

# A Study on Purchase Motivations of Consumers in the Luxury Market

Hongying Zhu<sup>1, a</sup>

<sup>1</sup>Wheaton academy, West Chicago 60185, America.

<sup>a</sup>sherry010811@163.com

## Abstract

**With the rapid development of global economic integration, the rich culture represented by luxury also gradually develops when more and more people prefer to purchase luxury goods. Nowadays, the industry of luxury accounts for the major market share and in order to pursue satisfaction in material and spiritual levels, consumers continuously purchase luxury goods. Therefore, based on the basic condition of the development of Chinese luxury-goods market, this thesis makes a deep analysis on purchase motivations of consumers for purchasing luxury goods, and then put forward marketing strategies of Chinese luxury goods according to purchase motivations of consumers.**

## Keywords

**Luxury-goods market, purchase motivation, conformity motivation, gift-giving motivation, channel strategy, product strategy.**

## 1. Introduction

Since reform and opening-up in 1978, Chinese market-oriented economy has developed and the level of opening up has improved, which leads to dramatic changes of people's living standards and values [1]. Gradually, people who inclined to the frugal consuming mode turned to the luxury consuming mode, and even some consumers began to buy products for flaunt. At present, with the development of Chinese economy, the income of Chinese people has increased, and China gradually becomes one of the most important luxury-goods markets in the world. Hence, it is important and meaningful to conduct a study on purchase motivations of consumers in Chinese luxury-goods market.

### 1.1. The Introduction of Luxury Goods

#### 1.1.1. The Definition of Luxury Goods

In general, luxury goods are not only goods making people comfortable, but also a kind of life sentiment. Although they are not the necessities of life, they are what we most long for, rare and valuable [2]. Internationally, luxury goods are now defined as the consuming goods with unique and scarce characteristics which outstrip the demand of survival and development of human beings.

In economics, luxury goods refer to the products with the best quality and the highest value. From another angle, luxury goods mean the products with the highest ratio between intangible value products and tangible value products. In China, the word luxury almost represents the meanings of extravagance and greed, showing a derogatory sense [3]. In fact, according to economics, purchasing luxury goods is a kind of superior and extravagant consuming behavior in essence with neither commendatory sense nor derogatory sense. Furthermore, from the perspective of social development, purchasing luxury goods is the manifestation of the improving life quality of a person.

### 1.1.2. Characteristics of Luxury Goods

There are four main characteristics of luxury goods. First, they are expensive. Usually, high price means good quality because only the high price can fully show the superior image of luxury goods which are considered outstanding and the best. The Second characteristic is scarcity. The resources of luxury goods derive from nature, which leads to the limited quantity and the requirement of skilled techniques during the production process, thus only few people can afford luxury goods. It is its scarcity that luxury goods seem more valuable. Additionally, luxury goods are characterized by specificity. Luxury goods refer to specific products of specific brands, showing its high specificity. Besides, luxury goods also have the characteristic of nonessentials, whose value is often shown through its practicability [4].

### 1.1.3. Classification of Luxury Goods

As for luxury goods, based on the material and spiritual levels, they can be divided into two kinds, intangible luxury goods and tangible luxury goods, and the former one refers to invisible and touchable goods, only exist in the spiritual level while the later one means actual goods which have their own specific images [5]. There is a certain relationship between these two kinds of luxury goods, meaning that the characteristic of intangibility is the embodiment of its access to tangible goods.

At the micro level, luxury goods can be divided into different levels according to their prices such as entry-level, intermediate-level and top-level[6].Specifically, luxury goods at entry-level are common, easily accepted by consumers owe to their relatively low prices compared with those luxury goods at intermediate-level and top-level. By comparison, luxury goods at intermediate-level and top-level belong to scarce goods because of their relatively high prices, so only few people can afford them.

At the macro level, luxury goods can be also categorized into small and big goods according to their sizes, of which small luxury goods include some famous brands of wine and clothes and so on while the large luxury goods include some private goods such as top cars, planes, steamships, villas and so on.

## 2. The Purchase Motivations of Consumers for Luxury Goods

Affected by Chinese traditional culture, Chinese consumers have different consumption concept from the western consumers, especially on the consuming motivations for luxury goods. Generally speaking, there are four kinds of purchase motivations of Chinese consumers, conformity motivation, motivation of conspicuous consumption, gift-giving motivation, and motivation of compensatory consumption. Compared with western consumers, Chinese consumers show a different consuming behavior, which means that they are easily influenced by groups. Chinese consumers think more of others suggestions and opinions, paying more attention to the social group effect brought by personal consumption and the degree of acceptance and agreement in the group.

### 2.1. Conformity Motivation

Conformity is the act of matching the consumption concept and consuming behaviors to group norms, the phenomenon that people tend to be consistent with most of people in society on the aspect of consumption [7]. In the luxury-goods market, any part of group members purchasing a certain kind of product can motivate other members to purchase this kind of luxury goods to some extent. Affected by Chinese traditional culture, Chinese people, preferring to compare with others, are more face-saving. Therefore, conformity motivation is one of the most important purchase motivations for luxury goods among four kinds of motivations in China.

## 2.2. Motivation of Conspicuous Consumption

Motivation of conspicuous consumption means that the objective of consumers buying luxury goods is not to meet their own consuming demand, but to show off. With the improvement of national living standard, disposable income of Chinese people has increased, thus people gradually form a habit of conspicuous consumption, and more and more people want to realize goals of self-satisfaction and self-recognition by flaunt.

## 2.3. Gift-Giving Motivation

Since ancient times, there has been the tradition of exchanges of gifts in China. Therefore, some consumers are not for their own sake, but for giving gift to others when they purchase luxury goods. Gradually, giving luxury goods as gifts to others becomes a trend. Luxury goods are so expensive that they are the embodiment of respecting and treasuring others. In consequence, there are a part of consumers purchasing luxury goods for gift-giving.

## 2.4. Motivation of Compensatory Consumption

The motivation of compensatory consumption means that loss occurs in some respects while something compensates in other respects [8]. In a word, the demand of a good can be compensated by another good. In China, luxury goods are regarded as the symbol of one's identity, power and taste. For this reason, there are quite a few consumers treating luxury goods as the compensation for some aspects such as fortune, social status and career. Many consumers who purchase luxury goods are not successful people or the rich, but the normal people who purchase those luxury goods out of the motivation of compensatory consumption

## 3. The Marketing Strategies of Chinese Luxury-Goods Based on Purchase Motivations

The ultimate objective of the study on purchase motivations for luxury goods is to guide marketing sectors of enterprises to make a better marketing activity for luxury goods in China, and to help them find the luxury-goods market and formulate more scientific and effective marketing strategies. Therefore, this thesis puts forward a series of marketing strategies based on some aspects, product, price, channel and promotion strategies.

### 3.1. Product Strategy

Product strategy mainly aims at the different purchase motivations of consumers. Merchants can make different marketing strategies for various luxury-goods. As for luxury goods, firstly, enterprise should create their own brands, and improve the popularity of products by many kinds of means. Only with popularity, products can attract more consumers. Moreover, enterprises should enhance the level of luxury goods, endowing them different meanings and values such as historical value, cultural value and so on. When the popularity of luxury goods reaches a certain level, the inner value of the brand will become a kind of value which cannot be substituted. Besides, the packing of luxury goods should be focused. Packing with high quality can draw consumers' attention immediately, which is important in cigarettes, wine and cosmetics. In addition, products should be unique with their own style. Only in this way can products attract more consumers.

### 3.2. Price Strategy

During the process of pricing, it is required to adhere to the principle of consumer demand oriented. On the one hand, fixing price needs to be based on the deep understanding of consumers' acceptance of the value of one luxury-goods brand. At present, more and more enterprises begin to realize that the key to pricing is a consumer's value recognition of a brand rather than the cost. If consumers consider that purchasing a luxury good embodies their social status, and symbolizes the fortune, they will actively buy the product even though it is at high

price. For this kind of consumers, the higher price can meet their needs of pursuing extraordinary values. According to the research in this thesis, there are many consumers in China who purchase luxury goods in order to meet their own needs, so during the process of pricing, enterprises of luxury goods are supposed to firstly think of consumers' views on their products, and to deeply explore the values of the products, which can make a better decision on prices.

### 3.3. Channel Strategy

Only by good marketing channels, marketing of products with high quality can be realized. As far as the marketing channels are concerned, on the one hand, enterprises can use effective marketing channels. It is common that luxury-goods markets in the world are unsaturated, which can motivate people to buy luxury goods. Therefore, when marketing, enterprises can cover the limited channels to stimulate the purchase desires of consumers. On the other hand, enterprises should choose traditional modes of sales, taking the mode of store sales as the major mode of sales. Besides, enterprise of luxury goods can also adopt the mode of indirect channels to conduct the product marketing, and learn the advanced marketing strategies made by pioneers in the luxury-goods market to realize the marketing of luxury goods with more economic benefits.

### 3.4. Promotion Strategy

Promotion strategy plays an important role in marketing of luxury goods. On the one hand, enterprises of luxury goods can advertise on some magazines, internet and TV programs with a good reputation to make effective publicity, attracting more potential consumers. On the other hand, joint promotion can be adopted by enterprises. Due to the relatively low popularity and influence of Chinese luxury-goods brands, enterprises can make good use of some foreign famous brands of luxury goods to improve their own popularity. Additionally, enterprises can also take advantages of various resources to popularize their brands to make more people know and deeply understand meanings of brands, which can further promote the brand popularity.

## 4. Conclusion

In conclusion, in the expanding luxury-goods market, the consuming demand of people turns to be diverse. As for the enterprise of luxury goods, only by deeply entering the market and knowing purchase motivations and behaviors of consumers, can they formulate the specific marketing strategies. At the same time, in order to gain more economic benefits, enterprises need to broaden the popularity of their brands, and attract more consumers by the brand influences.

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