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**The influence of luxury brand added-value on the purchase behaviors of Chinese  
millennials**

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by

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## **ABSTRACT**

*The objective of this paper is to explore the purchase behaviors of Chinese Millennials with the increase of brand added-value, specifically in the field of luxury brands. Chinese millennials have a different attitude and understanding of luxury brands when comparing with other generations. They are willing to pay extra money for luxury brands and females are more emotional than males when they purchasing luxury brands. In addition, with the huge shift of social environment, their perceptions of value are different from other generations. The questionnaire is designed after interviewing 30 volunteers their attitudes about the increase of brand added-value will directly or indirectly change their purchase behaviors. 200 responses are collected within 2days. After that, we find the relationship between brand added-value and purchase behaviors in the field of luxury brands by using Jamovi. The results show that not all factors which cause the increase of brand added-value will have a positive impact on consumers. Only high quality which improves the brand premium of a brand can promote. Those business people have a high interest in these results because they always want to get more consumers with the brand added-value increased.*

**Keywords:** *Chinese, Millennials, brand added-value, purchase behaviors, luxury brand*

## INTRODUCTION

According to the China Luxury Report 2019 published by McKinsey Company, China gained more than half the global growth in the luxury market between 2012 to 2018. At the same time, China's post-80s generation is the driving force of the country's luxury appetite. In addition, the company predicts that China luxury is 770 billion RMB and will double to 1.2 trillion RMB by 2025 (*McKinsey-China-Luxury-Report-2019-English.pdf*, n.d.). Podoshen's findings also consist of this conclusion that conspicuous consumption is rising among Chinese millennials' consumers (Podoshen, Li, & Zhang, 2011).

Throughout the current commodity market, the price difference of the same product due to the difference in the brand makes the product have an obvious high or low. Michael J. Silverstein (2008) shows that the new luxury products are priced 20% to 200% higher than common products. One question always confused business people whether increasing the brand added-value will have a positive impact on the purchase behaviors of Chinese millennials.

Consumers buy luxury goods for social status or to impress others along with the personal and hedonic characteristics associated with luxury goods (Kastanakis & Balabanis, 2014). In addition, brand attitudes suggest that social influence is an important driver for luxury consumption (Zhan & He, 2012). Individuals decorate the products they buy for some reason. Differences in sensitivity to specific product attributes and purchase motivations can be attributed to cultural values and product categories (Mamat, Noor, & Noor, 2016). On the economic side, luxury goods have over unit elasticity: an increase in income determines an increase in demand. Luxury is about quality, limited in quantity but high in price (Zaharia & Zaharia, 2015).

## **LITERATURE REVIEW - BACKGROUND**

### **Chinese Millennials**

Most people are accepted that millennials are persons born between 1977 and 1998, which are in the 21-42 age range. Those groups of people have several distinctions between other generations (Wartgow, 2012). Hogar (2013) believes that millennial live a hectic and busy life, thus making them will make a quick decision facing various products. They like Numbers and brand awareness more than other generations. This is because millennials (those born between 1982 and 2002) grew up with the Internet, mobile phones and online social networks, so they are more digital and brand-conscious than other generations (Hershatter & Epstein, 2010).

### **Brand added-value**

Most authors state that brand-added value is only revealed by extrinsic sides. However, Uhlmann-Maier, A. and Saunders, J (Hershatter & Epstein, 2010). Put forward that brand-added value is based on both intrinsic and extrinsic sides. In addition, Brand is the most important resource of an enterprise. It becomes an identity element of the enterprise by increasing the added value of the enterprise, which helps the enterprise distinguish itself from its competitors and thus increases its competitive advantage (Paul & Iuliana, 2018).

### **Purchase behaviors**

After analyzing, the research shows that ethical behaviors are a significant consideration for consumers to make purchase decisions. In addition, the customers are willing to pay more price to the company as a reward (Kacen & Lee, 2002). In addition, buying luxury is also a way to convey and enjoy a shared social experience and value system (*McKinsey-China-Luxury-Report-2019-English.pdf*, n.d.). In addition, self-success leads to luxury being regarded as a financial investment, while affluence enhances the hedonic function of luxury, thus stimulating the demand for sustainability (Kapferer & Valette-Florence, 2019). They

desire to separate or separate themselves from members of other groups. Wealthy consumers with low-status requirements want to socialize with their peers and are willing to pay high prices for unobtrusive items that only they can recognize. Wealthy consumers are in desperate need of social status and will use loud luxury goods to signal to the less wealthy that they are not one of them. Those who desperately need status but cannot afford real luxuries will use loud counterfeits to imitate those they think are rich (Han, Nunes, & Drèze, 2010).

### **Luxury brand**

The concept of luxury is hard to define because it can be subjective (Amatulli & Guido, 2011). People define brand prominence as the extent to which a product has visible markings that help ensure observers recognize the brand (Han, Nunes, & Drèze, 2010). Luxury has traditionally been defined as a commodity that brings prestige to its owner, rather than any utility, simply by using or displaying the products of a particular brand (Grossman & Shapiro, 1986). However, in current year, a luxury brand is a branded product or service that consumers consider to be of high quality, providing real value through the desired benefits, both functional and emotional, and a prestigious image in the market, built on quality. Such as process, process, or quality of service (Kapferer & Valette-Florence, 2019).

## **STATEMENT OF HYPOTHESIS**

**Research Question (RQ): Will the increase of brand added-value has a positive impact on the purchase behaviors?**

Men and women behave differently in different situations due to differences in growth and socialization, as well as various other social, biological and psychological factors. At every stage of decision making, whether in personal or professional life, shopping or eating, the sexes are completely different (Bakshi, 2012).

The following hypotheses are based on the information from reports which gathered above.

H1: Regarding purchasing behavior

- A1: Female are more emotional when they purchase products
- A2: Male are more rational when they purchase products

H2: Regarding brand added-value

- A1: Good Brand awareness will have a positive impact on consumer buying behavior
- A2: Good corporate image will have a positive impact on consumer buying behavior
- A3: Good product image will have a positive impact on consumer buying behavior

## **METHODOLOGY**

Both the qualitative method and quantitative methods are being used to design questionnaires. The first step is interviewing 30 qualified females and males. From their feedbacks, It is more clear that what should ask in the questionnaire if I want to get the results of my research. Next, all the questions designed are based on prior information. The last step is sending to the public platform to get results.

### **Pilot Study - Qualitative Method**

In order to realize that the real consumer behaviors when the brand added-value is increasing, a qualitative pilot study should be included interviews and discussions. There are 30 qualified females and males participating in this interview, we will know what kind of considerations that they are tend to focus when they are purchasing and whether the increase of brand added-value will impact their purchasing behaviors.

### **Instrumentation Design (Quantitative Method)**

We designed questionnaires to analyze consumers' purchasing behaviors and in their mind which factors will influence brand added-value.

### ***1. Survey Question on reasons for purchase***

There are seven options that can be potential response for the question about reasons for purchase

- Good service
- Good appearance
- High quality
- Enjoy the brand
- Follow the trend
- Absorb by advertisement
- others

There is a certain consensus on the main features expected by luxury consumers. What they have in common is beauty, rarity, quality and price, and an inspiring brand that supports the product. In this context, brand competition is based on their ability to evoke exclusivity, brand identity, brand awareness and perceived quality for consumers (Phau & Prendergast, 2000).

### ***2. Survey Question on factors impact brand added-value in customers' mind***

There are four options which evaluate potential factors impacting brand added-value

- Brand awareness
- brand loyalty
- Product image
- perceived quality

Brand added-value consists of brand loyalty, brand awareness, perceived quality, brand recall and other brand assets, which create value for customers and enterprises and ultimately

provide competitive advantages (Bank, Yazar, & Sivri, 2019). In addition, brand loyalty can be a competitive advantage for a company (Paul & Iuliana, 2018).

## ANALYSIS / RESULTS

There are 200 online survey questionnaire responses that collect from the internet. The Chinese millennial is those people age from 18 to 30 years. Most of the responses are millennials, the people out of these ages will be ignored. Table 1 shows that Around 67% of female are willing to pay extra money for a well-known brand, but still have 16.5% of female think it is unnecessary to pay money on brand rather than products themselves. Compared with females, males seems more rational to purchase products, because there are only 41.7% of male are eager to luxury products even if they need to pay more money than general products.

The Willingness of paying extra money for a well-known brand	Gender	
	Female	Male
Willing	65	43
Not willing	16	32
Uncertain	16	28

TABLE 1: Frequencies of willingness to pay extra money for a well-known brand

Table 2 shows whether each age group is willing to pay money for a well-known brand. Combined 18-25 and 26-30 two groups together, the table can be divided into Chinese millennials and other generations. It is clear that around 58.5% ( $(59+20)/(59+20+32+18+16)$ ) Chinese millennials are willing to pay extra money for brand. Unlike millennials people, other generations are more likely unwilling to pay extra money for brands.

Willingness of paying extra money for a well-known brand	Age groups				
	<18	18-25	26-30	30-40	>40
Willing	4	59	20	3	2
Not willing	5	32	16	2	23
Uncertain	7	18	0	3	6

TABLE 2: Frequencies of willingness to pay extra money for a well-known brand

The table 3 shows which percentage people think is a reasonable premium over the cost. 71.8% of Chinese millennial people can accept 11-30% of brand added -value, but in this internal, only 33.8% of people in other generations have the willingness to accept 11-30% of brand added-value. Therefore, other generations have a total different consumption view with Chinese millennials.

What percentage do you think is a reasonable premium over the cost?	Age group				
	<18	18-25	26-30	30-40	>40
<10	18	15	5	1	17
11-20	2	38	11	4	4
21-30	5	40	8	2	5
31-40	1	13	1	1	2
>40	0	3	1	0	3

TABLE 3: The price of luxury productions that people accept

The table 4 shows the specific price range of people's willingness to pay for luxury brands. 81.48% Chinese millennial people can accept 4001-15000 RMB to purchase a luxury product. However, only 35% of people in other generations have willingness to accept such price internal. Therefore, Different living environment makes Chinese millennials have a different concept of consumption values than other generations.

What is the price of luxury productions you can accept?	Age group				
	<18	18-25	26-30	30-40	>40
<4000	18	23	0	3	22
4001-10000	3	45	13	2	7
10001-15000	5	39	13	3	1
>15001	0	2	0	0	1

TABLE 4: Frequencies of the price of luxury productions people can accept

Table 5 shows that gender is an important factor of consumers who are willing to pay extra money for well-known brands. Male are more rational than females who acts on impulse. In addition, the price of luxury productions people can accept is related to the percentage of added-value over the cost consumers can accept. Higher the price they can accept, the higher brand added-value they can afford.

#### Correlation Matrix

	Age group	Gender	Monthly income	Willing of paying extra money for a well-known brand	The price of luxury productions people accept	Percentage of added-value over the cost?
Age group	—		0.625 ***			
Gender	0.226 **	—	0.105	0.328***		
Monthly income			—			
willingness of paying extra money for a well-known brand	0.327 ***		0.219 **	—		
the price of luxury productions people accept	0.183 **	-0.129	0.093	-0.143 *	—	
percentage of added-value over the cost	0.058	-0.121	0.244 ***	-0.109	0.247 ***	—

Note. \* p < .05, \*\* p < .01, \*\*\* p < .001

TABLE 5: Overall population and gender comparison for people's purchasing behaviors

The first question that which is the significant reason for people to purchase a luxury product. From table 6, p-value gives us the hint that whether those factors have a high impact

on people to purchase luxury products. High quality and a good design ( $p < .001$ ) are two main reasons for consumers to purchase luxury products. At the same time, good decoration of stores is a minor reason for consumers. It is possible that a good environment can create a relaxing atmosphere which will promote people to purchase products.

ANOVA

	Sum of Squares	df	Mean Square	F	p	$\eta^2$
The reasons to purchase luxury products						
High social status	1.02	4	0.254	0.409	0.802	0.008
High quality	1.77	4	0.443	0.716	0.004	0.214
Good service attitude	2.41	4	0.601	0.978	0.421	0.020
Trust brand	2.33	4	0.584	0.948	0.437	0.019
Good advertisement	2.09	4	0.522	0.847	0.497	0.017
Good decoration of stores	3.58	4	0.894	1.47	0.013	0.029
Good design	3.47	4	0.867	1.42	0.008	0.028
Residuals	121.30	195	0.622			

TABLE 6: Overall population comparison for reasons to purchase luxury products

The second question on which factors will impact the brand added-value in consumers' minds. From table 7, p-value indicates that in consumers' mind perceived quality can increase brand-added value. That's means consumers are willing to pay extra money if that money are using to increase perceived quality.

ANOVA

	Sum of Squares	df	Mean Square	F	p	$\eta^2$
Perceived quality	3.08	4	0.771	1.26	0.087	0.025

## ANOVA

	Sum of Squares	df	Mean Square	F	p	$\eta^2$
Brand image	7.84	4	1.959	3.34	0.111	0.064
Brand awareness	1.74	4	0.436	0.705	0.589	0.014
Brand loyalty	3.75	4	0.938	1.54	0.092	0.031
residuals	119.24	195	0.611			

TABLE 7: Overall population comparison for reasons to pay more money for brand

## CONCLUSIONS AND PRACTICAL IMPLICATIONS

When females and males buy luxury goods, females are more willing to spend more money on brands than males. According to the survey, customers pay more attention to product quality and design when choosing luxury goods, and they also have certain requirements on store design. In addition, in the perception of customers, high quality can improve the brand premium of a brand. Therefore, improving the quality of products and thus increasing the premium will promote customers to buy products.

## LIMITATIONS AND FUTURE RESEARCH

Although some of the findings in this study are interesting, there are still some limitations. First, when collecting samples, we adopted the form of online questionnaire, which was short in time and small in scope. Second, we cannot guarantee that every responses gives an accurate answer. We can only increase the accuracy by screening samples and expanding the number of samples.

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## APPENDIX

### The Influence of Luxury Brand Added-value on the Purchase Behaviors of Chinese Millennials

Dear Sir/madam,

We are carrying out a study on the impact of luxury brands' premium power on consumer behavior. We want to know some of your views, which need to be answered according to your own feelings. The results of this questionnaire are only used for the research of the paper, and there is no right or wrong. The questionnaire results will be kept confidential for you. Please feel free to reply.

1. What's your age?

- A. <18
- B. 18-25
- C.26-30
- D. 31-40
- E. >41

2. What's your gender?

- A. Male
- B. Female

3. What's your monthly income/expense?

- A. <2000
- B. 2000-3000

C. 3000-5000

D. >5000

4. Are you willing to pay extra money for a well-known brand?

Yes

No

Uncertain

5. What is the price of luxury productions you can accept?

A. <4000

B. 4001-10000

C. 10001-15000

D. >15001

6. What percentage do you think is a reasonable premium over the cost?

A. <10%

B. 10%-20%

C. 21%-30%

D. 31%-40%

E. >40%

7. Brand image

	SD	D	U	A	SA
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When buying luxury goods, I pay more attention to the style and packaging design of luxury goods.	<input type="radio"/>				
Decoration and other production and sales environment determine whether I buy the luxury goods.	<input type="radio"/>				
When choosing luxury goods, I prefer brands that protect the environment and advocate public welfare.	<input type="radio"/>				
I would not buy a brand that has cheated consumers.	<input type="radio"/>				

<p>The service attitude and professional ethics of the brand counter determine whether I buy the luxury goods or not.</p>	○	○	○	○	○
<p>When choosing luxury goods, I only pay attention to the price, function, durability and other hard performances.</p>	○	○	○	○	○
<p>My personality, temperament, social status and identity determine my choice of luxury brands.</p>	○	○	○	○	○
<p>My career and income determine my choice of luxury brands.</p>	○	○	○	○	○

8. Brand recognition \*

	SD	D	U	A	SA
I am willing to try to use the luxury launch related business and service.	<input type="radio"/>				
I will repeat purchase of luxury brands that use effect is good.	<input type="radio"/>				
I will buy the brands of my favorite stars.	<input type="radio"/>				
I like to recommend luxury brands to my friends.	<input type="radio"/>				
I choose only the luxury brands with the most publicity.	<input type="radio"/>				