

UNDERSTANDING LUXURY CONSUMPTION IN GUANGDONG, CHINA

by

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Graduate Diploma, Business Administration,
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PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION

In the
Faculty
Of
Business Administration

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July 2004

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Abstract

The goal of this project to profile luxury consumers from the perspectives of personal values and motivations for luxury, and to examine the relationship of personal values, motivations and consumer behaviors regarding luxury consumption in Guangdong, China. I reviewed the relevant literature and proposed a conceptual model to guide the development of the analysis. Based on this model a market survey was conducted and a questionnaire was E-mailed to 185 subjects in Guangdong, China. All these subjects E-mailed me back their answers to the questionnaire. Income level of 5000 RMB (around \$800 CAD) was applied as the criteria for the sample. 63 of the 185 participants met the criteria and constituted the sample. A further analysis was applied afterwards based on this sample size. The findings were: (1) personal value in terms of internal and external value can be a valid dimension to segment luxury consumers into two groups, (2) personal motivations are more influential than interpersonal motivations in luxury consumption, and (3) for the relationship of value-motivation-behavior, personal values are partly significantly associated with motivations for luxury while such motivations are not significantly associated with the consumption behaviors of rationality and counterfeit purchasing among Guangdong luxury consumers.

Dedication

To my son, wife, and other family members.

Acknowledgements

I sincerely appreciate Dr. Gary Mauser for his guidance throughout my project, and also thank Dr. Steven Kates for his valuable advices on my writings.

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Introduction

Understanding consumers' motivation of luxury consumption, the underlying personal values, and the consequent consumer behaviors is vital to luxury businesses in China, especially to those foreign luxury marketers who either contemplate to cut into the inspiring big emerging market or plan to expand market share in the fierce competition. On the other hand, due to different orientations and advancement in social cultures, economic levels and lifetime values, consumers in China may have different perception and attitude towards luxury consumption. This implies that viable marketing strategies in Western countries may not be suitable to the specific situation in China. Obtaining, updating and exploiting the knowledge of relationships among consumers' personal values, motivation, and consumption behaviors, foreign luxury players can accurately recognize the target consumers, selectively direct market positioning, efficiently allocate scarce organizational resources, and strategically pursue cost-efficient performance.

Chinese consumers witnessed fundamental changes and exponential increase of luxury consumption in China. Along with the 7% average increase rate of GDP for years in China, thousands of millionaires and even billionaires emerged in the wave of Economical Reform, which also contributes major credit to the constitution and expanding of the alleged middle-level class of consumers. The newly-affluent Chinese consumers surged into luxury market and contribute to the steep increase of demand for luxury. For instance, the jewelry market skyrocketed from \$24 million in the early 1980s to \$11.6 billion in 2001 (Wade, 2003). As Twitchell (2002) pointed out—"what is

considered luxury for one generation is considered necessity for the next, and today's credit-addicted society makes luxury, or at least the appearance of luxury, available to all.”—the swift advancement in economy and the coexisting development of values and life-styles also changes the definition and representatives of luxury products. In light of such speedy development, more and more luxury players crowded into Chinese market and scramble to achieve beneficial market position as quickly as possible. Inevitably, understanding local consumers becomes the key issue to achieve such advantageous market positions.

Most studies on luxury consumption focus the analyses in the context of Western countries. Studies on the relationship among Chinese consumers' personal values, motivation, and consumption behaviors towards luxury consumption still remain rare and superficial. The purpose of this project is to focus on such issue in the context of luxury products so as to shed lights to luxury marketers seeking business opportunities in China. China is a big country. Considering the geographic as well as the income-level difference, this project will focus more on the situation of luxury consumption in GuangDong province, Southern China, which has been spearheading economic development and therefore is the major beneficiary of the consequent achievement in China. Such arrangement can also simplify and facilitate the data collection, make this project more viable and leave much room for future study on the other regions. Besides, to some extent analysis on the situation in GuangDong may help marketers predict the market evolution of other regions in China, segment market by region, and position their luxury goods accordingly.

Background

Global Luxury Market

Luxury market is a thriving sector attracting many businesses. According to LVMH, the biggest luxury conglomerate in the world, luxury products account for Euro 80 billion-market volume in year 2002. The past 1990's were the most prosperous era for the luxury market. In this period the average annual growth rate arrived at 20%, far exceeded that of the world economy. Even in year 2000 growth in such market still increased by 17%. The prosperity in this market section generated tremendous market opportunities to the luxury marketers, therefore contributed to the remarkable innovation and continuous development on the luxury products.

However, the global luxury market experienced dramatic changes in recent years. The consecutive strikes such as "9.11", war on Iraq, and SARS deadly affected the luxury market and put the luxury marketers into extremely painful situation. Europe is the major contributor to the manufacturing and distributing of luxury goods. The headquarters of many well-known luxury brands are located in this region. For instance, LVMH, the Paris-listed luxury goods conglomerate Moet Hennessy Louis Vuitton, owns numerous high-end retail businesses in fashion and leather goods, wines and sprits, fragrances and cosmetics, as well as the DFS duty-free group. Its best-known brands include Givenchy, Guerlain and Louis Vuitton. After obtaining 10-20% increase throughout the 90's to 11.6 billion Euro in 2000, LVMH just achieved 4-5% total sales increase in 2001 (12.2 billion

Euro) and 2002 (12.7 billion Euro) but 5.7% decrease in 2003(12.0 billion Euro).¹

Another example could be the PPR (Pinault Printemps Redoute) Group, which is the parent Company of Gucci, the well-known luxury Group in the world. PPR reached 27.4 billion Euro sales volumes in 2002, a decrease of 1.5% compared with that in 2001. In the first quarter of 2003 such figure just reached 6.3 billion Euro, a 6% decrease compared with that of the same period in last year. Christian Dior reached profit losses of 20.4 million Euro in 2000 and of 5.5 million Euro in 2001.² The Swiss Richemont Group, who encompasses several of the most prestigious names in the industry including Cartier, Piaget, Vacheron Constantin, Jaeger-LeCoultre, Dunhill and Montblanc, experienced several warning signs in early 2003: the total operation profits decreased one-fifth in the first quarter, and the sales turnovers in April and May plummeted more than 20%.³

Europe and Japan used to be the biggest luxury markets. Basically these two regions took half of the global luxury markets. However, after years of stagnation in economy, the way people purchase has been inevitably affected by the depression. Such influence was embodied in the decreasing interest in the luxury products especially in Europe. According to an Italian research agency Mintel, like those in France, Spain, Germany and the UK, more and more Italian fashion fans have gone away from the expensive goods in search of cheaper ones to justify their purchase. It is believed that there is a mood of "anti-luxury" behind the sales downturn. That is to say, even fashion fans start to adjust their purchasing behaviors to the fashion labeled goods and change their ways in shopping. Giusi Ferre, a fashion tracker in Milan, reveals that consumers are expecting more value for money. These imply that, since buying a brand is such a

¹ http://www.lvmh.com/comfi/pg_resultats.asp?rub=12, accessed at Feb 3, 2004.

² http://fr.mofcom.gov.cn/article/200312/20031200156374_1.xml, accessed at Feb. 10, 2004.

³ <http://economy.enorth.com.cn>, accessed at Jan. 15, 2004.

conspicuous consumption, consumers start to think about whether possessing such a brand is really a rational decision to them in terms of the money they spend. For the same money, consumers may consider about other options including non-brands with better quality or more exciting fads in cheaper prices.⁴

Confronting harsh challenges and fierce competition in luxury market, luxury marketers have sensed the urgency to cultivate new markets—that is to develop and expand market share in Asia, especially the biggest emerging market in China. Since the admission of China to the WTO, new more open economic policies have been taken into places making this emerging market more attractive and robust to the luxury marketers. More and more new affluent have been emerging in China and incline to exhibit their career achievements. Such tendency contributes greatly to the escalating purchasing power to the luxury goods. In light of such situation, it is imperative for luxury players to get deep understanding about the current economical and emotional situation of Chinese consumers, how they perceive luxury goods, and what are the main forces to drive them purchasing such products.

Macro-Market in China

Situational Analysis

China is viewed as one of the most promising and exciting luxury markets in the world. The fast-growing economy delivers great opportunities to people to get rich and obtain the capability to afford luxuries. The newly-affluent Chinese consumers surged

⁴ <http://www.tdctrade.com/mne/garment/clothing072.htm>, accessed at Jan. 24, 2004.

into luxury market and contribute to the steep increase in demand. For instance, the jewelry market skyrocketed from \$24 million in the early 1980s to \$11.6 billion in 2001.

The total population in China is more than 1.2 billion. It is said that 46.6% of the total income in China are in the hands of 20% people, which implies that 240 million people, a figure that is just slightly smaller than the population in U.S., could be the consumers for luxury products and services. The unequal distribution of wealth in China could be the chief factor leading to the significant increase in demand for luxuries. The reason lays in that new affluent are prone to distinguish themselves from the lower class, they may seek certain ways to reach such purposes, thus the demand for luxury goods arises swiftly. On the other hand, not only the extremely wealthy people, the growing middle class contributes more to the prosperity of luxury market. This is because the newly middle class demonstrates stronger desire for the mass-market luxury products that can provide such people fresh experiences with sense of pleasure and self-actualization.

Besides, luxury consumption in China prospers because of the robust economic developments such as globalization, industrialization, urbanization, and increasing income-levels. Globalization leads China into the international trade and also introduces world-class products to China consumers. Industrialization contributes to the increasing rate of employment and enriches consumers' pockets, therefore financially increases people's satisfaction to life, and confidence and expectation to future. Industrialization also leads to the expanding urbanization, which implies that more and more people move into cities, and obtain more knowledge about or expose more closely to luxury products. Such moving trend to some extent also enhances new affluent's inclination of exhibiting

newly acquired wealth so as to advertise their capability to afford luxury consumption or distinguish themselves from lower class people.

Geographic Diversity and Economic Disparity

As a big emerging market, China featured with multiple markets in terms of diverse local cultures and different development levels of regional economy. In the same time, different regional governments keep improving and adjusting their policies so as to increase their competition capabilities and thus inevitably enhance the dynamics and diversity of regional economies. Because of the “open door” policy, coastal regions in China attracted outside investors and exploit the first-mover opportunities of economic reforms while the inland provinces fall behind the costal regions in economic development. On the other hand, culture differences in terms of idioms, values, lifestyles, and conventions also contribute to the diversity of economic climate in different areas. Furthermore, “regional differences in consumer purchasing power, distribution channels, and transportation logistics, can erect major barriers for MNCs to exercise a uniform approach to the local markets” (Batra, 1997). In light of such diversified situation, there is no one-strategy-fits-all approach in the massive emerging market. It is imperative for luxury marketers to distinguish the nuances of different regional markets and craft viable strategies accordingly.

Literature Review

Luxury in General

The affluent market is an ever-changing market section. Traditionally affluent consumers were the primary buyers of luxury goods and their purchase behavior were not influenced even in the recession of economy. Their major purposes of such behavior were to distinguish themselves from the lower class and maintain higher social status. Along with the developments of the global economy and information technology, a lot more people have more money in hands and more knowledge about luxury products. Even if such people are not super rich, they are more confident than before, more positive about the future, and feel more entitled to some indulgence.

The new affluent nowadays believes that they have worked very hard to achieve their success and wealth, and thus enjoyed to reward themselves and families. They seek for better experience and personal satisfaction—sometimes could be unrealistic and demanding. Luxury marketers need to keep interactive and collaborative relationship with such growing affluent so as to achieve long-term success.

In light of such, many luxury companies have extended their brands to reach the mass affluent, upper-middle-class and middle-class targets. They have begun to infuse element of luxury in even the most ordinary of categories (such as \$4 Starbucks latte) so as to fuel the market demand for luxury. It is critically important for marketers to understand what consumers expect from luxury goods nowadays. Marketers need to

know how different consumers define “luxury” and what are their perceived values that motivate them to purchase luxury goods.

Definition of Luxury

According to Pam Danziger—president of Unity Marketing in Stevens, Pa.—who conducted a series of focus group among luxury purchasers, stated that: “Luxury today is really about the ability to pursue one’s passions, and those passions are very different for everyone”. In order to find out some of the passions and motivations that lead to the consumption of luxury, online research firm E-Poll conducted a survey on how Americans define luxury and revealed that there is no universal definition could be applied to luxury. People with different genders, races, or ages relate different values to luxury (Nayyar, 2002). For instance, older people tend to relate “luxury” with “elegance” while Gen X/Y group (in this study, 18 to 34) and Baby Boomers (in this study, 35 to 54) associated luxury to “flashy” or “elitist”. On the other hand, Hispanics are more likely to agree with the statement of “luxury means high status” than either blacks or whites. In terms of gender, female are actually less brand conscious than male. Men are more aspired to live a lifestyle of luxury than women (Gardyn, 2002).

The Role of Product as Social Stimuli

Normally product is seen as the consequence of personal attitude and purchasing behavior. However, from the perspective that products possess symbolic features, products act as the cause of consumers’ decision-making and purchasing behavior. Products can be employed for self-definition. Consumers often rely on the social

meanings inherent in products as a guide to the performance of social roles. Products not only provide the expected functions and beneficial performances, but also express consumers' personalities, social status and affiliation, and fulfill consumers' emotional and psychological needs. The symbolic qualities of products are often the determinants in the course of product evaluation and consumption. Consumers may pursue the products' intangible attributes that guide their purchasing behaviors and shape their personal images. Products can be viewed as the responses as well as the causes to consumers' behavior. Therefore, products play not only as the role in the satisfaction of consumer needs, but also as the role of social symbols and consumption stimuli leading to consumer behavior (Solomon, 1983). Understanding the role of products provide us a more holistic perspective in the analysis of luxury consumption.

Three Effects in Luxury Consumption

Study on luxury can be dated back to as early as 19th century. Veblen (1899) revealed that affluent often involved in luxury consumption to advertise their wealth so as to achieve higher social status. From then on the concept of Veblen Effect took place in the study of luxury consumption. Veblen effects, or conspicuous consumption, refer to "people's desire to provide prominent, visible evidence of their ability to afford luxury goods" (Solomon et al, 2002). Similarly Mason (1983) referred Veblen effect as "the phenomenon of conspicuous consumption...to the extent to which the demand for a consumer's good will increase because it bears a higher rather than a lower price". "Veblen Effects" are said to exist when consumers exhibit a willingness to pay a higher price for a functionally equivalent good. Bagwell and Bernheim (1996) examined the

conditions under which Veblen effect would appear. Basically two different motives for consuming conspicuous goods lead to Veblen effects: “invidious comparison” and “pecuniary emulation” (Bagwell and Bernheim, 1996). Invidious comparison occurs when a member of a higher class consumes conspicuously only for the purpose of separating himself from the members of lower class. Pecuniary emulation refers to the phenomenon that a member of a lower class consumes conspicuously because he tends to be recognized as a member of a higher class. In both cases, consumers purchase luxury goods at higher than normal prices so as to announce wealth and thereby achieving or presenting higher social status, although such products do not inherently or necessarily hold supreme quality.

Furthermore, there are two other effects called bandwagon and snob effects in the study of conspicuous consumption (Liebenstein, 1950). The bandwagon effect reflects the phenomenon that the demand for a product will increase mainly because many other consumers have already purchased or tend to purchase such product. The snob effect refers to that, the demand for a certain product will decrease because potential consumers perceive such product has been consumed by lots of other consumers, therefore bears lower associated status value. Therefore, both bandwagon and snob effects are related to the consumption of a product while the Veblen effect, in its pure form, is associated only with price. Veblen effect is empirically significant in the markets of luxury goods because individuals often consume goods and services with premium price so as to advertise their wealth, therefore achieve or exhibit higher social status.

Motivations for Luxury Consumption

People involve in luxury consumption because they tend to achieve one or more values demonstrated in such consumption process. Therefore motivations for luxury consumption are to achieve and demonstrate such values represented by luxury consumption (Vigneron and Johnson, 1999). In their study, Vigneron and Johnson (1999) examined the existing consumer knowledge about prestige and developed a conceptual framework to analyze prestige-seeking consumer behavior. They pointed out that the prestige of a brand results in the multiple interactions between the consumer and the environmental influences. Prestige-seeking behavior is generated by multiple motivations, especially the motivations of sociability and self-expression. In this regard, five perceived prestige values as well as five motivations were proposed as follows:

1. *Conspicuous value vs. Veblenian*: The consumption of prestige brands delivers the signal of status and wealth, and the corresponding expensive price strengthens the value of such signal. Veblen effect contributes to the motivation of generating such value. Veblenian consumers see expensive price as the indicator of prestige because their primary intention is to impress others.
2. *Unique value vs. Snob*: The scarcity and exclusivity of prestige products can meet the need for uniqueness and thus possess high value. If most people have a specific brand then it is not a prestigious one. Such value is associated with the motivation influenced by Snob effect. Snob consumers avoid popular products so as to differentiate themselves with the lower class consumers.
3. *Social value vs. Bandwagon*: Consumption of prestige brands conveys the signal of group belonging and thus demonstrates social value. Bandwagon effect reflects

consumers' motivation in achieving such social value. Bandwagon effect affects individuals to fit in prestige group and separate with the non-prestige group.

Compared with Snob consumers, Bandwagon consumers pay more attention on the effect they make on others when consuming luxury products.

4. *Hedonic value vs. Hedonist*: Consuming prestige brand involves emotional value such as sensory pleasure and excitement. The emotional value represents the essential intangible benefits from such consumption. Basically hedonic consumers focus more on personal thoughts and feelings. Consequently they may emphasis less on price as the indicator of prestige.
5. *Quality value vs. Perfectionist*: Prestige brand implies greater level of quality. People view higher price as the proxy of higher quality and consequent higher level of prestige. The quality cue from higher price leads to the enhanced pleasant anticipation on the superior product performance and features. Consumers who stress on such quality value present perfectionist type of consumers.

It is reasonable to assume that the above five prestige values function independently and contribute to the selection of prestige brand incrementally. The first three values reflect interpersonal effects while the last two mirror personal effects on prestige consumption. Consumers could tend to maximize all the five values while in reality they have to give up some less important values so as to achieve the salient ones they prefer. In this regard, different consumer may have diverse value preferences and thus demonstrate different prestige-seeking behaviors. Vigneron and Johnson (1999) proposed that luxury marketers could analyze their brand implication based on the

categorization of the five values, scrutinize consumers' value preferences and apply strategies accordingly.

Consumer Behavior in Today's Luxury Consumption

Justified Indulgence

Indulgence (or, items perceived as indulgence) represents "pampering oneself; yielding to the wishes, gratification, or desires of oneself (or another), as because of a weak will or an amiable nature" (*Webster's New World International Dictionary*, s.vv. "necessities" and "indulgence"). Normally indulgence is associated with luxury and hedonics rather than utilitarian.

Kivetz and Simonson (2002) revealed that average people might force themselves to indulge and avoid spending on necessities and/or savings under certain circumstances. They may seek opportunities to justify their behaviors for indulgence. Even if they have difficulty of purchasing goods that are perceived as indulgences or luxuries, in everyday decisions they may use pre-commitments to indulgence, especially when the psychological cost of such commitments is less concrete. For example, consumers are more likely to pre-commit to a spa package instead of cash of equal or greater value. They tend to pre-commit to indulgence when the consequences of decisions will be realized in farther future.

People nowadays feel more entitled to indulgence than before. They present the attitude of "I'm worth it." Even if in period of recession, consumers still have a taste for indulgence. As identified by Gardyn (2002), such taste has shifted from mindless

indulgence to justified indulgence. For instance, “Nearly 90 percent of Americans with incomes of \$100,000 or more have bought at least one luxury product over the past year, and 85 percent have purchased at least one luxury service”. Due to the recession or the uncertainty over the attacks on Sept. 11, consumers may have re-thought the way they spend but they do not forgo their own particular needs. They still rationally involve themselves in conspicuous consumption to reward their hard working or achievement.

New Luxury—Mass Production

A new class of luxury consumers has emerged resulting in the increasingly wide income disparities, higher levels of education, and greater awareness of other cultures’ ideas of the good life. They are not necessarily super rich but desire to consume luxury goods to meet their combined needs in terms of advanced technology, superior function, and emotional satisfaction. The category of products catering to this class of consumers is called “New Luxury”. The major character of consumers in this class is that they tend to trade up to the premium products perceived with high-levels of quality and taste to them, but trade down—buying private labels or no-name brands—or even go without those in luxury categories but less meaningful to them. “They are more educated, more sophisticated, better traveled, more adventurous, and more discerning than ever before, they want products that engage their curiosity and imagination.... Many have acquired a taste for goods that combine advanced technology with the sort of elegant design and sense of style they’ve encountered in their travel and through other broadening experiences” (Silverstein and Fiske, 2003). They purchase the “new luxury” goods that matter to them on an emotional level, but may in the same day fight for bargains for

necessities that are less important. They are willing to pay premiums with the attitude of “I can buy it if I want to”. Nowadays consumers are much sophisticated, diversified and demanding than before. Luxury marketers need to have the capabilities to identify the dynamic nuance among consumers and satisfy their emergent tastes and desires.

New Luxury goods are not those old-fashioned and traditional luxuries such as furs, jewels and other scarce extremely expensive items. Such products refer to those with superior quality, durability, and design but are plentiful, readily available and still affordable. Starbucks Coffee and BMW automobiles are two examples. New luxury goods can be broken down into three major types: Accessible Super-premium, Old-Luxury Brand Extensions, and Mass Prestige or “Masstige” (Silverstein and Fiske, 2003).

Accessible Super-premium refers to products priced at or near to the top priced level, but still affordable by the new luxury consumers who seek prestige status. *Old-Luxury Brand Extensions* are the lower-priced extended versions of luxury goods that traditionally only consumed by the extremely wealth. Such products provide middle level consumers special pleasure including technical, functional and emotional features. *Mass Prestige or “Masstige”* implies products falling between mass products and prestige products. The Masstige products are priced well below the super-premium or traditional luxury goods but still bearing the prestige image because of the effect of brand.

The emergence of the new luxury category provides immense opportunities for luxury businesses to enjoy the consequent benefits. Many luxury marketers involved in the “mass” production to benefit from the huge demand for new luxury goods. Unlike traditional luxury goods, new-luxury products can be priced at high level and generate phenomenal sales volumes. Consequently new luxury providers obtain great profit

margin and market expansion simultaneously. The challenges they are facing are to capitalize on the mass production targeting the new luxury market without compromising their prestige image in the high-end segment (Stewart, 2003).

Counterfeit Influence to Luxury

Nia, and Zaichkowsky (2000) conducted a research exploring how the owners of original luxury goods perceive counterfeit luxury goods and what their attitudes are about counterfeit luxury goods. This research revealed that, no matter the luxury products were original or counterfeit, all respondents believe such luxury products are fun and worth the money they spent. On the other hand, because only original luxury goods possess the characteristics of exclusivity, durability and better quality, counterfeits do not devalue the sense of ownership of original goods, and counterfeits will not affect the demand for originals. On the contrary, instead of damage to the originals, counterfeits in fact acts to promote the original products. About 30% respondents have only original luxury goods and no counterfeit ones. Such respondents believe that counterfeits are inferior products, and only the originals lead to their personal satisfaction and generate admiration, recognition and acceptance from others. It is more prestigious to own originals than do counterfeits. However, people who have more counterfeits are positive to the ownership of counterfeits and believe that such products are not inferior. Overall, 70% respondents believe that even if counterfeits are widely available to the market, such situation does not decrease the value, satisfaction, and status of original brand names. Therefore the key for luxury producers is to focus on publicizing the physical and psychological advantages

of their products, build up strong positive image of a brand name and advertise the attributes of exclusivity and superiority of luxury brands.

The Role of Personal Values

Personal value is viewed as “a centrally held, enduring belief which guides actions and judgments across specific situations and beyond immediate goals to more ultimate end-states of existence” (Vinson et al, 1977). The process of value acquisition is affected by many social, political and cultural factors. Personal value varies by many dimensions such as culture, age, gender, education, income and so on. It plays as the role of standard or criteria influencing individual’s evaluation or choices. It is the significant determinant to consumer’s consumption attitude, purchasing behavior and decision-making process. Different value orientations lead to the diversity of preferences for products, brands or even some specific attributes and thus help businesses better understand the market in the consumer-oriented competition. Knowledge of personal value can be employed in many marketing aspects such as market analysis, market segmentation, product portfolio planning, promotion strategy and so forth (Vinson et al, 1977).

Furthermore, some researchers argued the existence of a hierarchical causal influence of values on attitudes and behaviors and therefore the subsequent consumers' choices in terms of product classes, brands, store outlets, and shopping malls. The study conducted by Shim and Eastlick (1998) revealed a direct and positive relationship between consumers’ values and favorable attitudes toward patronizing shopping malls. On the other hand, social affiliation values contribute stronger influences in generating

favorable shopping mall attitude than self-actualization values. The study conducted by Homer and Kahle (1988) supported the causal relationship between the values, nutrition attitude, and natural food shopping behavior. It argued the existence of a positive relationship between internal values and nutrition attitude, and a negative relationship between external values and attitude. Allen (2001) conducted a study on the impact of human values on product (brand) preference, and demonstrated that values directly and indirectly affect brand preference by prioritizing the importance of tangible attributes.

LOV—List of Values

Studies on the relationship between consumer values and behaviors have been received great attentions in years. There are several valid methodologies in such study. The first one is the RVS (Rokeach Value Survey) that ask people to rank 18 instrumental values and 18 terminal values (Rokeach, 1973). The second one is the VALS (Values and Lifestyle Segmentation) developed at SRI International by Mitchell (1983) and was widely applied in academic researches. It is based on the Maslow's need hierarchy and the concept of social character, and involves around 30 demographic and attitudinal questions. Respondents are classified into nine lifestyle groups according to their responses to such questions. The third one is the LOV. It was first proposed and developed by Kahle (1983) and widely applied afterwards. Researches (Kahle et al 1986, Kahle and Kennedy 1988) revealed that LOV has greater utility than the other two in the study of consumer behaviors.

LOV is consisted of nine values including a sense of belonging, excitement, fun and enjoyment in life, warm relationships with others, self-fulfillment, being well

respected, sense of accomplishment, security and self-respect. Typically these values can be distinguished into two groups: internal, i.e. self-actualization or terminal values vs. external, i.e. social-affiliation or instrumental values. Compared with RVS, LOV relates more closely to people's daily lives in aspects such as marriage, parenting, work, leisure, daily consumption (Kahle et al, 1986). On the other hand, LOV is more advantageous than VALS in the sense that LOV is simpler to administer and easier to communicate because it has much fewer values for respondents to considerate (Kahle and Kennedy, 1988). Subjects have much less negative and reluctant mood when they go through the surveys and therefore their answers will be more valid. Finally, the values in LOV are fairly straightforward and can be directly employed in marketing applications such as advertising campaign and consumer segmentation. Because of such advantages, LOV is utilized in this project to examine the relationship between consumers' primary values and their "motivations and behaviors" in the luxury consumption.

Relationship of LOV and Consumer Needs and Behaviors

Kim et al. (2002) applied LOV to examine the relationship of consumer values, needs and purchase behavior in two Asian consumer markets, China and South Korea. In this study, self-directed (internal) values and social affiliation (external) values were extracted from LOV and were identified as the two dimensions of consumer values. On the other hand, consumer needs were categorized into experiential, social and functional needs. Kim et al disclosed that although Asian consumers were perceived more collectivistic and relationship-oriented, external values did not influence consumers' purchase motivation of apparel. Internal values instead of external values were the

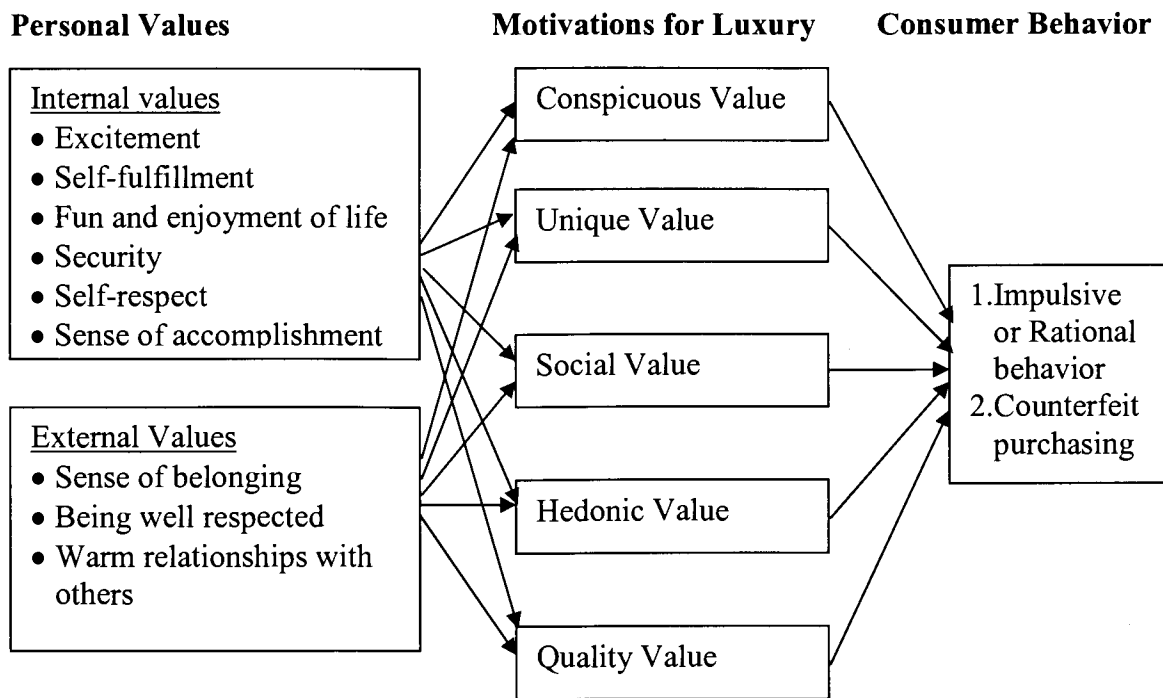
underlying determinant to consumer needs. Among the three types of needs, experiential needs were the most important needs that influenced the behavior of female consumers in the purchase of apparels. This study also examined the relationship between consumer needs and behavior in terms of brand loyalty, which was not detailed in this project. In sum, this study revealed the existence of a hierarchical relationship of value-needs-consumer behavior. It further supported that market players can profile and distinguish consumers by analyzing and examining consumer values and needs so as to fundamentally understand the drivers of consumer behaviors and thus tailor viable marketing strategies such as pricing, promotion or advertisement.

Hypothesis and Conceptual Model for the Study

Previous researches have studied many aspects of luxury consumption, but most of such studies centered on the luxury markets in Western countries. Only a few of them focused on the perception of Chinese consumers about luxury consumption and their consequent behaviors. There is no study on the connection of personal values, motivation for luxury consumption, and their consequent behaviors in the context of Chinese consumers. This project is to fill this gap and shed some lights to luxury marketers operating in China. Based on the Literature Review, a conceptual model illustrating the relationship of value-motivation-behavior was proposed as in Figure 1.

Furthermore, four hypotheses were raised in light of such conceptual model in order to provide answers to two major questions. The first question is: “How consumers’ LOV values influence their value-oriented motivations for luxury consumption?” Hypotheses for this question are proposed accordingly.

Figure 1: Conceptual Model of Luxury Consumption



H1A: Consumers' internal values significantly influence their motivation for (a) conspicuous (b) unique (c) social (d) hedonic (e) quality value in luxury consumption.

H1B: Consumers' external values significantly influence their motivations for (a) conspicuous (b) unique (c) social (d) hedonic (e) quality value in luxury consumption.

The second question is: "How is the relationship between consumers' motivations for luxury and their purchasing behavior such as (a) impulsive or rational consumption, and (b) counterfeit purchasing?" The corresponding hypotheses were proposed consequently:

H2A: Consumers' rational (or impulsive) behaviors in luxury consumption were significantly influenced by their motivations for (a) conspicuous (b) unique (c) social (d) hedonic (e) quality value in luxury consumption.

H2B: Consumers' purchase behaviors for counterfeits were significantly influenced by their motivations for (a) conspicuous (b) unique (c) social (d) hedonic (e) quality value in luxury consumption.

Methodology

Questionnaire Design and Development

Based on the conceptual model of luxury consumption, a questionnaire was developed with four parts as follows:

- Personal values;
- Motivations of luxury consumption;
- Consumer behavior;
- Demographic information.

Personal values

The first part (Question 1) is about consumers' personal values represented by the LOV (list of values). LOV is broken down into two groups. The first is the group of internal values including excitement, fun and enjoyment in life, self-fulfillment, sense of accomplishment, security and self-respect; the second is the group of external values including being well respected, sense of belonging, and warm relationships with others.

Kahle (1983) revealed that the "LOV is significantly correlated with various measures of well-being, adaptation to society and self, providing evidence for the validity of this measure." Besides, LOV is proved to be a valid measure of social values and are closely associated with consumer behavior (Kahle et al., 1986; Kim et al, 2002). In light of such findings, LOV is employed as the values in the questionnaire for this project. The

participants were asked to indicate the importance level for each value on a seven-point Likert-type scale, in which “1 = not important at all, 4 = normal, and 7 = the most important.”

Motivations of luxury consumption

The second part (Question 2) is to examine consumers' motivations of luxury consumption. People involve in luxury consumption because they tend to achieve one or more values demonstrated by luxury consumption. As depicted in the Literature Review, these values can be summarized in five values, which are conspicuous value, snob value, social value, hedonic value, and quality value. Participants were asked to rate the important level of such values on a seven-point Likert scale—indicating to what degree such values are important to them in luxury consumption (1 = not important at all, 4 = normal, and 7 = the most important).

Consumer behaviors

The third part involving nine questions (No 3 to 16) is about consumer behaviors related to luxury consumption. According to the previous studies presented in Literature Review, consumers in Western countries are more on the rational side in luxury consumption. On the other hand, it seems that counterfeit products do not hazardously threaten and devalue those original brands. For the purpose of studying the counterpart situation in China, subjects were asked to indicate the degree of agreement to a thread of statements on a seven-point Likert scale(1 = strongly disagree, 4 = neutral, and 7 = strongly agree). Such statements are to reveal consumers' such aspects as life satisfaction

and expectation, expected income and spending in the near future, rational or impulsive consumption behavior, attitude to counterfeits purchasing, and so forth.

Demographic information

The fourth part (Question 17 to 22) is about the demographic information of the sample. Questions in this part were developed with the reference to the questionnaire in the study by Wong and Zaichkowsky (1998). In this part respondents were asked to provide their information including gender, marriage status, age, the highest education, occupation, and income levels.

In order to facilitate subjects in China to answer the questions, the questionnaire was first translated into Chinese and E-mailed to my close friends and relatives in Guangdong, China. The answers to the questionnaire were all in Chinese, collected by Email and translated afterwards into English for further analysis.

Data Collection and Sample Selection

Because participants are in different places, all the data were collected by E-mail. Most of these respondents live in four major cities in Guangdong Province: Guangzhou, ZhuHai, Huizhou, and ShunDe. The occupations of such people include self-employed, management, administration staffs, and professionals. The purpose of this market survey was explained to them not only in the questionnaire but also through the telephones. All the subjects understood that their answers were confidential and were only used for my project, and they could refuse to respond to the survey if they are not comfortable with some questions in the questionnaire. Some of these subjects volunteered to contact more

participants and collect more answers for this survey. Totally 185 respondents participated in this survey.

It is arguable that income level is the primary determinant to luxury consumption. Taking into account the current life level in China, people with income level higher than 5000 RMB (around \$800 CAD) have more disposable income and are more likely to involve in luxury consumption. From this perspective it makes sense to apply such income level as the criteria to choose subjects from the 185 participants as the members of the sample, by which to examine the relationship of consumers' values, attitudes (motivations in this project), and behaviors in luxury consumption. 63 out of the 185 participants meet the criteria and constitute the sample.

Results and Discussion

Sample Profile

Table 1: Sample profile

	Frequency	Percent	Cumulative Percent
Gender			
Male	44	69.8	69.8
Female	19	30.2	100.0
Age			
19-25	1	1.6	1.6
26-35	33	52.4	54.0
36-45	28	44.4	98.4
46-55	1	1.6	100.0
Occupation			
Self employed	6	9.5	9.5
Sales representatives	4	6.3	15.9
Professionals	11	17.5	34.9
Management	40	63.5	98.4
Others	2	3.2	100
Education			
High school or below	1	1.6	1.6
College	5	7.9	9.5
University	41	65.1	74.6
Master or above	16	25.4	100.0
Income Level			
5001 to 7,500	27	42.9	42.9
7,501 to 10,000	21	33.3	76.2
10,001 to 20,000	11	17.5	93.7
20,001 or above	4	6.3	100.0
Total	63	100.0	

There are 44 males and 19 females in this sample. Most of these subjects (96.8%) are between 26 to 45 years old. In terms of the occupation, the majority of them (81%)

are from management or professionals and nearly 10% are self-employed. People with higher education level dominate this sample. 90.5% of them have the degree of bachelor or master, and only one person (1.6% of the sample) has the degree of high school. As for the income level, most of them (76.2%) have a monthly income of between 5001 to 10,000 RMB (around \$800 to \$1650 CAD) and only 6.3% of them have an income level of higher than 20,000 RMB (about \$3300CAD). The profile of this sample is summarized in Table 1.

Data Analysis

Principal Component Analysis

Table 2: Scales and Reliability of Personal values

Scale Items	Factor loading
<i>Internal value</i>	
Self respect	.342
Self fulfillment	.472
Fun and enjoyment of life	.425
Excitement	.835
Sense of accomplishment	.618
Eigenvalue	1.607
Percentage of variance	26.79%
<i>External Value</i>	
Sense of belonging	.718
Being well respected	.754
Warm relationships with others	.812
Eigenvalue	1.744
Percentage of variance	58.13%

In order to simplify the analysis process on personal values, the approach of principal component analysis was employed and two factors were extracted. One factor

extracted from the values in the first group was labeled as *internal value* because these values indicate different aspects of people’s inward self-values. The other factor extracted from the values in the second group was labeled as *external value* since such values are related to people’s outward relationships with others. Items with factor loading more than 0.30 were retained. The result of factor loading was presented in Table 2.

On the other hand, principle component analysis was also applied to generate a new variable labeled as rationality in luxury consumption to facilitate the analysis of consumer behavior. First of such process was to reverse the variable of impulsive consumption behavior obtained from responses to question 9—“my purchase of luxury goods is impulsive.” Reversing this variable was to make the reversed one consistent with the variable of rational consumption behavior. The way to reverse this variable was to change 1 to 7, 2 to 6, 3 to 5, and 4 remained as the same and thus generate the reversed variable of impulsive behavior. Secondly the principal component analysis was applied to the reversed one and the variable of rational behavior. One factor was extracted under the criteria of the eigenvalue over 1 and was labeled as rationality in luxury consumption. The result of factor loading was presented in Table 3.

Table 3: Scales and Reliability of Rationality

Scale Items	Factor loading
<i>Rationality in Luxury Consumption</i>	
Impulsive behavior reversed	.828
rational luxury consumption	.828
Eigenvalue	1.371
Percentage of variance	68.5%

Cluster Analysis

As indicated in the Literature Review, personal values can be argued as the fundamental determinants in affecting consumer's attitudes and behaviors. Therefore the extracted two values—internal value and external value—were used as the dimensions to segment the sample. K-Means Cluster Analysis was applied to do such segmentation and two clusters were obtained. Cluster 1 includes 41 subjects and the remained 22 subjects constitute cluster 2. As presented in Table 4, the means of either internal or external values in the two clusters are significantly different at 99% confidence level (t-value are 9.454 and 5.122 respectively, and both p-values are $0.00 < 99\%$).

Table 4: Internal and External Values of Subjects in Two Clusters

	Cluster	N	Mean	T-test for Equality of Means		
				t	Df	Sig. (2-tailed)
Internal value	1	41	0.56	9.454	61	0.00
	2	22	-1.04			
External value	1	41	0.399	5.122	61	0.00
	2	22	-0.74			

Personal Values

Table 5 presents the means of individual LOV values for the sample, Cluster 1 and 2. By applying t-test to the LOV values in the two Clusters we can see that p-value for the value of Security is $0.196 > 5\%$, which indicates that the two means of Security for the two clusters are not significantly different at 95% confidence level. Giving that the two means of Security are 6.10 and 5.73 respectively, almost the highest rating of values compared to others, we can say that Security was perceived similarly the most important

by the two groups. Secondly, Excitement was not rated as the important value in both Clusters (4.20 for Cluster 1 and 2.59 for Cluster 2). This finding is consistent with the finding in the study of Kim et al. (2002) that the majority of Chinese consumers did not perceive Excitement as an important value to pursue. Thirdly, the p-values are less than 5% for the values of self respect, being well respected, and self fulfillment, and less than 1% for the other LOV values. Therefore we can say that, for each of the LOV values except Security, the means of the two clusters are significantly different at 95% confidence level. Interestingly, the means of the LOV values except Security in Cluster 1 are all higher than those in Cluster 2. This is consistent with the situation revealed in Table 4 that consumers in Cluster 1 possess higher internal and external values than those in Cluster 2. Therefore, Table 4 and 5 reveal that the level of personal values can be a valid dimension to segment consumers into two groups. Compared with consumers in Segment 2, consumers in segment 1 tend to have higher personal values as listed in LOV except Security.

Table 5: Means of Subjects' Personal Values

	Mean			p-value in t-test for 2 clusters
	Sample (63)	Cluster 1 (41)	Cluster 2 (22)	
Security	5.97	6.10	5.73	.196
Self respect	5.95	6.17	5.55	.005*
Warm relationships with others	5.86	6.07	5.45	.001**
Being well respected	5.84	6.05	5.45	.003*
Sense of accomplishment	5.68	5.98	5.14	.001**
Self fulfillment	5.65	5.90	5.18	.018*
Fun and enjoyment of life	5.29	5.68	4.55	.000**
Sense of belonging	4.63	5.10	3.77	.000**
Excitement	3.63	4.20	2.59	.000**

Note: **Means of LOV values in two clusters are significantly different at 0.01 level.

* Means of LOV values in two clusters are significantly different at 0.05 level.

Motivations for Luxury Consumption

As for the value-oriented motivations for luxury consumption, Table 6 demonstrates that the p-values for hedonic, unique, and social values are all less than 5%. These reveal that the means of each of the three value-oriented motivations for luxury are significant different between consumers in Cluster 1 and 2. Besides, the means of the three motivations for subjects in Cluster 1 are 6.1, 4.27, and 3.9 respectively—all are higher than those counterpart motivations for Cluster 2. Therefore Consumers in Cluster 1 have higher motivations for luxury to achieve hedonic, unique, and social values compared with those in Cluster 2. On the other hand, the p-values for quality and conspicuous values are higher than 5%, which indicates that the means of each motivation for the two values in the two clusters are not significantly different at 95% confidence level.

Table 6: Means of Value-oriented Motivations for Luxury Consumption

	Mean			p-value in t-test for 2 clusters
	Sample (63)	Cluster 1 (41)	Cluster 2 (22)	
Hedonic value	5.7	6.1	4.95	.000*
Quality value	5.7	5.85	5.41	.177
Conspicuous value	4.21	4.27	4.09	.616
Unique value	3.92	4.27	3.27	.022*
Social value	3.49	3.9	2.73	.003*

Note: *two means of corresponding motivation levels in the two clusters are significantly different at 0.05 levels.

Consumer Behaviors Related to Luxury Consumption

Rational or Impulsive Behavior in Luxury Consumption

Figure 2: Rational or Impulsive Behavior in Luxury Consumption

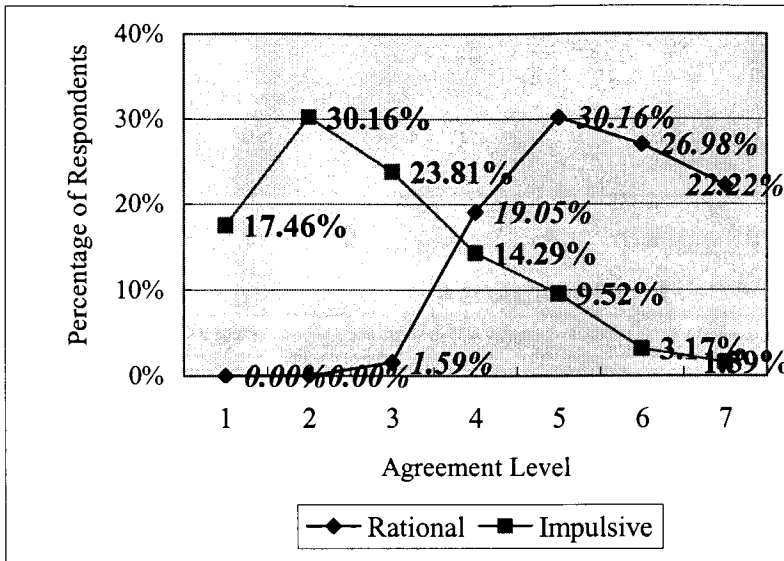
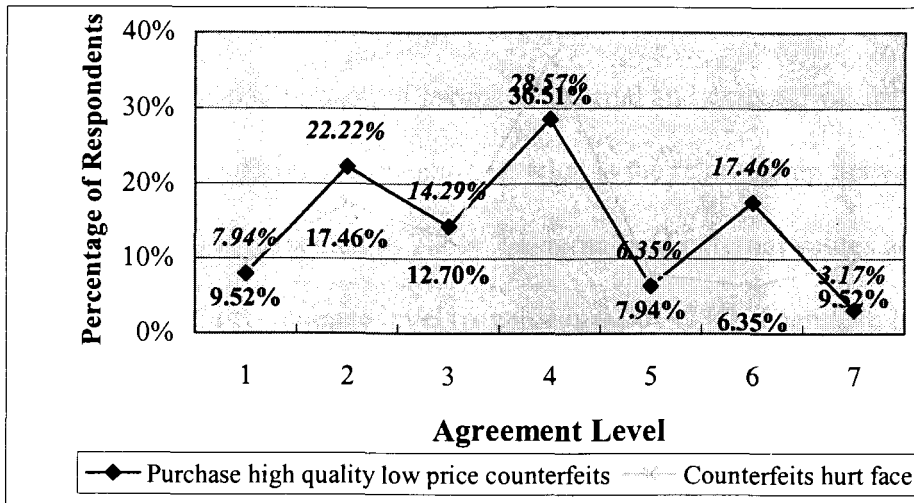


Figure 2 revealed the rational or impulsive purchasing behavior of luxury consumption among the respondents. According to the answers to Question 8, only 1.59% of respondents are not rational in luxury consumption. 19.05% of the subjects presented neutral attitudes against this question while the majority (79.36%) of these participants expressed that their luxury consumption were rational. On the other hand, the response of respondents to the question on impulsive behavior (Question 9) was somewhat consistent with that to Question 8. Most of the participants (71.43%) believed that their luxury consumption was not impulsive behavior. Only 14.28% respondents agreed that they involved in impulsive luxury consumption and the remained 14.29% respondents exposed their neutral situation. Therefore, we can say that the majority of luxury consumption is driven by rational decisions. Only a small portion of luxury consumption was involved in impulsive behaviors.

Consumer Behaviors Related to Counterfeits

Figure 3: Counterfeits Purchase



Counterfeit products appear substantial threat to the counterpart originals. This is a universal problem to luxury players who really concern about the corresponding influences of counterfeits. Figure 3 to some degree reflects the situation of counterfeits purchasing behavior among GuangDong consumers. Even if for those high quality but low price counterfeit products, nearly half of the respondents (44.44%) did not involved in the purchase of such products. 26.98% respondents expressed their interest on these counterfeits while 28.57% subjects exhibited neutral attitude to this question. As for the response to Question 16 of “Counterfeits purchasing might hurt my face”, only 23.81% respondents agreed with this statements but 39.68% subjects did not. This implied that nearly 40% respondents did not care about other people’s perception on their counterfeits purchasing behaviors. Besides, 36.51% respondents expressed their neutral attitude towards this statement.

Relationships of Personal Values and Motivations

Relationship of Internal and External Values

Given the comparison of means of internal and external values in the two clusters as in Table 4, one derivative question is: what is the relationship between the internal and external value? As presented in Table 7, internal and external values are significantly correlated at 99% confidence level (p -value is $0.001 < 1\%$). Therefore linear regression was applied to further explore the relationship of internal and external values. As shown in Table 8, internal value was chosen as the dependent variable and external value as the independent one. The relationship between internal and external values can be presented by the following regression equation:

$$\text{Internal value} = 0.402 * \text{External value} (R^2 = 0.161)$$

The R square value of this equation is 0.161, which implies that 16.1% variance in internal value was explained by external value among the respondents. Besides, the positive 0.402 suggests that the internal value is positively correlated to the external value in such respondents. This finding suggests that, to the respondents, the higher the internal value is, the higher their external value will be.

Table 7: Correlations of personal values and value-oriented motivations

		Correlations						
		conspicuous value	unique value	social value	hedonic value	quality value	external value	internal value
conspicuous value	Pearson Correlation	1.000	.324**	.416**	.114	-.109	.014	.131
	Sig. (2-tailed)		.010	.001	.374	.395	.914	.308
	N	63	63	63	63	63	63	63
unique value	Pearson Correlation	.324**	1.000	.330**	.377**	-.098	.007	.417**
	Sig. (2-tailed)	.010		.008	.002	.444	.956	.001
	N	63	63	63	63	63	63	63
social value	Pearson Correlation	.416**	.330**	1.000	.264*	-.090	.204	.385**
	Sig. (2-tailed)	.001	.008		.036	.484	.108	.002
	N	63	63	63	63	63	63	63
hedonic value	Pearson Correlation	.114	.377**	.264*	1.000	.084	.189	.388**
	Sig. (2-tailed)	.374	.002	.036		.512	.138	.002
	N	63	63	63	63	63	63	63
quality value	Pearson Correlation	-.109	-.098	-.090	.084	1.000	.245	.156
	Sig. (2-tailed)	.395	.444	.484	.512		.053	.223
	N	63	63	63	63	63	63	63
external value	Pearson Correlation	.014	.007	.204	.189	.245	1.000	.402**
	Sig. (2-tailed)	.914	.956	.108	.138	.053		.001
	N	63	63	63	63	63	63	63
internal value	Pearson Correlation	.131	.417**	.385**	.388**	.156	.402**	1.000
	Sig. (2-tailed)	.308	.001	.002	.002	.223	.001	
	N	63	63	63	63	63	63	63

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Table 8: Coefficient for Internal and External values by Regression

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	-3.06E-16	.116		.000	1.000
	external value	.402	.117	.402	3.425	.001

a. Dependent Variable: internal value

Relationship of Personal Values and Motivations

Table 7 also reveals the correlations of personal values and motivations for luxury consumption. It displays that external value is not significantly correlated with any of the value-oriented motivations at the 0.01 level. Therefore H1B was rejected. This suggests that external value does not significantly influence people's motivations for luxury

consumption. However, internal value is significantly correlated with motivations for unique, social, and hedonic values but not for conspicuous and quality values at the 0.01 level. Therefore H1A was partly supported. That is to say, H1Ab, H1Ac, and H1Ad were supported while H1Aa and H1Ae were rejected. Regression analysis was employed to further examine the relationship of internal value and motivations for luxury. Because personal value is perceived as the major driver to the motivations, internal value was selected as the independent variable and the motivations for unique, social and hedonic values were selected as the dependent variable respectively. ANOVA results were summarized in Table 9 as follows:

Table 9: Coefficients for internal value and motivation by regression

Dependent variable	Independent Variable	R square	Coefficient	p-value
Unique Value	Internal Value	0.174	0.692	0.001
Social Value		0.148	0.594	0.002
Hedonic Value		0.151	0.496	0.002

As revealed in Table 9, R^2 are 0.174, 0.148, and 0.151 for unique, social, and hedonic values respectively. This implies that internal value can explain 17.4%, 14.8%, and 15.1% variance respectively in motivations for unique, social, and hedonic values. The coefficients for the three motivations are 0.692, 0.594, and 0.496, which suggest that the internal value influence motivations the most for the unique value, and the least for the hedonic value. On the other hand, the differences of the three influences are not too large, around 0.1 between the unique value and the social value, and nearly 0.1 between the social value and the hedonic value.

Relationship of Motivations and Behaviors

Motivations vs. Rational Behavior

Table 10: Correlations of Motivations and Rationality in Behavior

		conspicuous value	unique value	social value	hedonic value	Quality value
Rationality in luxury consumption	Pearson Correlation	-.097	-.074	-.055	.134	.329
	Sig. (2-tailed)	.448	.566	.671	.294	.008*

*Correlation is significant at the 0.01 level (2-tailed).

As presented in Table 10, p-values of rationality and the motivations for luxury are all larger than 0.05 except the last one—motivation for quality value. This exposed that rationality in luxury consumption was not significantly correlated with the motivations for conspicuous, unique, social, and hedonic values. Therefore H2Aa, H2Ab, H2Ac, and H2Ad were rejected. However, rationality in luxury consumption was significantly correlated with the motivation for quality value at 99% confidence level (p-value is $0.008 < 1\%$). Therefore H2Ae was supported. Linear regression was thus applied to further examine the relationship of rationality and motivation for quality value. Rationality was selected as the dependent variable and motivation for quality value was chosen as the independent variable. The relationship between the two variables can be presented by the following equation:

$$\text{Rationality} = 0.265 * \text{quality value} (R^2 = 0.108)$$

The R^2 of 0.108 implies that 10.8% variance in Rationality can be explained by the motivation for quality value. The positive coefficient of 0.265 suggests that

motivation for quality value is positively correlated with rational behavior in luxury consumption.

Motivations vs. Counterfeit Purchasing Behavior

Based on the answers to the questionnaire, there is almost no correlation between respondents' counterfeits purchasing behavior and their motivations for luxury, as shown in Table 11. Only one exception existed between the motivation for conspicuous value and the variable of caring others' perception if using counterfeits. Therefore most hypotheses in H2B were rejected but only H2Ba was partly supported.

Table 11: Correlations of motivation and counterfeits purchasing

		Purchasing counterfeits with low quality and low price	Purchasing counterfeits with high quality and low price	Caring other's perception if using counterfeits
conspicuous value	Pearson Correlation	.176	.008	.329
	Sig. (2-tailed)	.169	.948	.008*
unique value	Pearson Correlation	.072	.120	-.083
	Sig. (2-tailed)	.575	.349	.519
social value	Pearson Correlation	.144	.005	.157
	Sig. (2-tailed)	.261	.967	.219
hedonic value	Pearson Correlation	.013	.030	.036
	Sig. (2-tailed)	.920	.814	.777
quality value	Pearson Correlation	.098	.165	-.070
	Sig. (2-tailed)	.445	.196	.583
N		63	63	63

* Correlation is significant at the 0.01 level (2-tailed).

Other Findings

Future Spending on Luxury

Figure 4: Intention of Future Spending in Luxury Consumption

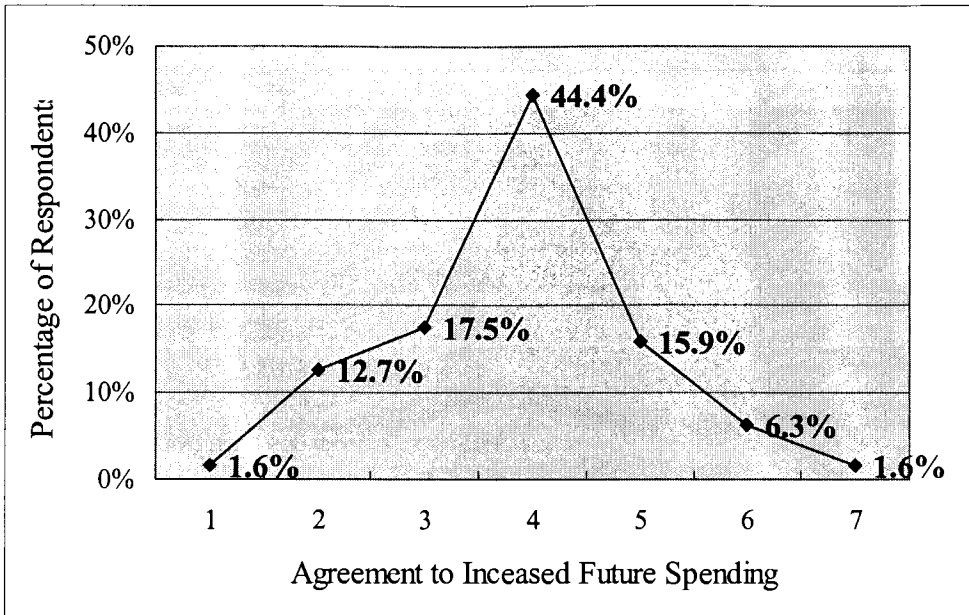


Figure 4 illustrates respondents' intentions of future luxury consumption. The numbers of 1 to 7 in the X-axis represent the level of agreement to the increased future spending (1 = strongly disagree, 4 = neutral, and 7 = strongly agree). Only 23.8% of the respondents will increase their luxury consumption in the near future. 31.7% respondents will not significantly increase their spending in luxury consumption. A relatively big portion (44.4%) of the respondents exhibited neutral attitude in terms of the intention for future luxury consumption. Such figure suggests that the majority of respondents (72.2%) in this sample will not increase their luxury consumption in the near future. Reasons for such phenomenon could be many factors such as uncertainty to the future, more rational in consumption, or influences from traditional cultures and so forth. It makes a lot sense

for luxury marketers to further explore what other underlying reasons are and apply strategies accordingly.

Satisfaction and Expectation

Figure 5: Satisfaction to Life and Expectation to Future

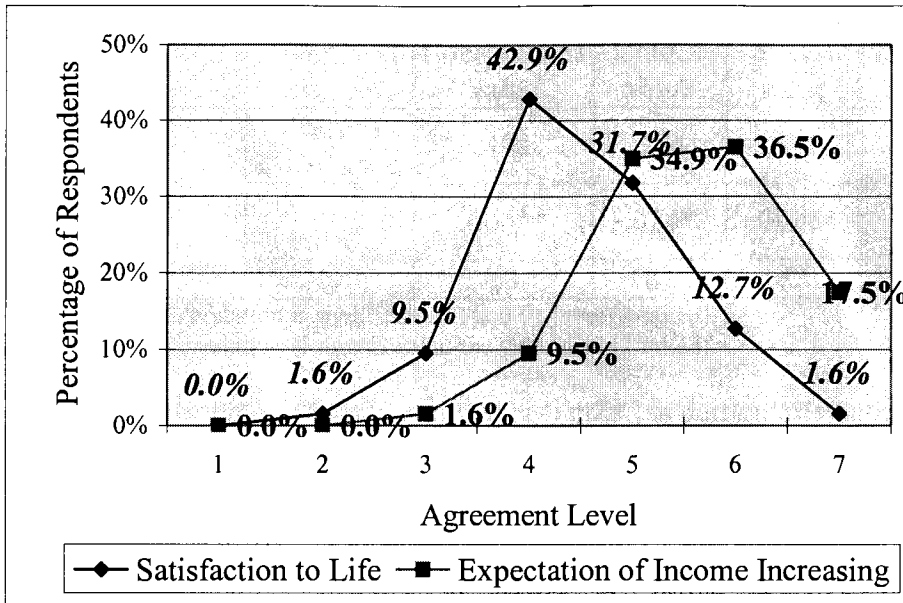


Figure 5 illustrates the respondents' agreement levels of satisfaction to current life and expectation to the future income increasing. Like that in Figure 2, the numbers of 1 to 7 in the X-axis represent the corresponding agreement levels (1 = strongly disagree, 4 = neutral, and 7 = strongly agree). Only 11.1% respondents are not satisfied with their current life. 46.0% subjects expressed their satisfaction and 42.9% respondents presented a neutral position. However, the majority of the participants (88.9%) are positive that their future income level will increase. Only 1.6% of them are negative to their future income. Such situation of satisfaction and expectation suggests a great increasing

potential of purchasing power in the short run and offers more room for luxury marketers to figure out how to capitalize on such potentials.

Pursuing Prestigious Face vs. Motivation for Luxury

Table 12: Correlations of Motivations and Seeking Prestigious Face

		Conspicuous value	Unique value	Social value	Hedonic value	Quality value
Luxury consumption provides me prestigious face	Pearson Correlation	.498	.284	.591	.129	.007
	Sig. (2-tailed)	.000**	.024*	.000**	.315	.958
	N	63	63	63	63	63

Notes: ** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

The concept of “face”, or called “MianZi”, is particularly salient for people of Confucian culture and is claimed to be a key to explaining much of their behavior. Because of the importance of “face”, people in Confucian cultures are more concerned with other people’s perceptions of them, and with the maintenance of their own status (Redding & Ng, 1983). For the purpose of exploring the degree of consumers’ recognition on the relationship of luxury consumption and MianZi, respondents were asked to indicate their agreement to the statement of “Luxury consumption provides me prestigious face.” The correlation of such agreement and motivations for luxury was illustrated in Table 12. Table 12 reveals that such agreement is significantly correlated with the motivations for conspicuous and social values at 99% confident level (p-value is $0.00 < 1\%$), and significantly correlated with the motivation for unique value at 95% confident level (p-value is $0.024 < 5\%$). However, the agreement to such statement is not

significantly correlated with motivations for hedonic and quality values (p -value is 0.315 and 0.958 respectively for hedonic and quality values).

Conclusion and Implications

Understanding consumers' personal values, consumption motivations, purchasing behaviors and the relationships among such aspects contributes great credit to portrait the target consumers. The application of LOV and other analyses in this project provide measurable variables reflecting values and motivations and enrich luxury marketers' knowledge beyond the demographic information about luxury consumers. Such knowledge can substantially facilitate the customization and execution of marketing strategies such as market segmentation, product planning and promotion strategies.

Consumer Segmentation

As illustrated in Figure 1, personal values in LOV can be separated into internal and external values. This project proves that personal value can be a valid dimension to segment consumers into two groups. As revealed in the analysis, internal value is positively associated with external value among Guangdong consumers. The higher the internal value is, the higher the external value will be. Therefore, consumers who have higher internal and external values constitute the first group and others who have lower internal and external values make up the second one. This difference applies to the values in LOV except the value of security. It appears that the value of security is universally the most important to all the consumers. On the contrary, consumers did not perceive the value of excitement as an important value to them. As for the motivations for luxury, consumers in different groups present different degree of motivations. Compared with

those in the second group, consumers in the first group with higher personal values have higher motivations for hedonic, unique, and social values, but have somewhat similar degree of motivations for quality and conspicuous values.

Motivations for luxury Consumption

As indicated in the Literature Review, consumers' motivations for luxury consumption can be separated into two groups: personal and interpersonal motivations. Personal motivations include the motivations for quality and hedonic values. Interpersonal motivations consist of the motivations for conspicuous, unique, and social values. Based on the analysis in this project, we could argue that personal motivations are more influential than interpersonal motivations in luxury consumption. For respondents in the sample, it appears that the means of personal motivations (means of motivations for quality and hedonic values are all 5.7) appear higher than that of interpersonal motivations (means of motivations for conspicuous, unique, and social values are 4.21, 3.92, and 3.49 respectively). Besides, motivation for social value (less than 4) was perceived the lowest one compared with others, suggesting that social value was not perceived important by consumers in luxury consumption. Such picture of mean sequence for the five motivations also applies respectively to the two segments of consumers, as demonstrated in Table 6.

Consumer Behaviors

It makes sense to state that the majority of luxury consumers care more about their own feelings in luxury consumption. As revealed in the analysis of the last section,

consumers are rational in their luxury consumption. Most of them did not involve in impulsive consumption. Besides, most of the subjects (76%) did not present negative attitude against high-quality counterfeits. Nearly 40% respondents did not care others' perception on their counterfeits purchasing behaviors. Luxury consumers care more about whether the consumption is worthy the money they spend (quality value) and whether such consumption experience conveys happiness to them (hedonic value). Such universal phenomenon among Guangdong luxury consumers further supports the difference of influence between personal and interpersonal motivations in luxury consumption. It suggested that luxury consumption in Guangdong presents the similar situation of "justified indulgence" that happened in Western countries as described in the Literature Review.

Relationship of value-motivation-behavior

This project partly supported the hierarchical relationship of the three aspects. Firstly, personal values are partly significantly associated with motivations for luxury. An interesting finding from this study is somewhat consistent with that in Kim et al (2002). It suggested that, although Asian countries are perceived to be more collectivistic or relationship-oriented societies, external value does not significantly affect motivations for luxury consumption, while internal value is significantly associated with the motivations for unique, social, and hedonic values, but not for the quality and conspicuous values. The role of internal value in influencing the motivations for luxury was supported by the positive regression coefficients of internal value on motivations for unique, social, and hedonic values. Secondly, associations of motivations and consumer behaviors in terms

of rational behavior and counterfeits purchasing seems somewhat weak. Only motivation for quality value is positively correlated with rational behavior in luxury consumption. Counterfeits purchasing is not correlated with motivations for luxury.

Implications for Marketing

Knowledge on the nature and relationship of value-motivation-behaviors can serve as sound weapon to marketing managers so as to cater to those individual luxury consumers. Adding personal value and motivation to the demographic information can substantially improve the efficiency and effect of marketing effort on the diversified luxury market. Marketing managers can incorporate such knowledge into the process of market segmenting, product developing, or promotion operating so as to reach different luxury consumers. As depicted above, information on personal values and motivations helps marketing managers to deeply understand luxury consumers in different segmentations. Analyzing such information can facilitate marketing managers to evaluate whether the information conveyed by the luxury products can fit into the beliefs, values or life styles of luxury consumers. Consequently such knowledge provides organizations valuable guidelines to direct the development of luxury products.

On the other hand, marketing managers can exploit information of personal values and motivations to enrich marketing activities such as advertisement and promotion. For instance, security was perceived as the universally important value in Guangdong luxury consumers. Therefore marketing managers can consider about how to insert the value of security into activities such as product packaging, promotional seminars, and/or advertisement in mainstream media. In sum, marketing managers can employ the

knowledge of value-motivation-behaviors and capitalize on the benefits of such understanding in various marketing activities.

Limitation and Future Researches

A major weakness of this project is that it lacks broad and deep exploration on consumer behavior and its relationship with other factors. For instance, consumer behaviors such as brand awareness and loyalty and their relationship with other consumption motivation and personal culture have not been reached and discussed. Therefore the analysis of consumer behavior in luxury consumption appears somewhat narrow and superficial. Future study can improve the study on luxury consumer behavior and its relationship with personal values and motivations for luxury so as to facilitate luxury players further understand the relationship of value-motivation-behaviors.

Secondly, language translation may lead to somewhat misunderstanding to the questionnaire, and thus cause the consequent discrepancy in the analysis of collected information. Because of some inevitable limitations such as the long distance between the interviewers (in Vancouver, Canada) and interviewees (in Guangdong, China), the sending of the questionnaire and all the data collection were done by E-mail. There was no face-to-face explanation to the respondents and thus might cause some possible misinterpretations. Future researches may solve such problems by locating such processes in China to prevent such shortage and collect more accurate and valid information.

Thirdly, this study focuses more on luxury consumption for personal needs. There is not enough ink put on the driver of luxury consumption for the purpose of business. Given the context of Chinese culture, GuangXi (relationship) plays the key role in the

process of business development. To some extent luxury consumption can act as the bridge and lubricator in cultivating and developing either short-term or long-term business relationship in China. Future study can examine the effect and function of luxury consumption in the business world so as to enrich the study on organization behavior, for instance, expenses control in operation or relationship management in the context of luxury consumption.

Lastly, the dynamic characteristic of luxury consumption suggests the necessity of tracking and updating the local changes of luxury consumption in Guangdong province. Future research can also expand such study to other regions in China so as to provide broader knowledge of luxury consumption to the luxury marketers.

Executive Summary

This project profiles luxury consumers from the perspectives of personal values and motivations for luxury, and examines the relationship of personal value-motivation-consumer behaviour regarding luxury consumption in Guangdong, China. Relevant literature regarding luxury consumption was reviewed and a conceptual model was proposed to guide the development of the analysis. Based on this model a market survey was conducted and a questionnaire was E-mailed to 185 subjects in Guangdong, China. All these subjects E-mailed me back their answers to the questionnaire. Income level of 5000 RMB (around \$800 CAD) was applied as the criteria for the sample. 63 of the 185 participants met the criteria and constituted the sample. A further analysis was applied afterwards based on this sample size. The findings revealed that: (1) personal value in terms of internal and external value can be a valid dimension to segment luxury consumers into two groups, (2) personal motivations are more influential than interpersonal motivations in luxury consumption, and (3) for the relationship of value-motivation-behaviour, personal values are partly significantly associated with motivations for luxury while such motivations are not significantly associated with the consumption behaviours of rationality and counterfeit purchasing among Guangdong luxury consumers.

The knowledge of such can be incorporated in the process of strategy tailoring such as market segmenting, product developing, or promotion operating so as to cater to different segmentations of luxury consumers. Marketing managers can exploit the

information of personal values and motivations to further understand target consumers and evaluate whether the products in hand can fit the beliefs, values or life styles of luxury consumers. On the other hand, such information can be employed to enrich marketing activities such as product promotion and advertisement. Marketing managers can insert such information into the campaign of promotion and advertisement and fully take the advantage of such understandings.

Appendices

Appendix 1: Ethics Study Approval

SIMON FRASER UNIVERSITY

OFFICE OF RESEARCH ETHICS



BURNABY, BRITISH COLUMBIA
CANADA V3A 1S6
Telephone: 604-291-3447
FAX: 604-261-6785

March 24, 2004

Kun Yan
Graduate Student
Faculty of Business Administration
Simon Fraser University

Dear Yan:

Re: Understanding luxury goods in GuangDong, China

I am pleased to inform you that the above referenced Request for Ethical Approval of Research has been approved on behalf of the Research Ethics Board. This approval is in effect until the end date of March 24, 2007.

Any changes in the procedures affecting interaction with human subjects should be reported to the Research Ethics Board. Significant changes will require the submission of a revised Request for Ethical Approval of Research. This approval is in effect only while you are a registered SFU student.

Your application has been categorized as "minimal risk" and approved by the Director, Office of Research Ethics, on behalf of the Research Ethics Board in accordance with University policy R20.0, <http://www.sfu.ca/policies/research/r20-01.htm>.

"Minimal risk" occurs when potential subjects can reasonably be expected to regard the probability and magnitude of possible harms incurred by participating in the research to be no greater than those encountered by the subject in those aspects of his or her everyday life that relate to the research.

.../2

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Please note that it is the responsibility of the researcher, or the responsibility of the Student Supervisor if the researcher is a graduate student or undergraduate student, to maintain written or other forms of documented consent for a period of 1 year after the research has been completed.

Best wishes for success in this research.

Sincerely,

Dr. Hal Weinberg, Director
Office of Research Ethics

c: Dr. Gary Mauser, Supervisor

/jmy

Appendix 2: Approval of Change in Project Title

FOR CONTACT IN REFERENCE TO THIS REVIEW

Code 36000

Page 1

Dr. H. Weinberg
Director, Office of Research Ethics

B. Ralph, Ethics Officer

Voice: (604) 268 6593

(604) 291 3447

Fax: (604) 268 6785

email: bralph@sfu.ca

Mobile: (604) 454 4833

email: hweinber@sfu.ca

Reference Ethics Policy 20.02: <http://www.sfu.ca/policies/research/r20-01revised.htm>

Notification of Application Status

Investigator Name Last
Yan

Investigator Department
Business Administration

Investigator Name First
Kun

Investigator Position
Graduate

E-Mail Investigator
kyan@sfu.ca

Date Created Date Modified Code
3/19/2004 7/13/2004 36000

Experiment Title

Faculty Supervisor email
mauser@sfu.ca

"Understanding Luxury Consumption in GuangDong, China"

Investigator Supervisor
Mauser Gary

Co-Investigatorsors or Collaborators

Medical or Relevant Review

Grant Funded

Last Amended

Amendments

No

Change in Title as shown above

"Understanding Luxury Consumption in GuangDong, China"

Grant Title for funding agency
N/A

Grant Funding Agency
N/A

Grant Start Date

Grant End Date

Grant Track Number

N/A

Risk

DORE Approval Date

Approval Status

Minimal

March 24, 2004

Approved

Approval Start Date

Approval End Date

3/24/2004

3/24/2007

FOR CONTACT IN REFERENCE TO THIS REVIEW

Code 36000

Page 2

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Reference Ethics Policy 20.02: <http://www.sfu.ca/policies/research/r20-01revised.htm>

Kun

Yan

Your application for a change in title as shown above has been categorized as Minimal Risk and approved by the Director, Office of Research Ethics, on behalf of the Research Ethics Board in accordance with University policy R20.0, www.sfu.ca/policies/research/r20-01.htm. The Board reviews and may amend decisions made independently by the Director, Chair or Deputy Chair, at their regular monthly meetings.

Note: Supervisors of students are co-applicants of the application and are responsible for compliance of the project with terms of REB approval.

You should get a letter shortly

Good luck with the project
Hal Weinberg

Appendix 3: Questionnaire

SIMON FRASER UNIVERSITY

Faculty of Business Administration

Burnaby, British Columbia V5A 1S6

Email Address: kyan@sfu.ca

Dear participant:

I am a MBA marketing student in Simon Fraser University, Vancouver, Canada. Right now I am working on my final project for graduation. My project is to examine the perception of consumers in Guangdong, China on luxury goods and the consequent purchase behaviors. In order to further my project I need to conduct a market survey to collect relevant information. The attached questionnaire is designed for this purpose. All your answers to this questionnaire will be only employed to my project and will be strictly confidential.

It will only cost you no more than 10 minutes to finish this questionnaire. I sincerely appreciate your support to me in advance.

Best Regards.

Kun Yan
MBA Candidate
Simon Fraser University
Vancouver, Canada

Professor Gary Mauser
Faculty of Business Administration
Simon Fraser University
Vancouver, Canada

Questionnaire

1. List of Values:

The following is a list of values that people look for or want out from life. Please read carefully and rate each one according to how important it is in your life, where "1 = Not important at all, 4 = Normal and 7 = the most important."

	Not important at all	Normal	the most important
a) Self-respect	1----	2-----	3----4-----5-----6-----7
b) Self-fulfillment	1----	2-----	3----4-----5-----6-----7
c) Security	1----	2-----	3----4-----5-----6-----7
d) Fun and enjoyment of life	1----	2-----	3----4-----5-----6-----7
e) Excitement	1----	2-----	3----4-----5-----6-----7
f) Sense of accomplishment	1----	2-----	3----4-----5-----6-----7
g) Sense of belonging	1----	2-----	3----4-----5-----6-----7
h) Being well respected	1----	2-----	3----4-----5-----6-----7
i) Warm relationships with others	1----	2-----	3----4-----5-----6-----7

2. Motivation for luxury consumption:

The following is a list of values relating to the motivation for luxury consumption. Please indicate to what degree the following values are important to you (1 = Not important at all, 4 = Normal and 7 = The most important.):

I consume luxuries because consumption of luxury conveys

	Not important at all	Normal	The most important
a) Conspicuous Value. (I can afford the expensive price. This gives me the sense of prestige.)	1----	2-----	3----4-----5-----6-----7
b) Unique Value. (I consume this product because it is unique and exclusive.)	1----	2-----	3----4-----5-----6-----7
c) Social Value. (People in high class consume this product. I consume it because I want to show that I am one of the high class.)	1----	2-----	3----4-----5-----6-----7
d) Hedonic Value. (I consume this product because I feel emotionally happy and psychologically satisfied.)	1----	2-----	3----4-----5-----6-----7
e) Quality Value. (I consume this product because it has high quality and durability.)	1----	2-----	3----4-----5-----6-----7

In the questions of No. 3—16 please indicate the degree of your agreement to the following statements (1 = strongly disagree, 4 = neutral, and 7 = strongly agree):

	Strongly disagree	Neutral	Strongly agree
3. I am quite satisfied with my current life.	1----	2-----	3----4-----5-----6-----7
4. I believe that my overall income will increase in the near future.	1----	2-----	3----4-----5-----6-----7
5. I believe that my overall income will decrease in the near future.	1----	2-----	3----4-----5-----6-----7

- 1----2----3----4----5----6----7
6. My spending in luxury goods will increase phenomenally in the near future.
1----2----3----4----5----6----7
7. My spending in luxury goods will decrease phenomenally in the near future.
1----2----3----4----5----6----7
8. My purchase of luxury goods is rational.
1----2----3----4----5----6----7
9. My purchase of luxury goods is impulsive.
1----2----3----4----5----6----7
10. I always purchase luxury products.
1----2----3----4----5----6----7
11. I always purchase generic necessities.
1----2----3----4----5----6----7
12. I involve in luxury consumption only when it meets my psychological and emotional needs.
1----2----3----4----5----6----7
13. Luxury consumption provides me prestigious face.
1----2----3----4----5----6----7
14. I may purchase counterfeits with low quality and low price.
1----2----3----4----5----6----7
15. I may purchase counterfeits with high quality but low price.
1----2----3----4----5----6----7
16. If I use counterfeits with high quality but low price, I really care people's perspectives on me.
1----2----3----4----5----6----7
17. Your gender is: 1). Male. 2). Female.
18. Your marriage status is: 1) married; 2) single.
19. Please indicate your age group:
1) 19 to 25; 2) 26 to 35; 3). 36 to 45; 4). 46 to 55; 5). 56 or above.
20. Your highest education is:
1) High school or below;
2) College;
3) University;
4) Master or above.
21. Please indicate your occupation:
1) Student;
2) Un-employed;
3) Self-employed;
4) Sales representatives;

- 5) Executives;
- 6) Professionals (Engineer, teacher, chef, etc);
- 7) Management;
- 8) Retired;
- 9) None of above, please specify _____.

22. Please indicate your average monthly income level (in RMB):

- 1) Less than 1000.00
- 2) 1,001.00 to 5,000.00
- 3) 5,001.00 to 7500.00
- 4) 7501.00 to 10,000.00
- 5) 10,001.00 to 20,000.00
- 6) 20,001.00 or above.

End.

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