

Factors affecting customer's purchase intention towards global luxury brands: A case of China

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ABSTRACT

The global luxury consumption among the consumers in the market has seen an increase as a form of interest and attraction towards the offerings and values that are being provided by the global luxury brands in the market. Such values which have been developed by the global luxury brands has further pushed the values and consumer perception towards the products that are being offered leading to the capabilities in influencing their consumer purchase intentions. Therefore, the purpose of this study is to determine the factors affecting customer's purchase intention towards global luxury brands. The methodology used in this research is the primary data where the questionnaire administration is being used as a quantitative research method to collect the data from the respondents in this research. The findings of this study has been expected to study the factors which are brand equity, brand storytelling, social media richness, and shopping experience on the customer's purchase intention among the consumers in the market. Thus, the consumers who have purchase any forms of luxury brand such as fashion and automobiles are being focused on this research. Furthermore, this research has been focused on the factors that are being studied such as brand equity and brand storytelling while being mediated by the shopping experience and moderated by the social media richness. Thus, this research is being limited to such factors only.

Keywords : *luxury brand, purchase intention, brand equity, brand story-telling, social media*

1.0 BACKGROUND

1.1 Global luxury market

During the first year of the COVID-19 in 2020, the value of the global luxury market has fallen significantly. The overall global value of the luxury market fell by around 30%, from €281 billion to €220 billion. The global luxury market's total sales, according to Danziger (2022), would have climbed by 13 percent to 15 percent in 2021, bringing the total to €1.14 trillion, suggesting that the sector has recovered from the problems it had in the first year of the decade. Global luxury market consumption is centred on the Americas and China, with the Americas accounting for 31% and China accounting for 21% of total global luxury market consumption, respectively. Customers in both nations are very interested in and drawn to the products and services offered by global luxury brands. Today, LVMH, which is the world's leading luxury goods company, have achieved record sales as customers from all over the globe are lured to the luxury goods that are being pushed and distributed to consumers (Rascouet, 2022). LVMH is the world's biggest luxury goods conglomerate and is headquartered in Paris. A V-shaped recovery has been seen in the company's revenue since the outbreak started in the previous year of 2020, which reached €64.2 billion in 2021 after the epidemic began in the year before to that year. In response to the products and services given by global luxury brands, it has been proved

that customer purchase intentions have changed, resulting in the recovery and expansion of the luxury brand's market share.

1.2 Luxury Market in China

According to Cheng (2022), by 2025, China would have eclipsed the United States as the world's biggest market for luxury goods. The luxury goods market in China is expected to reach US\$73.6 billion in 2021, representing a 36 percent growth over the previous year's total. The expansion in the number of duty-free merchants in Hainan, a province located on the island of Hainan in southern China, according to industry analysts, is one of the most important drivers of the country's domestic luxury market. Additional to this, the central Chinese government has passed new government policies in the past two years to lower taxes and implement other business-friendly measures with the goal of transforming the region into a free-trade area and international consumption zone in the next years. As a result of the violent riots in the Chinese semi-autonomous province of Hainan, a number of international luxury brands have begun to relocate their operations from Hong Kong to Hainan and other regions of China. The relocation is planned to take place by the end of 2020. The sales of luxury items at Hainan duty-free stores, according to official statistics, are expected to expand by 85 percent per year, or 60 billion RMB, by 2021, resulting in an annual increase of 85 percent. In the period 2016-2021, it is predicted that this sum would account for 13 percent of the overall Chinese personal luxury goods market. The current zero-COVID policy of the Chinese government, which has imposed strict restrictions on travel abroad and sometimes even within the country in order to contain the spread of the COVID-19 pandemic in the current rising Omicron wave around the world, which is currently affecting the entire world, is expected to continue for several years as a result of this trend, which began in 2021 and is expected to continue for several years to come as a result.

1.3 Consumers of global luxury market in China

A rapidly changing global luxury market experiencing significant growth in the current COVID-19 pandemic as a result of technological development and the digital revolution that has supported its rise (Xu et al., 2021, Jiang et al., 2021). For global luxury brands in the past, integrating technological advancements into their operations was a difficult task; however, the increasing number of consumers entering the luxury market, particularly among Millennials and Generation Z, has prompted a shift in strategy among the industry's leading brands. Furthermore, as previously said, the increase in disposable income among the nation's population has also led to the increase in consumption of luxury goods in the country, which has been ascribed to the increase in disposable income among the country's population, as previously stated.

China's middle-class families, earning between US\$ 2,600 and US\$ 3,900 per month, have had the strongest income growth, making them the fastest-growing luxury consumer groups in the nation (Xu et al., 2021). This market sector, known as the middle class, is made up of individuals who are enthusiastic about the acquisition of luxury goods and who are prepared to spend a significant amount of their discretionary income on the products of high-end producers. "Fresh entrants" are those who are new to the market and have not yet established themselves. Customer purchasing behaviour has been shown to be influenced by their desire to use purchases of luxury items as status symbols to communicate with members of society and others about their increase in social and financial position, as well as to distinguish themselves from others, according to research. Although middle-class consumers spend on average less than their richer counterparts, their numbers are substantial enough to have a major influence

on the overall consumption of luxury goods in China. This is due in part to the fact that the middle class in China already accounts for 45 percent of the country's total population, with the figure predicted to rise to 76 percent by 2022 (Ponzini, 2020).

There are 79 percent of Chinese luxury clientele are under the age of 40, with 56 percent belonging to the post-'80s or Generation Y (years 31-40) and 23 percent belonging to the post-'90s or Generation Z (ages 21-35) generations (ages 31-40) (Jiang et al., 2021). As a result, when compared to their European and American counterparts, they are 10-15 years younger on average between the ages of 21 and 30 when compared to them. Recent research indicates that consumers in Generation Y have seen China's ascension to superpower status and that they often spend to demonstrate their own financial well-being. According to recent study, as a result of China's one-child policy, Generation Z is growing interested in more personalized or customised merchandise, as well as technologically improved shopping experiences. The most popular segment of Chinese consumers in terms of luxury consumption is predicted to be those aged 25 to 30 in the next three to five years, according to the International Luxurious Consumer Forecast (Jiang et al., 2019). In China, when we speak about "Generation 2," we are referring to the shifting demographics of the country's burgeoning middle class, which is mostly made up of young people.

The Chinese luxury goods sector has also seen the emergence of a substantial demographic, with women between the ages of 35 and 45 accounting for a large share of the industry's once-dominant male populace. As a consequence of their perseverance and dedication, Chinese women are beginning to catch up with males in terms of employment statistics, attaining more financial independence and social status (Mo, 2020). Individuals now have more buying power than they have ever had in the past, and they are spending more money on luxury goods to reward themselves for their hard work and personal accomplishments than ever before. Currently, women control three-quarters of the luxury goods market in China, earning on average 25 percent more than their male colleagues in the same industry on average. A growing number of high-end firms are hosting special VIP events that are exclusively for female customers and staff, which is increasing the popularity of gender-oriented communication in the luxury market.

Prior to the COVID-19 pandemic, Chinese visitors are increasingly visiting high-end luxury boutiques in other countries, while the number of Chinese tourists buying luxury products in China is declining. As stated by the Chinese government in official statistics, over 70% of Chinese luxury purchases are made outside the country's borders and abroad, accounting for 33% of total global luxury spending by Chinese consumers, according to the data. Travel has been more accessible, less expensive, and more tempting in recent years, resulting in a boom in China's tourism sector, with more than 145 million Chinese tourists projected to visit the nation this year alone (Zhang et al., 2021). Tourism from China is becoming more significant as a source of money in local economies across the world, and this is especially true in the United States. Since 2016, Chinese purchasers have been increasing their luxury purchases to include products such as luxury autos, fine dining, luxury hotels, and designer furnishings. Their spending on fine art and luxury experiences (such as private aircraft, yachts, and luxury holidays) has remained stable throughout the years, despite the economic downturn (Lu et al., 2022).

Purchasing luxury things from other countries rather than their own country is becoming more popular in China for a number of reasons, including the assurance of authenticity and the price

gap between the local market and the international market, among others. Chinese counterfeit items, in contrast to international norms, are widely available due to the country's weak enforcement of intellectual property restrictions. Purchase of luxury goods from other countries, according to clients in China who are looking for high-quality, legitimate things, decreases the probability of acquiring counterfeit goods. According to Wang et al., the large price disparity between China and the rest of the globe acts as the biggest justification in favour of acquiring luxury products from nations other than China (2020). Luxury goods are particularly expensive in mainland China as a result of high import tariffs and consumption taxes, growing lease and labour costs for luxury goods stores, as well as limited logistics and distribution infrastructure (Karadag & Erdogmus, 2020). As a result, prices might vary by as much as 11 to 40 percent depending on the product category, so be prepared to haggle aggressively. Chinese shoppers may save a large amount of money if they go to another nation and shop for luxury products there rather than at home.

In order to respond to the growing number of Chinese consumers throughout the world, luxury companies must be more aware of the contrasts between their native market and the international Chinese population as they design their business strategies for the worldwide Chinese population (Bharti et al., 2021). Thus, luxurious brands must now guarantee that their product quality and uniqueness are maintained across their whole product range, as well as at their many retail locations throughout the world, as a consequence of shifting fashion trends. It is possible that your consumers and clients may lose trust in you if you do not take the necessary actions to protect their interests. Chinese consumers may now have unique shopping experiences that are not available to them at home, and companies should take advantage of this chance to provide them to their customers (Atwal et al., 2020).

1.4 Global luxury brand social media strategies in China

According to Sun et al. (2021), the global luxury brands in China has engaged social media influencers to boost the sales and prominence that it has on the consumers who are new to the market especially the Generation Z consumers who are easily influenced. Based on the findings that has been established in the research, it has been identified that by engaging the social media influencers who are having a strong following on live channels through their social media platform in China, it is effective in allowing the global luxury brands to enhance their sales in the market that has been established. The use of the term “new media” by Furui (2021) in the research of the success of Gucci in the market in China has establishes the importance of integrating the marketing strategies with the narrative of the luxury products by the brand on the various social media platform. The positioning on the social media platform has also been developed in terms of the perceived value that the brand is having among the consumers allowing for it to match the social status that have been sought after by the consumers in China. According to Wang et al. (2021) the development of the global luxury brand social media strategy in China has been branded as multiple value-added initiative such as the integration of sustainability to attract and influence the consumers in the Chinese market who sought intrinsic values from the consumption of the luxury products that are being distributed. Such value-added initiatives are widely being communicated through the social media platform which the global luxury brands are highly aware of in terms of its significance in the daily lives of the consumers in China.

2.0 CURRENT ISSUES

Dobre et al. (2021) has conducted the research on the common values of social media marketing and luxury brands based on the perspectives of Millennials and Generation Z. The researcher

has emphasized on the perception on the luxury brands that are being influenced by the social media marketing were based on the context, it has determined that the motivation from the brands have been supported by the exposure that the consumer in such category has towards purchase intention towards the luxury brands that are being distributed in the market for the consumers. The issue that has been identified in this research is that the current Millennials and Generation Z consumers are highly dependent on channels such as social media networks consisting of various advertisements and information that plays a strong role in influencing the perceptions and understanding that are being developed by the consumers (Hing, W. Y., & Vui, C. N, 2021). As it has been identified that this group of consumers would develop into the consumers of the future, it is regarded to be an important target market that needs to be emphasized by the global luxury brands in shaping and influencing their consumers purchase intention to sustain the growth that the global luxury brands are experiencing in the current market. This is the gap that needs to be filled based on this research where the issues relating to the customer purchase intention needs to be fulfilled to clearly identify the factors for the future benefits of the global luxury brands.

The research by Kowalczyk & Mitchell (2021) has emphasized on the understanding of the luxury brand consumer behavior where it establishes the importance of perceived values that have been developed by the consumers based on their knowledge, influence of the reference group, and accessibility. The research has conducted the research involving 475 respondents in the United States where it has been identified that the factors that are being studied which are focusing on the internal and external factors that have been developed in impacting the behavioral measures and purchasing intention towards the luxury brands. However, the research has not focused on the efforts and investments that are being carried out in terms of the marketing and brand development that has led to it being able to influence the consumers purchasing intention. This is as it has been identified in the research that the customer's purchase intention of the luxury brands in the market is a process that the consumers is required to undergo when purchasing the luxury products as it is being set at premium prices. Therefore, this research has been conducted to contribute towards understanding the contributing factors such as brand equity and brand storytelling while being enhanced with the social media richness to impact the customer's purchase decision towards luxury brands in the market.

Another research by Karadag & Erdogmus (2020) on the digitalization of luxury fashion through the development of the omnichannel dream reveals another finding. The research emphasized on the development of the luxury fashion omnichannel strategy based on the integration of online and offline consumer experiences that are related to the rising needs and lifestyles of the consumer segments. The research has been conducted in the context of Istanbul, Turkey involving 16 respondents in the research. The customer experience has been focused on three major phases (Vui, C. N, 2021) which are pre-purchase, purchase, and post purchase where the illustration of the usage of the digital and non-digital channels are being presented to the consumers. The research has emphasized only on the customer experience based on the digital and non-digital channels where the customers are being exposed towards leading to the research gap being identified to be relating to the amount of information that are being communicated based on both channels to target the consumers that have been identified by the luxury brands. The research gap of this research is the limitations in terms of the scope of focus that are being identified by the researcher in studying the impact that social media richness which is the main channel that are being used by many consumers in the current time to search and be exposed towards the contents that are being created by the luxury brands in the market.

Shin et al. (2021) studied the relationship that Generation Z has on the luxury brands in the market as there has been limited research that has been conducted on this consumer segment in the market but has been identified in the research as a growing and upcoming market segment. The factors that are being studied in this research are the relationship that has been established between the Generation Z consumers with the choice of luxury brands, nature of the brand relationships, and the internal and external factors that are shaping such relationships. The research has been conducted according to 56 Generation Z respondents over 38 different luxury brands in the market. The findings that has been identified in this research are such as the Generation Z consumers based on their behaviour and attitudes but might not be having a strong loyalty towards the luxury brands in the market. The research gap has been identified is the location of the research that has been conducted where it is limited in the United States where the cultures, attitudes, and behaviour of the consumers are different compared to the consumers that are located in other locations across the world. Therefore, this research has been conducted in China to fill this research gap that has been identified from the research by Shin et al. (2021).

Colella et al. (2021) studied the social media interactions and brand luxuriousness with the role of materialism as the moderating factor. The purpose of the research is to determine the ways that the brand and consumer interaction based on the luxury brands on the social platform. The researcher has stated that the interactions that exists on the social media platform could be having a strong influence on the consumers relating to the perception of the luxuriousness of the brand where the emphasis had been placed on the consumers' materialism. The findings of the research have indicated that the branded luxury products when it is being communicated through the use of the social media platform especially among the consumers who are having high materialism levels. The research gap that has been identified in this research is the emphasis on the consumers' perspectives and their use of the social media platform where the interactions between the luxury brands and consumer takes place. Therefore, the gap this research has been emphasized in filling is based on the perspectives of the luxury brand and the ways that it is affecting the customers' purchase intention of the luxury products with social media richness as the moderating factor and shopping experience as the mediating factor.

The impulsive purchasing and luxury brand loyalty in WeChat mini program has been studied by Rao & Ko (2021). The researcher has explored the impact that the use of the WeChat mini program by the luxury brands in China to influence the impulse buying behaviour of the consumers while developing brand loyalty. The research has involved 200 Chinese respondents who have an experience of purchasing luxury brands on the WeChat mini program. The researcher has found that the luxury goods impulse buying behaviour among the consumers on the WeChat mini program has been based on task-related factors and emotions-related factors. The research has been limited as it only focuses on the consumers who are purchasing the luxury brands through the WeChat mini program while this research that has been conducted will be emphasizing on the customer's purchase intention on the various platforms that are available for the customers in China. Thus, this research will be fulfilling the gap that has been identified from the research by Rao & Ko (2021).

3.0 CONCLUSION

Based on the issues that have been identified, it is being suggested that the global luxury fashion brands could emphasize their efforts and resources towards the online platform capabilities in

communicating the brand values and offerings towards the consumers in the market which has been identified to be mostly the younger generation and middle income groups. The focus on such communication and digital marketing strategy would be regarded as a positive return on investment allowing for the global luxury brands to have a strong influence on the customer's purchase intention. Some of the key digital strategies that could be emphasized are such the presence in the social media platforms, digital advertising, and search engine optimization capabilities.

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