

A Research on Customer Luxury Perceived Value in Chinese Non-First Tier City

(Summary)

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Before I came to Italy at Sep 2014, I have done two internship jobs in china, both of them were relative to the fashion industry. So at that time, I got some subjective concepts about this industry in my own country. Fortunately, china is enjoying a good and continuous growth of economy and the Chinese people could obtain increasing disposable income. I felt very interesting about this phenomenon, and at the summer of 2014, I set my mind to choose Luiss as my university and Luxury Management as my major to have a further study. When the first wonderful day started in Rome, Italy, I had already thought about the topic until I decided the final paper title: "A Research on Customer Luxury Perceived Value in Chinese Non-First Tier City".

Due to the special national conditions, the Chinese middle-classes are becoming richer. In fact, a majority of these middle-classes customers would live in the non-first tier cities in china as a result of both macro environment, life pace, and even the natural weather. China is expected to become the world's largest luxury consuming market around 2020, at that time, the number of first tier cities in china would beyond five. What's more, these cities would become the largest ones with thousands of population, which leads to that the market in the first tier cities (like, Beijing Shanghai) are reaching saturation and the competition among the luxury brands are reaching extremely fierce in these regions. Actually, there is a growing trend that the traditional famous luxury brands are going to expand from coastal to inland regions of china. In other words, the non-first tier cities could be the new growth engine for luxury business in china in the near future.

Therefore, this paper focused on analyzing the customer behaviors and purchasing needs and demands at the non-first tier cities in china. These potential customers were easily ignored before, but they could be the main force of the luxury products purchasing power later.

As a result, through the backgrounds above we know that it is necessary to learn more about the customers in this area to understand what perceived value they pursued? What are their consuming behaviors and what characteristics are about the segment markets in this area? Specifically, this paper focus on the customer luxury perceived values in the non-first tier cities on the basis of previous research in economics, sociology and psychology, examining the structure of customer perceived value and the connection with their personal characteristics and demographic information. For this purpose, we took Xi'an as an example (Xi'an is an ancient city and now is the capital city of shannxi province in the northwest part of china with a GDP 547.4billion and 12 million population at 2014) and a total of 177 customers participated in this survey, with which we could have a further study of the customer luxury perceived values in this region.

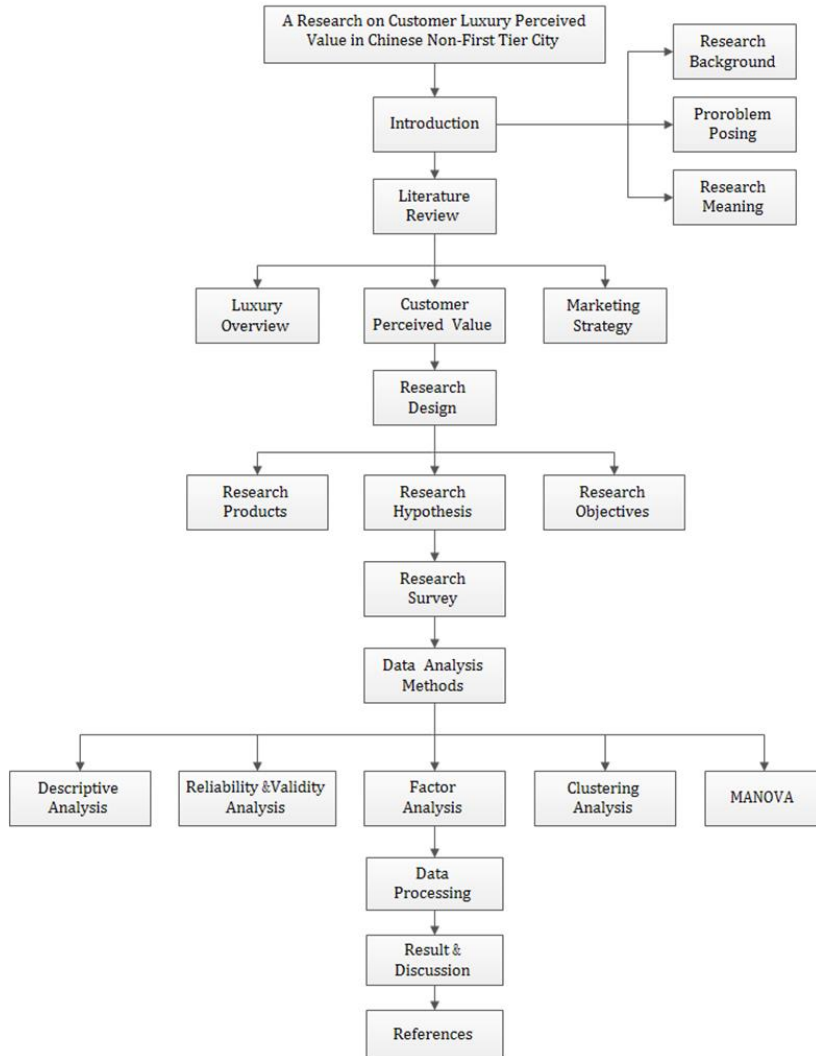
In the winter of 2014, started at December until to the February of 2015, I personally conducted the scale design and the survey. By the help of Prada Xi'an and Tod's china, we deliver the scale to the target customers and collected them successfully. Then, I started the data analyzing and processing phase. Until the end of March, I began the paper writing. Now I will have a detailed explanation about the paper.

Firstly, this paper used this to define luxury goods, which refers to the global sales of high-end apparels, accessories, watches and jewelry, and other products are projected to rise to 210 billion Euros in 2013(Roberts, 2014), then reviewed the history and development of luxury goods in Europe. After finding some materials about the luxury brands introduced in china, this paper focused on describe the luxury development in mainland china and found that since the reform and open policy at 1979, the European luxury brands gradually appeared

in the mainland Chinese market. Until now they had reached a rapid growth and the Chinese luxury market is supposed to become the largest one in the near future. There are a growing number of Chinese customers who are fond of the international luxury brands. I collected a large number of data and compared the market share in US, Europe, mid-east Asia, Japan, etc...

Afterwards, this paper stressed on analyzing the modern Chinese luxury customers, especially the customers from the non-first tier cities, like the emerging of the middle class is facilitating the development of the luxury business in china. By 2015, there will be 76 million households come into the middle class family who would contribute 40% of the luxury purchases share. It is mainly concentrated in business managers, executives, private enterprise boss, celebrities, etc. So that it is clear that the Chinese luxury markets will see a gradual growth in the next few decades, but a new consuming tendency and a changed condition should be taking into account. That is to say, the luxury goods market in the first tier cities in china are reaching saturation, like Beijing or Shanghai the biggest and richest city in china, they could not grow so rapidly like what they did before, on the contrary, the non-first tier cities like Wuhan in the middle, Xi'an in the west, Chengdu in the south-east, with the huge market and potential customers, these non-first tier cities could be the new growth engine for luxury business in china. What's more, at the macro level, the new Chinese government introduced many new policies, like controlling government consuming and anti-corruption as well as facilitating the development and construction of middle and small cities.

After finishing this discussion, the whole research background and under which the research questions are presented. Actually, we could image that in the future few decades, the main consuming growth in china should come from the non-first tier cities and in this study we will use series of feasible methods to analyze the customers there. So that we get our whole research path, as follows:



As you can see in the image, the whole paper’s logical clue has been given. In terms of the first part, namely the Introduction, three main issues has been discussed, respectively, “Research Background”, Problem Posing” and “Research Meaning”

Then, I come forward to the next part which was a phase that you should read a lot, collect so much and learn from others to finally get your views. Certainly, I shall have a detailed and clear literature review about my topic.

In this part, I used a method from the most basic to the complexed ones. First, I introduced the concept about luxury goods, to see what was in their mind, both from Morgan Stanley (1997), Global Industry Classification Standard (GICS), Mckinsey (1991) , Deaton& Muellbauer, (1980); Lancaster, (1971).

Second, I deeply summed up the features about luxury goods, respectively including, (1) Non-necessities of life. (2) High quality. (3) High prices. (4) Output control. (5) Channel extension. (6) Symbolic meaning. (7) Brand culture. (8) Relative evolution.

The third part was one of my favorite parts, because it took me so much time to study the international famous luxury brands and the main players. It was a very interesting process from which I learned a lot of luxury brands knowledge. At last of this part, the top ten world luxury brands were listed according to the report released by the world brand laboratory at 2011.

Fourth, I summed up the theories of customer perceived value and introduced many experts like scholars Zeithaml & Cravens et al. The luxury perceived value can be used to explain the intrinsic motivations of the purchasing decisions made by luxury consumers. Whether consumers are satisfied with the purchased luxury goods and whether luxury brands will maintain their consumers both depend on whether consumers can gain more value from the luxuries. As a result, many enterprises have gradually regarded the luxury perceived value as a new source of competitive advantages. What's more, this paper following conclude three kinds of oriented perceived values, including (1) Society-oriented luxury perceived value, (2) Individual-oriented luxury perceived value, (3) Combined luxury perceived value of both society-orientation and individual-orientation.

Last but not the least, I detailed reviewed the market strategies from the theoretical aspect. "4P 4C 4V 4R" were come up with then, which could be very helpful when giving suggestions for the luxury company in non-first tier cities.

Then, I came to the most essential part, namely the research design part. First I chose the research objects and research products (luxury bags). Second, from the last chapter about the literature review of the customer perceived value, the main research dimensions about the luxury perceived value were basically figure out. This article was on the basis of the predecessors' studies, putting forward the research dimension and the diagram of thoughts and 3 main hypothesis and 9 sub-hypothesis

H1: The customer luxury perceived value contains five different dimensions in the non- first tier cities in china

H1a: It exists the flaunt value among the customers in the non- first tier cities in china

H1b: It exists the collection value among the customers in the non- first tier cities in china

H1c: It exists the guarantee value among the customers in the non- first tier cities in china

H1d: It exists the enjoyment value among the customers in the non- first tier cities in china

H1e: It exists the achievement value among the customers in the non- first tier cities in china

H2: There is significant difference between the demographic variables and the consumer luxury perceived value in non-first tier city in china

H2a: There is significant difference between the gender element and the consumer luxury perceived value in non-first tier city in china

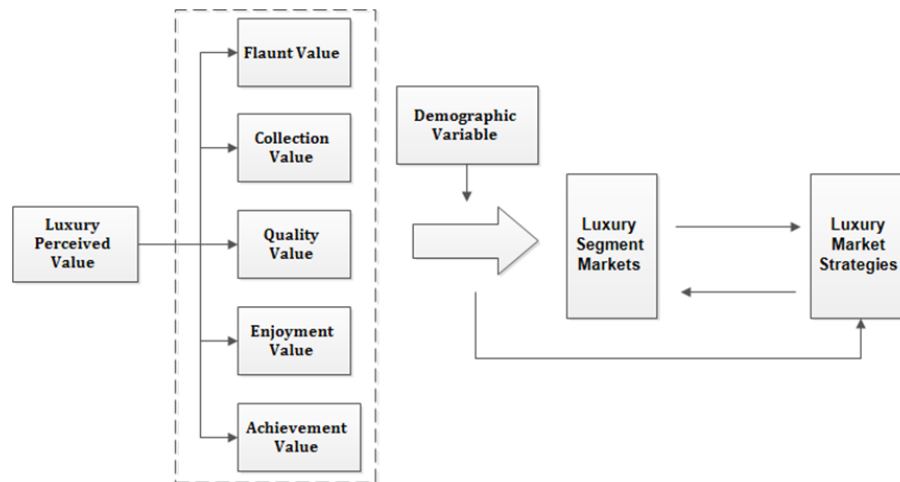
H2b: There is significant difference between the age element and the consumer luxury perceived value in non-first tier city in china

H2c: There is significant difference between the income element and the consumer luxury perceived value in non-first tier city in china

H2d: There is significant difference between the education level element and the consumer luxury perceived value in non-first tier city in china

H3: There are significant differences exist in the different luxury perceived value clusters in the non-first tier city in china.

And you could see the research model as shown in the figure below



The scale of this study includes two parts, on the one hand is twenty specific problems for the five dimensions of luxury perceived value according to the above hypothesis, on the other hand is the detail information about the demographic variables. This study adopted the Likert scale (seven level), setting to "strongly disagree", "disagree", "somewhat disagree", "it doesn't matter", "somewhat agree", "agree" and "strongly agree", meanwhile giving the evaluation from 1 to 7 points according to the options in order to realize the quantitative analyze.

This survey started in November 2014 and lasted for about three months. Totally 200 questionnaire copies were distributed and 177 copies were retrieved. The questionnaire efficiency reached 88.5% after incomplete copies and copies with abnormal values were rejected.

Then I started the reliability analysis and validity analysis of the scale and got the positive feedback. After come the factor analysis, for the factor analysis conducted in this paper, characteristic roots with the characteristic value larger than 1 will be selected with the principal components analysis method and factors will be extracted with the largest-variance orthogonal rotation manner. This paper has studied the scale construction validity and has discovered that the accumulative variance contribution ratio of the previous 5 factors reach 56.367%. Finally got 5 factors, namely, "showoff -face" factor, "uniqueness-fashion" factor, "quality-confidence" factor, "emotion-enjoyment" factor, and "extension

-accomplishment” factor.

On the basic of the factor analysis, I continue to doing the Cluster analysis until conclude 3 different clusters, namely, self-assertion, practical and satisfied emotional appeal.

At the last, the demographic variables in this paper include sex, age, monthly income and education background. Through questionnaire collection and preliminary MANOVA, it has been concluded that the demographic variables vary significantly in the perceptive values about luxury products by setting the demographic variables as the fixed variables and five perceptive value factors as the dependent variables.

Thus, the final research results of this paper are showed as follows:

No.	Hypothesis	Test
H1	The customer luxury perceived value contains five different dimensions in the non- first tier cities in china	Support
H1a	It exists the flaunt value among the customers in the non- first tier cities in china	Support
H1b	It exists the collection value among the customers in the non- first tier cities in china	Partly Support
H1c	It exists the guarantee value among the customers in the non- first tier cities in china	Partly Support
H1d	It exists the enjoyment value among the customers in the non- first tier cities in china	Partly Support
H1e	It exists the achievement value among the customers in the non- first tier cities in china	Support
H2	There is significant difference between the demographic variables and the consumer luxury perceived value in non-first tier city in china	Support

H2a	There is significant difference between the gender element and the consumer luxury perceived value in non-first tier city in china	Partly Support
H2b	There is significant difference between the age element and the consumer luxury perceived value in non-first tier city in china	Partly Support
H2c	There is significant difference between the income element and the consumer luxury perceived value in non-first tier city in china	Support
H2d	There is significant difference between the education level element and the consumer luxury perceived value in non-first tier city in china	Partly Support
H3	There are significant differences exist in the different luxury perceived value clusters in the non-first tier city in china	Support

According to the research results, I started the luxury market analysis in Chinese non-first tier city, which contained 2 parts, the first one is Opportunities and Develop Trends, in this part, I summed up 3 features, like (1) Fast growth with huge potential, (2) The luxury consumer market is not mature, (3) The diversified consumption needs and desires. In each part, you could find sufficient data and statistics to prove it. And the second part is Challenges and Future Risks. Identically, there were features, like (1) The fierce competition among Global Luxury Brands, (2) The different culture backgrounds, (3) The impact from the local brands. And in each issue, you could see a detailed analysis.

After finishing these work, I finally come to the suggestions part, which is the market strategies for the luxury companies who want to expand their business in the non-first tier cities in china.

Interestingly, you could find the specific strategies from the aspects of 4P, 4C, 4Y, 4R according to the literature review above. Certainly, these strategies were fit for the physical local customers' purchasing needs and demands as well as the macro environment of the non-first tier cities in china in the near future.

Then I explained the Study Limitations and Future Research Direction, which had 5 aspects that you could find in the sixth chapter. Afterwards, you could see the attached questionnaire and the final Acknowledgement.

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