

# A Conceptual Model of the Influence of Luxury Values Perception in China

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**Abstract---** *This research aims in order to investigate Chinese consumers' intention behaviour by the TPB variables which are attitudes, subjective norms and perceived behavioural control. The model will be moderated by consumer knowledge and investigate the influence of luxury values towards purchase intention of Chinese consumers'. This study reviews the luxury value perception research that has been conducted in recent decades. This conceptual model is drawn using the conceptualization from Wiedmann (2007). This research needed a more comprehensive investigation in more developed countries or developing countries to develop a more complete picture. The results will help the marketers in planning, improving and executing their marketing and communication strategies, and enlightening the consumer behaviour in China. The research offered a wide range in understanding the Chinese luxury consumers' reflection towards their luxury purchase intention. This provided a new theoretical perception towards the luxury values and contributed to the limited literature in the Chinese market concept.*

**Keywords---** *Luxury Value Perception, Theory of Planned Behaviour, Chinese Consumers', Purchase Intention, Consumer Knowledge.*

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## I. INTRODUCTION

Over the two decades, the industry of luxury products has been developing strongly globally. According to Laurent and Dubois (1993), Dubois and Laurent (1994), Dubois et al. (2005) D'Arpizio (2014), Okonkwo (2016), The Statistics Portal (2017) Every year, the percentage of consumers who buys the luxury products are increasing radically. The consumer spends billions of pounds on luxury products all over the world. This happens because of the increase in income and spending power. In particular, the emerging markets had been influencing the global share of wealth extensively (Frank, 2016).

One of the leading and fastest developing economy in the world is none other than China (Agarwal and Wu, 2004; TWB, 2015). For the past of thirty years, the Gini coefficient was 0.74 for wealth. The China's percentage of the wealthy people and the Gini Coefficient are growing tremendously since 2014 (China Family Panel Study, 2016). Since then, the Chinese consumers are purchasing luxury products as well competently living in a wealthy surrounding at ease (Blackwell et al., 2001).

China market known as the prospective market and has the highest growth rate for international luxury companies. China has the most capable and stimulating luxury market in the world. That is why the top luxury companies are investing and expanding their business in China. Numerous scholar are giving consideration to the China's consumption of luxury products. The behaviour of the Chinese consumers are changing and at the same time the market size of luxury products keeps increasing tremendously. According to Wong and Ahuvia (1998),

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Wang et al. (2011), Zhan and He (2012), Zhang and Kim (2013), they found that to pass in the Chinese marketplace successfully, the conduct of the Chinese consumer and their buying behaviour need to be studied thoroughly.

## **II. PURPOSE OF RESEARCH**

There is research which argues and investigates the consumer behaviour towards products such as luxury products and car and found that they are 'culture-independent' which means the consumer behaviour does not differ across culture and countries (Wiedmann et al., 2009). The behaviour motivated by the attitude resulting from the values and connected to culture. The connotation of beliefs is known as attitudes. When the consumers have different credence of the products or goods they wanted to purchase so, the information searching process and the purchasing process of the product will be different too.

This credence leads to diverge of consumer behaviour. This research picks Theory of Planned Behaviour (TPB) as an underlying theory to prove the attitude-behaviour connection. The TPB research done previously focused on the influence of culture and its consequences to consumer behaviour. There are some researches that examine some of the external values that influence TPB variables towards the luxury products' purchase intention. In order examining the luxury value perception of a consumer that influences certain behaviour, the TPB has been adopted in the model. This research aims in order to investigate Chinese consumers' intention behaviour by the TPB variables which are attitudes, subjective norms and perceived behavioural control. The model will be moderated by consumer knowledge and investigate the influence of luxury values towards purchase intention of Chinese consumers'. The commitment of a consumer purchase luxury products are influenced by the luxury values. The role of the luxury values is important.

## **III. RESEARCH GAPS**

It is plain to see that the significance of using luxury brands is increasing while the luxury marketplace continues to contribute towards a significant amount of economic action in the industrialised world (Vigneron and Johnson, 2004). This market, which encompasses fashion and accessories, cosmetics and fragrance, hospitality and concierge, wines and spirits, jewellery and watches, automobile, transport and selective contribution, was assessed by McKinsey and Co. to be gradually growing in the global industry (Vickers and Renand, 2003; Chadha and Husband, 2006; Okonkwo, 2009). However, luxury accessories remain the key product category for the luxury products market and have been the biggest personal luxury products category since 2011 (Bain & Co, 2015). 30% of the luxury market is conquered by personal luxury products that is accessories. While any explanation for this spectacular increase in demand might be complex, both practitioners and researchers agree on most of the major factors responsible for accelerating the phenomena; in other words, the economic recovery of most parts of the Western world along with the liberal economic growth in South-East Asian countries (Vigneron and Johnson, 1999, 2004).

Accordingly, luxury product management has contributed to a significant part of Marketing, which is of particular interest to practitioners (Vickers and Renand, 2003). In comprehensive terms, researchers agree that there is no rich explanation for the value dimensions that constitute luxury accessories brands because the various value

perceptions related to luxury accessories brands are poorly understood and under-investigated (Moon and Sprott, 2016; Hennigset al., 2015; Loureiro and de Araújo; 2014; Miller and Mills, 2012; Shukla, 2012; Tynan et al., 2010; Berthon et al., 2009; Wiedmann et al., 2009; Vigneron and Johnson, 2004; Vickers and Renand, 2003); moreover, most of the studies in this emerging area are conceptual (Shukla and Purani, 2012; Vigneron and Johnson, 1999; Berthon et al. 2009; Wiedmann et al. 2009). However, the powers that-be are aware of the existence of multi-dimensionality consumer value. Then again, there is no proper literature to back up that claim when it comes to the various value dimensions (Gallarza, Saura and Holbrook, 2011).

Blocker (2011) emphasises the need for more work to understand the most prominent value drivers in each perspective. Hennigs et al., (2015) confirms a strong need to investigate the luxury values in luxury consumption and the behaviour of the consumers. Moreover, the Theory of Planned Behaviour (TPB) offers a restricted insight in terms of the value determinants that affect only consumer choice decisions (Ajzen, 1975). However, the research model develops this view by integrating a set of value components as a basis from which to predict many key behavioural outcomes. Thus, the TPB may go beyond choice decisions to include behavioural outcomes. Previous research identified that when consumers have different knowledge levels towards the luxury products, the attitude, subjective norms and perceived behavioural control of the consumer towards purchase intention will vary. The importance of attitude, subjective norm, and perceived behavioural control in predicting the purchase intention is different (Ajzen, 1991). In order enhancing the knowledge, the moderating effect of consumer knowledge is added in the planned behaviour model.

#### **IV. RESEARCH QUESTIONS**

There is a lack of proper explanation on luxury value perception that has prevented both the marketing scholars and practitioners from developing a clear understanding of luxury values and its four dimensions. The concept that theoretically robust and rigorous foundation is necessary since it would provide a better understanding of the luxury values and open new avenues for understanding the predictors of Chinese consumer's purchase intention, and predict consumer behaviour. The research question investigated in this research are:

- a) How will the luxury values capture the influential factors that affect Chinese consumers' attitude, subjective norms and perceived behavioural control towards purchasing luxury products?
- b) What are the important factors that determine the Chinese consumer's intention in purchasing luxury products in China?
- c) How will the mediator factor of consumer knowledge influence the relationships among attitude, subjective norms and perceived behavioural control towards the intention of purchasing luxury products in China?

#### **V. LITERATURE REVIEW**

##### ***Defining luxury value perception***

Researchers tried to define value. Zeithamal (1988) defines value as “an overall assessment of the subjective worth of a product or service considering all relevant evaluative criteria”. According to Shukla (2010), the definition

is associated with luxury products consumption and social and personal outcomes. The luxury value perception research done previously was focusing on the issues of price and quality. According to Babin et. al., (1994), there are no evidence concerning the conceptualization. The way to discover luxury products consumptions is through multidimensional models (Dubois and Duquesne, 1993; Vickers and Renand, 2003; Vigneron and Johnson, 2004; Wiedmann et al., 2007).

Using four dimensions developed by Vigneron and Johnson (2004), Wiedmann et al. (2007) extended the frame work. They are social, functional, individual, and financial value. The study analyzes the variables in the purchase of luxury products that influence consumer perception. The indicators represent the individual judgments on specific luxury products and are not an objective assessment. The judgment is divided into four luxury values that also explain the purchase of the consumer.

*i) Individual value*

Individual values are much more connected with consumers' awareness of luxury through their recognition of their demands. Whereas researchers believe that there is indeed a significant relationship between perception of social value and luxury consumption, Wiedmann et al. (2009) discussed that personal perception "focuses on the orientation of the consumer towards luxury consumption" (p.628). Personal values are attached to the consumption of luxury which is more strongly associated to individual achievements such as materialism (Kapferer and Bastien 2009b), experiential/ hedonic and self-identical value (Hirschman and Holbrook 1982 ; Shukla and Purani 2012 ; Vigneron and Johnson 2004). The emotional profit of a consumer in consuming a product deals with these values. The individual values include three sub-dimensions: self-identity value, hedonic value and materialist value

*ii) Social value*

Social value impacts greatly on luxury product consumption and affects the evaluation of the buying the product. Social values mean that consuming products and services identified by their own social group(s) implies a perceived utility that consumers acquire. (Bearden and Etzel, 1982; Brinberg and Plimpton, 1986; Kim, 1998; Vigneron and Johnson, 2004; Vigneron and Johnson, 1999; Liu and Hu, 2012; Sheth et al., 1991). Tynan et al. (2010) emphasize that the choices made by consumers and the expectations of others in situations when consumers have a share in their choices will differ. Consumers often buy products based on the meaning of the product for themselves and others in their social group (Wiedmann et al., 2007, 2009). The social value perception has two sub-dimensions: the conspicuous value and the status value.

*iii) Functional value*

The perception of functional value refers to the advantages of a product and its services, including durability, quality, usability, reliability and uniqueness. (Sheth et al., 1991). All these values considered as perceived quality or utilitarian value (Shukla and Purani, 2012; Vigneron and Johnson, 2004). In addition to the social and personal value perception of, consumers want high-quality and unique products that can be used to meet their needs (Wiedmann et al., 2009). Personal value perceptions in the luxury consumer literary literature depends on hedonic attitudes, and

functional value depends on utilitarian attitudes that focus on usability of products. The functional value exists in three sub-dimensions: uniqueness value, usability value and quality value.

*iv) Financial value*

The fourth dimension is financial where it refers to direct monetary issues, for example prices, resale costs, discounts and investments. The financial dimension concerns the value of a product in which consumers sacrifice to get a product of this kind (Ahtola, 1984; Chapman, 1987; Hennigs et al., 2012; Mazumdar, 1986; Monroe and Krishnan, 1985; Smith and Colgate, 2007). Prestige pricing, for instance high quality / status can make certain products even more desirable (Barksdale, 1976, Groth and McDaniel, 1993). It is important that a product is not to be costly, so it is not luxurious only because of its high price. It is important to know that even a high price could nevertheless signal uniqueness, exclusivity and high quality.

*Consumer knowledge*

Consumer knowledge studies have a long history in consumer research and are a key concept since its introduction into this discipline. The study of consumer knowledge has a history. Consumer knowledge is an important area of this research as it tries to investigate processing characteristics. The way in which consumers collect and organize information, and subsequently what products they choose to buy, must be investigated in a crucial manner. (Alba and Hutchinson, 1987; Alba and Hutchinson, 2000; Bearden et al., 2001). An important issue in decision-making in consuming behaviour is the understanding that consumer coordination of brand information in the memory category (Hutchinson et al., 1994; Nedungadi et al., 2001; Rose et al., 1990).

One reason for this interest is that the amount of information in the memory has often been shown to impact the appropriate information about a judgment (Hutchinson et al., 1994; Nedungadi, 1990; Wyer Jr and Srull, 2014). In recent years, researchers have tried to conceptualize and measure the entire structure. Significant consumer knowledge influences the way consumers collect and organize information. This information concerns what type of products are being purchased by consumers and how they are used (Alba and Hutchinson, 1987). Consumer knowledge may influence in several ways towards purchase intention. Rao and Monroe (1988) argue that the information processing of consumers is influenced by consumer knowledge and that it has an influence on purchasing behaviour. This means that the greater the knowledge of a particular product that a customer has, the better the product can be understood.

More informed consumers know more brand names and more about brand differences. Consumer expertise generally counts one's behaviour, relevance to one's beliefs and uses it as experiences for future tasks (Kallgren & Wood 1986). The knowledge is a prerequisite for change of attitude (Kaiser & Fuhrer, 2003). Knowledge shares information in order to evaluate the value of a product with reliable information sources. Consumers are therefore aware of the in-depth effects of the attitude in the process (Cervellon & Wernerfelt, 2012). Consumer knowledge is linked to behavioral choices and cost-benefit attitude (Kaiser & Fuhrer, 2003). Socially, knowledge is strongly connected with social standards and knowledge of shared social expectations, and is the form of social knowledge leading to the observation of attitudes, behaviors, etc. (Kaiser & Fuhrer, 2003; Kaiser, F.G., & Fuhrer, 2003). Knowledge is related to a greater impact on the attitude of researchers towards sustainable fashion products.

## VI. CONCEPTUAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

Figure 1.1: Conceptual framework

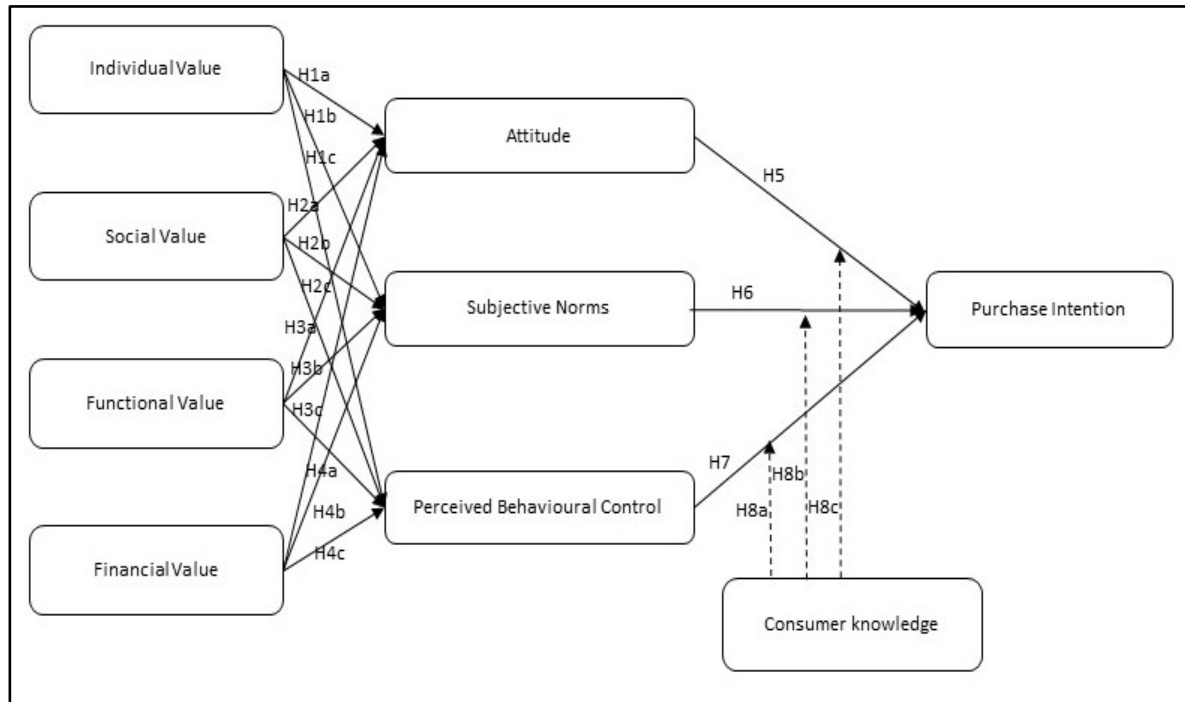


Figure 1.1 illustrates this research conceptual model, showing the various factors that contribute to consumers in the search of the theory of planned behavior to purchase luxury products. (Ajzen & Fishbein, 1980). In Figure 1.1, the luxury values contain the individual value, social value, functional value, and financial value that directly influences attitude, subjective norms, and perceived behavioural control, which in turn affects the buying intentions of consumers. In addition, this paper examines the force of the dependent and the independent variables that correlate in order to influence purchasing intent using the moderating effect of consumer knowledge.

The factors were identified to determine where the luxury value of consumers was considered through four possible dimensions: individual luxury value, social luxury value functional luxury value, financial luxury value. Prior investigations into conduct intention (Ajzen, 1991; van der Heijden et al., 2003; Jang & Namkung, 2009) and the luxury sectors (Kort et al., 2006; Lawry et al., 2010; Chattalas & Shukla, 2015) which indicate several gaps in research such as the impact of individual, social, functional and financial luxury values and of consumer knowledge as the buying intention moderator continue

Luxury products are known to give consumers who purchase their products pleasure and comfort. In addition to the usefulness of the luxury products, luxury products may give the consumer a personal sense and social esteem (Vigneron & Johnson, 2004). High standard values such as quality, durability of design and high consumer satisfaction are known for luxury products (Chattalas & Shukla, 2015). Through presuming the values and the excellence of the luxury products, Consumers will experience this in the buys process that they think satisfying them by presuming the values and the excellence of luxury products (Wiedmann et al., 2007; Hennigs et al., 2012; Shukla, 2012; Chattalas&Shukla, 2015). The main influence on buying decisions of consumers is the value of the products

they receive. Zeithamal (1988) refers to value as the consumer "total assessment of a product or service's subjective value, taking into account all relevant assessment criteria," p. 13. This research on values shows the discussion and debate on the four luxury dimensions namely, individual value, social value, functional value and financial value (Wiedmann et al., 2007).

All the values of luxury are relevant and form the basis of a consumer's luxury views. Values are generally known as beliefs that lead to decision-making and to certain products being selected. The explanation on consumption value why consumers are buying certain items and why they are trying to prevent certain products (Finch et al., 1998 ; Chen et al., 2008 ; Park et al., 2008). Different types of values affect consumer purchase decisions more effectively. According to Solomon et al. (2006) p.113, echo that "value can be defined as a belief about some desirable end-state that transcends specific situations and guides selection of behaviour." Luxury values are not only related to the social impact of showing status and impressing others, but are influenced by the functional, individual and the economic impact of the particular luxury products. Luxury values are not only connected to luxury product consumption. Furthermore, the Theory of Planned Behavior (TPB) predicts the intention of an individual behaviour to initiate him / her in certain circumstances. It indicates that behaviour of individual is determined by intentions of behaviour (Ajzen, 1991).

The theory of planned behaviour (TPB) is based on the Theory of Reasoned Action (TRA), which shows that human beliefs affect attitudes and shapes behavioural intentions. Ajzen (1991) expanded the TRA by adding the perceived behavioural control. The key factor of the TPB is the intention of the individual to act accordingly. That is, "the intentions are assumed to capture the motivational factors that influence a behaviour; they are indications of how hard people are willing to try, of how much of an effort they are planning to exert, in order to perform the behaviour" (Ajzen, 1991, p. 181). The key is that as the individual's intention is stronger, he or she performs the same behaviour of action (Suntornpithug and Khamalah, 2010). TPB consists of three aspects: attitude, subjective norms and perceived behavioural control.

The function of beliefs namely attitudinal beliefs, normative beliefs and control beliefs are attitudes, subjective norms and perceived behavioural control (Fisbein&Ajzen, 1975; Ajzen&Fishbein, 1980). It can thus be concluded that the influential factor in TPB's variables (attitude, subjective norms and behavioral control) can be said to be luxury values (such as Individual, social, functional and financial).As such, it can be hypothesised that:

*H1: The individual value of a Chinese consumer will have a significant influence on its attitude / subjective norms/ perceived behaviour of control on luxury fashion products in China.*

*H2: The social value of a Chinese consumer will have a significant influence on its attitude / subjective norms/ perceived behaviour of control on luxury fashion products in China*

*H3: The functional value of a Chinese consumer will have a significant influence on its attitude / subjective norms/ perceived behaviour of control on luxury fashion products in China*

*H4: The financial value of a Chinese consumer will have a significant influence on its attitude / subjective norms/ perceived behaviour of control on luxury fashion products in China.*

The theory of planned behavior is mostly used to assess the decision-making of a person and what causes a person to react. The investigations carried out enable us to understand the behaviour of the consumer and allow us to think about what we can offer on the market. TPB is used in this research as a framework to investigate the attitudes, social pressures and perceptions of consumers when conducting behaviour towards luxury fashion products. Many other research has already been carried out and has shown that attitude has a significant impact on purchasing intentions (Zhang & Prybutok, 2005; Gao, 2009; Zhang & Kim, 2013; Sanyal et al., 2014).

Using the theory of planned behaviour, the attitude of the consumer in purchasing luxury fashion products will be more likely to be positive or negative. Attitude is “an individual’s positive or negative feeling regarding performing the target behaviour” p.216 (Ajzen, 2006). The attitude depends on the strong belief of an individual that the behavior leads to a consequence and an evaluation. Subjective norms are the second main predictor of purchase intention. Subjective norms are the perception that the individual accepts or disapproves of others' behavior (Fisbein & Ajzen, 1975; Ajzen, 1991). Other people who are important for the individual decision-making can influence subjective norms. The family members, friends, colleagues, or relatives may influence.

A perceived behavioural control is the third key predictor for purchasing intention. Perceived behavioural control is a degree of difficulty identified by an individual during conducting behaviour. (Ajzen, 1991). Perceived behavioral control helps to predict what the individual wants to do but unable because of the unavailability of resources. The person's control over behavior increases when resources and opportunities are available (Ajzen, 1991). It's known that perceived behavioural control as one of the important factors when explaining the luxury shopping intent among Indian consumers (Son et al., 2013). Here, the key is, “the more favourable the attitude and subjective norm with respect to behaviour, and the greater the perceived behavioural control, the stronger should be an individual's intention to perform the behaviour under consideration” (Ajzen, 1991, p. 188). The current study includes two components, recommends the brand and pays more for the same product as proposed. by Zeithaml et al. (1996) and Loureiro and Kastenholz (2011).

Solomon et al. (2006, p. 113) point out that “a value can be defined as a belief about some desirable end-state that transcends specific situations and guides selection of behaviour”. Thus we can determine that the three main TPB variables, namely, attitudes, behavioral control and subjective norms, may be influenced by individual and social values. This study therefore proposes that consumers are the essential determinants of consumer intentions with respect to the purchase of luxurious fashion products and the subjective norms and perceived behavioural control. The research hypotheses are stated as follows:

*H5: The attitude of a Chinese consumer towards luxury fashion products will significantly influence his/her purchase intention in China.*

*H6: The subjective norms of a Chinese consumer towards luxury fashion products will significantly influence his/her purchase intention in China.*

*H7: The perceived behavioural control of a Chinese consumer towards luxury fashion products will significantly influence his/her purchase intention in China.*



The relationships between attitudes, subjective norms, perceived behavioral control and purchase intention should depend on consumer knowledge about luxury brands. Consumer knowledge refers to a general knowledge of a consumer in a certain product category of different luxury brands. More aware consumers of the brand names, the consumers are more aware of the differences between brands. More knowledgeable consumers are aware of more brand names and know more about the differences between brands. Consumer knowledge generally serves to measure your attitude, relevance to the individual beliefs and use it for future tasks as experiments (Kallgren & Wood, 1986). Knowledge is used as a prerequisite for change of attitude (Kaiser & Fuhrer, 2003). Knowledge shares information to assess the value of a product with reliable information sources.

Consumers take into account behaviours and expectations of others when assessing the appropriateness of their purchase behaviour. Employing social norms has been found to be effective in promoting ethical behaviours (Cialdini et al., 1990; Goldstein et al., 2008) as well as purchase related behaviours (Kim et al., 2012). Also, consumer knowledge is known to have a positive influence on consumers' purchase decisions (e.g., Brucks, 1985; Park et al., 1994). Previous literature has shown that greater level of knowledge or awareness concerning socially responsible products positively affects forming attitudes and purchase behaviours (Aertsens, Mondelaers, Verbeke, Buysse, & Van Huylenbroeck, 2011).

Therefore, the current study applies a modified TPB model by adding consumer knowledge into the framework. In addition, investigating the effect of consumer knowledge as a moderator may be crucial especially in the ethical consumption domain, as consumers have relatively poor understanding of the related products. From the perspective of practical value, it may be important to discuss the potential of consumer education to motivate purchase of these products.

Obtaining information on how each type of knowledge operates in the process of making socially responsible purchase decisions will help marketers develop more effective strategies, mainly regarding consumer education. From the consumers' point of view, understanding the strong influence of product knowledge on their socially responsible purchase decisions may encourage them to seek more learning opportunities related to their purchase from which they may gain skilful judgments to discern reliable and accurate product information from those that are not and hence, become more knowledgeable consumers. Consumer knowledge is therefore hypothesized to moderate relationships between attitudes, subjective norms, perceived behavioural control and purchasing intention.

*H8: Consumer knowledge moderates the relationships between a Chinese consumer's attitude/subjective norms/perceived behavioural control and her/his intention in purchasing luxury fashion products in China.*

## **VII. CONCLUSION**

Through luxury value perceptions and customer knowledge they were investigated theoretically, expanding the understanding of the theory of planned behaviour. The results will help the marketers in planning, improving and executing their marketing and communication strategies, and enlightening the consumer behaviour in China. This Research would offer a broader perspective in discovering the individual, social, functional and financial values of Chinese consumers for luxury brands. Taking into account all the different aspects of consumer views of luxury value, this research has incorporated these values into a multidimensional model in which to directly explain why

Chinese consumers choose to purchase luxury products and why such variables influence their perceptions of their luxury value. Obviously, the behavior of China's luxury consumers is different from that of Western nations.

In brief, this study provided the means for researchers and practitioners to understand the purchasing intent of Chinese consumers in respect of luxury products, and the results had significant implications for marketers who currently operate or plan to enter the Chinese market. The results can also be tailored for interesting comparisons with traditional and other emerging markets for luxury goods. In addition, the applied value of the findings lies not only in their value for consumption of luxury products but also in providing a way to apply this research to other areas.

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