

Entering the dragon's nest: exploring Chinese upper-class consumers' perception of luxury

Shan Chen and Lucio Lamberti

*Department of Management, Economics and Industrial Engineering,
Politecnico di Milano, Milan, Italy*

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1. Introduction

The global market for personal luxury goods has rapidly rebounded after the economic downturn, it continues double-digit annual growth of 10 per cent in 2012 and it tops €200 billion amid still widespread recession (Bain & Company, Inc., 2013). Such recession-proof growth confirms the uniqueness of luxury as an economic offering: price of luxury goods is often viewed by customers as an indicator of not only supreme quality but also prestige; consequently, price increases, rather than decreasing, luxury products' appeal for customers looking for exclusivity (Vigneron and Johnson, 1999). Understanding the attributes that determine the perception of a product as luxury

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Shan Chen is a PhD, candidate at Politecnico di Milano, is the corresponding author and can be contacted at: shan.chen@polimi.it

Lucio Lamberti, PhD, is an Assistant Marketing Professor at Politecnico di Milano.

product by customers is therefore a fundamental step for grounding suited marketing plans (Hauck and Stanforth, 2007). It is not surprising, thus, that several studies aimed at revealing consumers' perception of luxury have been conducted in time (Dubois *et al.*, 2005; Wong and Ahuvia, 1998).

China, in particular, has been the greatest contributor to the outstanding performance of luxury worldwide: the luxury spending by Chinese consumers in 2012 has grown 6 per cent in Greater China and 37 per cent abroad, representing 25 per cent of luxury spending worldwide (Bain & Company, Inc., 2012). So, Chinese consumers are becoming the most attractive targets for luxury manufacturers. Luxury products and brands, besides their intrinsic value, also represent the consumers' personal value and the value with relation to others (Dubois and Duquesne, 1993), where a cultural pattern could emerge (Douglas and Craig, 1997; Wong and Ahuvia, 1998; Wiedmann *et al.*, 2007). Extant knowledge strongly contends a Chinese uniqueness in their perception of luxury products but not without limitations. The most severe rests on the fact that previous research has mainly involved samples that are not representative of the core luxury market in China, i.e. the upper class, which constituted 2 per cent of the population, yet contributed 76 per cent of the luxury goods sales in 2010[1] (estimated to be 4 and 74 per cent, respectively, in 2015), and the upper-middle class[2] which was 6 per cent of the population contributed 12 per cent of luxury goods sales (estimated to be 28 and 22 per cent, respectively, in 2015) (Atsmon *et al.*, 2011). As a result, literature is affected by a substantial absence of evidence from the current and future *most valuable* consumers of luxury goods and services in China, i.e. Chinese upper and upper-middle class.

In this paper, we aim at providing further insight into the very issue of perceptions of luxury products and brands by affluent Chinese consumers, presenting the results of a series of focus groups held in four major Chinese cities involving a real, immediate and sustained target for luxury goods manufacturers. Even if our intention is essentially constructivist and exploratory, aiming at providing conceptual contributions for further studies on the theme, our work also provides substantial managerial implications for companies willing to operate in the Chinese market with a luxury positioning. In particular, glancing at the gaps in extant literature and at the general objective of the paper, the following are the punctual research questions we will discuss through the empirical exercise:

- RQ1.* Could Chinese consumers' perception of value in luxury products or luxury brands be described with the models developed in Western markets?
- RQ2.* Does the perception of such value from upper-class Chinese consumers differ from the current knowledge on the perception of values in luxury products and brands from Chinese consumers in general?

The rest of the paper is articulated as follows: first, we will introduce the theoretical background of our study and the framework that we will endorse for grounding the empirical exercise. Second, we will discuss the research methodology, introducing a specific focus on the use of focus groups for scientific research, as this method is currently seldom adopted and requires some methodological specification. Third, we will introduce the results and discuss them to provide both theoretical and managerial implications.

2. Literature review

2.1 *Luxury meaning*

Intrinsic to the products or brands, the idea of luxury is generally viewed as a combination of tangible factors and intangible values: tangibles are represented by objective, measurable benefits that the products or services provide the consumer with (Wiedmann *et al.*, 2007); intangible values include the financial value (e.g. price) and functional values (e.g. usability, quality and uniqueness) (Wiedmann *et al.*, 2007; Hung *et al.*, 2011; Hauck and Stanforth, 2007; Li *et al.*, 2011). In general, luxury has always been associated with premium price which is not affordable by the vast majority of the population, and which contributes to the exclusivity and rarity of the offer (Li *et al.*, 2011; Wiedmann *et al.*, 2007; Truong *et al.*, 2008). Superior quality is offered as an essential factor characterizing luxury products (Hung *et al.*, 2011; Zhan and He, 2011; Wiedmann *et al.*, 2007) and is perceived as guaranteed in luxury products (Li *et al.*, 2011; Aiello *et al.*, 2009). At the crossroad between tangibles and intangibles lie issues such as design and style which are clearly not only subjective variables but also considered important and superior attributes in luxury products (Aiello *et al.*, 2009; Hung *et al.*, 2011).

However, these intrinsic characteristics are necessary yet insufficient to qualify luxury products and to justify a rational decision behind their purchases: compared to their generic counterparts, luxury products are characterized by lower quality/price and functionality/price ratio (Wiedmann *et al.*, 2007). Therefore, there are other values which play a more important and more complicated role in differentiating luxury products/brands and their generic counterpart. These values could broadly be led back to two main categories: individual values and social values (Wiedmann *et al.*, 2007). Individual values are the meanings of a luxury product or brand toward oneself. Luxury consumers may either express their self-identity or attempt to achieve ideal self-identity through a congruous brand identity (Wiedmann *et al.*, 2007; Zhan and He, 2011; Li *et al.*, 2011; Gao *et al.*, 2009). Opposing to necessity, luxury stands for extravagant comfort, pleasure and enjoyment; thus, it is self-indulgence for consumers during the purchase and usage of luxury products (Wiedmann *et al.*, 2007; Zhan and He, 2011). Hedonic benefits are often associated with luxury, which involve affective and emotional responses (Gao *et al.*, 2009; Wiedmann *et al.*, 2007; Perez *et al.*, 2010).

Social values, also commonly referred to as conspicuous values, refer to the values that consumers derive from luxury goods in relation to his/her social groups in comparison to the generic goods (Truong *et al.*, 2008; Gao *et al.*, 2009; Wiedmann *et al.*, 2007; Hung *et al.*, 2011). In consumption purely pursuing conspicuous values, recognizable brand and its monetary value are even more important than the merits of the product itself for the purpose of displaying one's wealth (Truong *et al.*, 2008). Luxury consumers also often consider the taste and approval of their reference/aspiration groups as important factors of their perception about luxury for affirming belongingness or gaining entrance to such groups by the possession of luxury products (Wiedmann *et al.*, 2007; Perez *et al.*, 2010). Beyond displaying wealth, luxury products are also found to be consumed to conform to the social contexts (for example, the prestige of luxury products is conformed to one's professional position) (Wiedmann *et al.*, 2007). It is worth noticing that individual values and social values are, at times, intertwined, and there is a fuzzy line in-between the two (Truong *et al.*, 2008).

With the similar factors, Vigneron and Johnson (1999) proposed a different framework viewing the perceived value of prestige brands: conspicuous value, unique/

exclusive value and social value compose the interpersonal values which are perceived considering how they appear to others; emotional/hedonic value and quality value compose the personal values which are perceived as customers' own feelings and thoughts (Vigneron and Johnson, 1999). For this reason, the idea of individual- and social-centered factors as drivers of luxury perception emerges as a sound background to inform the following discussion.

2.2 Attributes of luxury in the Chinese market

Previous studies on Chinese luxury consumers generally raise the idea of the existence of some kind of “uniqueness” in their approach to luxury. Such uniqueness has been attributed both at an individual and social values level, as well as at their relative weight in the evaluation of a luxury product price.

At an individual value level, Hung *et al.* (2011) highlight how Chinese consumers are particularly tied to the idea of physical appearance and achievement vanity in luxury, although such an idea is more manifest in behaviors than in the expression of perceptions. Zhan and He (2011), on the contrary, emphasize “need for uniqueness” as the key individual value which endorses the “rarity principle” of luxury products (Phau and Prendergast, 2000) rather than the non-conforming differentiation on self-image (Park *et al.*, 2008). In particular Zhan and He (2011) found that while need for uniqueness was insignificant for general purchase decisions for Chinese consumers, it was negatively impacting the perception of the best-known brands for consumers who were the most informed and experienced in luxury purchase. This suggests that expertise in luxury consumption could lead to higher levels of association of brands with special/unique features to luxury.

At a social values level, Chinese luxury consumers have been contended to be peculiarly subject to normative influence: compared to the generally individualistic Western consumers who emphasize individual values rather than social values (Amatulli and Guido, 2011), preliminary studies show that Chinese consumers, belonging to a collective culture, give significant importance to the opinions of their reference and/or aspiration groups, and to “recognizability”, attributing a superior value to well-known and recognizable brands, generally because of social recognition, not infrequently privileging such recognizability to personal taste (Hung *et al.*, 2011). Such an outcome is partly contradictory to the idea of “rarity principle”, and it testifies how current knowledge about luxury perceptions by Chinese customers is still fragmented and magmatic.

Finally, Chinese consumers display a peculiar overall-benefits/price ratio in their consumption of luxury products. The overall benefits, as in the rest of the world, entail individual values such as hedonism or expression of the self-identity, as well as social values such as displaying social status and sense of cosmopolitanism. Yet, the individual value of product functionality has been proffered as higher in Chinese consumers than in Western consumers (Zhan and He, 2011; Hung *et al.*, 2011; Li *et al.*, 2011). This could represent a possible interpretation of the previous contradiction between search for rarity and recognizability, suggesting that rarity can also be found in well-known brands, whereas the products display some unique, and, maybe, customized features.

In conclusion, this review clearly highlights how previous literature has raised doubts and questions, rather than providing definitive answers about which factors

determine the Chinese consumers' perception of luxury. Further, these studies have generally been carried out with a sample of "generic" consumers, and mostly belonging to the middle class, which is not representative of core and most valuable luxury customers, i.e. the affluent upper and upper-middle classes.

The previous discussion suggests how appropriate and potentially impacting a study aimed at investigating luxury perception among core luxury buyers, as the one we propose, can be.

3. Methodology

3.1 Focus groups methodology

To explore luxury perception by core Chinese luxury buyers, we performed a multiple focus group research. Focus group methodology "collects data through group interaction on a topic determined by the researcher" (Morgan, 1996), and it is considered to be able to generate complex information to gain a wide range of insights of participants' attitudes, opinions and perceptions about the research issue, through natural social interaction among the participants in a permissive and non-threatening environment (Liamputtong, 2011). The advantages of focus group that are derived from the interaction: through querying each other and explaining oneself to each other, researchers could not only explore what participants have to say but they could also gain deeper insights that are more than the aggregation of individual interviews; convergence and divergence could merge during the discussion in focus groups, which is a unique strength of the focus group methodology; and furthermore, researchers/moderators have the opportunity in focus groups to directly ask the participants to demonstrate or to compare their opinions, rather than aggregating and speculating individual data (Morgan, 1996; Liamputtong, 2011). Moreover, it is suggested that participants would feel more secured and comfortable to express their opinions in a group setting with other similar individuals; and because, unlike individual interviews, in focus groups, each individual is not required to respond to a particular question, it encourages spontaneous response when the participants have a definite point of view (Stokes and Bergin, 2006).

Our investigation in the consumers' perception about luxury products or brands involves motivations and behavior in luxury consumption which are more complex than those in usual consumption; although the extant literature has proposed the key dimensions to investigate, it is insufficient to operationalize constructs to enable extensive studies (Wiedmann *et al.*, 2009). Thus, a qualitative approach is better suited, given the situation. Perception about luxury products or brands, involving the individual and social self of the consumers, is definitely a sensitive topic which deserves a discussion in a less-threatening environment, which favors focus groups to individual interviewees where interviewees may mediate answers fearing being judged by the interviewers (Liamputtong, 2011; Kitzinger, 1995; Lasalle and Britton, 2003). Moreover, in the past empirical practices of consumer research in China, researchers have suggested that interviewees felt much more comfortable opening up in a group setting rather than alone in an individual interview (Eckhardt, 2004). However, focus groups, in general, also raise the question of whether the interviewees pose pressure on each other which causes the participants to not express their real opinions. In Chinese culture, in particular, such barriers are more pronounced when people have different status regarding the relevant social factors; forming a group with members homogeneous in

such status would significantly facilitate the most natural social interaction (Eckhardt, 2004). In our case, income represents the first determinant for a consumer's ability to access luxury products; by controlling the income level and thus homogenizing group members in this respect, besides targeting the core luxury consumers, it was possible for us to reduce, if not eliminate, the impact of peer pressure within the groups.

3.2 Research design

Four focus groups were formed in four Chinese cities: Shanghai, Guangzhou, Hong Kong and Beijing, which are chosen for three reasons. First, cultural difference on the national level was suggested in the perception of luxury (Aiello *et al.*, 2009; Zhan and He, 2011; Li *et al.*, 2011), as well as in a more general perspective (Hofstede, 1993; Lamberti *et al.*, 2011); regional difference was also suggested in some field (e.g. management value in China (Huo and Randall, 1991). The same has not been done in China for Chinese consumers' perception of luxury products or brands. Second, these four cities are currently more relevant to the luxury industry compared to other Chinese cities in terms of their affluence and substantial population size. In fact, the four "first-tier cities", i.e. Shanghai, Beijing, Guangzhou and Shenzhen (Atsmon *et al.*, 2012; KPMG, 2008; Wong and Yu, 2003) attracted most of the luxury brands. However, Shenzhen was replaced by Hong Kong on the arguments that: although not usually ranked alongside the mainland cities for political reasons, Hong Kong overtakes Shenzhen in terms of both gross domestic product and population (China Statistical Yearbook, 2011). Hong Kong's luxury market size is almost half of that of the entire mainland China, and it is been seen by luxury brands as a stepping stone to the enormous market of China. Shenzhen is extremely close to Guangzhou geographically and culturally; thus, Hong Kong could provide more insights on the "internal variance" (Li & Fung Research Center, 2012). These four cities could thus be considered precursors for the fast-growing luxury markets in the second-tier cities.

Within each group, six participants are recruited. Both the number of groups (four groups) and the group size (six participants per group) are in accordance with common standard of focus groups' methodology (Morgan, 1996; Fern, 2001) and the practice of previous similar studies (Dionisio and Leal, 2008; Papista and Dimitriadis, 2012). But, besides compliance to previous standards, a saturation argument is to be discussed: as pointed out by Freeman (2006), in fact, saturation and reliability in focus group research cannot be demonstrated by "one-size-fits-all rules", but rather the epistemic arguments. In this respect, we are confident that the four focus groups provide a reliable and robust basis for discussing the research propositions based on two main arguments. First, regarding saturation, as the research on Chinese consumers' approach to luxury, especially that of the affluent consumers, is essentially poor in evidence, an exploratory approach based on 24 interviews elaborated in four focus groups represent a valuable body of evidence for the stated research questions. Second, regarding reliability, as discussed in Section 3.1, even if we cannot conclude that interpersonal barriers have been totally avoided in the focus groups, homogenizing the social class of the group members allowed us to reduce such barriers (Eckhardt, 2004).

In accordance with a higher-level project that the focus groups took part in, upper class was defined as those with an annual income above RMB500,000 and upper-middle class were those with an annual income of RMB120,000-500,000, which was aligned with, if not more "strict" than, the classification applied in managerial literature

(Atsmon *et al.*, 2011). Within each group, at least four upper-class participants were expected, and the rest were upper middle-class participants. The participants should have purchased luxury products within the past 12 months (higher number of purchase occasions were favored) to ensure recent experience in luxury purchasing and reasonable knowledge in luxury products; in addition, to demonstrate their affluence and experience, candidates were asked to carry with them a luxury goods purchase in the past year. All participants should be aged between 26 and 55 years to ensure participants' substantial awareness of luxury products and purchasing power. Because the focus groups are a part of a higher-level project which has interests toward women's apparel, the priority in the choice of participants was given to female candidates with strong interests in apparel. Nevertheless, neither the recruitment of participants nor the discussion was absolutely constrained to luxury apparel. Furthermore, candidates who were professionals from market research or research industry, press media and manufacturer or retailer of luxury products were excluded to avoid mediated responses. Candidates from panel list were contacted and screened with the aforementioned criteria, and the final participants were offered gift certificates.

Table I provides a summary of the participants' profile. The participants in Shanghai included three upper-class consumers instead of expected four because one participant with annual income only slightly lower than RMB500,000 RMB was selected in favor of her extensive experience in luxury consumption.

3.3 Data collection and data analysis

The focus group discussions were held in June 2012, with average duration of one and half hours each, consistent with current standards in focus group research (Powell and Single, 1996) and similar studies (Fam and Waller, 2006). Only the participants and the professional moderator who had ample experience in research were present in the meeting room, while the research team stayed in the contiguous room to observe and monitor the discussion. The key questions and the sequence of discussion were designed by the research team, which entail:

- general perception of luxury;
- in-depth discussion on the elements arisen from the first question;
- qualification of a luxury brand;
- the characteristics that the participants like about their favorite brands; and
- consumers' motivation to purchase luxury goods.

The moderator was instructed to follow the sequence of the key questions, but she was allowed to ask relevant questions to facilitate interaction or to deepen discussion in order to guarantee the discussion could answer the research question as much as possible, to hear the opinions from different individuals and to compare the results across groups (Stewart *et al.*, 2006).

The discussions were fully videotaped and transcribed. Data analyses were performed on all the transcripts through keyword extraction, interpretation (the underlying meaning of the keywords and their frequencies of appearance) and categorization (key elements emerged through keywords, and the key constructs explained by the key elements with reference to the conceptual framework from literature). Then, the analyses were compared across the four groups to identify possible

Participant	Gender	Age	Annual income (RMB1,000)	Education	Occupation
<i>Shanghai</i>					
SH1	F	28	> 500	Bachelor's degree or above	Management
SH2	F	30	> 500	Bachelor's degree or above	Management
SH3	F	51	150-500	Bachelor's degree or above	Management
SH4	M	53	> 500	Bachelor's degree or above	Business owner
SH5	F	46	150-500	College graduate	Management
SH6	F	28	150-500	Bachelor's degree or above	Management
<i>Guangzhou</i>					
GZ1	F	31	> 500	Bachelor's degree or above	Management
GZ2	F	36	> 500	Bachelor's degree or above	Business owner
GZ3	F	49	> 500	College graduate	Business owner
GZ4	F	43	> 500	Bachelor's degree or above	Management
GZ5	F	32	> 500	Bachelor's degree or above	Management
GZ6	F	28	150-500	College graduate	Business owner
<i>Hong Kong</i>					
HK1	F	43	> 500	Bachelor's degree or above	Management
HK2	F	29	150-500	Bachelor's degree or above	Management
HK3	F	36	> 500	Bachelor's degree or above	Management
HK4	F	52	> 500	College graduate	Business owner
HK5	F	49	> 500	Bachelor's degree or above	Management
HK6	F	31	> 500	Bachelor's degree or above	Management
<i>Beijing</i>					
BJ1	F	31	150-500	Bachelor's degree or above	Management
BJ2	F	50	> 500	Bachelor's degree or above	Skilled professionals
BJ3	F	46	> 500	College graduate	Skilled professionals
BJ4	F	37	> 500	Bachelor's degree or above	Skilled professionals
BJ5	F	32	150-500	Bachelor's degree or above	Business owner
BJ6	F	44	> 500	Bachelor's degree or above	Business owner

Table I.
Participants' profile

differences across the cities. This procedure is consistent with state-of-the-art standards in qualitative marketing research (Papista and Dimitriadis, 2012) and qualitative research in general (Chiesa *et al.*, 2009; Lamberti and Noci, 2012).

4. Findings and discussion

In the following, the outcomes of the study will be presented and discussed in the glance of existing literature. First, in Section 4.1, we introduce a description of the results with reference to the framework; in Section 4.2, we discuss six important aspects of the results that are unprecedented or contradicting the literature on Chinese luxury consumers. Appendices 1-4 provide a collection of quotations from the focus groups that represent a summary of the key elements extracted from the focus groups in Shanghai, Guangzhou, Hong Kong and Beijing[3].

4.1 Findings

In our study, endorsing the framework developed by Wiedmann *et al.* (2007), we, at first, led back our outcomes to four main dimensions: functional value, financial value,

individual value and social value of luxury products and brands. The analysis of the evidence gathered has actually led to the emergence of issues with respect to these four dimensions; however, on the other hand, some new perspectives about the brand value have also emerged. In the following, we will summarize the evidence with respect to the four dimensions suggested by Wiedmann *et al.* (2007) and the emerged brand value dimension.

4.1.1 Functional value. The elements extracted as functional values include innovativeness, aesthetics and durability as usability value; quality, delicacy and craftsmanship as quality value; and rarity and exclusivity as uniqueness value. Moreover, there are a few elements highly mentioned during the discussions that have not quite been discussed in the previous researches. First, the participants expect a recognizable style, or a classic design, from a luxury brand. Second, material used in producing luxury products is regarded with high importance, and the participants demonstrate strong preference of natural material to synthetic material. Third, especially in Hong Kong, participants expect related service of luxury brands to be superior to their generic counterparts.

4.1.2 Financial value. Although financial value in the conceptual framework was indicated by a single price value, the authors suggested both objective price (the actual price) and perceived price (the price judged by customers) to be indicators of the luxury products' financial value. During the discussion in Guangzhou, a participant interprets the economic value of luxury products as their "worthiness", that is, values specifically belonging to luxury product that make its price higher than similar, but generic, products; these values will be embodied in other constructs. During the discussion in Hong Kong, participants bring forward even more elements regarding luxury goods' price value. They think of price as an indicator of the luxury brand's positioning; price discounts are not desirable because discounted price is downgrading luxury brand's positioning. On the other hand, one of the Hong Kong participants describes luxury consumption as wasteful.

4.1.3 Individual value. Elements extracted for individual value are more complex. Besides self-identity value (to reflect one's style, taste, to enhance self-confidence, to feel beautiful, etc.), hedonic value (to enjoy luxury consumption, to indulge oneself or to seek for novelty) and materialistic value (to possess the products that one likes), several other individual values have emerged. Most commonly, pursuit of quality life, aspiration and achievements, and self-actualization are among the values that our participants seek in luxury. Moreover, it is reflected in the discussion that an individual value could be obtained in very different ways. For example, in the focus group discussion in Shanghai, *SH3* and *SH4* enjoy the intrinsic product cognitively through learning about extensive information and history of a particular product and make their purchases a collection; while *SH1* and *SH2* enjoy in action the impulse at the moments of shopping.

4.1.4 Social value. Elements extracted for social value support both conspicuousness value (vanity and showing off) and prestige value (affirm social status and belongingness to reference group). The upper-class participants generally think that possessing publicly visible luxury products is necessary in certain business occasion to enhance the chance of success through better impression given to business partners or clients, and in social occasions to fit in and to affirm the belongingness. On the other hand, the participants recognize that among all luxury goods consumers, a large number of them (especially the younger, less wealthy but aspiring consumers) are more

likely driven by the conspicuous value of luxury goods; thus, they consider choices of luxury brands and the taste conveyed by such choices the factors which differentiate their status from those of the aspiring ones.

4.1.5 Brand value. At last, we identified a group of elements, which could contribute to an additional construct: brand value. During the discussion, the participants simultaneously give high importance to a luxury brand's history, legend, identity, etc. We conclude this cluster of elements as brand value. For example, *HK6* explicitly attributed the difference between a luxury product and a well-made, similar but non-branded product to brand value. Besides the aforementioned elements, there are also international recognition, brand's impact and brand's reputation.

4.2 Discussion

The evidence gathered provided four main insights that lie at the core of the following discussion: the peculiar perception of price premium; the balance between personal and interpersonal variables in luxury perception; the nature and the specificities of brand value; the city-specific specificities that emerged.

4.2.1 The perception of price premium. Although trait of "comprehensive value" was found in the discussion (e.g. "Regardless of price, a good product should have characteristics that's worthy of the price [*GZ4*]"), a couple of points that are novel or contradictory to previous studies also emerged. Hong Kong participants think a brand's pricing strategy is an indicator and should be consistent with its positioning as luxury ("It's better never to offer discount [*HK5*"]; "[...] (if you find what you bought is on discount, you will feel it's downgraded [*HK3*]"), which, to our best knowledge, is the first contradiction to the previous "bargain price for a set of values" (Li *et al.*, 2011; Zhan and He, 2011). Such points of view are, in fact, in congruity with the "rarity principle", which was found to hold in the Western context but not in Asian countries (Groth and McDaniel, 1993; Phau and Prendergast, 2000). The contrast could be attributed to the fact that, as we pointed out at the outset of the paper, previous studies on Chinese luxury consumer have included consumers with limited purchasing power, and with little or no experience and knowledge in luxury consumption in the sample. It has already been found in previous studies that the level of knowledge on luxury affects consumers' preference on exclusivity (Zhan and He, 2011). We could certainly expect that Chinese consumers who have higher purchasing power, who are more experienced and better informed, would have a different perception on the financial value of luxury products.

Another two points worth mentioning in the "set of value" are the attention paid to materials and the expectation for superior service. The participants suggested strong preference for natural materials in luxury products. Although superior quality is always consumers' expectation from luxury products (Aiello *et al.*, 2009; Hennigs *et al.*, 2012), quality of raw material itself is generally not debated as an aspect of product quality in previous study. However, in other industries, rare and natural materials have been observed as distinctive variables influencing Chinese consumers' purchase decisions (Li *et al.*, 2008; Thompson and Troester, 2002). The analysis of the characteristics of the specific consumers highly interested in materials may represent an intriguing research avenue for future research on Chinese consumers' luxury buying behavior. As for the expectation of service, the participants, especially those in Hong Kong, emphasized the important of customer service provided by a luxury brand ("I care about the sales staff's attitude to customers [...] not only after-sale service is important but also the experience

during the purchase [HK2]), and service is considered a point of differentiation from brand of lower positioning or the counterfeit products. The reason why service has not been explicitly considered in previous studies could be twofold: service is taken for granted in a luxury brand in more mature luxury market, while in less established market, research has so far assumed the “product”, instead of the overall experience, being the core of luxury consumption. It seems particularly convincing that such attention is coming from Hong Kong; nonetheless, it suggests that a product-centered view is becoming limitative also in China and hence we encourage further research on customer service for luxury brands in China.

4.2.2 The balance between personal and interpersonal variables in luxury purchase. Previous studies on the luxury values in Chinese consumers’ perception often weighted more on social value than on personal value for the individuals (Li *et al.*, 2011; Truong *et al.*, 2008; Wong and Ahuvia, 1998). Our focus group discussions, on the other hand, have spontaneously generated a much greater amount of information regarding the individual values perceived by luxury consumers, which could potentially be explained by the sampling strategy targeting high-income and experienced luxury consumers from the most developed and cosmopolitan cities in China, providing us the opportunity to explore the “true” luxury consumers’ perception without other noises. Moreover, the discussion generated several elements that have not quite been studied before being, most remarkably, pursuit of quality life, aspiration and achievement and self-actualization. Such esteem and self-actualization needs (Maslow, 1943) are not surprising to be found in the group of people who admittedly have substantial success and social status. These individual values have not really been recognized in previous research possibly because of the difference between China as a developing economy and the mature and developed Western economies. Given the relatively short period of time since the economic reforms started to take place, a good part of these upper-class consumers may still have a vivid memory of striving for food; thus, the life quality represented by luxury goods could be more pronounced in Chinese consumers. Moreover, for the same reason, the upper class nowadays in China are mainly “nouveau riche”, which leads them to associate luxury consumption with aspiration, achievements and self-actualization.

Social values, while still present, manifest in several ways and are rather different from the usual conspicuousness and conformity to social norms. First, instead of well-known logo (Zhan and He, 2011), the participants attributed the recognizability to classic design or signature style of a luxury brand. Moreover, it is also suggested that being recognized by mass majority is not important for the group participants; in fact, some of them appreciate, if not prefer, when only people who share the exclusivity could recognize his/her luxury product (e.g. “for example, when I walk on the street almost no one would know its brand; but for those who really understand, they could immediately recognize it’s Kenzo [BJ2]”), consistent with the previous finding that more knowledgeable luxury consumers gave higher importance to uniqueness and exclusivity (Zhan and He, 2011). In fact, some of these well-experienced luxury consumers value uniqueness so much that they have devalued some luxury brands when they became diffused and they may even consider such “popular” choice inferior taste (for example, SH4 said “among my social circle, the ones who don’t have much taste would just buy a Rolex, we jokingly call them ‘the peasant entrepreneurs’”). However, the opinion about uniqueness is not shared with everyone; most remarkably,

the younger participants in Shanghai, *SH1*, *SH2* and *SH6*, are not concerned about being unique or about demonstrating good taste but having the products that they like and enjoying the moments of shopping. Moreover, conspicuousness does not appear to be a prevailing social value in the discussions as well, as one participant said: “(the high class) are more subtle, they prefer their brands not to be recognized (BJ5)”. The explanation could again be the highly affluent participants who are completely confident with their financial and social status, so that they no longer feel the need to obtain the approval from others by displaying their wealth; in some cases, they rather hide it. Another reason could be that frugality, although might be going through changes, is still deeply rooted in the Chinese culture (Zhou and Zheng, 2012); thus, conspicuousness might still be perceived as an undesirable behavior; as a matter of fact, *HK2* mentioned that she thought of luxury consumption as “wasteful”. Therefore, participants may deliberately avoid talking about it (Morgan, 1996).

4.2.3 Brand value. Wong and Ahuvia (1998) have suggested that while Western luxury consumers tended to judge a product as an individual, Asian consumers relied on the affiliation of the product to a brand and country-of-origin as an indicator of worthiness. From this perspective, if it is understandable that brand value did not emerge as a dimension of luxury’s value perception in the studies carried out in the west, it is surprising that brand value has not been explicitly considered in the studies of Chinese consumers as well; only Zhan and He (2011) suggested that the consumers’ level of experience in luxury consumption affected their perception about the popular brands. Our findings, in fact, indicate that Chinese upper-class consumers attribute profound value to brand names, which is embodied most strongly in, interestingly instead of recognizability, brand history and heritage. For example, *SH3* talked passionately about her appreciation for the history of the invention of *Jaeger LeCoultre’s Reverso* and thus her inspired affection for the brand; *GZ2* talked about her experience of learning about *Burberry’s* trench coat’s history and her appreciation for the brand’s heritage. In fact, managerial literature also had a glimpse on the value attributed to brand heritage by Chinese higher-income consumers (KPMG, 2008). After all, brand value should demonstrate to be a very relevant construct in consumers’ perception of luxury. Our current understanding of the role of brand in the perception of luxury products, although opens up an intriguing question about what constitute the brand value of a luxury brand, is yet largely unsatisfactory; hence, we encourage further research on this issue.

4.2.4 Different cities, different perceptions? We formed the focus groups in the four chosen cities intending to take a picture of the representative, and relatively mature, luxury market in China and, meanwhile, try to understand if there are any differences in consumers’ perception due to the regions. It is suggested that when the research design involves segmentation, it is preferable to have more than one group in each segment (Morgan, 1996). However, our study, besides filling the literature gap by focusing on the higher-income and more experienced stratum of luxury consumers, intends to preliminarily explore the possible regional/cultural differences as a precursor for further studies to continue, rather than providing definitive proof for such differences, which we believe is a reasonably and achievable goal by our research design. In fact, some divergences that could potentially be interesting for management implications did emerge during the discussions.

First, the quality of materials used to product luxury products, as described in Section 4.1.1, is especially pronounced in Beijing and, to less extent, is also detected in Guangzhou. In Shanghai and Hong Kong, materials do not emerge as an important

dimension of luxury products' functional value. Second, Hong Kong consumers attributed high importance to the experience with luxury brand. Most interestingly, this part of the discussion is charged with negative emotion toward the mainland tourists and suggested some differences between mainland luxury consumers (however, notice that travels from mainland to Hong Kong are nowadays easily accessible; thus, mainland tourists to Hong Kong could include a large number who are outside the target of this study and who seek to exploit the higher assortment and lower price in Hong Kong's luxury market) and Hong Kong luxury consumers. The participants in Hong Kong have the mutual feeling that one of the most popular shopping district in Hong Kong now is flooded with mainland tourists (especially the shopping tourists), which leads to a sharp decrease in shopping experience, and the handling of the luxury brand stores in this area produces negative effects on the Hong Kong customers. To quote some of the participants:

[...]but why we hate to shop there now, as she said, those sales persons don't want to serve us, they only serve the mainlanders. Hong Kong customers just buy one or a couple. They will take all sizes in all colors; they are now the target customer. We are not taken seriously, that's why I don't like it at all (*HK1*); Hong Kong customers are more demanding in details. I pick up a bag and I will look at it all around. They won't, they bring a list and say, bring everything on the list, and I'll take all three colors [...] (*HK4*).

However, some participants also mentioned that such "shopping tourists" sometimes buy luxury products to re-sell; therefore, their buying behavior described here should not be representative in general. Nevertheless, such attention paid to service and overall experience in luxury consumption in addition to the mere possession of a luxury product has not been detected in the discussion of the other three cities.

5. Managerial implications

Despite its exploratory nature, this study uncovers a broad set of managerial implications. First, and fundamental for the goals of the study, despite the growing importance of middle-class luxury consumers, upper-class is still the core customer for luxury brands, and its representatives show some relevant diversity compared to the consumers targeted in previous studies. In fact, a general assumption by Western luxury manufacturers is that Chinese luxury consumers focus more on social values (i.e. showoff) of luxury products than on their personal meanings. Although not to conclude that social value has vanished, our study shows that such assumption does not hold for all Chinese luxury consumers anymore: the upper-class consumers have already shifted their attention to personal meanings brought by luxury products and brands, which is more similar to Western luxury consumers (Wong and Ahuvia, 1998), which is a trend also observed in managerial literature (Atsmon *et al.*, 2012). However, it is important to notice the difference in the personal meanings that Chinese upper-class luxury consumers seek for in luxury consumption compare to their Western counterparts to tailor a customer-oriented strategy. For example, when a luxury brand communicates with Chinese upper-class consumers, it may emphasize the life quality the brand signifies and the image of success to evoke their desire for aspiration, achievements and self-actualization. This element is particularly intriguing for small- and medium-luxury manufacturers, as this intimistic approach to luxury suggests that a targeted focus on individualistic luxury consumers in a specific city could be effective for entering in the Chinese market, while a high level of general awareness could be the idea for large manufacturers and brands.

However, the social value of luxury brands is still important and, according to previous studies, fundamental to middle-class consumers. Thus, this contrast between large recognition in a fast-growing segment and individualistic luxury in the core market presents a precise challenge for luxury brands to find the balance between stimulating growth and protecting exclusivity. Coordinating pricing strategy, service provision, choice of distribution channel and point-of-sales design is fundamental for luxury brands to lever on to enhance the overall experience which is suggested to emerge as an important driver for Chinese consumers' perception of luxury products and brands. Thanks to the sampling in different cities, the specific discontent of Hong Kong luxury consumers, coinciding with some incidents (for example, Dolce & Gabbana's "photo ban") that happened in the recent years, suggests that it is almost urgent for luxury brands to review their management strategy.

Some remarks are to be made with reference to the idea of the "Chinese" market: the outcomes of this study testify how different cities in different parts of the country represent very diverse market scenarios, not just in terms of affluence of the population but also in terms of culture, values and luxury perceptions by consumers: while Hong Kong is historically the Chinese city that is the closest to Western standards, each of the mainland cities analyzed shows an approach somewhat peculiar to luxury; as such, they require different marketing strategies. Remarkably, each of these cities may represent a significant portion of the global turnover of a brand driven by their population size, peculiar wealth distribution and average income growth. So, the idea of targeting a single city rather than China as a whole may be extremely reasonable, especially for brands that cannot afford the huge investment for a mass communication all over the country.

Finally, the fact must be noted that even if China is the second largest luxury market, the majority of the purchases happen outside the mainland (i.e. in Hong Kong or Macau) or abroad (i.e. when traveling) due to reasons such as import tax. This aspect is to be taken into account when approaching the Chinese luxury market: for instance, a possible poor performance of a shop in a Chinese city must be matched with the analysis of the overall performance of the brand worldwide (i.e. a Chinese shop may be the showcase of the brand, while purchases may happen in other shops in other parts of the world, where they are more convenient).

6. Conclusion

In this paper, we have explored the perception of luxury products and brands by Chinese upper-class through a series of focus groups in three mainland cities (Beijing, Shanghai and Guangzhou) and in Hong Kong. The outcomes of the study contribute to existing knowledge in at least three main ways. First, by targeting the upper class instead of the mixed samples of middle- and high-class consumers of previous studies, we provide further insight into the perception of the core luxury consumers in the fastest growing and second largest luxury market of the world. Second, through an in-depth method, focus groups, supported by a structured conceptual framework, have enlarged our view on the key variables at the core of perception of luxury products and brands in China, not only refining the concepts of individual and social value in the specific setting of Chinese luxury market but also emphasizing the emerging role of service and of brand equity that were formerly underdeveloped in literature; these elements made it possible to provide a number of suggestions for further research. Last but not least, analyzing the

outcomes, we provided punctual and rich managerial implications for Western brands approaching the Chinese market.

Because of its exploratory and qualitative nature, the summary drawn from the discussion transcripts could not be statistically generalized. First, even though in the list of summaries the elements for each value construct were arranged by their respective popularities (i.e. frequency of occurrence), they should not be generalized to represent the population. Second, the intensity in which the participants and the population hold their opinions for the elements could not be entirely detected and generalized from the discussion transcripts.

So, far from aiming at providing definitive answers, the current study should support item generation in further extensive research. Indeed the result has suggested constructs (e.g. service, natural material and brand value) that had been just superficially tackled in previous literature. Built on the construct, where luxury perception is composed of functional value, economic value, individual value, social value and brand value and the elements detected for each value construct, future research could first try to propose comprehensive and rigorous measurement scales and conceptual model, and, second, try to generalize the qualitative result through subsequent quantitative research.

Notes

1. Annual income \geq RMB200,000 (some €25,000).
2. Annual income between RMB100,000 and 200,000.
3. Transcripts of the focus groups are available (in Chinese) upon request; in the following, quotes from focus groups' participants will be followed by a tag indicating the city of provenience (BJ = Beijing; SH = Shanghai; GZ = Guangzhou; HK = Hong Kong) and an interviewee identifier.

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Appendix 1

Table A1.
Perception of
luxury–Shanghai

Dimensions	Elements	Descriptions
Functional value	Rarity/Uniqueness	It should be differentiated from the rest, the cream of the crop
	Recognizable style	It's better that less people use it [...] otherwise its position will be reduced It has a style that's recognized by everyone, once you see it you will know [...] Some good things inherited all the way from the past [...]
Financial value	Innovativeness	(There should be a classic style) also continuously updated collections [...] invented this technique, it feels that they are dedicated to what they do [...] brilliant and glamorous
	Aesthetics	Simply speaking, it is very expensive
	High price	As life improves, one's taste also evolves [...]
	Classy taste	So that's good taste, feels differentiated from others In fact I think it doesn't represent good or bad taste [...]
Individual value	Lifestyle/life pursuit/life attitude	I think it's a pursuit for quality life, an open-minded attitude [...] I don't want to be like an upstart; I want an life attitude with good taste It shows that one has pursuits in his life
	Personal preference/ confidence/personal style	Even if today I'm carrying the same bag as she does, I won't mind, because this is what I like, it's my confidence and my style (whether one pursuits luxury or not) is not about their taste being good or bad, but simply what they like Maybe other people have the same product [...] as long as it enhances one's confidence, I think it's a good product to have
Product enjoyment	Suitable for one's life stage/status/class Self-actualized	When I reached certain age and status, I feel it's necessary to have some luxury products Luxury to high class people is like generic products for ordinary people (high class) are more subtle, they prefer their brands not to be recognized The real connoisseurs can recognize, others not so much
	Product enjoyment	I checked Web sites, found this one of (brand), other brands do not have such design; I searched its history, it's originated from [...]
	Shopping enjoyment	I won't think and compare too much; I buy as long as I like

(continued)

Dimensions	Elements	Descriptions
Social value	Belongingness to reference group Affirm status Vanity	If we go out together, others will think less of you if you don't use some luxury products In my group, people like these things, so I also pay attention The people around you are changed, feels your status is also improved [...] They may not have a specific style preferred, the most important thing is to show off that this is a luxury product
Brand value	History/legend Heritage/Identity Impactful International	Long history means the brand has what it takes to come through time Some brands also have been through tough time in their history, but they were committed and persistent, and eventually succeeded in extending the brand's spirits [...] every brand has its symbolic design, or logo [...] It's a heritage from the past [...] So there are some classic designs that never go out of time Fame is important in order to be recognized It should set the trend What every country mutually recognizes is luxury brand

Table AI.

Appendix 2

Dimensions	Elements	Descriptions
Functional value	Quality	[...] unlike the low-quality stuff all over the street now [...] It needs to have good craftsmanship, and needs to be durable
	Delicacy	Something seems simple, but very delicate, therefore, classy (brand name) does a very delicate work
	Material Service	(brand name) always chooses superior material [...] if service (of a luxury brand) is not good, I would rather prefer a lower level brand
Financial value	Worthiness	Regardless of price, a good product should have characteristics that's worthy of the price
Individual value	Self-identity	It's not much as wealth, but self-image and personal disposition Maybe someone indeed successful enhanced self-image with luxury products, then she made a good choice I would choose something matching my self-image
	Pursuit of quality life	I think people who use luxury products have pursuits in their lives They have pursuits, they want to enjoy life
	Aspire	A successful woman has occasions that she needs to dress up matching her status When you financial capability reaches certain level, luxury would become just a part of your life
	Feminine	(brand name)'s design is very feminine [...] it shows the beauty of feminine shape
Social value	Self-affirmation	Being able to consume luxury is an affirmation to myself
	Novelty seeking	Now people's lives are more stable, more affluent, so many people want to try everything
	Fit in social occasion	[...] talking about luxury could be an ice-breaker [...] (luxury products) are suitable when you have to attend banquets [...] When you have a business meeting, I think (brand name) would be nice to go with
	Affirm status	Successful people often use luxury products, they have their social group
Brand value	Vanity	they want to show off to their peers that they are living a better life
	History/legend	A luxury brand needs history When I was in England, I saw everyone wearing it. England is a rainy place [...] You might be fine with a trench, also because the special material [...]
	Identity	A luxury brand should has its highly recognizable characteristics, such as classic design, and logo
	International	A luxury brand should be present internationally

Table AII.
Perception of
luxury–Guangzhou

Appendix 3

Dimensions	Elements	Descriptions
Functional value	Non-essential Quality	Luxury consumption is not about the essential, the necessary. It's durable, because of its craftsmanship and material [..] every stitch is made by experienced craftsman
	Service	[..] ordinary craftsmen don't know the technique. I care about the sales staff's attitude to customers [..] not only after-sale service is important, but also the experience during the purchase
	Recognizable style Exclusivity	[..] that design once you see, you'll recognize the brand. Its value is related to limited availability, because there are limited numbers, then everyone wants to buy
Financial value	Expensive Stable price position	Of course it is connected with money. It's better never to offer discount [..] (if you find what you bought is on discount) you will feel it's downgraded
	Wasteful	Like others have said, it's connected to money and for non-essentials, I feel it's wasteful, maybe the money has other better use
Individual value	Aspire	It's a dream, a goal, a desire. It's a reward for my hard working. I'm able to afford the extravagant price
	Self-actualization	Luxury is simply part of someone's life. Luxury is also about comfort in life, for example, I can shop or eat in peace if I could pay the price that comes with it
	Enjoyment	it's an ideal state of life when I'm able to afford the luxury I want. From my point of view, luxury is a positive thing, it's happiness. Shopping for luxury is a great way to relieve stress
	Pursuits of beauty	[..] at the same time I also feel joy, indeed I'm happy, because I look good and I feel good. It's a pursuit for beauty, to represent oneself. Wearing luxury clothes makes me put more attention to dress up. If I use a luxury bag or clothes, I won't go out without makeup, everything has to match

(continued)

Table AIII.
Perception of
luxury–Hong Kong

Table AIII.

Dimensions	Elements	Descriptions
Social value	Habit	I'm used to buying something every season
	Experience	I think HongKongnese won't like bad service (sales person only paying attention to high spending tourists)
	Business occasion	[...] I have made the appointment for the visit, but there were too many people queueing in front the store [...] Even with booking you also have to wait, it's pointless
Brand value	Business occasion	Especially in finance, you must have some luxury products, business would be easier if you impress your clients as you are well dressed
	Affirm status	Sometimes, the receptionist also uses a (brand name), if a high-ranking officer also uses the same [...] Then she needs a (brand name) to prove her status is higher
	Social circle	Sometimes, I buy too much under the influence of friends or family Sometimes, when I meet my familiar sales person, I feel like I have to buy something in order not to disappoint them
Brand value	History	A luxury brand must have characteristics? History
	Reputation	The brands have standards, you can be sure of it (quality).
	Brand value	Because it doesn't cost hundreds of thousands to manufacture, but I could afford, for what's its value, which is not connected to the physical product
Recognizable style		We could also find fine, unbranded product, it's OK as a durable goods, and its value is its real value. But if I want to buy luxury goods, the brand has to has something that's worthy of the value
		Luxury brand has its own style, classic style

Appendix 4

Dimensions	Elements	Descriptions
Functional value	Material	The material being used reflects its quality Its material is superior, more attractive I value material a lot, I won't buy synthetic materials no matter how good they look
	Craftsmanship	It's a kind of craftsmanship that the brand is committed to for years [...] this kind of craftsmanship could only be enjoyed by royal families in the past
	Aesthetics	[...] outstanding design, glamorous I think how it looks is extremely important, the design
	Recognized/classic style	Luxury brands have their classic style, something you bought ten years ago, it is still stylish ten years later
	Delicacy	Delicate detail differentiate a luxury product
	Durability	A bag could be carried for five, even ten years
	Non-essential	[...] If I think these things could be called luxury because they are not essential or necessary
	Expensive	It's luxury because it's expensive, only the rich people could have
	Pursuit of quality life	Quality life includes many aspects, if every aspect reaches certain standards, it is a luxury Luxury doesn't only mean bags, clothes and shoes, but the overall state of being
	Self-identity	Behind the materialistic stuff, it means a superior lifestyle If I feel that I'm not well dressed, I think my self-confidence is also compromised [...] when I carry this, it shows I'm a substantial person, or I have good taste, not to give the impression as just being vain
Financial value	Self-reward	Some young people may think a product is good enough if it's stylish and pretty, but I think we also need something intrinsic of ourselves harmonious with the luxury products I think I have a quite solid financial foundation [...] I think at certain you should just spend something because you deserve it
	Experience	Luxury consumers know how to enjoy life, how to reward themselves When I like it very much, it feels like a piece of art, like savoring a piece of music, there's human emotion in it
	Freedom	First thing comes to my mind is that luxury is a holistic feeling [...] you have to have achieved certain status, and certain financial success, in order to have the freedom to choose everything according to your likes

Table AIV.
Perception of
luxury–Beijing

Table AIV.

Dimensions	Elements	Descriptions
Social value	Belongingness to reference group	Members in your social circle should be at about the same level in terms of status, education and income; you can't hang out with them without any of these (luxury products) [...] Otherwise they feel they are superior to you
	Business occasion	[...] the first thing they look is which watch you are wearing, or which bag you carrying
	Social occasion	For example, when I meet my clients, if my car, or my clothes are shabby, maybe the chance of success for this business meeting is also lower
	Show-off	You will need something of every kind for different occasions
	Affirm status	(certain brand or product category) every one could recognize immediately [...] Some subtle brands most people couldn't recognize
Brand value	History	Luxury symbolizes status
	Brand identity	There is cultural heritage embedded in the brands of long history
		They are persistent in continuing their tradition
		Luxury brands' reputation, and logo, give people unforgettable memories
		[...] like the signature material of (brand name), our technique couldn't achieve the same result, it has to be imported [...]