$\chi^2(df)$	Small relative to df	9.849 (10)	14.986 (12)	15.362 (13)	17.596 (16)	28.040 (31)
P	$p > .05$	0.00	0.00	0.00	0.00	0.00
χ^2/df	<3.0	1.572	1.578	1.588	1.578	1.560
GFI	>.90	0.926	0.925	0.924	0.924	0.920
CFI	>.90	0.960	0.960	0.958	0.958	0.959
PGFI	>.60	0.662	0.671	0.675	0.690	0.704
RMSEA	<.08	0.040	0.038	0.039	0.038	0.035
RMR	<.08	0.045	0.048	0.049	0.051	0.052
Hoelter	>200 at $p = 0.01$	330	302	304	306	321
Model comparison		M1: Equal weights $p = 0.454$	M2 – M1: Equal structure $\chi_d^2(2) = 5.137,$ $p = 0.077$	M3 – M2: Equal covariances $\chi_d^2(1) = 0.376$ $p = 0.54$	M4 – M3: Equal structural residuals $\chi_d^2(3) = 2.234$ $p = 0.525$	M5 – M4: Equal measurement residuals $\chi_d^2(15) = 10.444$ $p = 0.791$

Table 5.90: Results of Cross-Sample Comparisons between Two Randomly Split Subsamples

As these procedures are now available from AMOS 18.01, Table 5.10 contains results of comparisons of the Face Orientation construct across the two subsamples. The model

estimated initially involved a one-construct, three-indicator specification, whereby the factor pattern was set to be invariant across the two subsamples. Fitting this model to covariance matrices of the two subsamples produced a satisfactory fit (normed chi-square = 3.05, GFI = 0.949, CFI = 0.950, PNFI = 0.624 and RMSEA = 0.053). Further, the Hoelter index was found to be 399, higher than 200 at $p = 0.01$, indicating that the model fits the data and that the sample size is adequate. Hence, it can be concluded that the same factor loadings of Face Orientation were mapped into the two subsamples. This made it possible to perform increasingly restrictive analyses to establish similarities and differences across the two subsamples.

As such, the measurement weights, structural weights, structure covariances and measurement residuals can be tested for differences across the two subsamples. Table 5.10 shows the results obtained from AMOS 18.01. Firstly, Model 1 (M1) was estimated initially in a one-construct, three-indicator specification, whereby the factor pattern was set to be invariant across the two subsamples. There are no differences between measurement weights across the sample ($\chi^2(10)=9.849$, at $p=0.454$), indicating that the measurement weights are invariant. Hence, it can be concluded that factor loadings of Face Orientation mapped into the two subsamples are the same.

Secondly, Model 2 (M2) further constrains the factor structure to be equal across the two subsamples. This model was obtained by adding the specification of the equality of factor structure to the model (M1). As this model is nested in M1, a chi-square difference can be computed to formally test the hypothesis of equal structure, as shown by the difference in chi-square (M2 – M1: (M2-M1: $\chi^2(2) = 5.137$, $p=0.077$). As such, the factor structures are invariant across the two subsamples.

Thirdly, a further test was carried out to examine whether the structure covariances among the three dimensions were equal across the subsamples. The chi-square difference with one degree of freedom shows there was no significant difference between structural covariances of the two subsamples (M3 – M2: $\chi^2(1) = 0.376$, $p>0.54$). Finally, it was also found that the structural residuals and measurement residuals were equal for the two subsamples as indicated in the last two columns of Table 5.10 (M4-M3: $\chi^2(3) = 5.134$, $p=0.162$; M5-M4: $\chi^2(15)=10.444$, $p=0.791$). Overall, Face Orientation as a second-order construct with three dimensions was invariant across the two subsamples in terms of factor weights, structure weights, structure covariance and residuals.

In sum, the Face Orientation measurement scale reveals that the factor structure and loadings are invariant in the two randomly split subsamples, which provide evidence of cross-sample stability for this scale.

Hence, Hypothesis 1 that Face Orientation is a reliable and valid scale is supported.

Further assessment of cross-sample validity was performed in terms of control variables for gender, nationality, age and education. These variables were classified into groups, i.e., male and female for gender; Hong Kong Chinese and Mainland Chinese for nationality; age under 30 or above 30; tertiary educated and secondary educated.

It is expected that the factor structure across the three controlled variables is the same for gender, age and education. Hong Kong consumers have a slightly different set of cultural values compared to Mainland consumers for two reasons. Firstly, Hong Kong was a British colony for almost 200 years, and Hong Kong consumers therefore tend to be more open and Westernised. Secondly, as a result of the Cultural Revolution between 1966 and 1976, Mainland Chinese tend to deviate slightly from traditional Chinese cultural values. As such, it can be expected that the factor structure will not be the same for Hong Kong and Mainland Chinese.

The same analysis, which was used to validate randomly selected subsamples, was performed across a pair of subsamples for each control variable. Results of the analyses are reported in Table 5.11.

Face Orientation Dimension	Total Sample	Gender		Nationality		Age:		Education	
		Male	Female	Mainland China	Hong Kong	Young	Old	Low	High
Avoiding Shame									
	.715*	.622*	.630*	.602.*	.696*	.670*	.604*	.726*	.641*
	.660	.660	.789	.790	.750	.815	.742	.747	.783
	.780	.675	.648	.681	.616	.635	.664	.677	.631
	.639	.641	.725	.730	.694	.704	.719	.726	.700
Gaining Respect									
	.656	.668	.549	.519	.602	.617	.535	.531	.588
	.721	.605	.672	.643	.666	.689	.629	.586	.688
	.658	.602	.759	.684	.786	.774	.677	.622	.752
	.571	.666	.641	.673	.613	.704	.615	.508	.704
Distinguishing Out									
	.689	.648	.821	.810	.847	.831	.783	.720	.831
	.673	.582	.733	.637	.792	.704	.720	.690	.726
	.780	.741	.819	.776	.847	.879	.753	.709	.873
χ^2/df	4.681	3.233		3.354		3.566		3.553	
GFI	.960	0.945		0.943		0.940		0.937	
CFI	.958	0.948		0.945		0.940		.939	
PGFI	.671	0.558		0.557		0.666		.554	
RMSEA	0.068	0.053		0.054		0.057		.057	
Subsample Comparison (chi-square with degree of freedom in brackets)									
M1: Equal Measurement Weights	2.846(8), p = 0.944			14.521(8), p = 0.069		7.409(8), p=0.493		6.062(8), p=0.640	
M2: Structure Weights	5.033(10)			20.883(10)		10.724(10)		14.970(10)	
M3: Structure Covariances	5.221(11)			20.908(11)		17.085(11)		19.255(14)	
M4: Structure Residuals	8.135(14)			24.151(14)		18.000(14)		27.896(14)	
M5: Measurement Residuals	74.8906(27)			89.016(27)		27.674(27)		52.166(27)	
M2 – M1: Equal Structure Weights	2.187 (2), p = 0.335			6.362(2), p = 0.42		1.0(2), p = .100		8.909(2), p = .012	
M3 – M2: Equal Structure Covariances	0.188 (1), p = .665			0.025 (1), p = .873		6.361(1), p = .731		4.284(1), p = .038	
M4-M3: Equal Structure Residuals	2.914(3) p = 0.405			3.243(3) p= 0.356		0.915(3) p = 0.822		8.642(3) p = 0.034	
M5-M4: Equal Measurement Residuals	66.771(13) p = 0.000			64.865(13) p = 0.000		9.674(13) p = 0.720		24.270(13) p = 0.029	

Table 5.101: Face Orientation: Comparing Across Gender, Nationality, Age and Education Subsample

Table 5.11 shows factor loadings of Face Orientation for the four pairs of subsamples. All factor loadings are larger than 0.6 except for five out of 99 cases. The normed chi-squares are larger than 3 because of the large sample size of 805. However, all other indicators of goodness of fit are above the respective thresholds, leading to the conclusion that the model fits the data well for each control of the variables.

With respect to measurement weights, as indicated at the bottom of Table 5.11, all the χ^2 s are not significant at $p < 0.05$ across all pairs of controlled variables. In terms of equal structure weights, subsamples of gender and age were found invariant, whereas those of nationality and education indicate significant difference at $p < 0.05$. The hypothesis that the factor structures of both the Hong Kong and Mainland China subsamples are variant received support.

Given equal factor structure, the next analysis tested whether structure covariances among the three dimensions were equal across subsamples (M3 – M2). All differences in the chi-squares indicate that all the subsamples are invariant except those for education (M3-M2: $\chi^2(1) = 4.284$, $p = 0.038$).

Along the same lines, further examination of equal structure residuals and measurement residuals was performed. Again, structure residuals of subsamples of gender, nationality and age were found to be equal. However, a difference in chi-square between the education subsample existed ($\chi^2(3) = 8.642$, $p = 0.034$). Results were found equal in almost all pairs of subsamples except for the age subsample.

In summary, the findings are mixed. On the one hand, both nationality and education subsamples were found to have a variant factor pattern. However, on the other hand, both factor loadings and structures were found to be invariant between subsamples of gender and age.

The relationship between Face Orientation and purchases of global and local luxury brands

It was hypothesised that Face Orientation has a higher impact on the purchase of global luxury brands than on Hong Kong luxury brands. In fact, the testing of this hypothesis is equivalent to assessing the predictive validity of Face Orientation considering it as a predictor variable, and the purchase of luxury brands as a dependent variable. There are well-grounded theoretical reasons to expect a positive association between Face Orientation and the purchase of luxury brands. Thus, in the current context, predictive validity exists if the scores of the measures of Face Orientation are positive and significantly correlate with the purchase of luxury brands.

The purchase of luxury brands could be adequately measured by asking respondents if they have previously purchased luxury brands. Two categories of objective measures were used in this study. First, the two most popular Hong Kong luxury brands (Chow Tai Fook and Chow Sang Sang) and two global brands (Tiffany and Cartier) in the jewellery category were selected.

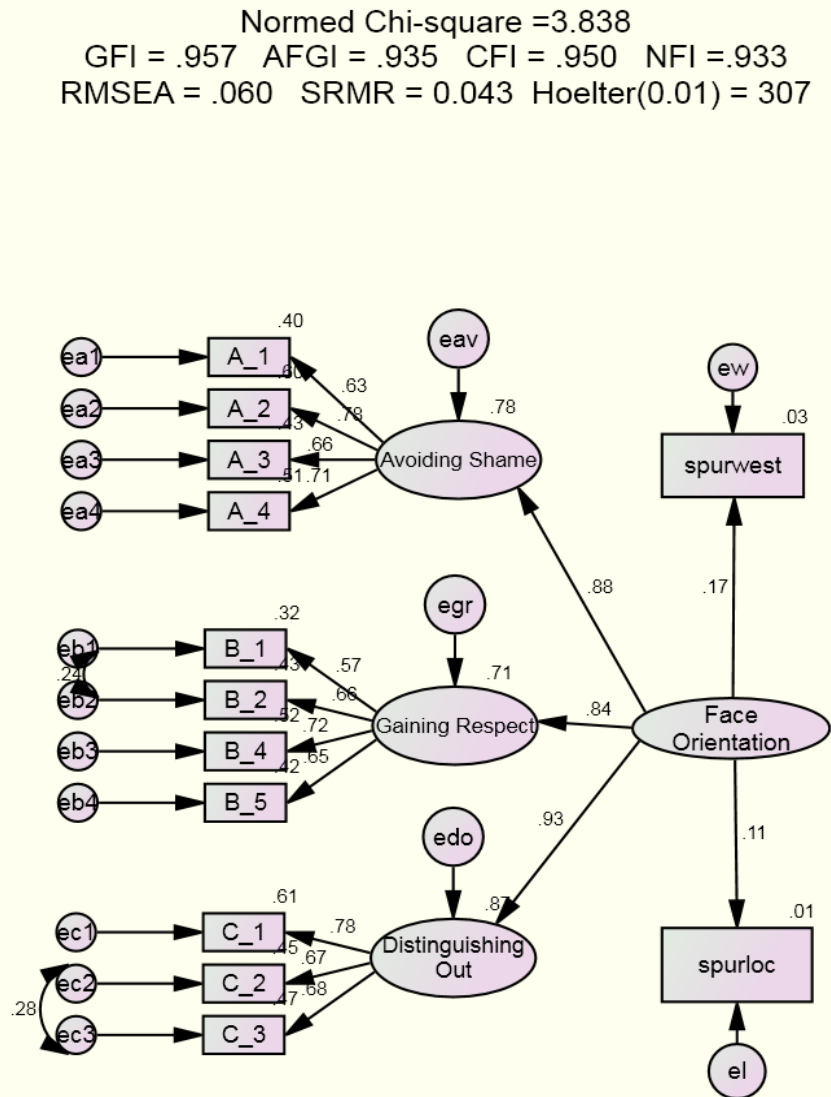


Figure 5.7: Face Orientation Affecting Purchases

Having three dimensions, Face Orientation is expected to have a causal effect on brand purchases as shown on the right-hand side of the model (Figure 5.7). To reduce multicollinearity, all items in the model were first mean centred (Hair, 2015). Results of the analysis indicate that the data fits the model well. The goodness of fit appears to be acceptable and, although the normed CMIN/df = 3.838 is greater than 3, other indicators appear positive. AGFI equals 0.935 and CFI equals 0.950, while NFI is found to be 0.933, and thus all are higher than the threshold of 0.9. In addition, SRMR (0.043) and RMSEA (0.060) were also found to be less than 0.08, indicating the error terms are small and acceptable. As such, it is concluded that the Face Orientation Scale has predictive validity.

With respect to the relationship between Face Orientation and purchases of brands, the standardised path coefficient for Face Orientation to purchase global brands was found to be 0.17, which is positive and significant at $p < 0.01$. The standardised coefficient to purchase Hong Kong brands was 0.11, which is significant at $p < 0.05$.

5.3.3 Reliability test for scales of Uniqueness, Investment and Hedonism

Because the three scales were adopted before using a scale for the analysis, it is necessary to check the reliability and make sure whether the reliability coefficient of the scale reaches alpha Cronback 0.7. As a result,

1. Scale of Uniqueness's alpha Cronback coefficient = 0.834 after the following items "they are not mass produced" and "because they are exclusive" were deleted.
2. Scale of Hedonism's alpha Cronback = 0.857 after the item "to make themselves dream" was deleted.
3. Scale of Investment's alpha Cronback = 0.760 after the item "as they will remain fashionable over the long term" was deleted.

Then the battery of items for the three scales was submitted to EFA, the results of which are reported in the next section.

5.3.4 Results of the model of four orientations – four factors

Factor analysis

Factor analysis is used to identify the underlying variables, or factors, that explain the pattern of correlations within a set of observed variables. Factor analysis is often used in data reduction to identify a small number of factors that explain most of the variance observed among a much larger number of manifest variables. Factor analysis can also be used to generate hypotheses regarding causal mechanisms or to screen variables for subsequent analysis (for example, to identify collinearity prior to performing a linear regression analysis).

Since the study assumed consumers have several characteristics (factors) that cause them to vary in terms of preferences or actual purchases of several brands, factor analysis is an appropriate method to identify the underlying factors. The extraction method is based on principal components analysis, which is used to form uncorrelated linear combinations of the observed variables. The first component has maximum variance. Successive components explain progressively smaller portions of the variance and are all uncorrelated with each other. Principal components analysis is used to obtain the initial factor solution. It can be used when a correlation matrix is singular. The maximum number of steps that the algorithm can take to perform the rotation is 25 (maximum iterations for convergence).

An orthogonal rotation method minimises the number of variables that have high loadings on each factor. This method simplifies interpretation of the factors. The coefficients are sorted by size and coefficients suppressed with absolute values less than 0.5.

A factor analysis was conducted using the data gathered from the survey instrument. Churchill (1979) and DeVellis (1991) suggest exploratory factor analysis can be used to reduce items and purify scales. Principal components factor analysis (PCA) with varimax rotation was applied to the variable motivations about luxury brand purchasing behaviour. Table 5.12 presents the Eigenvalues and percentage of variance of factors for the largest four factors obtained during iteration of the factor analysis. The total variance accounted for by the four factors is 56.01%. Items are loaded heavily on respective factors, clearly suggesting the four-factor solution is appropriate. Table 5.14 summarises the reliability of luxury orientations and the scales adopted.

Factors	1	2	3	4	Items-to-total
Face: extracted variance = 31.529% Alpha =0.879					
Not bring shame to themselves	.697				.888
Gain attention from others and how they perceive them	.652				.882
Protect the pride of their family	.668				.888
Distinguish themselves from others	.651				.880
Conform to their social status	.560				.881
Bring them a sense of prestige	.638				.884
It is important that others like the products and brands that they buy	.597				.883
They sometimes do so because their friends also consume such goods	.625				.888
They will be satisfied when other people compliment the luxuries	.653				.886
It is because they admire people who own luxury goods	.616				.886
Safeguard face	.606				.887
Hedonism: variance extracted = 8.101% Alpha = 0.857					
For a feeling of fulfillment			.748		.848
For their self-indulgence			.797		.822
For their own pleasure			.855		.793
To bring enjoyment to themselves			.822		.809
Uniqueness: variance extracted =10.419% Alpha =0.834					
In order to feel that wearing them makes them feel different		.711			.822
In order to feel special		.799			.786
In order to feel different from others		.770			.774
To be among a very few prestigious people that own such products		.572			.816
To make themselves stand out		.639			.803
Investment: variance extracted = 5.957% Alpha =0.760					
They believe the value of such goods will increase in the future				.748	.698
For the purpose of an investment				.761	.676
For the purpose of passing them on to their children				.768	.693
To share them with their family members				.711	.747

Table 5.12: Factor Analysis of Four Factors (Face Orientation, Hedonism Orientation, Uniqueness Orientation and Investment Orientation)

Factors	Reliability	Scales adopted
Face Orientation	0.879	
Uniqueness Orientation	0.834	Wang, Sun and Song (2011); Wiedmann, Hennings and Siebels (2009)
Hedonism Orientation	0.857	Wang, Sun and Song (2011); Bao, Zhou and Su (2003)
Investment Orientation	0.760	Wang, Sun and Song (2011)

Table 5.113: Reliabilities of Adopted Measures

PLS analysis

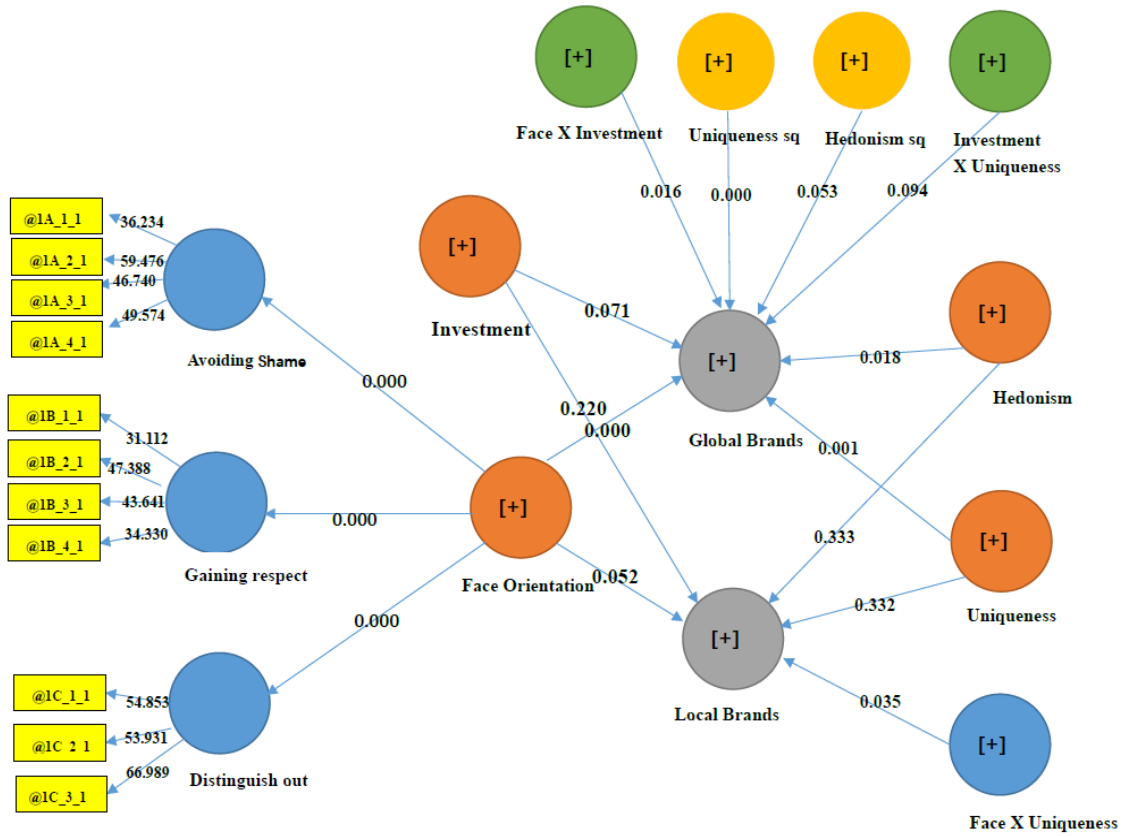


Figure 5.8: PLS Analysis of the Four Factors (p-Values)

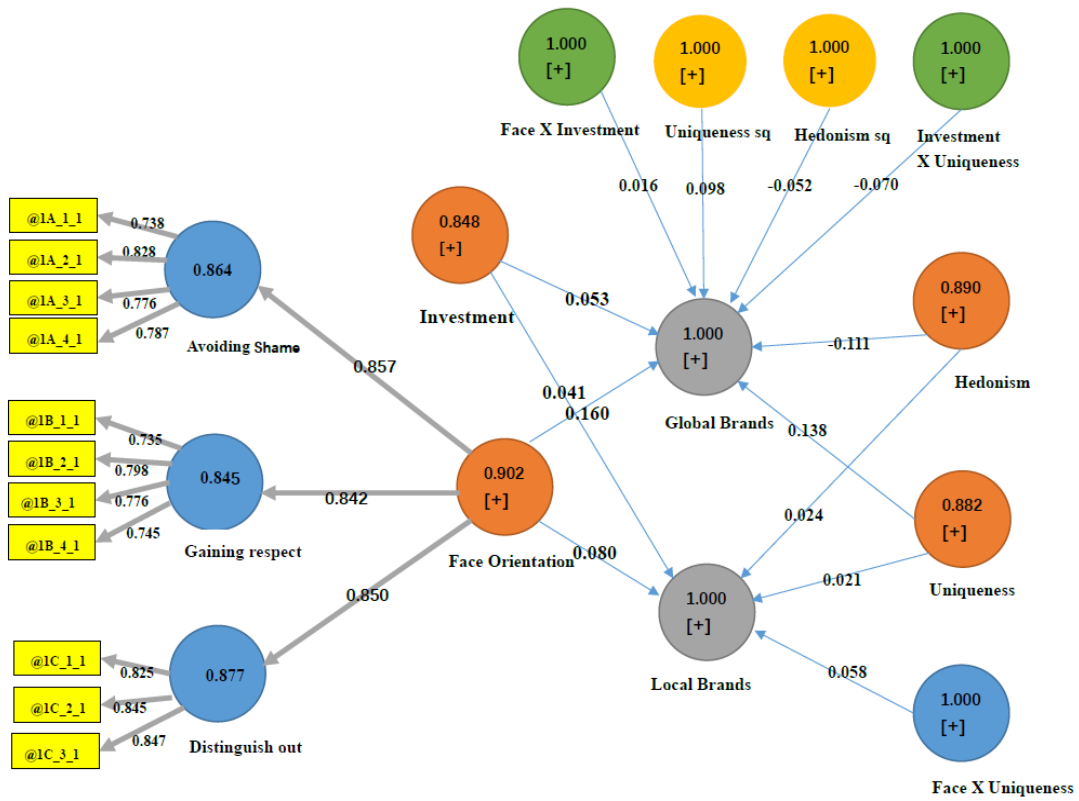


Figure 5.9: PLS Analysis of the Four Factors (Path Coefficient)

Four Factors and relationships with global luxury brand purchase	Path coefficient	t-statistic	P-value
Face Orientation → Global luxury brand purchase	0.160	3.609	0.00**
Investment Orientation → GLBP	0.053	1.467	0.07*
Hedonism Orientation → GLBP	-0.111	2.088	0.02**
Uniqueness Orientation → GLBP	0.138	3.063	0.00**

Table 5.124: Four Factors and Relationships with Global Brand Purchases (GBP)

Four Factors and relationships with local luxury brand purchase	Path coefficient	t-statistic	P-value
Face Orientation → local luxury brand purchase	0.080	1.626	0.05**
Investment Orientation → LLBP	0.041	0.805	0.21
Hedonism Orientation → LLBP	0.024	0.431	0.33
Uniqueness Orientation → LLBP	0.021	0.434	0.33

Table 5.15: Four Factors and Relationships with Local Brand Purchases (LBP)

Interaction effects between factors on luxury brand purchase (global and local)	Path coefficient	t-statistic	P-value
Face x Investment → GLBP	0.160	2.149	0.02**
Face x Uniqueness → LLBP	0.058	1.815	0.04**
Investment x Uniqueness → GLBP	-0.070	1.317	0.10*

Table 5.13: Interaction Effects between Factors on GBP and LBP

Quadratic effects of factors on global brand purchase	Path coefficient	t-statistic	P-value
Uniqueness Square → GBP	0.098	3.30	0.00**
Hedonism Square → GBP	-0.052	1.619	0.05**

Table 5.17: Quadratic Effects of Factors on Global Brand Purchases

Hypotheses	Four luxury orientations	Path	Result
H1	Face Orientation (FO)	Face Orientation Scale	supported
H2a		FO → + LLBP	supported
H2b			supported
H3a	Hedonism Orientation (HO)	HO → negative effect on GLBP	supported
H3b			supported
H4a	Investment Orientation (IO)	IO → + GLBP	supported
H4b			supported
H5a	Uniqueness Orientation (UO)	UO → + GLBP	supported
H5b			supported

Table 5.18: Hypotheses and Results of the Four Factors

5.3.5 Results of the four factors and their effects on luxury brand purchases

Table 5.14 and Figures 5.8 and 5.9 show that all four orientations have a strong impact on global brand purchases. Three of the orientation constructs (Face, Investment and Uniqueness) positively affect the purchase of global luxury brands (FO p-value =

0.00; IO p-value = 0.07; UO p-value = 0.00), while Hedonism has a negative effect on global luxury brands (HO p-value = 0.02(-)).

Face Orientation:

Tables 5.14, 5.15 and Figures 5.8 and 5.9 show that there are positive effects of Face Orientation on both local luxury and global luxury brand purchases (LLBP and GLBP), hence **Hypotheses H2a and H2b are supported.**

For local brands, Face Orientation is the only orientation (Face Orientation, p-value = 0.05) to have a significant positive impact on consumer purchases. This implies that Face Orientation has a positive effect on Chinese consumers' purchasing behaviours in terms of local luxury brands, while the other three orientations are not significant predictors of local luxury brands. In general, Chinese consumers are concerned with Face Orientation, which is the most important and dominant construct for luxury brand purchases. Although the effect on local luxury brand purchases is weaker than for global luxury brand purchases, Face Orientation is still an influencing factor in purchase behaviour in the case of local luxury brands. Face Orientation has stronger effects on global than local luxury brand purchases.

Hedonism Orientation:

Table 5.14 indicates that Face, Investment and Uniqueness orientations positively affect global luxury brand purchases. In contrast, Hedonism Orientation has a significant negative impact on the purchase of global luxury brands. This implies negative attitudes of hedonistic consumers in their purchases of global luxury brands. Hedonism also has no significant effect on local luxury brand purchases (p-value = 0.33) (Table 5.15).

Hence, H3a is supported and H3b is supported.

The result of this study is in line with previous findings discussed in Chapters 2 and 3, that hedonism is not effective for motivating luxury brand consumption in developing countries. This explains the unique characteristics of purchasing behaviours of Chinese consumers for luxury brands. The findings also show that the absolute path coefficient of hedonism on global brands is higher than for local brands (Tables 5.14 and 5.15). Hence, Hypothesis 3a and 3b are also supported.

Moreover, there is some indication of a non-linear relationship between Hedonism Orientation and global luxury brand purchases. Hence, based on this observation, this study also attempts to conduct an analysis of the quadratic effect to examine the relationship between Hedonism Orientation and global luxury brand purchases, something that is discussed later in this chapter.

Investment Orientation:

Tables 5.14, 5.15 and Figures 5.8 and 5.9 show that Investment Orientation has a positive impact on global luxury brand purchases (p-value = 0.07). There is no effect on local luxury brand purchases (p-value = 0.21). The path coefficient is higher for Investment Orientation on global than local brands. **Therefore, this supports Hypotheses (H4a) and (H4b).**

Interestingly, investment-oriented Chinese consumers do not have a strong appetite for local luxury brands, but they tend to be positive about global luxury brands. This explains the belief of Chinese consumers that global luxury brands are perceived to have a better saving value for the future than local luxury brands.

Uniqueness Orientation:

Tables 5.14, 5.15 and Figures 5.8 and 5.9 reveal that Uniqueness Orientation has no effect on local luxury brand purchases (p-value = 0.33), but it has a positive effect on global luxury brands (p-value = 0.00). The path coefficient is higher for Uniqueness Orientation on global compared to local luxury brands, suggesting that **Hypotheses (H5a) and (H5b) are supported.**

5.3.6 Interaction and quadratic effects of the four luxury orientations

a. Interaction effects

Interactive effects have been employed by previous literature to indicate the effects of dominant drivers on marketing performance (Nyilasy, Gangadharbatla and Paladino, 2014; Morgan, Vorhies and Mason, 2007). The findings of Morgan et al. (2007) indicated that market orientation and marketing capabilities are complementary assets that contribute to superior firm performance and return on assets. Similarly, Nyilasy et al. (2014) discovered the negative interaction effects of green advertising and corporate environmental performance as consumers are increasingly sceptical of environmental claims.

In this thesis, the data (Tables 5.14, 5.15 and 5.16) indicate that though Investment Orientation has a positive impact on global luxury brand purchases, it does not have a strong significant effect (p-value 0.07) when compared with Face Orientation (p-value 0.00). It is suspected that there may somehow be other factors that enhance the effect of Investment Orientation leading to luxury brand purchases in the China market. Therefore, it is interesting and worth further investigation into the interaction effects of Investment Orientation with the other orientations.

The findings discovered interaction effects between Face and Investment, Face and Uniqueness, and Investment and Uniqueness. Table 5.16 and Figures 5.8 and 5.9 show that Face Orientation acts as a moderator, thus enhancing positively the impact of Investment and Uniqueness Orientations on global and local luxury brand purchases.

Firstly, when Face Orientation interacts with Investment Orientation, global luxury brand purchases are significantly affected (p-value = 0.02). In other words, face value enhances the effects of Investment Orientation on global brand purchases.

Secondly, when Face Orientation interacts with Uniqueness, there is a positive and significant impact on local luxury brand purchases (p-value = 0.04), despite Uniqueness alone not having an effect on local luxury brand purchases.

Thirdly, the results indicate that there is a negative but significant effect of interaction between Investment Orientation and Uniqueness Orientation on the purchase of global luxury brands (p-value = 0.09(-)). Investment Orientation enhances Uniqueness Orientation to generate a negative effect on global brands. The negative effect may indicate that one of the constructs is non-linear. Later in the analysis, it was found that Uniqueness Orientation has a non-linear effect on global luxury brand purchases. As a result, Investment Orientation and low levels of Uniqueness Orientation lead to a decreasing effect on global luxury brand purchases, while high Uniqueness leads to an increasing effect on global luxury brand purchases (Figures 5.10 and 5.11). One interpretation of negative interaction, as in Mela et al. (1997) and Jedidi et al. (1999), is that Investment Orientation does not directly hurt global brand purchases. Rather, Investment Orientation negatively moderates the impact of Uniqueness Orientation, thereby reducing the effectiveness of Uniqueness Orientation in global luxury brand purchases.

This explains why Chinese consumers with low uniqueness orientation do not have a strong need to differentiate themselves from others. A more detailed explanation can be found in the next section.

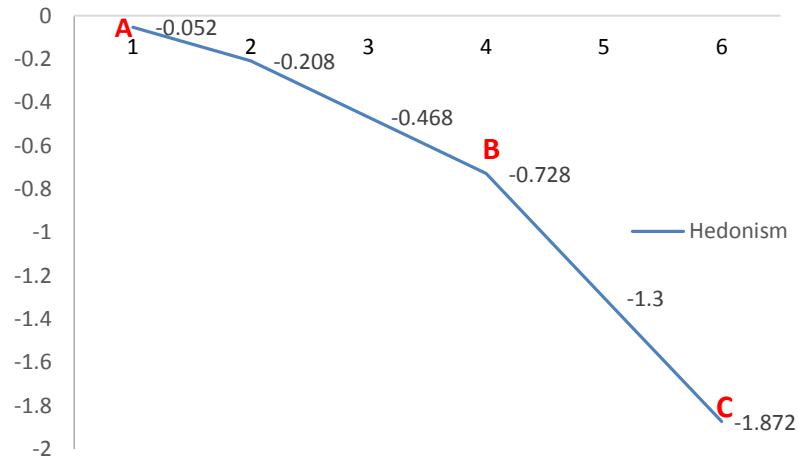
b. Quadratic effects

Tables 5.14, 5.17 and Figures 5.8 and 5.9 show a negative effect of Hedonism Orientation (path coefficient -0.111, p-value 0.02) on global luxury purchases. It is then suspected that there might be other reasons affecting the results and, hence, further examination of quadratic effects is conducted.

Table 5.17 and Figures 5.10 and 5.11 show a nonlinear relationship or quadratic effect between two orientations (Hedonism and Uniqueness) and global luxury brand purchases respectively.

Previous studies (Cadogan et al., 2009; Sorensen and Madsen, 2012; Lengler et al., 2013) have examined quadratic effects of marketing orientation on business performance. In the study of Cadogan et al. (2009), they examined how firms prioritise their investments and exercise discretion in spending their resources due to budget constraints. The research results indicated that export market-oriented (EMO) performance was positively related to export sales success only at lower levels of EMO behaviour (Cadogan et al., 2009). Hence, firms with low levels of EMO behaviour can gain by continuing to invest in these levels; in contrast, firms with high levels of EMO behaviour may result in downslope export sales results. They concluded that the management's task is not to aim for ever-increasing levels of market orientation, but to manage market orientation so that its level is optimal for performance success.

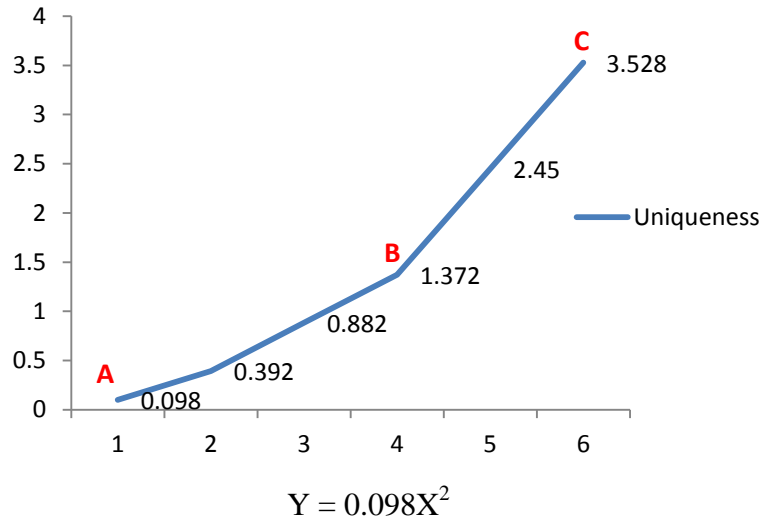
The significance of quadratic terms in this research signals that the relation is non-linear. A positive quadratic effect of Uniqueness Orientation suggests that the relationship between it and GLBP is exponential. On the other hand, the negative correlation between Hedonism Orientation and global luxury brand purchases suggests that, for low values of Hedonism Orientation, the correlation might be positive, but for high values of Hedonism Orientation it becomes negative.



$$Y = -0.052X^2$$

x	x sq	
1	1	-0.052
2	4	-0.208
3	9	-0.468
4	14	-0.728
5	25	-1.3
6	36	-1.872

Figure 1. Figure 5.10: Quadratic Effect of Hedonism on Global Brand Purchases



x	x sq	
1	1	0.098
2	4	0.392
3	9	0.882
4	14	1.372
5	25	2.45
6	36	3.528

Figure 2. Figure 5.11: Quadratic Effect of Uniqueness on Global Brand Purchases

For Hedonism Orientation, Figure 5.10 shows that differing levels of hedonism generate different levels of effects on global luxury purchases. There is a negative quadratic effect of Hedonism Orientation on global luxury brand purchases (p-value = 0.05(-) path coefficient -0.052). The higher the degree of hedonism is, the fewer the global brand purchases. The graph in Figure 5.10 shows a declining slope at a decreasing rate, indicating the degree of decline in GLBP is not in equal proportion as Hedonism Orientation increases. Hence, the negative quadratic effect of Hedonism Orientation on GLBP creates a concave curve.

As indicated in Figure 5.10, Hedonism Orientation can be classified into low levels (from points A to B) and high levels (from points B to C). Low-level hedonism

orientation consumers tend to purchase more global luxury brands than high-level hedonism-oriented consumers. The most important implication for marketers is that high hedonism-oriented consumers do not care too much about buying global luxury brands and therefore purchasing behaviour is declining, but that rate of decline is slowing down for the low-level of hedonistic consumers. Hence, marketers of global luxury brands need to focus on low-level hedonistic consumers.

In contrast, there is a positive quadratic effect between Uniqueness Orientation and global luxury brand purchases (p-value = 0.00). This effect has a convex curve (Figure 5.11). The consumer implication is that the more uniqueness oriented the consumers are, the more global luxury brands they purchase. Figure 5.11 demonstrates that the uniqueness-oriented consumers' global luxury brand purchases curve is increasing more rapidly after point B. As such, the curve before point B can be considered as low-level uniqueness while, after point B, there is a high level of uniqueness orientation. Consumers who are at a high level of uniqueness orientation speed up purchases of global luxury brands compared with lower levels of uniqueness orientation consumers.

Although many earlier studies have already mentioned the effect of uniqueness, none have examined the effects caused by different levels of uniqueness. In this study, the most important implication is that the high uniqueness group tends to be more positive about purchasing global brands. This explains that low-level uniqueness-oriented Chinese consumers tend not to have a high level of purchases for global luxury brands. Only those who are high in uniqueness orientation tend to buy global luxury brands in an increasing trend, i.e., the more uniqueness-oriented the consumers are, the more they buy global luxury brands. In other words, consumers in the low uniqueness group do not have a strong need to differentiate themselves from others, and they may perceive themselves as ordinary consumers.

As discussed in earlier Chinese cultural value studies (Yau, 1998; Hofstede, 1980), Chinese consumers are group oriented and tend to be more brand loyal than their counterparts in the West. They endeavour to conform to group norms and therefore tend to purchase the same brand other members of the group recommend. In other words, ordinary Chinese consumers do not care about differentiation and are not likely to deviate too much in their brand purchases from their reference group members. On the other hand, consumers in the high uniqueness group have a stronger need to feel unique from others; hence, purchasing global luxury brands helps them to be different. One possible explanation for the latter is that luxury brands are identified as exclusive items for users who do not want to be classified as ordinary consumers in China.

Overall, results of the hypothesis are clearly described in Table 5.18. The four factor hypotheses are supported.

CHAPTER 6

CONCLUSIONS AND IMPLICATIONS

6.1 Chapter Overview

This study has examined the effects of different behaviour orientations of Chinese consumers in the context of luxury brand consumption. Chapter 1 provides an overview of the study background relating to the pertinent literature and an overall structure of the thesis. Based on previous research and literature relating to luxury consumption, the significance of this study and the research gaps it seeks to fill are highlighted. Chapter 2 reviews the extensive literature on luxury consumption from various approaches, ranging from classical economics to socio-psychological, cross-cultural and multidimensional scale approaches. Insights are then drawn from the various approaches that impact the current study.

Chapter 3 describes the Chinese culture of face and explicates its dimensions. This chapter also outlines the conceptual framework of luxury consumption orientations and their impact on luxury brand purchases. The literature related to Chinese culture and luxury consumption is reviewed. The framework and hypotheses are described. Chapter 4 describes the research methodology adopted in this investigation, including the exploratory study, sampling, the strategy behind the main survey study and the data analysis proposed. The research findings and results of the main study are presented in Chapter 5. The descriptive analysis, profiles of the respondents and results of the structural equation modelling and hypotheses testing are reported.

This final chapter closes with a discussion relating to further thoughts and reflections on the research. It begins by reiterating the objectives and general orientation of the study. Next, a brief summary and interpretation of the findings are presented. Third, the contributions of the research are outlined. Finally, a number of suggestions for further research are presented.

6.2 Objectives of the Study

This thesis was inspired by the recent rise in Chinese consumers flooding into Hong Kong in search of their favourite global luxury brands.

The study was undertaken in Hong Kong. The introduction of the Individual Visit Scheme by the Hong Kong government in July 2003 marked the beginning of a decade of unprecedented growth in Mainland Chinese visits to Hong Kong. Since 2012, Hong Kong has become a hub for Mainland Chinese visitors. Statistics indicate that same-day travel from China has become stronger than for overnight visitors (Rambourg, 2014). This suggests that Mainland visitors come to Hong Kong mainly for the purpose of shopping. Both marketing practitioners and researchers are interested in the underlying orientations of such luxury consumption.

The previous literature on luxury consumption has its roots in Western culture and it may not be best to interpret Chinese luxury consumers by transplanting theories and models from other cultures without looking into their actual behaviour. Therefore, this study aimed to:

- (a) Develop a valid and reliable face scale to specifically measure Chinese consumers (who often perceive face as a dominant factor driving their luxury purchases).
- (b) Identify and develop a model of the important luxury consumption orientations driving Chinese luxury consumption.
- (c) Test various hypothesised links between the model of luxury consumption orientations and actual luxury brand purchases among Chinese consumers.

6.3 Summary of Findings

6.3.1 Models of Chinese luxury consumption

(a) Face and the three dimensions of Chinese consumers

A validated and reliable scale was developed based on a sound theoretical base. This was labelled the Chinese Face Orientation Scale of Luxury Consumption. This research has clearly demonstrated the role of Face Orientation in driving luxury brand consumption. The findings offer some explanations for the Chinese face phenomenon that has been discussed in much of extant literature on Chinese consumers who have a strong demand for luxury brands. Despite their lower income due to collectivistic cultural reasons such as social-self and other-orientation constructs (Li and Su, 2006), this research study has discovered that Chinese consumers' concept of face can be further classified into three categories: (1) avoiding shame, (2) gaining respect and (3) distinguishing oneself. The face classifications in this study reiterate that face-oriented luxury brand consumption is not simply related to social status and prestige through

conspicuous consumption and the intent to show off. Face consumption for luxury brands differs from status consumption in several ways.

- First, avoiding shame is one of the most important dimensions for face-oriented Chinese who see consumption as a means to maintain face or protect the pride of oneself and the family reputation. This is a way to protect the image and reputation of themselves. Luxury consumption therefore helps to avoid bad feelings.
- Second, the collectivist culture also plays an important role in influencing their luxury brand consumption. Individuals often care about compliments from other people, and at the same time they admire others' possessions of luxury brands. Hence, luxury consumption is motivated by interpersonal factors and respect gained from other people. Others' attitudes toward the brands purchased by Chinese consumers strongly influence their behaviour in luxury consumption and brand choice.
- Third, standing out from the crowd is considered important by Chinese and it has a strong impact on their consumption. Hence, distinguishing oneself is another dimension of the concept of face in this study.

(b) Four luxury consumption orientations and their impact on the purchase of global and local brands

A model of Chinese luxury consumption orientations is developed to measure how the four orientations i.e (1) Face; (2) Hedonism; (3) Investment; and (4) Uniqueness influence the actual purchases of luxury brands by Chinese.

Hypotheses	Four luxury orientations	Path	Result
H1	Face Orientation	Face Orientation Scale	supported
H2a		FO → + LLBP	supported
H2b		<pre> graph LR FO -- a=0.16 --> GLBP FO -- b=0.08 --> LLBP GLBP ==> a>b </pre>	supported
H3a	Hedonism Orientation	HO → negative effect on GLBP	supported
H3b		<pre> graph LR HO -- a =-0.111 --> GLBP HO -- b =0.024 --> LLBP GLBP ==> a > b </pre>	supported
H4a	Investment Orientation	IO → + GLBP	supported
H4b		<pre> graph LR IO -- a=0.053 --> GLBP IO -- b=0.041 --> LLBP GLBP ==> a>b </pre>	supported
H5a	Uniqueness Orientation	UO → + GLBP	supported
H5b		<pre> graph LR UO -- a=0.138 --> GLBP UO -- b=0.021 --> LLBP GLBP ==> a>b </pre>	supported

Table 6.1: Hypotheses and Results

6.4 Discussion of the Findings in the Light of the Literature Review

Chapter 2 gives an overview of the pertinent literature on the concept of luxury consumption. Different research studies are discussed, from the classical luxury approach (Rae, 1834; Veblen, 1899) to the modern social-psychological approach (Wong and Ahuvia, 1998) and multidimensional models of luxury values (Wiedmann, Hennigs and

Siebels, 2009). Then, Chapter 3 provides further arguments relating to luxury orientations supported by the development of Face Orientation dimensions.

6.4.1 Face Orientation

Face orientation has been studied by various scholars with a particular emphasis on Chinese consumers (Wong and Ahuvia, 1998; Yau, 1986; Zheng, 1992). Extant literature has discussed how people in Confucian cultures tend to be under pressure to live up to the expectations of others in order to preserve face. Hence, the concern for *mien-tzu* exerts mutually coercive pressure upon members of the social network (Yau, 1986; Zheng, 1992), which explains why Chinese consumers need to maintain face to create ever-escalating expectations of what possessions are needed to maintain a socially appropriate appearance. Wong and Ahuvia (1998) have also pointed out that Southeast Asians pay a great deal of attention to possessions that are both public and visible, such as designer-labelled goods, expensive cars and jewellery, etc.

The findings of this study echo previous research on face orientation, i.e., Chinese consumers rate face as the most significant influence on their luxury purchases. Factor analysis was used to estimate the underlying dimensions of the scale. Among these dimensions, Face Orientation appears to be the most dominant factor, which is in line with other studies on face and luxury consumption (Rae, 1834; Veblen, 1899; Li and Su, 2006).

Previous studies on luxury consumption have focused on the social perspective and its impact on luxury consumption. The bandwagon and snob effects were discussed by Leibenstein (1950) many years ago to differentiate luxury consumption into two effects where individuals were expected to conform with prestige groups or be distinguished from non-prestige reference groups. Other studies have mentioned that luxury products often encompass prestigious values, social referencing and act as a symbol to demonstrate consumers' status with a wish to go up to a higher social level (Wiedmann, Hennigs and Siebels, 2009; Mason, 2000). It was also pointed out that Chinese consumers are willing to pay more for face products. There is a need for these face products to be distinctive in nature in order to save face for the users (Li and Su, 2006; Ting-Toomey, 1988).

The findings of this study confirm the existence of the three dimensions of the scale for Face Orientation: (1) Avoiding Shame; (2) Gaining Respect; and (3) Distinguishing Out, which was uncovered in the literature review in Chapters 2 and 3. The face classifications in this study reiterate that face-oriented luxury brand consumption is not simply related to social status and prestige, but is also about shame avoidance, gaining respect and feeling unique among groups.

6.4.2 Uniqueness Orientation

Most earlier studies have discussed the importance of uniqueness and its impact on luxury consumption. The perceived exclusivity and rareness of the product enhances consumers' desires or preferences (Verhallen, 1982; Lynn, 1991; Pantzalis, 1995). Kapferer (2012) looked further at the rarity relationship and used "abundant rarity" to describe feelings of exclusivity, actual exclusivity and artificial rarity tactics. This research also supports the influence of uniqueness in luxury purchases. Consumers appreciate the rarity of luxury brands. However, the research findings of this study indicate a prerequisite, whereby extreme uniqueness must be reached in order to affect global luxury brand purchases. As such, this new finding adds a fresh perspective to the concept of "abundant rarity" (Kapferer, 2012).

6.4.3 Hedonism Orientation

It is argued that, in addition to gaining social status, some consumers seek to gain self-directed pleasure from consumption by focusing on hedonistic gratification and self-awareness rather than meeting others' expectations (Tsai, 2005). Wong and Ahuvia (1998) proposed that hedonistic people emphasise the importance of the internal self that motivates their luxury consumption. In China, consumers are very different from Western consumers, and tend to be less influenced by hedonistic attitudes (Tse, et al., 1989; Dubois and Duquesne study, 1993). Tse et al. (1989) pointed out that consumers who are exposed to developed Western markets seek more hedonistic experiences than those in Eastern emerging markets.

Dubois and Duquesne (1993) further argued that there are two types of luxury consumers. First, there are traditional luxury consumers motivated by a desire to impress others with an ostentatious display of wealth by consuming high-quality products with aesthetic design and excellent service. In contrast, the other type of consumer buys luxury products to extend their self-personality image for social symbols. The findings of this study suggest that Chinese consumers tend to fall into the first strategy. In other words, Face Orientation is positively related to luxury brand purchases, while hedonism tends to be negatively related to luxury brand purchases. Therefore, this further confirms that Chinese tend to focus less on self-indulgence and more on social perceptions.

The results of this thesis have highlighted the significant negative relationship between Hedonistic Orientation and luxury brand purchases. The Chinese sample in this

study indicates a group of consumers who are less hedonistic and are less influenced by hedonism, which is in line with previous literature.

Another interesting finding from this study is the quadratic effect of hedonism on global luxury brand purchases. This implies that global luxury brand purchases decline when consumers have high levels of Hedonism Orientation, beyond a certain point. Hedonism Orientation can be classified into two segments: (1) high-level; and (2) low-level orientations. Low hedonistic consumers tend to react positively to global brand purchases, whereas high hedonistic consumers tend to react negatively. It is natural to pursue a certain level of hedonism to satisfy one's self-fulfilment to gain self-directed pleasure. However, once Chinese consumers reach a high level of hedonistic attitude, they then tend not to put a high value on luxury brands as they do not need luxury brands to impress others. The results indicate that, for Chinese consumers, hedonism is not a strong motivator for luxury brand purchases, and only consumers with low levels of hedonism are positively interested in purchasing luxuries. High-level hedonistic consumers are usually better-educated, affluent young people who do not regard luxury as a symbol of success and status. Instead, they enjoy other means of self-fulfilment and pleasure. In general, Chinese people tend to value social interrelationships more than self-pleasure seeking.

6.4.4 Investment Orientation

Prestige pricing, i.e., where prices are set high to suggest high quality or status to make products or services more desirable (Erickson and Johansson, 1995; Groth and McDaniel, 1993), is relevant to Chinese consumers although they traditionally have a strong savings mentality. Therefore, for Chinese consumers, the monetary concept associated with a luxury brand is an indicator of the perceived level of prestige and also the value of the investment. Such an attitude towards savings suggests Chinese have a preference for a preserved long-term value and resale value. The results of this study indicate that Investment Orientation has a positive effect on global luxury brand purchases. Moreover, Face Orientation further enhances Investment Orientation and generates positive effects on global luxury brand purchases. However, Investment Orientation enhances Uniqueness Orientation not to purchase global luxury brands. A possible explanation is that when a brand is too unique, it might affect its resale value. In general, extremely unique brands might not have a high level of awareness and this may lead to low popularity and demand of these brands among Chinese consumers. This is common in the China market, where consumers usually go for popular luxury brands to impress their peers who have an awareness of those brands.

6.5 Implications

This research study makes several contributions to marketing theory and practice. Each of these is discussed below.

6.5.1 Theoretical contributions

This study has made a number of theoretical contributions to the concept of luxury consumption, which I trust have added value to the existing literature. I will summarise these contributions in four points that will be further elaborated in the next section.

1. First, this study has developed a new Scale of Face Orientation and its dimensions. Face is considered the most important factor behind luxury consumption in Chinese consumers. This is one of the early empirical models to study Face Orientation in the three unique dimensions of Avoiding Shame, Gaining Respect and Distinguishing Out. Further, the construct of Face Orientation can play various roles such as acting as an antecedent, consequence or mediating construct in building consumer models.
2. Second, Face Orientation is not only a strong factor having a positive impact on luxury brand purchases, but it can also serve as a strong moderator with other orientations such as Investment and Uniqueness in enhancing positive effects on luxury brand purchases.
3. Third, instead of only studying “intention to buy” as most previous studies have done, this study measures “actual purchase” as a more reliable and accurate measure of luxury brand consumption. So far, most of the past literature on luxury consumption has been mainly based on respondents’ future “intention to buy”. This work is one the very few research studies using actual purchases to measure consumer behaviour. Also, this is a new methodology that is a more valid measurement of consumer behaviour.
4. Fourth, there are new discoveries on the quadratic effects of Uniqueness and Hedonism Orientations on luxury consumption, which add to the current understanding of hedonism and uniqueness. The findings have made contributions to new classifications of hedonism, uniqueness and distinct behaviours. The non-linear effects of Uniqueness and Hedonism Orientations add value to the luxury literature.

The following section explains the theoretical contributions in more detail.

1. Face Orientation’s three dimensions

Face orientation in luxury consumption can be explained by values deeply embedded in Chinese culture. The face concept has been the major topic in many research studies (Bond, 1991; Hu, 1944; Lin, 1939; Faure and Fang, 2008; Li and Su, 2006). As a collectivistic society, Chinese consumers continue to pursue and desire luxury brands as long as awareness and purchase levels are high. Previous studies have mainly focused on social and cultural factors of Asian societies. As pointed out by Wang, Sun and Song (2010), Chinese consumers buy luxuries for both social and personal reasons. However, none of them have further investigated face orientation from a micro-Chinese cultural perspective. This study builds on the face literature and delineates it into three exhaustive dimensions: (1) Avoiding Shame, (2) Gaining Respect and (3) Distinguishing Out. As such, a completely new Face Orientation Scale is developed to highlight the details of consumers' luxury motives.

Face has a significant effect on both global and local luxury brand purchases (Chapter 5). This is the strongest construct influencing the actual purchases or behaviour of both global and local luxury brands in Chinese communities. In the past, the literature has discussed the important effects of face, but none has examined the relationship between face and actual purchases of global and local luxury brands. In short, this thesis has made a contribution to the existing literature on luxury marketing and the concept of face.

2. Moderation effects of Face Orientation

In addition to the new face scale development, another contribution is the moderating effect of Face Orientation, which significantly adds value to the face literature. Face Orientation was found to play a moderating role with Investment and Uniqueness Orientations to generate significant positive impacts on global and local luxury brand purchases. In short, Face Orientation is an important factor behind Investment and Uniqueness orientations, which further enhance the effects on luxury brand purchases.

- a. The results indicate that when Face Orientation interacts with Investment Orientation, this has a significant positive effect on global luxury purchases. In other words, Face Orientation enhances the effects of Investment Orientation on the impact on purchases of global luxury brands.
- b. The results also demonstrate that when Face Orientation interacts with Uniqueness Orientation, there is a significant positive effect on local luxury purchases. Different from the interactive effect with Investment, Face Orientation enhances the effects of Uniqueness Orientation on local luxury purchases instead of global luxury purchases. Surprisingly, Uniqueness Orientation alone does not have a significant positive effect on the purchase of local luxury brands. However, when it interacts with Face

Orientation, it has a significant positive effect. In other words, Uniqueness Orientation in itself does not affect local luxury purchases. Only those with high face orientation adjust their uniqueness orientation, i.e., the way they look at the uniqueness of local brands leads them to local luxury consumption. This implies that there are at least two conditions needing to be fulfilled for local luxury brand purchases among uniqueness-oriented consumers. The first is high face orientation, and the second is uniqueness orientation adjustment.

3. Actual purchases – an effective measure of the impact of luxury orientation

The theoretical contribution lies in the development of comprehensive models for explaining Chinese luxury orientation and luxury purchases. None of the previous research has proposed theories dealing with the impact of luxury orientations on actual purchases. Most research discussed in Chapters 2 and 3 has focused on the impact of various luxury orientations on “intention to purchase” or attitudes toward luxury consumption (Wong and Ahuvia, 1998; Li and Su, 2006; Richins and Dawson, 1992; Vigneron and Johnson, 2004; Wiedmann, Hennigs and Siebels, 2009). The concept of “intention to buy” may be relatively weak in determining actual brand purchasing behaviour, as respondents only imagine their future actions, which may change over time. The effect may not be reflected in the final decisions of consumers. In other words, this is not an effective measure for sales and marketing to predict future business prospects. Research studies have pointed out that consumers’ self-reported purchase intentions cannot provide reliable predictions of future purchase behaviour (Chandon, Morwitz and Reinartz, 2005; Bagozzi, 1981). This study is one of the first to investigate the impact of luxury orientation on actual purchases of luxury brands, and therefore it provides a more valid measurement of consumer behaviour.

4. The nonlinear effects of luxury orientation

This thesis has paid attention to the nonlinear effects of luxury orientation and has discovered that there are quadratic effects of Uniqueness and Hedonism Orientations on luxury consumption. Hence, the findings add value to the luxury literature that luxury orientations may not have a linear relationship with luxury consumption.

A. Uniqueness is an important factor for global luxury, but not for investment-oriented consumers

Previous literature on luxury brands and luxury consumption (Veblen, 1899; Leibenstein, 1950; Kapferer and Bastien, 2009) has placed much emphasis on understanding how uniqueness influences luxury consumption. Most findings suggest that luxury consumers are a group of people who try to differentiate themselves from the masses to enhance their self-concept. Findings from the in-depth interviews are also in line with this, i.e., respondents felt that brand uniqueness plays a role in their luxury

purchases. In general, snobbish consumers feel negative if everybody owns the conspicuous good, which kills its signalling value. In other words, they desire an image of being unique, different and exclusive.

This thesis further examines the effects of uniqueness on luxury consumption among Chinese consumers who are regarded as the most important consumers in the global luxury market (McKinsey report, 2011).

- a. First, the results indicate that Uniqueness Orientation generates a significant effect on global luxury purchases, while there is no effect on local luxury brands. Generally, global brands are perceived as more unique by Chinese consumers as mentioned in previous literature. Western brands are regarded as possessing a higher status. As for local luxury brands, uniqueness-oriented Chinese consumers do not perceive them as unique, and therefore this has no significant effect on actual purchases of local luxury brands.
- b. Second, the results have also generated a quadratic effect of Uniqueness Orientation, which has positive impacts on global luxury brand purchases. Although previous studies have already mentioned the effect of uniqueness, none have mentioned the degree of uniqueness. Earlier research has dedicated attention to exploring linear relationships between luxury brand consumption and luxury values (Wiedmann, Hennigs and Siebels, 2009; Vigneron and Johnson, 2004; Kapferer, 1998), but none so far have been devoted to investigating the nonlinear relationship between luxury orientation and actual purchases.

Findings of this study suggest that when Uniqueness Orientation is at a low level, the global luxury brand purchases are low, Further, while Uniqueness Orientation is high, the GLBP increases in an upward slope. This nonlinear effect can be further interpreted as a high-low effect of Uniqueness Orientation on global luxury brand purchase behaviour. For the low-level uniqueness-oriented segment, consumers tend not to be interested in global luxury brands. The purchase of global luxury brands in fact is increasing slowly when the Uniqueness Orientation level is low. Additionally, when the level of Uniqueness Orientation is high, this segment tends to buy global luxury brands at an increasing rate (Figure 9 in Chapter 5). This result has never been uncovered in past literature.

- c. Interestingly, the results discovered a negative interactive effect between uniqueness and investment on global luxury purchases. This result demonstrates that although both Investment and Uniqueness Orientations generate positive effects on global luxury brand purchases, once they interact the effect is negative on purchases. This could be caused by the unique characteristics of global brands and the fact that investment-oriented consumers might worry about the resale value in the long term.

The perception of uniqueness is usually related to low brand awareness and is unpopular among consumers due to the nature of rarity. Therefore, it is natural for investment-oriented consumers who are concerned about the financial value of their luxury purchases to hesitate when buying. This finding is in line with Kapferer (1997), who argues that awareness of non-users is an important factor in luxury brand consumption, especially in developing countries like China.

Another interaction effect occurs between Uniqueness and Face Orientations. It was noted that Uniqueness alone does not generate a significant positive effect on local luxury brand purchases as mentioned earlier. However, Face Orientation serves as a moderator to enhance the effect of Uniqueness on local luxury brand purchases. This further indicates the importance of Face Orientation for influencing uniqueness-oriented Chinese consumers to buy local luxury brands. This new finding adds value to the marketing literature on luxury brand purchases.

B. Hedonism is negatively related to global luxury brand purchases

a. Hedonism Orientation has a negative effect on luxury brand purchases

The traditional literature on luxury has extensively discussed the effects of hedonism and its effects on luxury consumption in Western societies (Sheth, Newman and Gross, 1991; Wiedmann, Hennings and Siebels, 2009; Vigneron and Johnson, 2004; Dittmar, 1994). This literature focused on the perceived subjective utility of the luxury brand that aroused feelings and affective states leading to personal rewards and fulfilment. Hence, luxury consumers use luxury items to integrate symbolic meaning into their own identity, or they use the brands to support and develop their personal identity.

Previous research studies on hedonism (Wiedmann, Hennings and Siebels, 2009; Wong and Ahuvia, 1998) discovered that hedonism orientation does not have a strong positive effect on luxury purchases. This research found that introvert hedonists are less likely to be enthusiastic about buying luxuries compared with other segments, since they see luxury brands as just a source for their own pleasure without regard to the feelings of others. In this study, it is found that there is a weak correlation between Hedonism Orientation and luxury brand purchasing by Chinese. When applied to different cultural perspectives, Southeast Asian consumers who have strong Confucian traditions tend to be more concerned with interdependent construal and face orientation than the individual self and hedonism orientations (Wong and Ahuvia, 1998; Yang, 1963; Monkhouse, Barnes and Stephan, 2012). In other words, Asians place more importance on symbolic value when they consume luxury products in public (Wong and Ahuvia, 1998). Speaking overall, Chinese consumers are less likely to be influenced by Hedonism Orientation in their luxury brand purchases, while Face Orientation is the most significant factor.

In line with earlier research on Western markets, results of this study indicate that Hedonism Orientation has a significant negative effect on global brand purchases. In other words, hedonistic Chinese consumers do not seem to need global luxury brands to signal their identity and status. This research also discovered that Chinese hedonistic consumers behave similarly to their Western counterparts.

b. The negative quadratic effect: high and low stages of hedonistic consumers

Although earlier research (Wong and Ahuvia, 1998; Wiedmann, Hennings and Siebels, 2009) has discovered its relationship with luxury value, none has mentioned a quadratic effect of hedonism, i.e., the degree of hedonism and the effect on global luxury purchases. Interestingly, this study has discovered the quadratic effect of Hedonism Orientation on global brand purchases in two stages, i.e., high and low. The purchase of global luxury brands seems to drop quickly once hedonism increases. It can be interpreted from the consumer perspective that consumers are classified into two groups: those with low levels of hedonism and those with high levels of hedonism. The findings provide evidence that consumers with a high hedonistic orientation do not need global luxury brands to reinforce their self-identity. It seems that consumers with high levels of hedonistic attitudes who regard their self-identity highly do not have an increasing interest in purchasing global brands. In other words, the more hedonistic that consumers become, the less likely they are to purchase global luxury brands. Behaviours of these two groups are different. The most important implication is that the high hedonism group is less concerned about luxury purchases than the low group. One way to explain this behaviour is that the high-hedonism segment that has been used to consuming luxury brands find such consumption meaningless. This finding is in line with previous literature, where Asian consumers compared to their Western counterparts place more emphasis on publicly visible possessions to symbolise their social status, and they are less concerned with hedonistic experiences (Wong and Ahuvia, 1998; Shukla, 2012).

Overall, the new Scale of Face Orientation adds value to the existing literature on consumer behaviour, especially in the realm of face research in a Chinese context. The three dimensions of Face Orientation that are new to the literature of face can be further extended into the disciplines of business ethnics relating to counterfeit products. The feeling of gaining respect and avoiding shame will influence the purchase of counterfeit product behaviour.

6.5.2 Marketing implications

Besides theoretical contributions, this thesis offers some important suggestions for managerial and marketing strategies that international luxury brand marketers can use by identifying the role played by different luxury value orientations that drive the luxury purchase behaviour of Chinese consumers. A key managerial implication of this study

relates to how these luxury orientations impact purchasing behaviour for global versus local luxury brands. The results provide managers with insights for planning effective marketing strategies to meet the needs of different segments.

(a) The importance of such luxury orientations for managers and market researchers

In this thesis, four orientations for measuring the propensity to purchase are identified. These orientations of Face, Uniqueness, Investment and Hedonism are developed into a scale so that managers of luxury brands can measure these orientations and examine the fundamental needs of their consumers. Understanding the four luxury orientations can help managers to gauge propensities to purchase luxury brands, to segment the target market, to develop effective positioning strategies and to design appropriate advertising campaigns, etc.

Chinese consumers display distinctly different behaviours when they actually purchase local and global luxury brands. Face-oriented consumers have a stronger tendency to purchase global luxury brands rather than local luxury brands. This study also shows that global brands symbolise cosmopolitanism and prestige, especially among certain consumer segments such as face-conscious Chinese consumers. They are willing to pay a higher price for global brands that correlate with wealth and standing, in order to impress friends and group members. In practice, luxury brands should realise this and develop strategies to demonstrate the prestigious image of their brands. More importantly, luxury brands should develop strategies to build image, not just projecting the image of prestige, but also the level of uniqueness or distinctiveness and future investment value.

(b) Global versus local luxury branding strategies

Marketing and managerial implications drawn from the findings can be applied in global and local branding strategies. In practice, global luxury brand managers may focus on communication and positioning strategies, highlighting the global status, uniqueness and investment value. This may be useful when targeting consumers with high status, and face-seeking individuals who also care about uniqueness and future investment value. In short, global brands represent a wide range of luxury meanings to their consumers, leading to a wide variety of message attribute choices for effective marketing strategies. Brand images can be built not just on face attribute, but also on uniqueness and investment. The findings are in line with previous research in that non-local or global brands symbolise a prestige image and are preferred over local brands in developing countries (Batra et al., 2000; Roy and Chau, 2011; Kapferer, 1997).

1. Strategy for global luxury brands

The results demonstrate that Chinese consumers are influenced differently by various luxury orientations when purchasing global versus local brands. Of the luxury

orientations, three (Face, Investment and Uniqueness) generate positive effects on global brand purchases, except for Hedonism, which negatively impacts global brand purchases.

To develop marketing strategies in the China market, it is important to define well segments of consumers. In addition to Face Orientation, Uniqueness and Hedonism Orientations are also influential factors that impact the choice of segmentation strategy. The non-linear nature of these two orientations as discovered in this study highlight the different luxury purchasing behaviours for high and low Uniqueness Orientation, as well as high and low Hedonism Orientation. Therefore, consumers who have low or high levels of Hedonism or Uniqueness should be treated as distinct groups of consumers, since they behave very differently in terms of luxury purchases.

a. Hedonism – understand the needs of hedonistic consumers

How should Chinese hedonistic consumers be managed? Hedonism is a weak variable influencing luxury brand purchases. Hence, hedonism-oriented consumers are not the key target market for luxury brands. Moreover, it has no interaction effect with the other three factors, i.e., Hedonism has no association or influence with Uniqueness, Face or Investment on luxury brand purchases.

Hedonistic Chinese consumers do not appear to be interested in global or local luxury brands. In fact, the more hedonistic they are, the less likely they are to buy global brands. This implies that consumers with high levels of hedonism tend to be less interested in luxury brand purchases. They seem to be confident enough about their self-identity and less dependent on luxury brands to enhance their self-image. They do not search for luxury brands to show their status.

For managers, the results indicate that only low levels of Hedonism Orientation are positively related to global luxury brand purchases. Global luxury firms may wish to focus on less hedonistic-oriented consumers in contrast to appealing to those with high levels of hedonism.

With the understanding of hedonistic consumers' attitudes toward luxury brands, marketers can consider advertisements that do not focus on self-identity and self-indulgence. Chinese consumers tend not to be influenced by this creative approach; rather they are more moved by socio-symbolic advertising. Therefore, global luxury brands need not target consumers who are high in hedonism.

b. Uniqueness – targeting Chinese consumers who are high in Uniqueness Orientation

This particularly applies to global brand strategies, and communication strategies such as advertising and promotions need to be very unique to appeal to the group of consumers who go for highly unique images. The results indicate that uniqueness orientation is positively related to global luxury brand purchases only at higher levels

of Uniqueness Orientation. In other words, consumers who are at lower levels of Uniqueness Orientation are not interested in GLBP. Therefore, firms can probably benefit more by investing in consumers who have high Uniqueness Orientation. Global firms need to reallocate resources from low Uniqueness Orientation consumers to high Uniqueness Orientation consumers to provide them with value. Thus, the task for managers is to try to monitor the Uniqueness Orientation level such that the firm is operating at or close to the optimum point C (Figure 9).

Low levels of Uniqueness Orientation do not have strong effects on global brand purchases, while high preference for Uniqueness tends to have strong effects on the purchase of global luxury brands. The GLBP has an increasing rate but it sharply increases after Point B (Chapter 5, Figure 5.11). Global luxury brand marketers need to identify the primary target group (Point B→C) who have a high level of Uniqueness Orientation and high GLBP. Therefore, in order to make promotion activities effective, marketing strategies need to target consumers with high levels of Uniqueness Orientation. As such, advertising should stress exclusivity and rarity of the product. Overall, managers probably do not need to emphasise much on investment elements, but rather highlight the high levels of rarity and exclusivity associated with luxury brands.

c. Investment – Global brands and high future investment value

Global brands are attractive for investment-oriented consumers. Marketing strategies need to emphasise two premises – the global image and future investment value of brands – in order to effectively capture the market.

With respect to global image, the following are two examples demonstrating how local brands have failed to effectively develop a global image. Recently, many local brands have been working on repositioning their local image by acquiring global and international brands to build more prestigious brand identities. For example, Chow Tai Fook, a famous local jewellery company, has been aggressively developing an international marketing strategy to expand its brand in various overseas markets. To build a global image, they expanded into over 3,000 retail stores in Mainland China, as well as expanding stores in other Asian and Western countries. Strategically, the development and expansion has been too focused on China. This fails to positively project a global image for the brand, and it may be detrimental to its corporate image as a whole. Therefore, to build a global image and branding strategy, marketers need to be cautious in their decisions for market expansion.

In addition, Chow Tai Fook has also acquired Hearts on Fire, a global international luxury jewellery brand to further develop the global image of the company. However, the distribution strategy may not be appropriate, as Chow Tai Fook has chosen to

launch and sell its global brands in local traditional Chow Tai Fook retail stores. Doing so might not distinguish the uniqueness and global positioning of Hearts on Fire. Marketers may need to highlight the unique prestigious features, the global image and future value of luxury brands in order to appeal to face- and investment-oriented Chinese consumers. Hearts on Fire was bought by Chow Tai Fook but not enough has been invested into promoting this global brand, and in the meantime it appears wrongly positioned.

With respect to future values of luxury brands, marketers may need to highlight the unique prestigious features and the global image and future value of luxury brands in order to appeal to face- and investment-oriented Chinese consumers. In short, Hearts on Fire was bought by Chow Tai Fook but not enough was invested in promoting this brand.

d. Face Orientation – The strongest luxury orientation

The results demonstrate that Face Orientation is actually generating positive effects on sales of global brands. This has some implications in marketing. First, marketers should place Face Orientation as their top priority when planning marketing and communication strategies. Second, marketers should focus on the symbolic and status meaning of conspicuous consumption in Chinese communities. This is in line with earlier research that Asians place more importance on symbolic values than Western consumers (Wong and Ahuvia, 1998). Third, marketers should manifest Face Orientation with other luxury orientations to enhance positive multiplier effects on luxury consumption. For example, Face Orientation interacts and enhances Investment Orientation for positive global luxury brand purchases. In other words, consumers who are concerned with face and status and are also concerned with investment or future savings tend to buy global luxury brands. Hence, marketers should consider communications with multiple appeals incorporating face and investment values in their advertising messages and positioning strategies.

Fourth, marketers should avoid adopting global and standardised communication strategies, which is common for many global firms. Rather, they may try to localise the content of campaigns in the China market. In other words, communication and advertising campaigns in China should not be standardised. A unique creative campaign is necessary to highlight and appeal to Chinese consumers who value symbolic and social status more than uniqueness and hedonism. Hence, a localised strategy that more emphasises Chinese group norms and social status might be appropriate to specifically address the social needs of the Chinese market. The case of the Cartier campaign is a typical example that emphasises the message of prestige and investment. Creative content highlights the rich history and prestigious brand image of the product. Also, showing the Great Wall as the background led to the

perception of face and the investment value. This implies that marketers of global brands in China need to convey messages that appeal to group consensus, symbolic appeal and status value.

In summary, luxury global brands may develop strategies that specifically focus on unique requirements of the local market instead of following a standardised marketing strategy. It might be more costly, but it is worth doing it as it generates word-of-mouth publicity and trust among Chinese consumers. The key implication for international marketers is that the global practice of standardising marketing mix elements should be treated with caution and should not be applied to all nations and segments indiscriminately.

2. Strategy for local luxury brands

Compared to global luxury brands, many local firms are operating under pressure and feel that the market is beyond their control. They assume that they have little chance of competing against global firms. Results from this study indicate that the key strength of local firms is their local identity or culture and that they can firmly position and communicate their brand to generate higher social symbolic and face brand values. Face is the most effective factor for local luxury brand purchases. Hence, local luxury brand marketers may concentrate on face and status values that appeal to local brand consumers the most.

As suggested, there are three luxury orientations (Investment, Uniqueness and Hedonism) that are not likely to influence local luxury brand purchases. In fact, only one factor, Face Orientation, can significantly influence purchasing, and it has a direct effect on the purchasing behaviour of local brands. Face also acts as a moderator that enhances Uniqueness Orientation for positive local brand purchases. Thus, there are several managerial implications for local luxury brands:

a. Building a global image through advertising

Nowadays, many local brands are considering building global brand images through expanding their overseas markets and brand acquisitions. However, a large amount of promotional investment and well-planned promotional strategies are required to be implemented for an effective positioning strategy.

To build a global brand image, first, local brands need to move effectively from being perceived as local to being perceived as global. However, it is not an easy strategy to implement. For instance, the recent advertising campaigns of Chow Tai Fook and other local brands focus too much on the creative message of love, low price and good value in order to project a Westernised image. Marketers should not confuse luxury consumers by adopting inconsistent positioning strategies that attempt to blend

different variables such as hedonism and uniqueness with face. The effective marketing strategy of local brands should focus solely on face value.

To follow the Western creative approach may not be effective in the China market, where direct and straightforward messages that stress social status and peer approval may be more appropriate. Hence, the two famous local jewellery brands in Hong Kong and China, such as Chow Tai Fook and Chow Sang Sang, should stress face value because it is the most effective driver for local brands, as indicated in the results.

b. Building a global image through brand acquisition

In addition to developing a global image through advertising, local brands are also trying to go global through the acquisition of global brands. Doing so may help them to present a more global image and allow them to be perceived as a product of higher quality.

Chow Tai Fook recently acquired the global brand Hearts on Fire. This case, as discussed earlier, has highlighted the challenges faced by local brands when attempting to communicate a global brand image. Many local brands may consider building a global brand image through international market expansion and brand acquisition. However, a large amount of promotional investment and well-planned promotional strategies are required to implement an effective positioning strategy. Understanding Chinese consumers' luxury orientations behind their purchases of luxury brands can enhance the success of marketing and branding strategies.

6.6 Limitations and Future Research

This study is not without its limitations. Perhaps the key finding of this research study is that, among the Chinese luxury consumers examined, consumers with high Face Orientation tend to have strong positive attitudes toward purchasing both global and local brands. This finding suggests the need for future research on the phenomenon of global brands, including work to clarify the meaning and measurement of this construct. Future research also needs to examine how the perceptions of global image are formed through marketing communication strategies.

First, as this research concentrates on Chinese luxury shoppers in Hong Kong, the sample is limited. Only luxury shoppers waiting in queues outside luxury brand stores were interviewed. Therefore, the attitude measured mainly focuses on luxury shoppers who already have an intention to purchase luxury brands. The results might emphasise the behaviour and attitudes of Chinese consumers as a whole. Future work is needed on

non-shoppers to analyse perceptions of luxury brands so that comparisons can be drawn between shoppers and non-shoppers. The non-buyers might have very different opinions on luxury brands that are worth exploring. However, it would in fact be quite difficult to find these samples nowadays as there are no longer so many Chinese visitors in Hong Kong due to economic and other reasons such as the anti-corruption campaign. The long queues waiting outside luxury brand shops have disappeared in recent years. Therefore, the sample and information collected in this study are actually very valuable because there are no longer long lines of waiting shoppers outside shops now. It is suggested that future fieldwork can consider cooperating with local and global brands to conduct surveys on their sites or in stores to examine loyal customers' attitudes towards buying their brands.

Second, the attitudes and behaviour of luxury consumption in different Chinese communities may not be identical due to their different experiences and exposure. Chinese might perceive luxury very differently from their counterparts in the USA or Taiwan. In order to avoid over-generalisation, future research is needed to understand Chinese consumers' attitudes from different countries by extending the sample to other Chinese societies, including Taiwan, Singapore and other overseas Chinese communities (Australia, Canada, UK, USA).

Third, this study focused on only one culture, a Chinese consumer sample. As a developing country, Chinese consumers tend to prefer luxury brands to demonstrate their social status. Therefore, global brands are highly preferred by this group of consumers. However, it would also be interesting to examine the attitudes and behaviour of consumers in developed countries to measure differences. From a cultural perspective, future studies should attempt to perform two things: (1) to explore the differences between collectivistic and individualistic cultures on the degree of luxury preferences for global versus local brands; and (2) to trace whether the degree of luxury preference for global versus local brands might converge when Chinese become more open or democratic in the future.

Fourth, current research is based on one single product category, i.e., jewellery brands, which might limit its generalisability to other luxury products. Further studies may explore the phenomenon of luxury orientation with different product categories in various countries. For example, studies can collect data on different luxury product categories such as luxury cars, bags and fashion, etc.

Fifth, current research is based on a cross-sectional approach that measures different luxury orientations and their effects on luxury consumption among Chinese consumers. It is worth studying the development of Chinese consumers in terms of their preferences over the years as they open up to Western culture. Hence, there is a need for a longitudinal study to measure changes in luxury orientations of Chinese consumers.

There is a growing demand for counterfeit luxury products in developing countries (Perez et al., 2010; Jiang and Cova, 2012; Bian and Moutinho, 2009). In addition to understanding the luxury orientations of global and local brands, further research may investigate the orientations and motivations behind counterfeit consumption among Chinese consumers. Instead of just focusing on the unethical issue of counterfeit consumption, it would be helpful for policy makers and luxury brand owners to design campaigns to discourage counterfeit purchases based on consumer orientations, especially the likelihood of social risk associations (Bian, X. et al., 2016). Face Orientation in this thesis may act as a catalyst to counter counterfeiting among face-conscious Chinese consumers who care about losing face and would feel embarrassed when their counterfeit items are exposed to peers. This is another interesting area to explore in the future.

6.7 Conclusion

This thesis ends with several concluding remarks. First, it is felt that the study contributes to the understanding of the most important luxury orientation of Chinese consumers in their luxury purchases by developing a three-dimensional scale to capture Face Orientation. This is the first research of its kind, and hopefully the scale and its underlying dimensions will be useful to managers who are or will be marketing luxury products or services in Chinese societies, as well as for researchers who conduct studies in relation to Chinese consumers of luxury products. Second, in addition to Face Orientation, this study contributes to the knowledge of important luxury orientations for Chinese consumers by successfully developing a comprehensive model of four orientations and actual purchases. Some managerial implications that were derived from the relationship between variables in the model of luxury orientations could prove valuable in helping managers to develop effective marketing strategies. Finally, this study also contributes by providing a number of suggestions for building on the present study and providing new grounds for further research endeavours surrounding luxury consumption and beyond in the China market.

Appendix A1: Summary of Luxury Literature

1. Classical Economic Approach on Luxury (since 1834)			
a. Conspicuous consumption	Year	Author	Title
	1834	Rae, John (economist)	The Sociological Theory of Capital
	1899	Veblen, Thorstein B. (economist)	The Theory of the Leisure Class
	1903	Keasbey, Lindley M.	Prestige Value
b. Social effects of conspicuous consumption: “Bandwagon” and “snob” effects	1950	Leibenstein, H.	Bandwagon, Snob, and Veblen Effects in the Theory of Consumers’ Demand,
	1899	Veblen, Thorstein B. (economist)	The Theory of the Leisure Class
	1997	Corneo, G. and Jeanne, O	Conspicuous Consumption, Snobbism and Conformism
	2000	Mason, R.S	Conspicuous Consumption and the Positional Economy: Policy and Prescription Since 1970
c. Consumption not just shaped by social class, but by lifestyle and “taste”	1899	Veblen, Thorstein B. (economist)	The Theory of the Leisure Class
	2001	Trigg, A.B	Veblen, Bourdieu and Conspicuous Consumption
	2004	Shipman, A.	Lauding the Leisure Class: Symbolic Content and Conspicuous Consumption
2. Motives and Values of Luxury Consumption			
a. The concept of luxury	1994	Berry, C.J	The Idea of Luxury: A Conceptual and Historical Investigation
b. The idea of luxury and luxury-necessity dimension	1998	Simon Kemp	Perceiving Luxury and Necessity
	1994	Berry, C.J	The Idea of Luxury: A Conceptual and Historical Investigation
c. Material possessions and consumer values	1992	Richins, M. and Dawson, S.	A Consumer Values Orientation for Materialism and Its Measurement: Scale Development and Validation
d. Public-private meaning dimensions of possession	1994	Richins, M.	Valuing Things: The Public and Private Meanings of Possessions
	1994	Dittmar, H.	Material Possessions as Stereotypes: Material Images of Different Socio-Economic Groups
3. Measurement of Attitudes and Perceptions towards the Concept of “Luxury”			
a. Definition of luxury consumers	1899	Veblen, Thorstein B. (economist)	The Theory of the Leisure Class
	1950	Leibenstein, H.	Bandwagon, Snob and Veblen Effects in the Theory of Consumers’ Demand,
	1993	Dubois, B. and Duquesne	The Market of Luxury Goods: Income vs. Culture
	2001	Dubois, B., Laurent, G. and Czellar, S.	Consumer Rapport to Luxury: Analyzing Complex and Ambivalent Attitudes
	1999	Vigneron, F. and Johnson. L.	A Review and a Conceptual Framework of Prestige Seeking Consumer Behaviour
	1994	Dubois, B. and Laurent, G.	Attitudes toward the Concept of Luxury: An Exploratory Analysis
	1997	Kapferer, J.N	Managing Luxury Brands

b. Cross-cultural differences in attitudes towards the concept of luxury	1899	Veblen, Thorstein B. (economist)	The Theory of the Leisure Class
	1995	Dubois, B. and Paternault, C.	Understanding the World of International Luxury Brands: The “Dream Formula”
	2001	Dubois, B., Laurent, G. and Czellar, S.	Consumer Rapport to Luxury: Analyzing Complex and Ambivalent Attitudes
	2005	Dubois, B., Laurent, G. and Czellar, S.	Consumer Segments Based on Attitudes toward Luxury: Empirical Evidence from Twenty Countries
	1994	Tidwell, P. and Dubois, B.	A Cross-Cultural Comparison of Attitudes toward the Luxury Concept in Australia and France
c. Conceptual framework to measure the dimensions of perceived luxuriousness of brands	1999	Vigneron, F. and Johnson, L.	A Review and a Conceptual Framework of Prestige Seeking Consumer Behaviour
	2004	Vigneron, F. and Johnson, L.	Measuring Perceptions of Brand Luxury
	1998	Kapferer, J.N	Why Are We Seduced by Luxury Brands?
	1950	Leibenstein, H.	Bandwagon, Snob and Veblen Effects in the Theory of Consumers’ Demand
4. Luxury Consumption in Asian Culture			
a. Evolution of luxury consumption in Asia	1998	Wong, Nancy Y. and Ahuvia, Aaron C.	Personal Taste and Family Face: Luxury Consumption in Confucian and Western Societies
	2006	Chadha, R. and Husband, P.	The Cult of the Luxury Brand: Inside Asia’s Love Affair with Luxury
b. “Face” and Chinese luxury consumers	2006	Li, J.J and Su,	How Face Influences Consumption: A Comparative Study of American and Chinese Consumers
	2000	Phau, I. and Prendergast, G.	Consuming Luxury Brands: The Relevance of the “Rarity Principle”
	1998	Gao, G.	An Initial Analysis of the Effects of Face and Concern for “Other” in Chinese Interpersonal Communication
c. Motives of Chinese luxury purchase	2010	Wang, Y., Sun, S. and Song, Y.	Motivation Form Luxury Consumption: Evidence from a Metropolitan City in China
5. Luxury Branding from a Marketing Perspective: Segmentation and Luxury Consumption			
a. Dubois, Laurent and Czellar’s segments of luxury	1999	Vigneron and Johnson	A Review and a Conceptual Framework of Prestige Seeking Consumer Behaviour
	2004	Vigneron & Johnson	Measuring Perceptions of Brand Luxury
	2001	Dubois, B., Laurent, G. and Czellar, S.	Consumer Rapport to Luxury: Analyzing Complex and Ambivalent Attitudes
	2005	Dubois, B., Laurent, G. and Czellar, S.	Consumer Segments Based on Attitudes toward Luxury: Empirical Evidence from Twenty Countries
b. Multidimensional luxury value framework	2009	Wiedmann, K.P, Hennigs, N. and Siebels, A.	Value-Based Segmentation of Luxury Consumption Behaviour
c. Luxury brand prominence	2010	Han, Y.J, Nunes J.C, Dreze, X.	Signalling Status with Luxury Goods: The role of Brand Prominence
	1899	Veblen, Thorstein B. (economist)	The Theory of the Leisure Class
d. Why are we seduced by luxury	1998	Kapferer, J.N	Why Are We Seduced by Luxury Brands

brands?			
6. Principles of Luxury Brand Management			
a. Brand awareness and management	1997	Kapferer, J.N	Managing Luxury Brands
b. Classical marketing versus luxury marketing	2009	Kapferer, J.N and Bastien, V.	The Luxury Strategy

Appendix A2: Summary of Luxury Literature (with detailed research focus)

1. Classical Economic Approach on Luxury			
a. Conspicuous Consumption			
Year	Author	Title	Research Focus
1834	Rae, John (economist)	The Sociological Theory of Capital	<p><u>Vanity</u></p> <ul style="list-style-type: none"> • Rae’s basic cleft is between “utilities” and “luxuries” • “Passion of vanity” is “luxury” • Vanity is the desire for superiority over others <p><u>Display:</u></p> <ul style="list-style-type: none"> • It is important to be acknowledged by people, “to be seen” – social • Conspicuous consumption, “display superiority” • Rae’s “propensity to show”
1899	Veblen, Thorstein B. (economist)	The Theory of the Leisure Class	<ul style="list-style-type: none"> • Conspicuous consumption displays a higher social status than others • Display of wealth through conspicuous consumption of goods • Distinguish oneself and emulate consumer behaviour of the class above each social class • “Propensity for emulation” • “Social visible” goods versus “private” goods
1903	Keasbey, Lindley M.	Prestige Value	<ul style="list-style-type: none"> • Prestige value indicates the importance a person attached to the possession of a good not primarily for immediate consumption • Possession of the good to raise social position, power and finally prestige • Goods have three kinds of values or economic power: Satisfy immediate needs; contributing to prestige; and exchange • Prestige values are not individual, but social, so prestige is essentially social
1996	Bagwell, L.S and Bernheim, B.D	Veblen Effects in a Theory of Conspicuous Consumption	<ul style="list-style-type: none"> • The authors examine conditions under which “Veblen effects” arise from the desire to achieve social status by signalling wealth through conspicuous consumption, and explore factors to investigate policy implications • “Budget” brands are priced at marginal cost, while “luxury” brands, though not intrinsically superior, are sold at higher prices to consumers seeking to advertise wealth • Consumers will pay a higher price for a functionally equivalent good because they crave the status brought about by such material displays of wealth
b. Social Effects of Conspicuous Consumption: “Bandwagon” and “Snob” Effects			
Year	Author	Title	Research Focus
1950	Leibenstein, H.	Bandwagon, Snob and Veblen Effects in the Theory of Consumers’ Demand	<ul style="list-style-type: none"> • Demand for a goods rises because its price is higher rather than lower • Examined three consumer effects on demand: <ul style="list-style-type: none"> ○ Veblen effect: <ul style="list-style-type: none"> ▪ Wealthy “leisure class” engages in conspicuous consumption ▪ Conspicuous consumption is used to signal wealth and power ○ Snob (interpersonal): <ul style="list-style-type: none"> ▪ Demand drops when the number of buyers increases

			<ul style="list-style-type: none"> ▪ Desire to be different and exclusive ▪ Price is an indicator of exclusivity, and avoid using popular brands ▪ Differentiate from the mass to enhance self-concept ○ Bandwagon (interpersonal): <ul style="list-style-type: none"> ▪ Demand increases, consumers will follow ▪ Follow others in their reference groups ▪ An opposite of snob effect ▪ Affiliate with reference group to enhance self-concept
1899	Veblen, Thorstein B.(economist)	The Theory of the Leisure Class	Same as above
1997	Corneo, G. and Jeanne, O	Conspicuous Consumption, Snobbism and Conformism	<ul style="list-style-type: none"> • A model was developed to examine that consumers purchase a conspicuous good in order to signal high income and greater social status • The signalling value of conspicuous consumption depends on the consumer behaviour characterised by either snobbism or conformism • The market demand for a conspicuous good may be upward sloping • Taxing the conspicuous good might turn to enlarge its market demand
2000	Mason, R.S	Conspicuous Consumption and the Positional Economy: Policy and Prescription Since 1970	<ul style="list-style-type: none"> • The demand for status goods – conspicuous consumption, has diverted many resources away from investment in the manufacture of more material goods and services in order to satisfy consumer preoccupations with their relative social standing and prestige • Consumption is being undertaken not for conventional utilitarian purposes, but for social and psychological motives associated with attempts to improve relative social standing and prestige
c. Consumption Not Just Shaped by Social Class, but by Lifestyle and “Taste”			
1899	Veblen, Thorstein B. (economist)	The Theory of the Leisure Class	Same as above
2001	Trigg, A.B.	Veblen, Bourdieu and Conspicuous Consumption	<ul style="list-style-type: none"> • By examining the relationship between Veblen and Bourdieu, a more general framework of conspicuous consumption is developed • Bourdieu provides a contemporary development of the theory of conspicuous consumption that builds upon some of Veblen’s framework
2004	Shipman, A.	Lauding the Leisure Class: Symbolic Content and Conspicuous Consumption	<ul style="list-style-type: none"> • Examines some implications of a shift from “waste” to “taste” in conspicuous consumption • It also explores how branded products representing the mass production of symbolic goods in high-income economies
2. Motives and Values of Luxury Consumption			
a. The Concept of Luxury			
1994	Berry, C.J	The Idea of Luxury: A Conceptual and Historical Investigation	<ul style="list-style-type: none"> • Philosophical approach • Focus upon the interplay between the notions of need and desire, suggests that luxuries fall into four categories – sustenance, shelter, clothing and leisure • Suggested that luxury is associated with women
b. The Idea of Luxury and Luxury-Necessity Dimension			

1998	Simon Kemp	Perceiving Luxury and Necessity	<ul style="list-style-type: none"> • Three studies were carried out where different goods were rated on a necessity-luxury scale • The studies discovered that people's perceptions of luxury are strongly related to the economic concept of price elasticity; luxury goods differ from necessities in being positive rather than negative reinforcements; and the perceived necessity of a good is strongly related to the desire to regulate its distribution if the good is in short supply • The ratings of luxury versus necessity are social perceptions modified by the differing values and tastes of the individual • Goods perceived as luxuries were those most likely to be less frequently purchased if the price doubled • Different people do not always agree as to which goods are luxuries and which are not
1994	Berry, C.J	The Idea of Luxury: A Conceptual and Historical Investigation	Same as above
c. Material Possessions and Consumer Value			
1992	Richins, M. and Dawson, S.	A Consumer Values Orientation for Materialism and Its Measurement: Scale Development and Validation	<ul style="list-style-type: none"> • The development of a values-oriented materialism scale with three components: acquisition centrality, acquisition as the pursuit of happiness, and possession-defined success • High and low materialists were studied and found to be different in their spending behaviour. High materialists tend to spend more for themselves than low materialists • Materialistic consumers regard luxury brands as a means to reach happiness and to evaluate personal or others' success
d. Public-Private Meaning Dimensions of Possession			
1994	Richins, M.	Valuing Things: The Public and Private Meanings of Possessions	<ul style="list-style-type: none"> • Studied two meanings of possessions: public and private. Public: result from socialisation and participation in shared activities; Private: influenced by personal experiences with the object • Materialism and interpersonal influences
1994	Dittmar, H.	Material Possessions as Stereotypes: Material Images of Different Socio-Economic Groups	<ul style="list-style-type: none"> • Material possessions as important symbols in structuring people's perceptions of different socio-economic groups – to locate other people in a social-material hierarchy • Perceived extended-self dimension transferred from consumption of luxury brands to enhance their self-concept
3. Measurement of Attitudes and Perception towards the Concept of "Luxury"			
a. Definition of Luxury Consumers			
1899	Veblen, Thorstein B. (economist)	The Theory of the Leisure Class	Same as above
1950	Leibenstein, H.	Bandwagon, Snob and Veblen Effects in the Theory of Consumers' Demand,	Same as above
1993	Dubois, B. and Duquesne	The Market of Luxury Goods: Income vs. Culture	<ul style="list-style-type: none"> • Two different strategies can be adopted by marketers of luxury products • Two modes of luxury goods motivations: (1) traditional – quality, design and excellent services; (2) symbols
2001	Dubois, B., Laurent, G. and Czellar, S.	Consumer Rapport to Luxury: Analyzing Complex and	<ul style="list-style-type: none"> • Identified 10 luxury attitudes dimensions: Extreme quality, high price, scarcity, aesthetics, personal history/competence, superfluity/plenty, mental reservations/conspicuousness, personal

		Ambivalent Attitudes	<p>distance and uneasiness, involvement: deep interest and pleasure, involvement: sign value</p> <ul style="list-style-type: none"> • Through in-depth interviews, this paper identified the major themes that consumers associate with luxurious goods • Three segments across 20 countries were identified based on their attitudes: Elitism, democratisation and distance • The framework is limited to the Western cultural context only – Hong Kong was also included but results cannot be explained by cultural affinity patterns.
1999	Vigneron, F. and Johnson, L.	A Review and a Conceptual Framework of Prestige Seeking Consumer Behaviour	<ul style="list-style-type: none"> • Developed a framework of ‘prestige-seeking’ consumer behaviour (PSCB) • PSCB is the results of multiple motivations, in particular the motives of sociability and self-expression • Three types of brands were categorised as prestigious: upmarket, premium and luxury in an increasing order of prestige • Supplementing the traditional three-factor structure (snob, Veblenian and bandwagon motives) developed by Leibenstein (1950), five values and five motivations were identified. Values: conspicuous, unique, social, emotional and quality. Motivations: Veblenian, Snob, Bandwagon, Hedonist, Perfectionist • Five types of prestige seekers that are influenced by five perceived prestige values and self-consciousness
1994	Dubois, B. and Laurent, G.	Attitudes toward the Concept of Luxury: An Exploratory Analysis	<ul style="list-style-type: none"> • Measure of attitudes toward the luxury concept • The Dubois-Laurent luxury scale was developed • The ambivalent nature of respondents’ feelings towards the concept of luxury • The structure of people’s predispositions towards luxury are affected both by their perception of the luxury world and their perceived fit with such a world
1997	Kapferer, J.N	Managing Luxury Brands	<ul style="list-style-type: none"> • The paper discussed how the luxury brand differs from “up-market” brands or ordinary brands • It is dangerous of simply applying classical methods to luxury management • The luxury market comprises three levels, the top of the pyramid is the griffe – the creator’s signature engraved on a unique work. The second level is that of luxury brands produced in small series within a workshop, very fine craftsmanship, e.g. Cartier, Rolls-Royce. The third level is that of streamlined mass production (e.g., Dior or YSL) that the brand’s fame generates added value for expensive and prime quality products • The article also pointed out that brand awareness is important in that more people who know the brand is more important than who actually buys it • Four different situations and four customer types: 1. the buyers who still dream of the brand; 2. the buyers who no longer dream of the brand; 3. the non-buyers who dream of the brand do not actually buy (target); and 4. the non-buyers who do not dream of the brand.
b. Cross-Cultural Differences in Attitudes towards the Concept of Luxury			
1899	Veblen, Thorstein B. (economist)		The Theory of the Leisure Class Same as above
1995	Dubois, B. and Paternault, C.	Understanding the World of International Luxury Brands: The “Dream	<ul style="list-style-type: none"> • This paper empirically explores the status of international luxury brands in the USA • Each luxury brand can be positioned in terms of the awareness-purchase-dream relationship

		Formula”	<ul style="list-style-type: none"> The level of diffusion of luxury brand adversely affects its “dream” appeal – i.e., luxury products are perceived by consumers as rare products; when over diffused, they gradually lose their luxury character
2001	Dubois, B., Laurent, G. and Czellar, S.	Consumer Rapport to Luxury: Analyzing Complex and Ambivalent Attitudes	Same as above
2005	Dubois, B., Laurent, G. and Czellar, S.	Consumer Segments Based on Attitudes toward Luxury: Empirical Evidence from Twenty Countries	
1994	Tidwell, P. and Dubois, B.	A Cross-Cultural Comparison of Attitudes toward the Luxury Concept in Australia and France	<ul style="list-style-type: none"> The Dubois-Laurent scale for measuring the concept of luxury in the minds of consumers was administered to comparable samples in France and Australia The Australian results show a strong negativity for conspicuous consumption of luxury products. However, past research in Australia shows that Australians secretly strive for luxury products and in fact have luxury products, but are inconspicuous in their consumption The French results are significantly different from the Australian results
c. Conceptual Framework to Measure the Dimensions of Perceived Luxuriousness of Brands			
1999	Vigneron, F. and Johnson, L.	A Review and a Conceptual Framework of Prestige Seeking Consumer Behaviour	Same as above
2004	Vigneron, F. and Johnson, L.	Measuring Perceptions of Brand Luxury	<ul style="list-style-type: none"> After the review of the conceptual framework of prestige seeking behaviour (1999), they further developed a multidimensional scale – The Brand Luxury Index (BLI), that aggregates five subscales to measure the overall index of luxury Five dimensions of luxury brand consumption of interpersonal- and personal-oriented perceptions: conspicuousness, uniqueness, quality, hedonic and extended self BLI scale measures the amount of luxury from high to low range BLI scale is useful for comparing several luxury brands and for recognising competitive advantages
1998	Kapferer, J.N	Why Are We Seduced by Luxury Brands?	<ul style="list-style-type: none"> There is no single and homogenous vision of what a luxury brand is Four types of luxury brands were identified, each one characterised by a different value or functions profile, and aiming at different consumer segments
1950	Leibenstein, H.	Bandwagon, Snob, and Veblen Effects in the Theory of Consumers’ Demand,	Same as above
4. Studies of Luxury Consumption in Asian Culture			
a. Evolution of Luxury Consumption in Asia			
1998	Wong, Nancy Y. and Ahuvia, Aaron C.	Personal Taste and Family Face: Luxury Consumption in	<ul style="list-style-type: none"> Looks at five aspects of the Confucian tradition, the correspondent aspects of Western individualistic tradition, and how these cultural orientations shape the practice of brand-name

		Confucian and Western Societies	<p>luxury consumption</p> <ul style="list-style-type: none"> • The practice of luxury consumption refers to: <ul style="list-style-type: none"> ○ Which brands are purchased ○ Motivations for purchases ○ How these goods are used ○ Meanings of those goods to the people that consume them • It was discovered that the Asian interdependent self focuses more on the public, outer self than the Western, independent self – this is reflected in their consumption behaviour • Economic status is their central concern in hierarchical and newly industrial societies • Southeast Asians pay a great deal of attention to possessions that are both public and visible, such as designer-labelled goods, expensive cars, jewellery, etc.
2006	Chadha, R. and Husband, P.	The Cult of the Luxury Brand: Inside Asia's Love Affair with Luxury	<ul style="list-style-type: none"> • This book is about a cult that is sweeping Asia – the biggest market for Western luxury brands • How and why the luxury brand cult took root and then exploded in Asia • Analyse the cultural forces that shaped the development of the luxury habit in different countries in Asia: Japan, Hong Kong, South Korea, China, India, Singapore, etc. • The authors travelled to each Asian market and conducted over 150 interviews with people who run businesses of major luxury brands and market studies in ten countries • A five-stage model of the spread of luxury was developed: Subjugation, start of money, show off, fit in and way of life • This book also predicts the future course for emerging markets for luxury such as China and India
b. "Face" and Chinese Luxury Consumers			
2006	Li, J.J and Su, C.	How Face Influences Consumption: A Comparative Study of American and Chinese Consumers	<ul style="list-style-type: none"> • This study explained why Asian consumers possess strong appetites for luxury products despite their relatively low income • The authors distinguish the concept of face from a closely related construct, prestige, and examines the influences of face on consumption between US and China • Results show that Asian consumers have stronger demands for luxury than US consumers • Due to the heavy influence of face, Asian consumers must purchase luxury products to enhance, maintain or save face. Chinese tend to relate name brands to face • Face is found to play an important role in collectivist cultures like China. The face consumption construct is unique from other constructs, e.g. status, prestige
2000	Phau, I. and Prendergast, G.	Consuming Luxury Brands: The Relevance of the "Rarity Principle"	<ul style="list-style-type: none"> • This study in Singapore rejects the Rarity Principle that exists in the US findings • The Rarity Principle may not be relevant in Asian luxury markets. Consumers in Asia continue to pursue and desire luxury brands as long as awareness and purchase levels are high, especially in relatively collectivistic cultures such as Singapore and Hong Kong • Whereas the Rarity Principle may be relevant in relatively individualistic structures such as the US market
1998	Gao, G.	An Initial Analysis of the Effects of Face	<ul style="list-style-type: none"> • The concept of "face" and "other" were examined and found to help interpret Chinese interpersonal communication

		and Concern for “Other” in Chinese Interpersonal Communication,	<ul style="list-style-type: none"> The loss of <i>lian</i> does the most damage to self, social relations and interpersonal interactions
c. Motives of Chinese Luxury Purchases			
2010	Wang, Y., Sun, S. and Song, Y.	Motivation Form Luxury Consumption: Evidence from a Metropolitan City in China	<ul style="list-style-type: none"> This study explores the motives of Chinese consumers’ luxury purchases in order to detect the reasons behind Chinese luxury consumption Eight motives were identified: self-actualisation, product quality, social comparison, others’ influence, emotional purchase, gifting, investment for future, and buying for special occasions The results show that Chinese consumers bought luxuries for both social and personal reasons, similar to Western consumers. However, the hedonic and self-indulgent motives that are often associated with luxury consumption in Western markets are not obvious among Chinese consumers Results also show that personal income, age, the motives if gifting, others’ influence and product quality were significant predictors of luxury spending Younger consumers were more likely to buy luxury products out of emotion and less likely to do so for self-actualisation or future investment
5. Luxury Branding from a Marketing Perspective: Segmentation and Luxury Consumption			
a. Dubois, Laurent and Czellar’s Segments of Luxury			
1999	Vigneron, F. and Johnson, L.	A Review and a Conceptual Framework of Prestige Seeking Consumer Behaviour	Same as above
2004	Vigneron, F. and Johnson, L.	Measuring Perceptions of Brand Luxury	Same as above
2001	Dubois, B., Laurent, G. and Czellar, S.	Consumer Rapport to Luxury: Analyzing Complex and Ambivalent Attitudes	Same as above
2005		Consumer Segments Based on Attitudes toward Luxury: Empirical Evidence from Twenty Countries	
b. Multidimensional Luxury Value Framework			
2009	Wiedmann, K.P, Hennigs, N. and Siebels, A.	Value-Based Segmentation of Luxury Consumption Behaviour	<ul style="list-style-type: none"> It is not sufficient to explain the whole picture of luxury consumption in terms of socially oriented consumer motives The paper explores a multidimensional framework of luxury value as a general basis for identifying value-based consumer segments The results help marketers better understand consumer’s luxury value perceptions as based on social, individual, functional and financial aspects Four clusters of segments were identified: The Materialists, the Rational Functionalists, the Extravagant Prestige-Seekers and the Introvert Hedonists
c. Luxury Brand Prominence			

2010	Han, Y.J, Nunes J.C and Dreze, X.	Signalling Status with Luxury Goods: The Role of Brand Prominence	<ul style="list-style-type: none"> • This research introduces “brand prominence”, a construct reflecting the conspicuousness of a brand’s mark or logo on a product • The authors propose a taxonomy that assigns consumers to one of four groups according to their wealth and need for status, and they demonstrated how each group’s preference for conspicuously or inconspicuously branded luxury goods corresponds predictably with their desire to associate or dissociate with members of their own and other groups • Quiet and loud luxury goods are studied. Wealthy consumers low in need for status want to associate with their own kind and pay a premium for quiet goods only they can recognise • Wealthy consumers high in need for status use loud luxury goods to signal to the less affluent that they are not one of them • Those who are high in need for status but cannot afford true luxury use loud counterfeits to emulate those they recognise to be wealthy
1899	Veblen, Thorstein B. (economist)	The Theory of the Leisure Class	Same as above
6. Principles of Luxury Brand Management			
a. Brand Awareness and Luxury Management			
1997	Kapferer, J.N	Managing Luxury Brands	Same as above
2009	Kapferer, J.N and Bastien, V.	The Luxury Strategy	<ul style="list-style-type: none"> • The book aims to lay out the fundamentals of marketing a luxury brand

Appendix B: Jewellery Brand Interview 1 – Cartier (Global)

Cartier Interview – Shirley Lam, Jewellery Manager (13 April 2012)

1. Consumer composition: Mainland (70%), Hong Kong (30%)
2. Chinese Mainland:
 - a. Buy all range of products
 - b. Self-use (50%) and gift (50%)
 - c. VIP – no need to keep in contact with them, they do not like to be contacted, esp. gift givers
 - d. Brand name knowledge – high, but not as high as HK consumers
 - e. Types of customers – young affluent (22+), a lot younger than before, require high quality, like products with brands or without brands shown, concerned with feelings of the brand
 - f. Chinese consumers are different between the **3 tiers of cities**. Big-city consumers are less concerned with logo and brand prominence, while the 2- and 3-tier cities are concerned with the logo and brand visibility
 - g. Cheaper to buy in HK
3. HK Consumers
 - a. High knowledge of brands
 - b. High requirements for quality, but a lower budget compared with Chinese consumers
 - c. More mature consumers of luxury products who look for quality
4. Two types of customers
 - a. Hong Kong: **self-satisfaction > show off** (more mature in luxury consumption)
 - i. Don't buy immediately, take time
 - ii. Buy a small quantity
 - iii. Better product knowledge
 - iv. Mature in buying luxury items
 - b. Chinese Mainland: **Self-satisfaction < show off** (beginning stage of luxury consumption)
 - i. Quick purchases
 - ii. Buy in a large quantity
 - iii. Less knowledgeable about products
 - iv. Referred by friends or relatives
5. Signature design
 - a. More Mainlanders buy the signature product and they can show to others the logo and typical designs that have a higher awareness among friends

- b. Signature designs are best-selling items, sell better because of confidence and representation of the brand
 - c. Can be recognised by others, especially those with a visible logo
- 6. Important factors to choose their brand:
 - a. 1) feelings, 2) status, 3) quality, 4) price
 - b. Price is the least important compared with the other factors
- 7. Age
 - a. 20+ to 50
 - b. Majority 30-40

Appendix C: Jeweller Brand Interview 2 – Chow Sang Sang (Local)

Chow Sang Sang – Winston Chow, Director and Deputy General Manager

1. Business
 - 2/3 of their customers are Mainland Chinese (including business in China)
 - In HK, about 50% are from Mainland
 - Those Mainland shoppers in HK are more affluent
 - CSS does not do franchising (unlike CTF or LF who have over 50% franchising stores in China). So CSS has better control of the brand image
2. Why consumers like their brand?
 - a. Good touch points: shops and people
 - b. Better image
 - c. Differentiated from competitors in their friendly customer service
 - d. Rebranding exercise: consistency and coherence in image
3. Product line concept:
 - a. Product mix is categorised by the purpose of purchase, e.g., gift items, self-use, wedding items, etc
 - b. Branded items: gifts items (Sang Sang Yau Lai)
 - c. Mainland Chinese tend to have a bigger budget for gifts than self-use items (Signature items: e.g., Cartier's ring, Chopard's "Happy Diamonds", CSS also has signature items – Can be classified as visible and brand-prominent items to be used in questionnaire)
4. Psychological reasons of purchases
 - a. Status value vs. self-satisfaction
 - b. Chinese value status more than self-satisfaction
 - c. Many loyal customers

Appendix D: Jeweller Brand Interview 3 – Emphasis (Local)

Emphasis – Carol Wong, Brand Manager

- No retailers in China
- Mostly HK consumers, some Mainland, especially those who treasure the brands that they cannot buy in Mainland China
- Brand awareness not high among Mainlanders
- Only over 10 years of operations
- This is a brand of fashion and fun; shops are located in prestigious areas/shopping malls
- Age of consumers are around 35-50
- Positioning – niche and boutique types
- Price range HKD10,000 to HKD30,000
- Targeting fashion-conscious consumers
- Selling jewellery watches as well
- Face is important to Mainland consumers – brand prominence is important to them
- HK consumers are less brand seeking, and big logos are no longer the most important attraction for luxury consumption

Appendix E: Summary of Consumer In-Depth Interviews			
Mainland		Hong Kong	
Habit of purchasing			
• Experienced luxury buyers	4/7	• Experienced luxury buyers	4/7
• Occasional luxury buyers	3/7	• Occasional luxury buyers	3/7
Reasons for purchasing			
Strong brand loyalty, design, quality and word-of-mouth effect A user experience of good quality, self-satisfaction	4/7 (4E)	- Self-satisfaction - Quality and design - Reflect personal taste/more appealing - Better personal service	7/7 5/7 (2O/3E) 4/7 (1O/3E) 4/7 (4E)
Special occasions, branding and word-of-mouth effect	3/7 (3O)	- Function/durability	4/7 (2O/2E)
Factors when making purchasing decisions			
- Social status	7/7	- Satisfaction	7/7
- Quality	7/7	- Quality	6/7 (4O/2E)
- Satisfaction	7/7	- Uniqueness	5/7 (2O/3E)
- Product design and style	7/7	- VIP service	5/7 (2O/3E)
- County of origin > history	3/7 (2E/1O)	- Value of the brand/product	4/7 (2O/2E)
		- Practical/durability	4/7 (2O/2E)
		- Social status	3/7 (1O/2E)
		- Design	7/7
Meaning of luxury brands			
- Social identity	7/7	- Economic power	4/7 (3O/1E)
- Self-satisfaction	7/7	- Personal taste	4/7 (2O/3E)
- Taste	0/7	- Social identity	3/7 (3E)
- Matching self-concept	3/7 (3E)	- Good quality and practicality	4/7 (3O/1E)
Image of people wearing luxury brands			
- Getting too common and less appreciated	3/7 (1O/2E)	- As the brand gets more common, it loses its exclusiveness	5/7 (1O/4E)
- Fashionable, trendy	1/7 (E)	- Social status, more superior	4/7 (4E)
Necessity to choose luxury brands for gifts			
It depends: on social status/importance of the receiver, budget and occasion Yes: shows a hand of respect to receivers; reflects the importance of receivers and the right value of the gift	6/7 (3O/3E) 1/7 (E)	It depends: practicality is more important; the needs and preferences of receivers are of concern Yes: to make sure the receivers are happy since they are good brands; especially for Chinese business contacts; show respect (mostly experienced buyers)	4/7 (1O/3E) 3/7 (3E)

Should logo be displayed in an eye-catching way?			
Yes: No point of buying luxury brands if there are no outstanding logos No: Don't want to send out a wrong signal of being wealthy	2/7 (2E) 5/7 (2O/3E)	Yes No: Experienced buyers Understated brands are preferred; big logos are not necessary Occasional buyers Not necessary; too flashy; commercial as if helping the brand to advertise	0 2/7 (2E)
Online shopping			
Not preferred: no guarantee and need to see the product first	7/7	Not preferred: no guarantee	1/7 (O)
Discounts/sales			
Not preferred: it lowers the value of luxury products; less attractive to own the brand	3/7 (1O/2E)	Preferred: will buy more Not preferred: will buy less	1/7 (O) 1/7 (O)
Shopping experience			
- Being treated rudely by a judgmental salesperson ('don't touch! You can't afford to buy this item!')	7/7	Polite in-store service	7/7
- Will be treated politely if you spend more ('Give me all the most expensive items in your shop!')	7/7		
- HK is a place for shopping (same quality with cheaper prices)	7/7		
- Polite in-store service	7/7		

Appendix F: Questionnaire

Part 1: Purchases

Brands	Q1. Degree of preference (1,2 or 3)	Q2. Purchased before	Q3. Future purchases
a. Tiffany & Co. (蒂芙尼公司)			
b. Chow Sang Sang (周生生)			
c. Chow Tai Fook (周大福)			
d. Cartier (卡地亚)			

1. For the following brands, please evaluate each brand in terms of your degrees of preference. (Please mark “1”, “2” or “3”, with “1” as your most preferred)
2. Have you ever purchased any items from the above brands?
 Yes (if yes, please tick the above) No
3. Would you consider buying any of the above brands in the future? (Please tick)

Part 2: Statements

4. Please indicate your level of disagreement/agreement with the statements (1 = strongly disagree; 6 = strongly agree)

	Strongly Disagree					Strongly Agree
a. People consume luxury goods						
1. because they believe the values of such goods will increase in the future.	1	2	3	4	5	6
2. for the purpose of investment	1	2	3	4	5	6
3. for the purpose of passing them on to their children	1	2	3	4	5	6
4. to share them with their family members	1	2	3	4	5	6
5. as they will remain fashionable over the long term	1	2	3	4	5	6
6. in order to feel that wearing them makes them feel different	1	2	3	4	5	6
7. in order to feel special	1	2	3	4	5	6
8. in order to feel different from others	1	2	3	4	5	6
9. to be among a very few prestigious people that own such products	1	2	3	4	5	6
10. to make themselves stand out	1	2	3	4	5	6
11. that are not mass-produced	1	2	3	4	5	6
12. because they are exclusive	1	2	3	4	5	6
13. to make themselves dream	1	2	3	4	5	6
14. for a feeling of fulfillment	1	2	3	4	5	6
15. for their self-indulgence	1	2	3	4	5	6
16. for their own pleasure	1	2	3	4	5	6
17. to bring enjoyment	1	2	3	4	5	6

- b. People consume luxury goods in order to

1. not bring shame to themselves	1	2	3	4	5	6
2. gain attention from how others perceive them	1	2	3	4	5	6

3. protect the pride of their family	1	2	3	4	5	6
4. safeguard face	1	2	3	4	5	6
5. enhance and improve face	1	2	3	4	5	6
6. not buy cheap gifts for friends to avoid both parties losing face	1	2	3	4	5	6
7. distinguish themselves from others	1	2	3	4	5	6
8. conform to their social status	1	2	3	4	5	6
9. bring them a sense of prestige	1	2	3	4	5	6

c. When people consume luxury goods,

1. it is important that others like the products and brands that they buy	1	2	3	4	5	6
2. they sometimes do so because their friends also consume such goods	1	2	3	4	5	6
3. it does not matter what their friends think of the different brands before they purchase	1	2	3	4	5	6
4. they will be satisfied when other people compliment them on their luxuries	1	2	3	4	5	6
5. it is because they admire people who own luxury goods	1	2	3	4	5	6

Part 3 Personal Information

1. Age: 20 or below 21-30 31-40
 41-50 51 or above
2. Gender: Male Female
3. You are from: Mainland China Hong Kong Other: _____
4. Education level: Primary or below Secondary Tertiary
 Post graduate or above
5. Marital status: Single Married Divorced
6. Personal income: RMB10,000 or below RMB10,001-25,000 RMB25,001-40,000
(monthly) RMB40,001-55,000 RMB55,001-70,000 RMB70,001 or above
7. Household income: RMB10,000 or below RMB10,001-25,000 RMB25,001-40,000
(Monthly) RMB40,001-55,000 RMB55,001-70,000 RMB70,001 or above
8. Occupation:
 White collar (e.g. secretary, clerk, primary/secondary school teacher)
 Managerial level & professional (e.g., accountancy, lawyer, doctor, professor)
 Blue collar Student Housewife Retired
 Other: _____

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