

**CHINESE LUXURY MARKET AND CHINESE PEOPLE
LUXURY CONSUMER BEHAVIOR**

-International Brands in Chinese Market

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Abstract of Thesis

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China has become a strong economic power of the world in the last few years. With the growing up of higher income groups, China is growing to the fastest developing global luxury goods market in the world. Chinese consumers are getting more mature, are beginning to show their power in the luxury purchase, accompany with the appearance of more diversified requirements for luxury and related services. Dozens of foreign luxury goods companies have been drawn the eyeball and appealed to step into the Chinese market. As a matter of fact, China is now the world's biggest luxury goods consuming country, the market prospect is still looking good. But for some historical reasons, Chinese people still know little about the luxury goods including Chinese academic community. The relative researches in this field are poorly scarce. The luxury goods are really new in China.

Based on the above background, the author reviewed luxury related literature and collected the newest industry data and info. Also, the author analyzed the luxury concept, luxury consumer behavior, Chinese luxury market situation and marketing model of foreign luxury brands in China from a Chinese aspect. This research listed the concept, characteristic and consuming psychology of luxury for the Chinese characteristics analysis in the following context, with two concepts "Conspicuous consumption" and "Social reputation" run throughout the entire process.

The thesis mainly focused on Chinese luxury market. The second part turned to the domestic luxury market which is believed to be of enormous latent demands. At current stage, this market now is more likely in its infancy, as most customers are not rationale. The third part of this thesis developed a structure of customer purchase behavior for luxury goods. The fourth part the author implemented a survey to collect the primary data for the thesis.

Key words: Luxury Brand; Luxury Marketing; Consumer Behavior

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1 INTRODUCTION

Luxury, which represents high-end merchandise life, set off a massive consumption boom in today's China. It has become to be reckoned with China's economic growth. The Chinese luxury consumer market began to take shape. At present, the academic study of the luxury marketing is not much, the lack of real academic achievement for guiding significance of Chinese enterprises. This thesis hopes to do some research in the field and try to enrich the existing luxury marketing theory.

In addressing the growth rate of China's luxury market, Goldman Sachs predicted that, with the rise of the Chinese middle class, China will become the world's fastest growing luxury market. In fact, the luxury businesses, China is not only an exceptionally promising new market, but also the current situation of the last untapped market. Because now that the European and American market is relatively saturated, Asians, in general, are keen on luxury goods, the Chinese luxury market naturally become a top priority for companies to compete. (Goldman Sachs 2004.)

Many international brands are optimistic about China's luxury market, ready to develop further the market of the mainland. Famous brands Hennessy Louis Vuitton (LVMH) chairman Bernard Arnold said most of the company's current brands had entered the mainland market, the business now are fine, but the expansion has just begun. It opened two years in succession in China's luxury stores; the luxury exhibition was extremely active. Also, it appeared on a number of luxury site on the Internet. These phenomena indicate that China is entering the early luxury consumption.

First, this thesis defines luxury, the concepts, and features. Then China's luxury market status and characteristics are analyzed. Moreover,

it analyzes the Chinese luxury consumer behavior. Finally, it contains the process of research methods and analyzes the results.

Research methods used in this thesis are as follows: collections of relevant literature, monographs, the latest information and data. Additionally, Internet sources also some information and data classifications are used. Moreover, in primary research, quantitative research, a survey for Chinese consumers is conducted.

On the basis of the collection of relevant data, the luxury industry, profiles and features of the Chinese luxury consumer market as well as Chinese consumers' luxury consumption motivation and psychology are discussed.

In the thesis, the difference between the Chinese luxury goods market and the mature markets of developed countries are compared.

2 LUXURY

2.1. Luxury Overview

At present, domestic and international academic worlds have no precise definition of luxury. In economics, luxury is often defined with respect to the necessity. According to the definition of economics, with the rising of incomes, the demand for this product is growing. However, the growth rate of demand is higher than the growth rate of income, and this product is the "luxury". This definition is with respect to the necessity. (Dylw 2015.)

Now, due to globalization and internationalization of the economic and cultural fields, there has been the concept of international luxury goods because now the models for high-end products are almost the same for the whole world. Luxury is defined as "a kind of consumer goods which is beyond the range of the people's survival and development needs" also known as "non-necessities." (Dylw 2015.)

In summary, the author considers that luxury can be broadly defined as products or services that can bring consumers an elegant and refined lifestyle, focus on taste and quality, and mainly for the high-end market.

According to the definition of luxury, the following layers of the meaning can be roughly discovered.

First, luxury is non-essential consumer goods for basic living. Luxury is those commodities that maximize the ratio of intangible value and tangible value. In other words, the higher the value of the symbol elements outside the function, the more extravagant this product is. In fact, people's consumption of luxury goods mean to meet more the psychological needs, which is the luxury consumer law called "own" is more important than "use". Therefore, compared with the spiritual values, the value of the use of luxury are even little.

Second, luxury has the highest ratio of price and quality. That luxury's quality and price are the highest in the similar products, but the margin of the price beyond the ordinary consumer goods is much higher than the quality beyond the ordinary consumer goods. Luxury's quality is the best, but the price is extraordinary. Luxury's price is often several times or even thousands of times more than the ordinary similar products.

2.2 The Features of Luxury

Nueno and Quelch had summarized that the 10 characteristics of the luxury brands in the traditional view. 1. Deliver the high quality consistently, including all products in product line, from the most expensive to the cheapest; 2. The traditional way is handmade, usually derived from the original designers; 3. Recognized style or design; 4. Each product is limited amount produced to guarantee exclusivity, and may thus generate waiting list of consumer; 5. Have a marketing program as a means of support, with limited channels, premium pricing strategy and market positioning, combined the emotional appeals with product excellently; 6. Global reputation; 7. Linked with the image of origin country together, especially the image of origin country with the source of related product categories remarkable reputation; 8. Each product has a unique kind of element; 9. When the product categories belong to the kind of fashion-intensive, it has the real-time design capabilities; 10. Reflect the personality and values of the brand creator. (Nueno & Quelc 1998.)

Dubois & Duquesne (1992) found that on the basis of qualitative research, in the eyes of consumers the luxury brands have the following six features: 1. Excellent quality; 2. Ultra-high prices; 3. Scarcity and uniqueness; 4. Aesthetic and sensory stimulation; 5. Heritage and a long history; 6. Non-essential (Dubois & Duquesne 1992.)

According to the previous points of view, but also combines the author's research, this paper summarizes several major luxury important

features. They are outstanding personality, high prices, excellent quality, limited number, brand loyal, strong sense of distance, and meet the psychological demand.

2.3 The Types and Classifications of Luxury

For the form of luxury, academia has no clear conclusion, but we can see luxury includes two aspects which are physical and nonphysical: they may be automobiles, watches, clothing, cosmetics, and hotel services and so on. The German entrepreneur Wolfgang Latzler, the author of the book "Luxury", extend the concept of luxury to many aspects like health, leisure, travel, experience, diet, exercise, social networking and so on for the first time. (Latzler 2003.)

In general, luxury can be divided into the following categories: lifestyle type luxuries, including collections, travel and golf, entertainment, party and other luxury consumption; consumable type luxuries, including jewelry, watches, food, cigars, wine, clothing, books, glasses, scarves, etc.; individual consumption type luxuries, including cars, yachts, private jets and mansions, etc. (Latzler 2003.)

Classified by price, type of luxury can be divided into three grades: entry level luxury; commonly used level luxury and top level luxury. Entry level luxury is primarily used as daily consumption products, like perfumes, clothes, stationery and so on. Compared to general products with the same efficacy, these entry level luxuries' price difference may be dozens of times or even a hundred times. But for other luxury goods, these entry level luxuries' price is cheap. Commonly used level luxury refers to high-end jewelry, cars, and watches and so on. Top luxury are some of the products which have the very expensive price, not generally wealthy people can afford, including luxury villas, yachts, planes, and even the most fashionable space travel and so on. (Latzler 2003.)

3 CHINESE LUXURY MARKET

3.1 Chinese Luxury Market Overview

Chinese luxury goods industry is increasing with immense business opportunities, market capacity is enormous; Chinese consumers have some spending power and consumer awareness, the demand for luxury goods is increasing. There is no doubt that China is becoming a great power of luxury consumption. But it should be noted that Chinese luxury market has only just begun. Many points are not perfect: consumer attitudes are still remaining in the relatively early stages, the understanding of luxury are not mature enough. Another phenomenon is that domestic enterprises in the luxury goods industry collectively absent, there are no real luxury domestic brands, and Chinese brands can only watch foreign brands seizing the Chinese market, but are unable to compete.

The current Chinese market, a surge of strong undercurrent of luxury consumption is surging, and that this is a consumer market made

Show to a certain stage in the law, but also the multiple factors contributed:

1. The market economy is to facilitate the formation of the premise of the luxury market

China nearly 20 years the average annual economic growth rate of over 9 percent, is one of the fastest growing in the world. Chinese luxury consumption growing at double-digit growth in the world would wonder. Although China's per capita income level is not high, budding entrepreneurs and wealthy rapidly emerging affluent middle class has become the main force of China's luxury market purchase.

2. Social level luxury market differentiation is the formation of motivation

China After 20 years of sustained economic reform, social stratification system has undergone a fundamental change, the more original Equalization, constitute a relatively simple "two classes a class," the social structure differentiation significantly, some of the new social strata gradually form, socioeconomic status and lifestyle and interests of all segments of the differences between the recognition of the increasingly obvious, and the emergence of a structural trend.

3. Chinese traditional view of consumption is due to the potential development of the luxury market

Because of different cultural backgrounds in which Eastern and Western consumers, its luxury consumer motivation is different. Chinese consumers of luxury goods more sought after is to save face, identity and class sign; If in the West, luxury consumption is the consumer, "want to", but in many cases the Chinese consumer, "I can not do." . Consumers United States and Europe due to the independence of the self is strong, often prefer "consumer experience", by enjoying a luxury, to meet the inner self, to realize the significance of private consumption. And has a strong self-dependent people more emphasis on public perception, often in order to "face care", "increase face", through the consumption of tangible and symbolic value of luxury goods, to attract the attention of the surrounding population, and access to social It appreciated.

3.2 The Characteristics of Chinese Luxury Consumers

Chinese luxury consumers can be divided into two categories. One category is wealthy consumers who prefer to avoid the crowds and pursuit of personalized service, they frequently visit luxury retail stores, buy the latest and most popular products, generally, they will not consider the problem of the price; the second category is office workers, the most typical ones are hired by the foreign companies, they will spend a whole month wages to buy a commodity. Survey shows that these consumers' ages are between about 20 years of age to 40 years

of age; and luxury consumers in Europe and America's ages are mostly between 40 years of age to 70 years of age. (Seringhaus 2002.)

Chinese people like to follow the brand, pay attention to status. Chinese people have been taking the "face" very seriously. Once they have wealth, they began to pursue to display successfully their external performance, the luxury brand's philosophy gives them enough purchasing power, to reflect their success and wealth, and those close to the glittering trademark products are often the most popular in China. (Seringhaus 2002.)

Chinese luxury consumers are very young. Unlike the Western countries, Chinese most luxury consumers are under 40 years of age or less. Young people between 25 to 30 years old in China are rapidly developing luxury consumer groups, and the speed is much faster than the developed Western countries. (Seringhaus 2002.)

Chinese consumers who buy luxury goods generally do not do a lot of study or research. Chinese consumers are not going to research the history behind the brand inquire connotation. On the contrary, Russia and European consumers are focused on the true value of the purchased goods. Chinese consumers compared to the Japanese luxury consumers pay more attention to reflect the personality; Chinese consumers are mostly regarded as a luxury to purchase individual social status and wealth of performance. (Seringhaus 2002.)

Consumer values vary greatly in different regions. The difference between the values and views of different parts of China are still tremendous. Different regions correspond to different values. Consumers from the northeast part of China like the most expensive things, and commodities businesses with a clear trademark, Southerners tend to buy subtle and elegant design, lower price products. Fashion media is concentrated in Beijing and Shanghai. (Seringhaus 2002.)

Chinese consumers prefer shopping in the central business district. Even when buying luxury goods, Chinese consumers are more interested in the city's commercial center, shopping mall or shopping, this gives them the opportunity to walk around, pick different brands and products. Low brand loyalty means that Chinese consumers are reluctant to buy specially branded products. In addition, due to the high tariffs of the reason, many Chinese consumers prefer a place outside mainland China, especially in Hong Kong to buy luxury goods. (Seringhaus. 2002.)

Chinese consumers buy luxury goods to meet their consumption needs. Although still a large proportion of the people buy goods in China's luxury consumption, and then gradually began to select Chinese consumers have the luxury for you. Today's Chinese consumers are not only prestige brands and fashion designers attracted, they also desire to have meaning and value of the product planning. And highlight the complete experience can strengthen this value. However, at present, Chinese consumers spend more on personal luxury. The extent of China's affluent consumers are not high, there is no spending power to buy villas, luxury cars or family vacation overseas, at this stage, their spending more focused on personal items, such as cosmetics, perfumes and watches and etc. (Seringhaus 2002.)

Chinese women continuously increase spending on luxury goods. Traditionally, Chinese luxury consumers are mostly male. In 2000, women accounted for only 25% of the total consumption of the population. At present, due to the economic independence of women in society and its increasing progressively, the proportion of female consumers in the luxury market is growing. Professional women who are independent in financially have changed the Chinese luxury goods industry's customer bases which were male-dominated in the past. Fashionable and wealthy urban women that are willing to treat themselves are very obsessed with luxury glamor. Classic clip long coat

is still loved by consumers, but the fashionable style products are more appealing to young female consumers. (Seringhaus. 2002.)

3.3 International Luxury Brands in China's Marketing Strategy

1. Product strategy of pursuit of excellence and the scarcity

There is no doubt that products in the luxury goods sector occupy a central position. Exquisite craft, handcrafted luxury have become the luxury of the important reasons. The high price of luxury goods is also built on the unparalleled product quality foundation. In addition to the pursuit of excellence, luxury marketing product strategy has almost no choice. (Kemp 1998.)

2. Brand strategy of promoting the culture and art

A luxury brand can be said that the most valuable part of the brand is the driving force consumers to buy luxury goods. Once the taken away a luxury brand, then it will immediately become an ordinary commodity. International luxury goods manufacturers for brand building and maintenance is spared, and they know this is the survival of this luxury, they like to make their products, the treatment is the same brand-building focus, perseverance, luxury, with advanced marketing concepts and market-oriented operation inject vitality to the development of the brand, they remain concerned about the customers, fully understand their needs and to maintain the existing tradition and style, designed for customers attractive value of the portfolio, probing for ways to deliver product value and brand content to consumers, and training a large number of loyal customers. It is this spirit of foreign luxury goods companies the achievements of world-renowned luxury brands. (Kemp 1998.)

3. Pricing strategy of high-end positioning

The high price of luxury goods, luxury goods and property by the decision itself, is the need for luxury business strategy. When the pricing

the luxury goods, generally considered the brand's positioning, target consumer affordability, as well as lower prices of competing brands in the industry standard premise, the implementation of the premium strategy. Pricing is different from the pricing of luxury goods. In general, commodity prices are determined by the market demand, and the price of luxury goods entirely final say by the manufacturer. So generally speaking, there is no upper limit price of luxury goods. (Kemp 1998.)

4 LUXURY CONSUMER BEHAVIOR OF CHINESE PEOPLE

4.1 Chinese Consumers Groups of Luxury

There are following methods to distinguish customers according to their attitudes of luxury. The first one considers that luxury is functional. People holding this view tend to go through extensive pre-purchase surveys, just buying those luxuries that have lasting value. Their purchasing decisions are base on rational analysis rather than emotion. The second kind of people think the luxury product is a kind of reward. The group has this idea often younger than the first type. They desire to succeed and want to demonstrate to others. These consumers will buy conspicuous products, such as advanced automobiles and luxury house. The third kind of people thinks luxury is an indulgence. These people are the minimum number of the three types, but also the youngest. They are willing to pay a higher price to perform the different personalities in order to attract the attention of others. Their purchasing decisions often based on emotion, more likely to happen impulse buying. (Solomon 2004.)

Luxury consumer groups have obvious differences between the eastern and western countries, In European and American countries, the main consumers of luxury are 40-year-old to 70-year-old middle-class. While, in the eastern countries, this group is ten more years younger, and mainly includes 30-year-old young upstart. In China, the groups, that have average monthly income between 5000-50000 Yuan, aged 20-40 years, highly educated, high-income, are the main force of Chinese luxury consumption. Ernst & Young announced that luxury consumers in China are 13% of the total population now. Moreover, the amount of people are approximately 160 million, most of them are white-collar workers, private owners, celebrities, in which 10 to 13 million are active buyers of luxury goods. (Ernst & Young 2005.)

Measured by the nationality of the buyer, China is now the world's biggest luxury market and growing fast (see chart). In 2012, mainland Chinese took 83 million foreign trips, up 18.4% in 2011. Global Blue, a big tax-free-shopping firm, says its refunds to Chinese shoppers shot up by 58% last year to more than 24 billion Yuan (\$3.9 billion).

You can see in Figure 1, in 2012, China ranked fifth in the sales of luxury goods in global countries. (Figure 1)

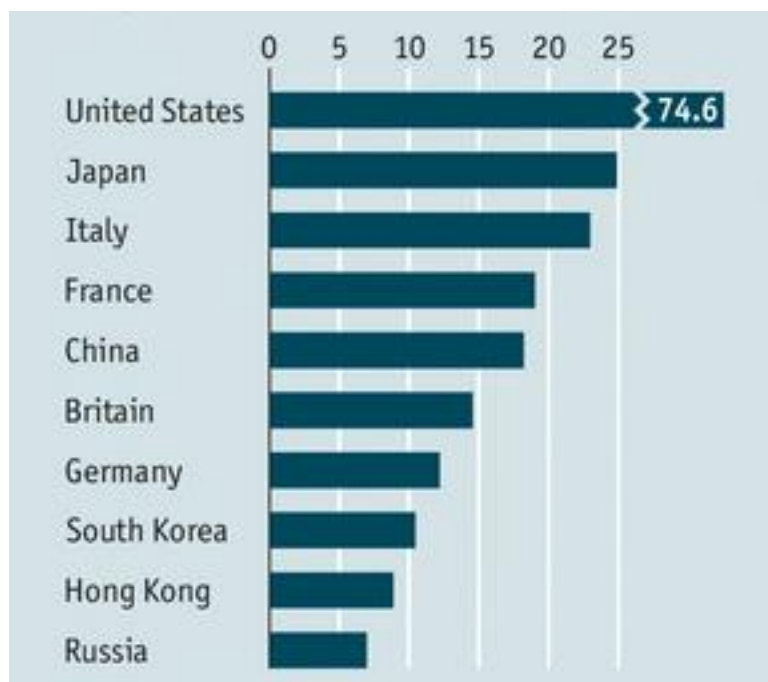


Figure1. Sales of luxury goods within countries/territories 2012, \$bn (Bain & Company 2012.)

Although the Chinese market did see a drop in demand for luxury goods in 2013 reportedly, due to government's crackdown on excessive spending, China is still forecasted to remain the world's biggest luxury goods market by 2020.

European and American countries remain still but China has grown extremely fast during these few years. (Figure 2)

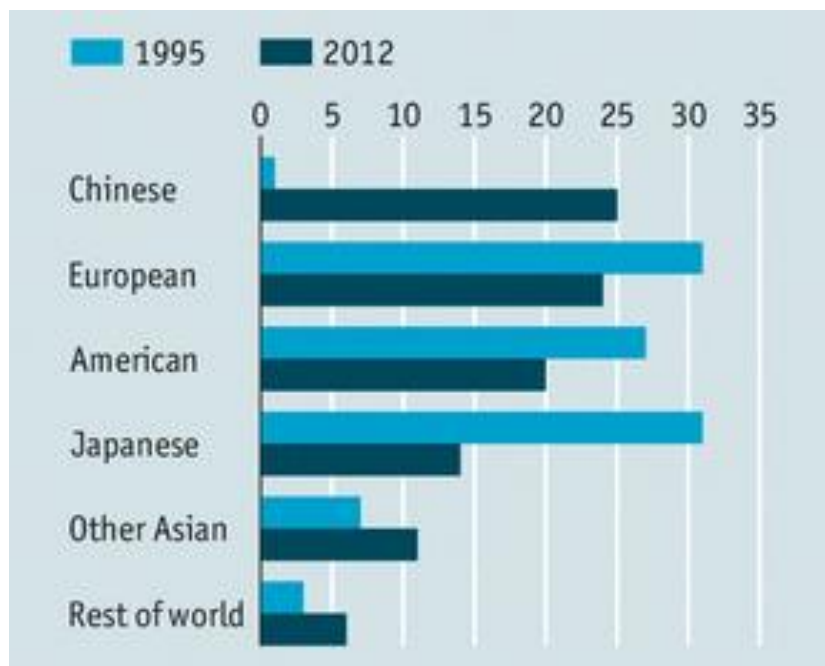


Figure 2. Luxury-goods market by consumer nationality, % (Bain & Company 2012.)

In China, luxury consumers are mainly divided into two categories. One kind is wealthy consumers, merchants, and bosses. They seek quality of life, pay attention to the wearing taste; they like to avoid the crowds, to pursue personalized service, to visit luxury retail stores frequently, and to buy the latest and most popular products, generally do not consider the price. They have particular brand loyalty and spending power so that they become veritable luxury consumers. The other kind is the white-collar office workers, the most typical among them are employees of foreign-invested enterprises, and these consumers are around the age of 20 to 40 years of age. They chase the pace of fashion, but can not afford the frequent consumption of luxury goods. So, in order to buy a bag, wallet or other kinds of luxury accessories, they live frugally to show the yearning for fashion. Many of them will use 40% or even greater proportion of income to pursue luxury while the average level of the world's luxury goods consumption is approximately 4% of the personal wealth. (Ernst & Young 2005.)

Compared to the European and American countries consumers, Chinese luxury consumers are very young, they go shopping around outside all year around, consumer buying habits are similar to the 1980s Japanese consumers.

In the composition of the luxury consumer's gender field, in the traditional sense, Chinese luxury consumers are male predominantly.

In 2001, women accounted for only 25% of the total consuming population. However, because Chinese women's social and economic independence has further improved now, the consumption proportion of women in the luxury market is increasingly growing, and in particular was the main force of consuming clothing, perfume, jewelry and other personal luxury goods. (Vontobel Research 2005)

Financial independence of career women has changed the male-dominated customer base Chinese luxury industry in the past.

Fashionable wealthy urban women are willing to treat themselves well, are very obsessed with the charm of luxury.

4.2 Luxury Motivation of Chinese Consumers

Chinese consumers are existing the features of conspicuous, conformity, self-pleasure and the pursuit of quality, which is Vigneron & Johnson, set forth in the theoretical luxury consumption motivation. Meanwhile, Chinese consumers also have the particularity of the luxury consumer motivation: they have little motivation of inherent self-expression, but are of great significance for the pursuit of status symbol and show off motivation. Here we can see the impact of traditional culture of Chinese consumers for their luxury consumer motivation. (Vigneron & Johnson 1999.)

Luxury consumption in China is never short of history genetic. Hui merchants and Jin merchants' (in ancient dynasty of China) luxury consumption are because of inferiority (failed to Scholars), hence, through luxury consumption to display ostentatious and extravagant, and cling to the elite class from the form, and approach their identity to the high society. While Han and Jin Dynasties scholars' luxury consumption are due to show off, status symbol, the comparisons and decadence. While in modern times, addition to the influence of tradition, the habit of extravagance is also influenced by Western materialism, worship of money and hedonism, the consumers also pay attention to personal pleasure, addition to show off and compare to others. In other words, the modern China's current consumption characteristics of luxury are the result of intertwined effect of historical factors and contemporary factors. (Viekers & Renand 2003.)

As a result, compared to Western countries, Chinese consumers' luxury consumption motivation has the following prominent features. First of all, with respect to Western consumers, they focus on personal-oriented consumption value; Chinese consumers pay more attention to the conspicuous value. Second, with respect to Western consumers, they focus on possessions personal significance; Chinese consumers pay attention to the possessions public significance. Third, with respect to Western consumers, Chinese consumers tend to use the products' or brands' symbol, as well as the consumption to express their class and status in society. Fourth, with respect to Western consumers, they focus on the leading properties of luxury, when the Chinese consumers choose and purchase the luxury goods; there are more herd motivations to avoid the risk of consumers and to meet the mass appeal. Fifth, in the luxury consumption of Chinese consumers, there is a large part of them are used to establish their social relations as gifts, to meet social needs. Finally, in recent years, due to the accumulation of social wealth, as well as the impact of the thoughts of consumerism and hedonism, Chinese consumers have begun to have a certain amount of personal-oriented

luxury consumer motivation, such as self-pleasure, fine quality and self-gift. (Viekers & Renand. 2003.)

4.3 Luxury Psychology of Chinese Consumers

1. Consumer psychology of seeking beauty

It refers to the psychology of consumers seeking commodity value of art appreciation. Consumers with this mentality, particular focus on the appearance of a new product, the exquisite, personalized design, beauty of the form, history and culture. They require both a use value of goods, but also have aesthetic value; both to meet the material needs, better to meet the spiritual needs. The luxury just best meet the needs of these consumers, because luxury with all the features described in the previous chapters. (Wetlaufer 2001.)

2. Consumer psychology of conformity

In the consumer sector, consumers with the reference to behavior of the other consumers in the same group consciously or unconsciously, the consumer behavior or reaction tendency of consistent with the majority of consumers called conformity consumer behavior. The reason conformity consumer behavior arises because there are reference groups, group norms and group pressure. When consumers get the hint or tip of groups, they will produce imitation behavior. At the same time, the interaction between the consumers will constitute cycling reaction, so that consumers have the psychology of seeking common, to make individual behavior the same with the behavior of most people in the community. In China, in selection process of buying goods, the conformity behavior of consumers is widespread. Luxury has characteristic of symbol for the elite to a certain extent, which is the reason the rich in order to maintain their position in this group, while almost everyone has the luxury, ranging from a few to as many as tens of or hundreds of pieces. (Wetlaufer 2001.)

3. Consumer psychology of the comparisons

It is psychology of consumers follow and pursues to others a higher propensity to consume, or consumption patterns. Psychological comparisons arise from consumption differences. Generally speaking, as long as there are different sectors of society in social, high-income consumption patterns will have a demonstration effect to low-income consumption patterns; low-income will follow high-income consumption patterns in some way inevitably; when the low-income is beyond their income level, show high-income consumer characteristics, the comparisons arise. In addition, in the same internal hierarchy, as consumers have group, people will have substantially the same form of consumption. Under the influence of such a psychology of convergence, when consumption patterns of a member change, other members will inevitably look up towards them. This happens when a girl from a group buys a famous brand handbag, within a few days each girl from the entire group have a famous brand handbag. (Wetlaufer 2001.)

4. Consumer psychology of imitating

Some consumers, because of the worship of celebrities or stars, even fascinated by their consumer behavior and follow them. This is an imitation of consumer behavior. This consumer behavior can make fans feel more close with the idols, and thus have a positive emotional experience, compared with the conformity consumption, imitating consumer behavior has greater initiative. (Wetlaufer 2001.)

The major of luxury goods manufacturers are scrambling to find a popular movie star or singer to do the image endorsements for their own products. The products and the Logo of Armani, Chanel and Cartier appear in various award ceremonies and celebrity parties frequently to cater to luxury buyers' imitate consumer psychology precisely. (Wetlaufer 2001.)

5. Conspicuous consumption psychology

On the one hand, China's new rich class people are showing their economic power and social status by the extravagant consumption. On the other hand, these rich people are maintained and create networks of personal survival and development through conspicuous consumption. (Wetlaufer 2001.)

Today, globalization makes this consumption gradually extended to the world, has had a fairly universal improvement. People from China and other developing Asian countries and regions, when facing a sudden increase in wealth of them; do not hesitate to choose a sign of wealth- a luxury to show their economic and social status. (Wetlaufer 2001.)

Luxury consumption is from lack of social transition to an affluent society reflects a particular social psychology. Faced with a sudden increase in wealth, people often choose conspicuous consumption. In China, people in this age group from 20 to 40 years old are not only thinking ahead but also is in the outbreak of the wealth acquired. So this group constitutes the main body of China's luxury consumption. (Wetlaufer 2001.)

Eastern cultures has the "face" cultural psychology, consumer behavior in the consumption of luxury goods has also played a significant role in eastern countries. Many people regard luxury as a logo to show consumer identity, strength, quality, in order to shape the higher the human face. In order to "be seen high position" some are not wealthy Chinese people, but also driven by vanity consumption of luxury goods. (Wetlaufer 2001.)

6. Consumer psychology of investment

Many consumers consider buy luxury goods as a purely psychological kind of investment. The expanding luxury consumers, luxury goods, in

addition, to revealing the identity and status, but still one can invest in the industry, can bring new wealth for the owner. (Wetlaufer 2001.)

7. Consumer psychology of collection

There are a lot of consumers who buy luxury goods, and purpose is simply to treat it as a personal collection of love, because the luxury of their characteristics determines its collectible value. Luxury consumers because of its concise collection of the latest achievements of human civilization, focused on the most advanced technology. The most harmonious and esthetic products with personalized and human quality content but also to shape the taste and style, of course, such things a collection of value. Almost all of the luxuries are in a special period or to commemorate a special time. With people offering a limited product, and some luxury goods brand itself is limited. Another luxury magic is "tailored", almost all the luxuries can be customized according to the specific needs of customers. Customized luxury goods but also because of the "unique" exclusivity and value of the collection has become a consumer favorite collection. (Wetlaufer 2001.)

5 QUANTITATIVE RESEARCH, IMPLEMENTATION AND RESULTS

5.1 Implementation and Results of Research

The author conducted a survey as a quantitative research method to study the case of international luxury brands in Chinese market. The survey was conducted in April 2015 via online questionnaire website Webropol. The author was in Finland when the survey took place. The questionnaire was designed for Chinese consumers. The survey can not be conducted via paper copies. The author put the link into different kinds of private social websites and asked for friends help to forward the link. The questionnaire consisted of 20 close-ended questions. There are 10 multiple choice questions and the other 10 questions are single choice. The questionnaire was first made in April 2014. The questionnaire was edited three times during the theory complement from April 2014 to April 2015.

In total there were 100 respondents who took part in the survey. The amount of responses was different to each question. However, from the first question to the eleventh question, there were all one hundred percent (100%) of the respondents took part in the survey. (N=100) The last question had 21 respondents. The questions from twelve to nineteen had 78 to 79 respondents because of the objects are opposite to the twentieth question.

There were 33 are males, representing thirty three percent (33%) of the respondents. (N=100) And there were 67 females, representing sixty seven percent (67%) of the respondents. (N=100)

The respondents of the survey's age are distributed from under 18 to 46 and above. There were no 46 or older respondents took part in the author's questionnaire. Besides them, the age of under 18 and 41 to 45 are the second least, there was only 1 respondent each, representing one percent (1%) of the total amount. (N=100) The results showed that most of the respondents are young Chinese people, who were aged

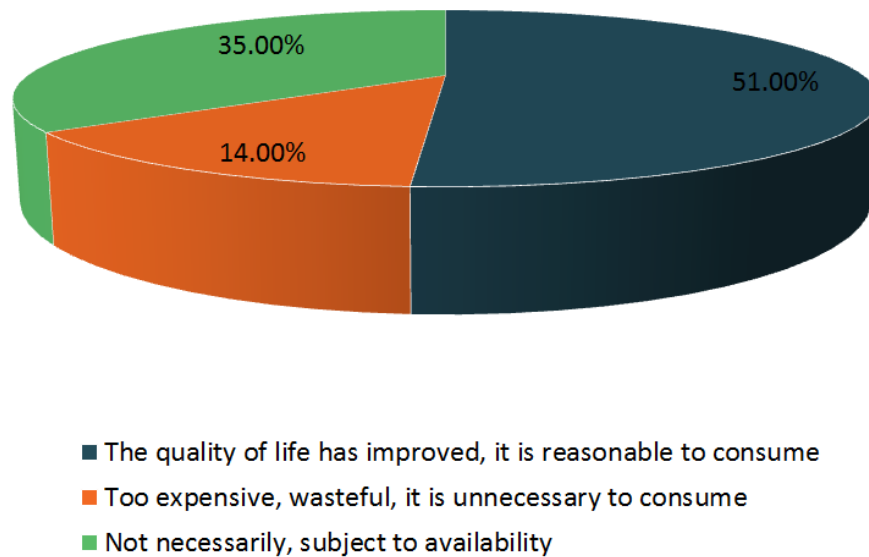
from 18-22 and 23-30. The people aged from 18-22 are mostly university students in China, and there were 47 in this survey, representing forty seven percent (47%) of the respondents. (N=100) The people aged from 23-30 mostly began their career, there were 45 respondents, representing forty five percent (45%) of the respondents. (N=100)

All of the respondents were Chinese consumers currently living in different countries. Only 65 of them were living in China, which represented sixty five percent (65%) of the respondents.(N=100) The other respondents were living in other Asian countries, North American countries or South American countries, European countries, Australian countries, and also African countries.

As for the level of education, fifty seven percent (57%) of the respondents (N=100) have a Bachelor's degree, which was the majority of all the respondents. What was more; there are 23 Masters and only 2 junior middle school students.

The students were the most part of the respondents, which represented sixty eight percent (68%) of the respondents. (N=100) What the author needs to mention about is that there were 5 freelancers from the respondents. In China, freelancing does not mean no job, but mean those who can have different jobs like artists and writers. In addition these two types, there were 11 respondents having specialized technical work.

Nearly half of the respondents thought that the quality of life has improved, it is reasonable to consume the luxuries, which represented fifty one percent (51%) of the respondents (Figure 3).

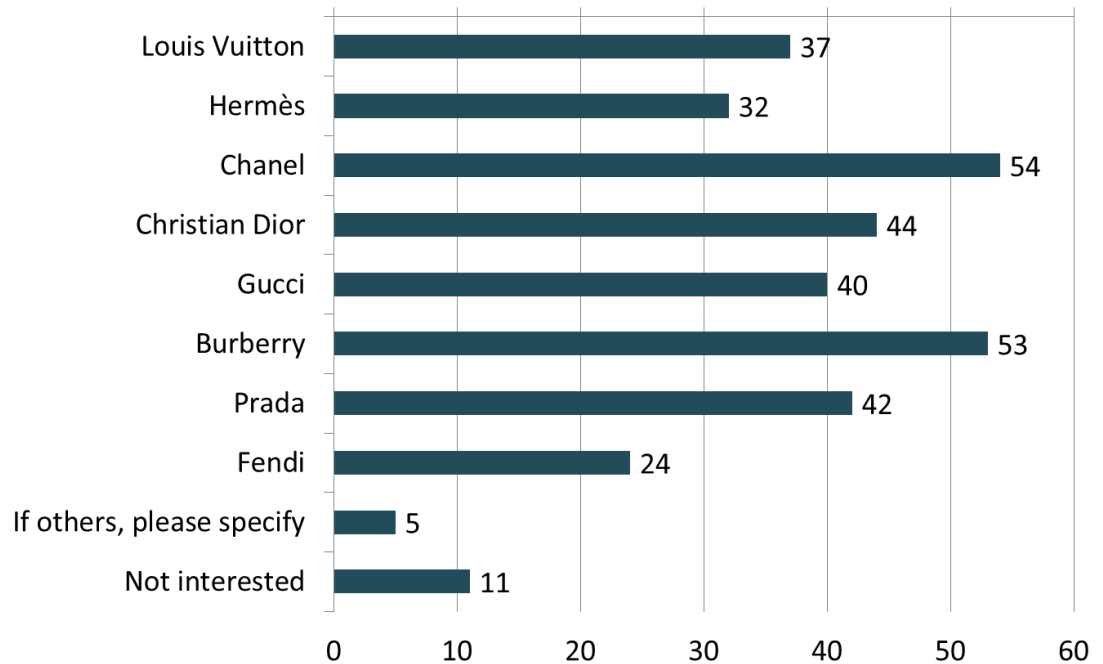


(N=100)

Figure 3. The attitudes of Chinese consumers consumption of luxury goods.

Most of the brands are popular among all of the respondents, in which fifty four respondents were interested in Chanel (Figure 4).

What was more, the YSL, Céline, Armani, Van cleef&Arpels, Valentino and Rojer viver were also mentioned in some respondents' answers.

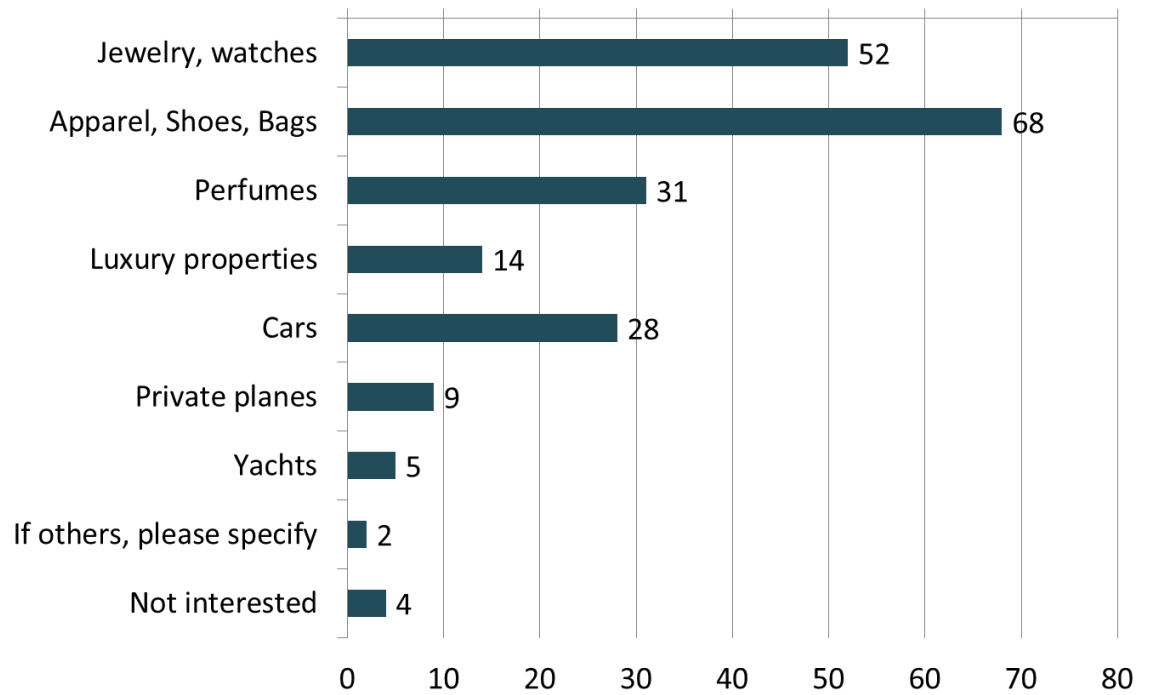


(N=100)

Figure 4. The luxury brands you are interested in

Sixty eight respondents were interested in apparel, shoes and bags. (Figure 5)

In addition, some of the respondents liked camera and leather goods as well.

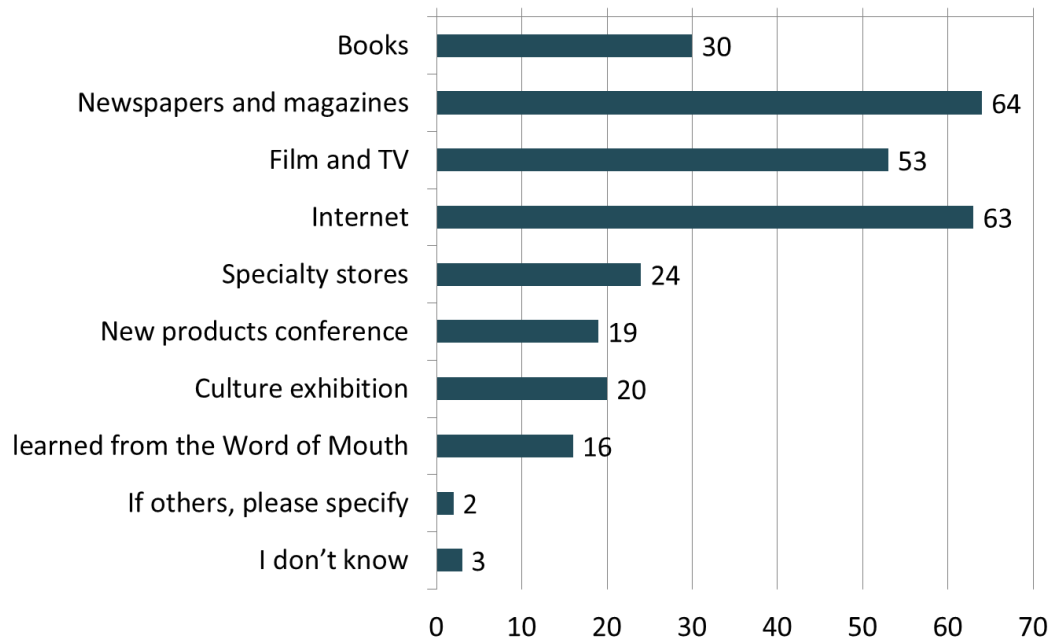


(N=100)

Figure 5. The types of luxury goods Chinese consumers are interested in.

Most of the respondents learned luxury goods from newspapers and magazines, Internet as well as film and TV (Figure 6).

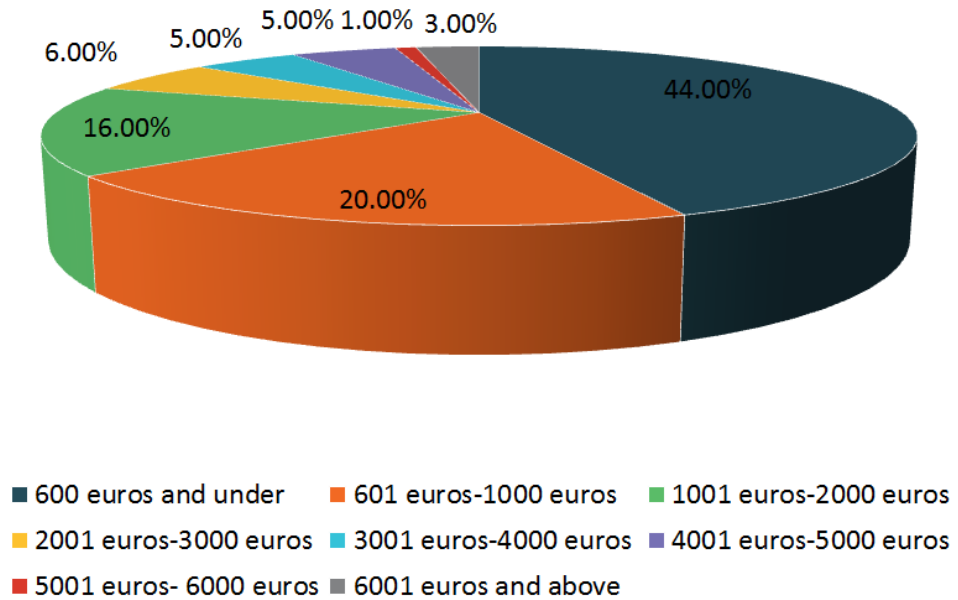
Some of the respondents said that friends, credit card Company American Express member magazine are also the channel.



(N=100)

Figure 6. The main channels Chinese consumers know about the luxury goods:

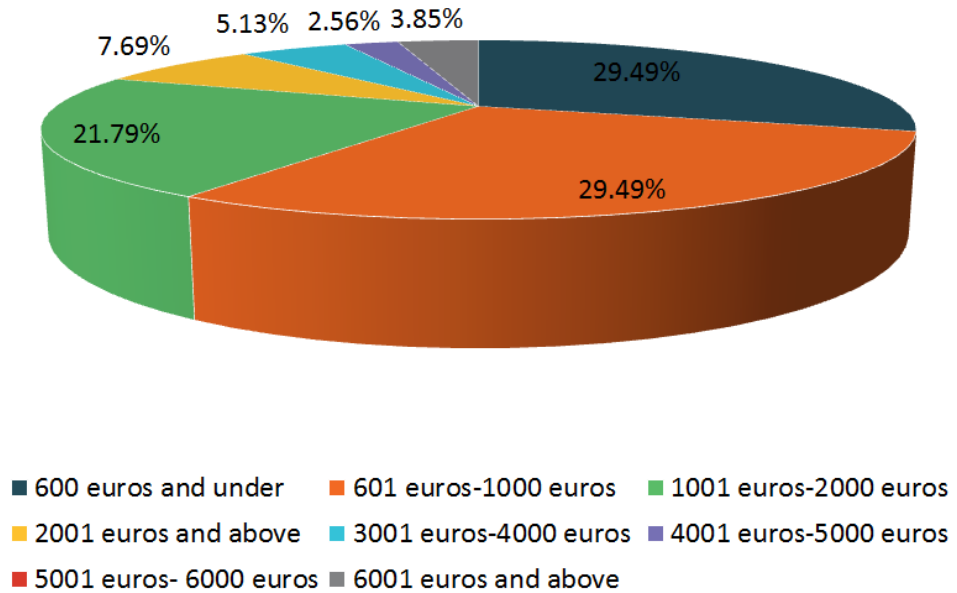
In the results, forty four percent (44%) of the respondents monthly income was 600 euros and under (Figure 7).



(N=78)

Figure 7. Chinese consumers' monthly income (before tax).

The people that can accept 600 euros and under, 601 euros- 1000 euros, 1001 euros- 2000 euros are almost the same (Figure 8).



(N=78)

Figure 8. The price of luxury goods that Chinese consumers can accept

Nearly half of the respondents went to specialty stores overseas to purchase the luxury goods (Figure 9).

There was one respondents gave the answer that agents on Wechat. (Wechat is a social media like Facebook in China).

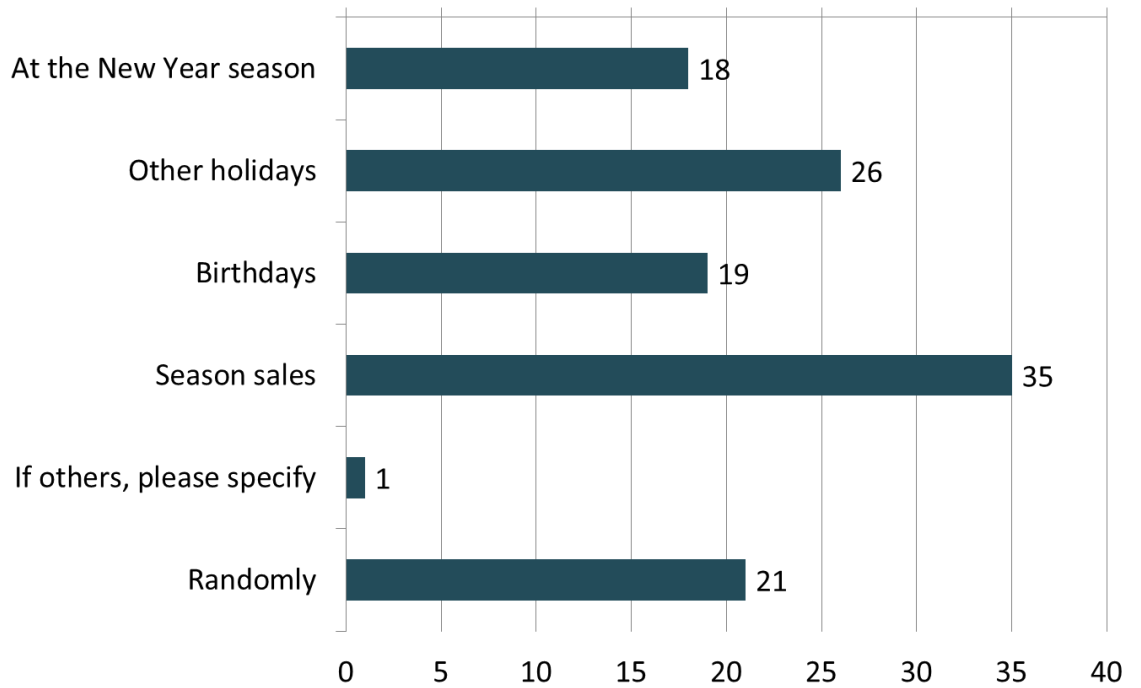


(N=100)

Figure 9. Where do Chinese consumers mainly buy luxury goods?

35 respondents would like to buy luxury goods in Season sales, 26 respondents were willing to buy them on other holidays except new year season (Figure 10).

One respondent gave the answer that just for interested, which should belong to randomly.

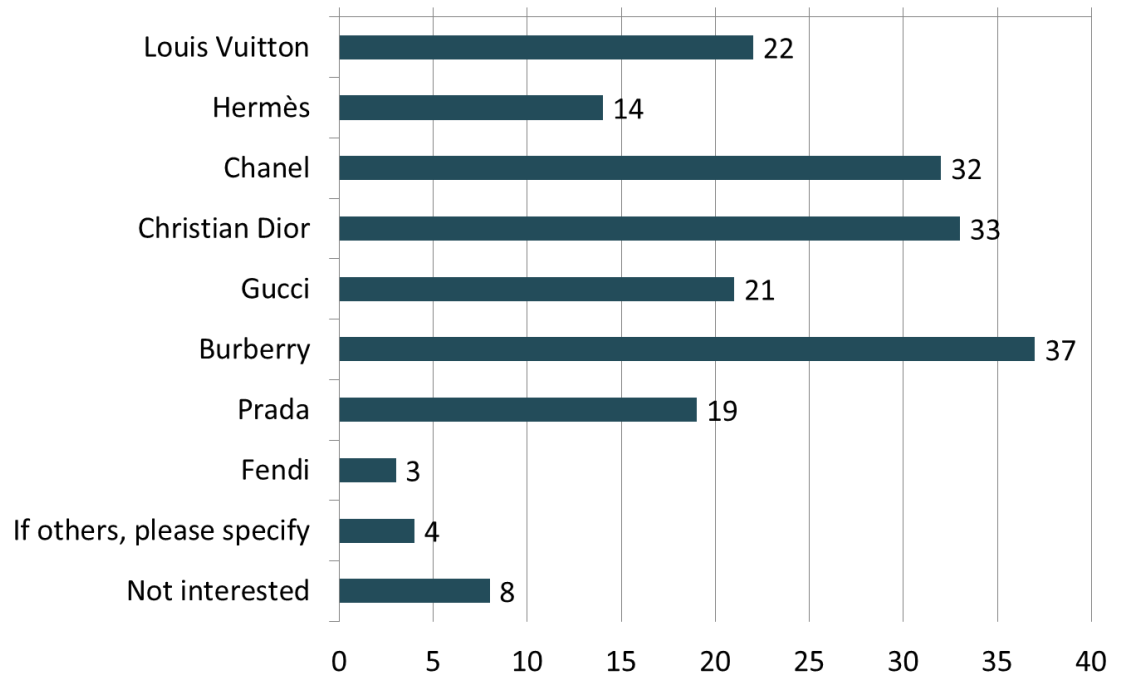


(N=78)

Figure 10. When do Chinese consumers mainly buy luxury goods?

The brand that the respondents purchased most is Burberry. Chanel and Dior were ranking the second and the third (Figure 11).

Some respondents gave the answer that they had bought Chole, YSL, Armani, Mont Blanc, Baccarat, Dolce&Gabbana, Anne Fontaine, Loewe, Lancel products.

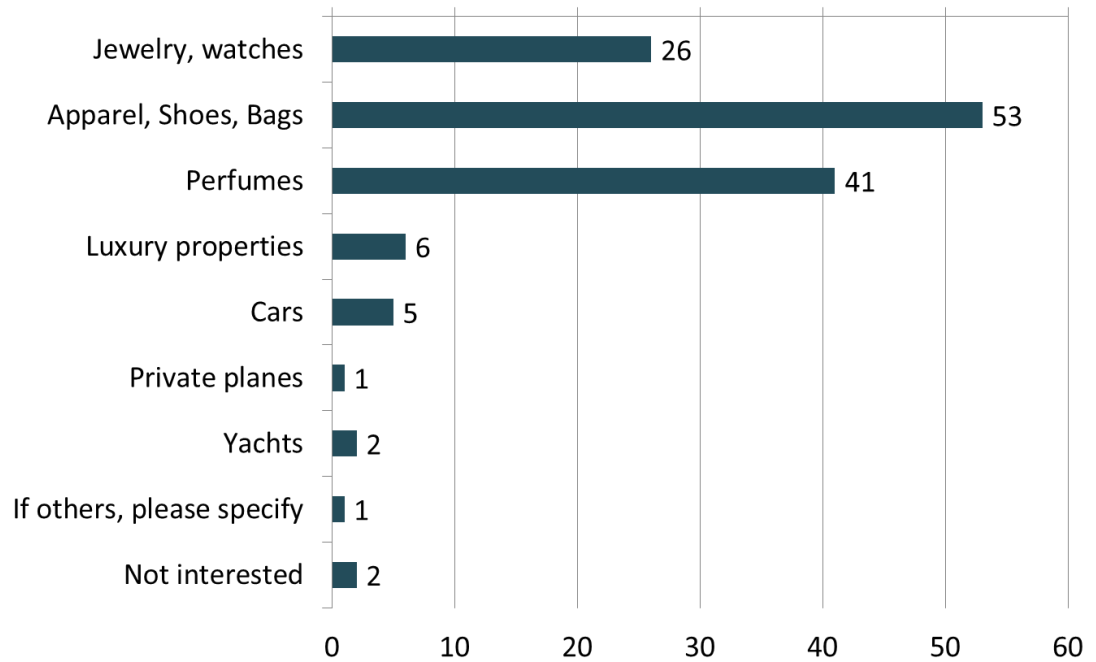


(N=79)

Figure 11. The luxury brands Chinese consumers had consumed before

The majority of the respondents consumed apparel, shoes, bags and perfumes before (Figure 12).

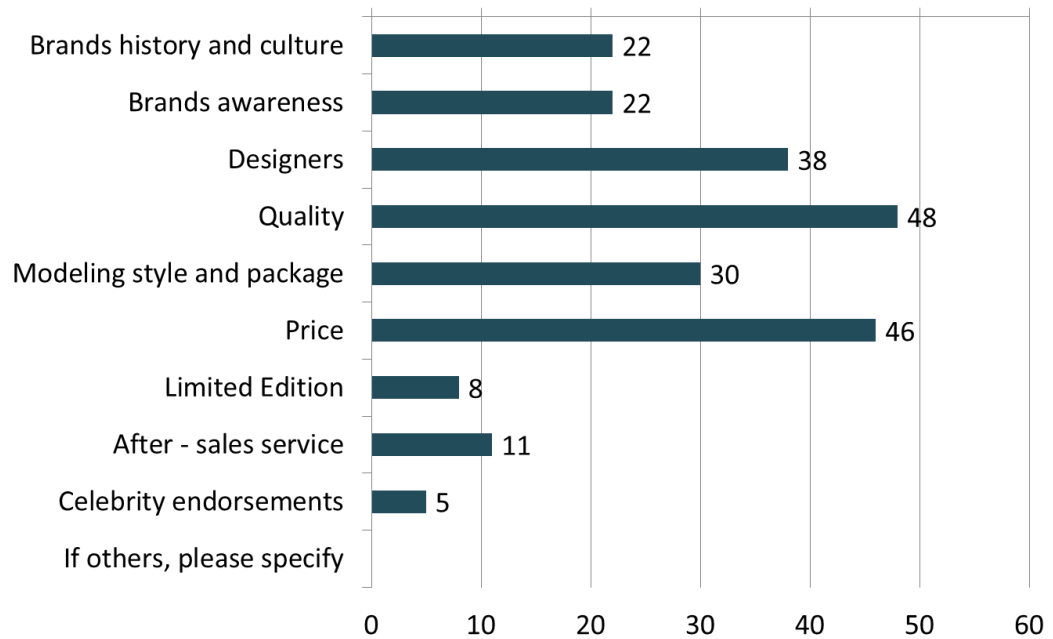
One respondent had purchased leather goods as well.



(N=79)

Figure 12. The types of luxury goods Chinese consumers have consumed before

Quality and the price were the most important factors that the respondents will consider. Additionally, there are 8 respondents are considering limited edition as a factor for buying luxury goods (Figure 13).



(N=79)

Figure 13. The important factors Chinese consumers consider when they buy luxury goods

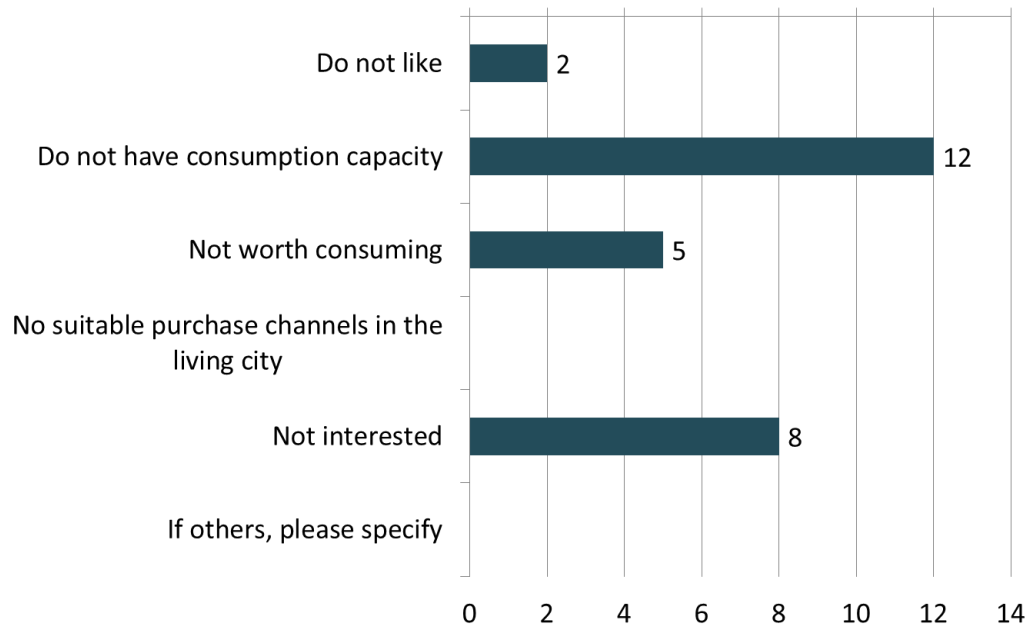
Twenty one respondents buy the luxury goods in order to follow the trend of time. Seventeen respondents reason is the demand for the work place and social occasions. Further more; only nine respondents consider the loyalty to some brands (Figure 14).



(N=79)

Figure 14. The primary motivations of Chinese consumers to purchase luxury goods

The main reason that the respondents do not consume luxury goods is because of they do not consumption capacity, twelve respondents chose this answer (Figure 15).



(N=21)

Figure 15. The main reasons Chinese consumers do not purchase luxury goods.

5.2 Summary and Conclusions of Results

The results showed that in China, the luxury consumer behavior tends to being the young age groups compared to the European and American countries. And the income is not matching the consumption. Vanity purchase behavior exists. For those customers who had consumed luxury goods before, most of them were just interested in buying the entry-level luxury goods, only few people that really have the purchasing power are interested in top luxury like expensive cars. What was more, for those customers who do not purchase luxury products, the reason is because they do not have the consumption capacity.

In the results of the questionnaire, regardless of the respondents who did not take the survey seriously; most of the answers were reliable and

believable, which meets the respect of the author in the beginning of the survey.

Because all of the responses were collected in only a few days, the results would have more possibilities to be more reliable if there would have been a longer duration of the data collection period. What is more, the author would not have time and the opportunities to make face to face interviews via paper copies. The results would be further accurate and correct than via online Webropol as survey tools. In addition, the author put the link of the questionnaire on different types of social Medias, which meant that the respondents were not selected completely randomly. There might be a certain relationship with the author's social and communication circle. The age groups were fixed. The result would be improved if send the paper version questionnaires were given to different people randomly in face to face meetings.

After the completion of this thesis, the author concluded some proposals that could be used to next time, which includes that it could be done better if it took more time on the data collection. Quantitative research methods such as face to face interviews could be used for the thesis. And the thesis can continue to study how to use integrated marketing theory to deliver the value of luxury, so that there would be better integration of professional knowledge and practical conclusions.

6 EPITOME

In this thesis, from the definition and features of luxury, the author analyzed the current situation of the Chinese luxury goods market and consumer motivations and the characteristics of Chinese luxury consumer groups. Because Chinese luxury market is young, there is a great blank in this area of current academia. However, not only will this bring to later researchers difficulties, but also showed that there is a broad space for research and development in this area. As the limit of author's level as well as many conditions, the writing of this thesis can only provide some rough points of view.

In this thesis, the author emphasized that, under the rapid economic development, the traditional consumption attitude of Chinese people was the main potential cause of Chinese luxury market. Chinese luxury industries were very different from mature European and American markets in regard to the consumers, requirements and motivation. The objective to pursue "Face" and "Reputation" were quite obvious.

First of all, it defined the concept of luxury goods. After stating several perspectives by scholars the paper concluded that luxury goods are a kind of merchandise which is far beyond people's basic physical needs and have the features as unique, scarce, and rare. This concept is comprised of five aspects. Then the thesis established seven traits of luxury goods, they are outstanding personality, extremely high price, flawless quality, limited quantity, consistent brand, hard to obtain and meet the psychological needs.

The second part of this thesis developed a structure of customer purchase behavior for luxury goods. In this part, the customers are grouped according to their dispensable incomes into two segments: the upper class people and mid-class people. In addition, as it has been well known that young people take a substantial big part of the customers, their purchase could be motivated by flaunt, imitation, and

worship combined. Further more, the age of an individual is another influencing factor for customer purchase.

The third part turned back to the domestic luxury market which is believed to be of enormous latent demands. At current stage, this market now is more likely in its infancy, as most customers are not rationale.

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APPENDICES

English version of the questionnaire of the survey

Appendix 1

Results of survey

Appendix 2

English version of the questionnaire of the survey

Appendix 1

1. Your gender:

A. Male

B. Female

2. Your age:

A. under 18

B. 18-22

C. 23-30

D. 31-40

E. 41-45

F. 46 or above

3. The country you currently live in:

A. China

B. another Asian country

C. North American country or South American country

D. European country

E. Australian country

F. African country

4. Your level of education:

A. Primary or under

B. Junior middle school

C. Senior high school or Vocational College

D. Bachelor

E. Master or higher

5. Your occupation:

- A. Specialized technical personnel
- B. Private Enterprise owner
- C. Commercial or service personnel
- D. Civil Servant
- E. Student
- F. Corporate executive
- G. Soldier
- H. Freelancer
- I. If others, please specify _____

6. The attitudes of your consumption of luxury goods: (please choose one from the statements below that is closest to your opinion.)

- A. The quality of life has improved, it is reasonable to consume
- B. Too expensive, wasteful, it is unnecessary to consume
- C. Not necessarily, subject to availability

7. The luxury brands you are interested in: (Multiple choices are allowed.)

- A. Louis Vuitton
- B. Hermès
- C. Chanel
- D. Christian Dior
- E. Gucci
- F. Burberry
- G. Prada
- H. Fendi
- I. If others, please specify _____
- J. Not interested

8. The types of luxury goods you are interested in: (Multiple choices are allowed.)

- A. Jewelry, watches
- B. Apparel, Shoes, Bags
- C. Perfumes
- D. Luxury properties
- E. Cars
- F. Private planes
- G. Yachts
- H. If others, please specify _____
- I. Not interested

9. The main channels you know about the luxury goods: (Multiple choices are allowed.)

- A. Books
- B. Newspapers and magazines
- C. Film and TV
- D. Internet
- E. Specialty stores
- F. New products conference
- G. Culture exhibition
- H. Learned from the Word of Mouth
- I. If others, please specify _____
- J. I don't know

10. Your monthly income (before tax): (Count 1 EUR=8CNY)

- A. 600 euros and under
- B. 601 euros-1000 euros
- C. 1001 euros-2000 euros
- D. 2001 euros-3000 euros

- E. 3001 euros-4000 euros
- F. 4001 euros-5000 euros
- G. 5001 euros- 6000 euros
- H. 6001 euros and above

11. The frequency of your consumption of luxury goods:

- A. At least once a week
- B. At least once a month
- C. At least once a season (three months)
- D. At least once half a year
- E. At least once a year
- F. Once a year or more seldom
- G. Subject to availability
- H. Never consume (go to Q.20)

12. The price of luxury goods that you can accept: (Count 1 EUR=8CNY)

- A. 600 euros and under
- B.601 euros-1000 euros
- C.1001 euros-2000 euros
- D. 2001 euros and above
- E. 3001 euros-4000 euros
- F. 4001 euros-5000 euros
- G. 5001 euros- 6000 euros
- H. 6001 euros and above

13. Where do you mainly buy luxury goods? (Multiple choices are allowed.)

- A. Specialty stores overseas (Hong Kong, Macao, Taiwan and other countries)
- B. Specialty stores in mainland of China

- C. Buyers' shop
- D. Brands' official websites
- E. Third party websites
- F. Second-hand luxury goods stores
- G. If others, please specify _____

14. When do you mainly buy your luxury goods? (Multiple choices are allowed.)

- A. At the New Year season
- B. Other holidays
- C. Birthdays
- D. Season sales
- E. Randomly
- F. If others, please specify_____

15. The luxury brands you had consumed before: (Multiple choices are allowed.)

- A. Louis Vuitton
- B. Hermès
- C. Chanel
- D. Christian Dior
- E. Gucci
- F. Burberry
- G. Prada
- H. Fendi
- I. If others, please specify _____
- J. Not interested

16. The types of luxury goods you have consumed before: (Multiple choices are allowed.):

- A. Jewelry, watches
- B. Apparel, Shoes, Bags
- C. Perfumes
- D. Luxury properties
- E. Cars
- F. Private planes
- G. Yachts
- H. If others, please specify _____
- I. Not interested

17. The important factors you consider when you buy luxury goods: (Multiple choices are allowed.)

- A. Brand's history and culture
- B. Brands awareness
- C. Designers
- D. Quality
- E. Modeling style and package
- F. Price
- G. Limited Edition
- H. After - sales service
- I. Celebrity endorsements
- J. If others, please specify _____

18. The primary motivations you consume luxury goods: (Multiple choices are allowed.)

- A. Pursuit of excellence quality of products, to express intrinsic self and personalities
- B. Self- reward, to get self-pleasure
- C. The demand for workplace and social occasions
- D. Follow the trend, to keep up with Times

- E. To show off wealth, status and personality, satisfy vanity
- F. Have the consumption capacity and the habits of consuming luxury goods, to meet the daily needs, improve the quality of life
- G. Loyalty to particular brands
- H. Build self-confidence
- I. Give someone as a present
- J. If others, please specify _____

19. Do you have an intention of buying more luxury goods?

- A. Yes, I have
- B. Yes, I have a little
- C. No, I do not have at all

20. The main reasons you do not consume luxury goods: (Multiple choices are allowed.)

- A. Do not like
- B. Do not have consumption capacity
- C. Not worth consuming
- D. No suitable purchase channels in the living city
- E. Not interested
- F. If others, please specify_____

Results of survey

Appendix 2

Table 1. Question 1: Your gender:

	N	Percent
Male	33	33%
Female	67	67%

Table 2. Question 2: Your age:

	N	Percent
Under 18	1	1%
18-22	47	47%
23-30	45	45%
31-40	6	6%
41-45	1	1%
46 or above	0	0%

Table 3. Question 3: The country you currently live in:

	N	Percent
China	65	65%
Another Asian country	2	2%
North American country or South American country	7	7%
European country	23	23%

Australian country	2	2%
African country	1	1%

Table 4. Question 4: Your level of education:

	N	Percent
Primary or under	0	0%
Junior middle school	2	2%
Senior high school or Vocational College	18	18%
Bachelor	57	57%
Master or higher	23	23%

Table 5. Question 5: Your occupation:

	N	Percent
Specialized technical personnel	11	11%
Private Enterprise owner	2	2%
Commercial or service personnel	8	8%
Civil Servant	2	2%
Student	68	68%
Corporate executive	2	2%
Soldier	0	0%
Freelancer	5	5%
If others, please specify	2	2%

Table 6. Question6: The attitudes of your consumption of luxury goods:

	N	Percent
The quality of life has improved, it is reasonable to consume	51	51%
Too expensive, wasteful, it is unnecessary to consume	14	14%
Not necessarily, subject to availability	35	35%

Table 7. Question 7: The luxury brands you are interested in:

	N	Percent
Louis Vuitton	37	37%
Hermès	32	32%
Chanel	54	54%
Christian Dior	44	44%
Gucci	40	40%
Burberry	53	53%
Prada	42	42%
Fendi	24	24%
If others, please specify	5	5%
Not interested	11	11%

Table 8. Question 8: The types of luxury goods you are interested in:

	N	Percent
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Jewelry, watches	52	52%
Apparel, Shoes, Bags	68	68%
Perfumes	31	31%
Luxury properties	14	14%
Cars	28	28%
Private planes	9	9%
Yachts	5	5%
If others, please specify	2	2%
Not interested	4	4%

Table 9. Question 9: The main channels you know about the luxury goods:

	N	Percent
Books	30	30%
Newspapers and magazines	64	64%
Film and TV	53	53%
Internet	63	63%
Specialty stores	24	24%
New products conference	19	19%
Culture exhibition	20	20%
learned from the Word of Mouth	16	16%
If others, please specify	2	2%

I don't know	3	3%
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Table 10. Question 10: Your monthly income (before tax):

	N	Percent
600 euros and under	44	44%
601 euros-1000 euros	20	20%
1001 euros-2000 euros	16	16%
2001 euros-3000 euros	6	6%
3001 euros-4000 euros	5	5%
4001 euros-5000 euros	5	5%
5001 euros- 6000 euros	1	1%
6001 euros and above	3	3%

Table 11. Question 11: The frequency of your consumption of luxury goods:

	N	Percent
At least once a week	4	4%
At least once a month	13	13%
At least once a season (three months)	12	12%
At least once half a year	12	12%
At least once a year	8	8%
Once a year or more seldom	17	17%
Subject to availability	13	13%

Never consume	21	21%
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Table 12. Question 12: The price of luxury goods that you can accept:

	N	Percent
600 euros and under	23	29.49%
601 euros-1000 euros	23	29.49%
1001 euros-2000 euros	17	21.79%
2001 euros and above	6	7.69%
3001 euros-4000 euros	4	5.13%
4001 euros-5000 euros	2	2.56%
5001 euros- 6000 euros	0	0%
6001 euros and above	3	3.85%

Table 13. Question 13: Where do you mainly buy luxury goods?

	N	Percent
Specialty stores overseas (Hong Kong, Macao, Taiwan and other countries)	44	55.7%
Specialty stores in mainland of China	20	25.32%
Buyers' shop	19	24.05%
Brands' official websites	31	39.24%
Third party websites	13	16.46%
Second-hand luxury goods stores	2	2.53%
If others, please specify	1	1.27%

Table 14. Question 14: When do you mainly buy your luxury goods?

	N	Percent
At the New Year season	18	22.78%
Other holidays	26	32.91%
Birthdays	19	24.05%
Season sales	35	44.3%
If others, please specify	1	1.27%
Randomly	21	26.58%

Table 15. Question 15: The luxury brands you had consumed before:

	N	Percent
Louis Vuitton	22	28.21%
Hermès	14	17.95%
Chanel	32	41.03%
Christian Dior	33	42.31%
Gucci	21	26.92%
Burberry	37	47.44%
Prada	19	24.36%
Fendi	3	3.85%
If others, please specify	4	5.13%
Not interested	8	10.26%

Table 16. Question 16: The types of luxury goods you have consumed before:

	N	Percent
Jewelry, watches	26	32.91%
Apparel, Shoes, Bags	53	67.09%
Perfumes	41	51.9%
Luxury properties	6	7.59%
Cars	5	6.33%
Private planes	1	1.27%
Yachts	2	2.53%
If others, please specify	1	1.27%
Not interested	2	2.53%

Table 17. Question 17: The important factors you consider when you buy luxury goods:

	N	Percent
Brands history and culture	22	27.85%
Brands awareness	22	27.85%
Designers	38	48.1%
Quality	48	60.76%
Modeling style and package	30	37.97%
Price	46	58.23%
Limited Edition	8	10.13%

After - sales service	11	13.92%
Celebrity endorsements	5	6.33%
If others, please specify	0	0%

Table 18. Question 18: The primary motivations you consume luxury goods:

	N	Percent
Pursuit of excellence quality of products, to express intrinsic self and personalities	21	26.58%
Self- reward, to get self-pleasure	37	46.84%
The demand for workplace and social occasions	17	21.52%
Follow the trend, to keep up with Times	21	26.58%
To show off wealth, status and personality, satisfy vanity	12	15.19%
Have the consumption capacity and the habits of consuming luxury goods, to meet the daily needs, improve the quality of life	20	25.32%
Loyalty to particular brands	9	11.39%
Build self-confidence	8	10.13%
Give someone as a present	20	25.32%
If others, please specify	0	0%

Table 19. Question 19: Do you have an intention of buying more luxury goods?

	N	Percent
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Yes, I have	30	37.97%
Yes, I have a little	43	54.43%
No, I do not have at all	6	7.59%

Table 20. Question 20: The main reasons you do not consume luxury goods:

	N	Percent
Do not like	2	9.52%
Do not have consumption capacity	12	57.14%
Not worth consuming	5	23.81%
No suitable purchase channels in the living city	0	0%
Not interested	8	38.1%
If others, please specify	0	0%