

# Analysis of the Factors Influencing the Purchase Intention of Luxury Goods

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## Abstract

With the rapid economic development in China, people's income has grown steadily, which is followed by the rapid changes of people's view on luxury consumption. Thus the luxury market is showing the trend of consumption upgrading and transformation. China has become the world's largest luxury consumers, with the rise of the Chinese fashion and the continuous rise of people's national consciousness, worshipping everything foreign no longer becomes the main pursuit of people. This paper takes consumer ethnocentrism as the foothold, conducts an empirical study on consumers' luxury consumption motivation, consumer ethnocentrism and consumers' luxury purchase willingness, then analyzes the relationship between them. We collect data by questionnaires and get 198 questionnaires, and use SPSS software to do descriptive analysis, reliability, validity test and regression analysis to explore the impact of Chinese consumers' luxury consumption motivation and consumer ethnocentrism on luxury purchase intention.

## Keywords

**Consumer Ethnocentrism; Purchase Intention; Luxury; Consumption Motivation.**

## 1. Introduction

In recent years, with the rapid development of China's economy, residents "income level has been steadily improved, and the upgrading speed of residents" consumption has accelerated, while the concept of luxury consumption has also changed rapidly. In the past two years, under the background of the continuous decline of luxury sales markets in Europe and the United States, the high consumption enthusiasm and strong consumption capacity of Chinese consumers have been impressive. China, with rapid economic growth, has the most potential luxury consumption.

After more than 100 years of history, the luxury markets in developed countries in Europe and the United States have been relatively mature, with a complete set of luxury production, distribution, marketing, after-sales and other systems. In contrast, China's luxury consumption market is still in its initial stage. At present, there are few internationally renowned luxury brands in China. It is difficult to find Chinese brands among the luxury brands with strong influence in the world. A considerable part of China's luxury consumers' consumption psychology is not rational enough, the one-sided pursuit of materialism and the psychology of showing off wealth still occupy an important part. whether worshipping everything foreign still occupy the main reason in the current luxury consumption, which is a question we must think rationally and independently.

## 2. Literature Review

### 2.1. Luxury Goods

"Luxury" comes from the Latin word "Luxus", which is translated as a strong reproductive power, extension and transmission power. But later, it has the meaning of waste and unrestrained. As for the definition of "luxury goods", there is no unified definition in academic circles. The definition of luxury goods by foreign scholars began in *The Wealth of Nations*, in which Adam Smith separated it from the concept of necessities, and he defined all non-necessities as luxury goods by using the exclusive method. Lancaster (1971) put forward the definition from the economic point of view. When the price elasticity of demand of a product is greater than one, we think it is a luxury. Jia Xiaojun et al. (2007) summarized six characteristics from the perspective of management to define luxury goods. First, they are refined and processed commodities. Second, high price and high quality are the fundamental characteristics. Third, they are featured by uniqueness and scarcity. Fourth, luxury commodity is a symbol of identity, with conspicuous nature. Fifth, they are produced in a specific region. And finally, they can reflect the inheritance of special culture and history. Zhu Mingxia et al. (2010) gave a broad definition of luxury goods in line with the characteristics of modern economy, that is, the buyer of luxury goods has a specific psychological expectation of the value they buy, and this psychological expectation brings the buyer a sense of pleasure far exceeding the use value of the goods.

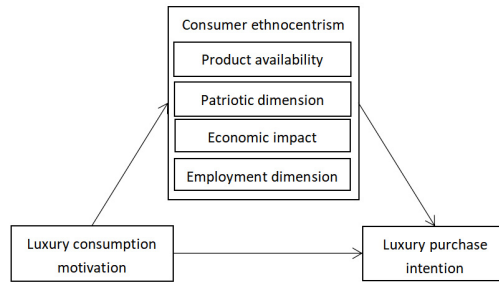
### 2.2. Consumer Ethnocentrism Tendency

Based on the previous research results, Shimp and Sharma (1987) proposed Consumer Ethnocentrism (CET) in the field of marketing and consumer behavior research for the first time. It is mainly used to express domestic consumers' confidence in the good quality of their own products and their belief in the unpatriotic purchase of foreign products. It is believed that consumers with high CET will consciously resist foreign products, while consumers with low CET will buy goods according to brand characteristics. Their definition focuses on the attitude towards foreign products and ignores the attitude towards domestic products. Consumer ethnocentrism is defined as "the consumer's belief in the morality of buying foreign products." Wang Haizhong (2005) believes that the specific meaning of consumer ethnocentrism is: When consumers face the choice of domestic goods and foreign goods, they will have the natural identification and preference for domestic goods, and the psychological resistance to foreign goods can be seen that the evaluation of domestic products is overestimated or the evaluation of imported products is underestimated. At the same time, people have the moral responsibility and obligation to buy and give priority to domestic goods.

### 2.3. Luxury Consumption Motivation Theory

Robert Franken (2005)'s Human Motivation mentions a core theme of contemporary motivation theory that all actions represent a tendency to adapt to the environment. Factor analysis provides psychologists with a more empirical way to establish the basic psychological structure of human motivation. This structure shows that all human behavior can be explained by five or seven needs or tendencies, and that each need or tendency is associated with a physiological system. Zhu Xiaohui (2006) compared and analyzed the differences in self-concept between the eastern culture represented by Chinese consumers and the Western culture represented by consumers, which further led to the differences in consumption motivation. Chinese consumers' luxury consumption motivation includes social-oriented consumption motivation (ostentatious, conformity, leading, social, identity symbol) and personal-oriented consumption motivation (exquisite quality, self-enjoyment, expression of inner self, self-gift). Yao Wenqi (1987) pointed out that consumers will have purchase behavior after they have purchase motivation. Buying behavior is usually measured by willingness to buy.

### 3. Theoretical Models and Research Assumptions



**Fig 1.** Theoretical Models

This paper proposes the following assumptions:

Ha: Luxury consumption motivation has a significant positive impact on luxury purchase intention

Hb: Luxury consumption motivation has a significant positive impact on consumer ethnocentrism

Hc: Consumer ethnocentrism has a significant negative impact on purchase intention

### 4. Empirical Research

#### 4.1. Sample Data

**Table 1.** Description statistics table

	Variable	Sample size	Percentage (%)
Sex	Female	146	73.7
	Male	52	26.3
Age	Under 20	41	20.7
	20-29 years	122	61.0
	30-44 years	20	10.1
	45-60 years	13	6.6
	Over 60	2	1.0
Highest education	Specialist and below	19	9.6
	Undergraduate course	113	57.1
	Master degree or above	66	33.3
My average monthly income	Less than 2000 Yuan	34	17.2
	2000~4999 Yuan	67	33.8
	5,000~9999 Yuan	63	31.8
	10000~15000yuan	21	10.6
	Over 15000 Yuan	13	6.6
Occupation	Civil servants of party and government organs	20	10.1
	State-owned enterprise employees	12	6.1
	Employees of foreign enterprises	2	1.0
	Employees of private enterprises	12	6.1
	Self-employment/entrepreneurship	2	1.0
	Student	117	59.1
	Other freelancers	33	16.7

A total of 202 online questionnaires were recovered in this survey, and 198 valid questionnaires were recovered, with an effective recovery rate of 98%. In the data sample of this study, from the perspective of sample gender, men account for 26.3% and women account for 73.7%. In terms of age, the population aged 20-29 accounts for 61% of the survey sample, the population aged over 60 accounts for the least, accounting for only 1%, and the population aged over 45-60 accounts for 6.6%; in terms of education level, the number of people concentrated on bachelor's degree is the most, accounting for 57.1%, Master's degree accounted for 33.3%, and 9.6% of colleges and below. From the perspective of household monthly income per capita, the respondents with a per capita monthly income of 2000-4999 are the most, reaching 33.8% of the total number, and the number of people in the range of 5000-9999 reaches 31.8%. But only 6.6% people can earn more than 15000 yuan per month. (See Table 1).

## 4.2. Variable Measurement

The design of luxury consumption motivation measurement scale mainly refers to the consumption motivation measurement scale designed by Yang Zhiguang (2015), and combines the characteristics of luxury goods to make appropriate supplements. The measurement method of luxury purchase intention has been widely studied, referring to the measurement scale of Zeithaml, Berry and Parasuraman (1991) and Li Bo (2013). The most authoritative and widely used measurement tool of consumer ethnocentrism is CETSCALE, which was put forward by Shimp and Sharma in the United States in 1987. The scale consists of 17 sentences and adopts Likert 7 Division scale. The validity of this scale has been widely used and tested in all regions of the United States and all countries in the world. The original scale was corrected by Dr. Wang Haizhong's English-Chinese translation. Because the whole process of the scale was carried out in the United States. The formulation, screening and verification of its sentences were carried out in the United States, which was quite different from the economic and cultural situation of China's native land. Some items did not conform to the actual situation of China. Therefore, this paper screened the scale of consumer ethnocentrism tendency and redesigned the scale of consumer ethnocentrism tendency to better conform to the National situation of China.

## 4.3. Questionnaire Design

The questionnaire is composed of five parts, including the measurement of relevant demographic variables, the collection of basic information, the measurement of each dimension of the scale, the measurement of luxury consumption motivation, consumption willingness and consumption preference. This paper adopts Likert's five-force model to measure, namely: one is "total disagreement", two is "less agreement", three is "neutral", four is "basic agreement" and five is "total agreement".

## 5. Analysis of Data Results

### 5.1. Reliability and Validity Test of the Scale

In this study, internal consistency index was used to test the reliability of the questionnaire, and Cronbach's  $\alpha$  coefficient was used to evaluate the internal consistency of the questionnaire. The scale used in this study was measured by 0.7 to test whether the questionnaire had good internal consistency. The Cronbach's  $\alpha$  coefficient of the ethnocentrism scale was 0.912, which was higher than 0.7. The KMO test of ethnocentrism scale was 0.892 > 0.6, and it was very significant that exploratory factor analysis could be performed. In the reliability and validity test of patriotism dimension, the Cronbach's coefficient is greater than 0.8, and the scale consistency of this dimension is very good. The data of KMO test was greater than 0.5 and the

coefficient of significance was less than 0.05, which showed that the scale had good reliability and validity. (See Table 2).

**Table 2.** The reliability and validity of ethnocentrism scale

	Cronbach's Alpha	KMO	Approximate carsquare	Df	Sig
Ethnocentrism scale	0.912	0.892	1273.578	45	0
Patriotic dimension	0.814	0.775	272.373	6	0

## 5.2. Intermediary Effect Test

**Table 3.** Linear regression result

Dependent variable	Predictive variable	F	B
Consumer ethnocentrism		3.489*	
	Luxury consumption motivation		0.185*
Willingness to buy luxury goods		16.466**	
	Luxury consumption motivation		0.411**
Willingness to buy luxury goods		6.425**	
	Consumer ethnocentrism		-0.183**
	Luxury consumption motivation		0.445**

By stepwise regression of the three variables, we can see that luxury consumption motivation significantly affects consumer ethnocentrism; luxury consumption motivation significantly affects luxury purchase willingness, and consumer ethnocentrism significantly affects luxury purchase willingness, so we think that the intermediary effect is significant (Wen Zhonglin, 2014).

## 6. Research Conclusion and Revelation

Luxury consumption motivation has a significant positive impact on luxury purchase intention, and consumer ethnocentrism has a significant mediating effect between luxury consumption motivation and purchase intention. Consumer ethnocentrism has a negative impact on luxury consumption willingness, which shows that people are more willing to focus on Chinese local brands than foreign luxury goods to a certain extent, which also provides certain opportunities for Chinese brands.

Pay attention to the change of motivation and cater to the emerging consumers and motivation. Compared with the conspicuous motivation, the unique motivation is stronger. Especially after having a deeper understanding of the relevant knowledge of luxury goods, the performance of self-pursuit in the purchase motivation of luxury goods makes the new growth point appear in the minority brands. This is a new development opportunity for those high-end minority luxury goods. Similarly, for the International first-line brands, how to cater to these emerging consumers and the change of such motivation is a problem worthy of attention in the future development strategy. Correctly understand consumption motivation and guide it in a targeted way. Due to the unique social attribute of luxury goods and the immature consumption market of luxury goods in China, in many people's eyes, luxury goods represent showing off, but the consumption motivation of luxury goods is complex and diverse, not only different from person to person but also the motivation is a constantly changing dynamic process. Luxury goods are no longer the exclusive of specific social groups. In the process of advocating moderate rational consumption in China, it is not only aimed at the education of ostentatious and vanity, but also

focused on the guidance of reasonable consumption in the aspects of excessive seeking differences and excessive enjoyment.

In addition, combined with the actual situation, China is in a new normal, economic development from high-speed to medium-low-speed. Regional development is unbalanced. In the choice of luxury channels, Company should do a good job in research. They should grasp the psychological needs of luxury consumers and guide reasonably to improve the taste of consumers.

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