

Analysis on Psychological Behavior of Chinese Luxury Consumers and Development Strategy of Luxury Goods

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ABSTRACT

Since the reform and opening up, luxury jewelry consumption has gradually entered certain social strata with the continuous development of China's social economy, the continuous improvement of the income level of the Chinese people, and the change of consumption patterns. The middle class is willing to choose luxury goods to show their economic strength and social status. Gradually, luxury accessories have become a new synonym for the wealthy. Therefore, the demand for luxury accessories in the Chinese market has increased rapidly. This has obviously shown the characteristics of Chinese luxury consumers, namely the self-realization pursuing, conspicuous consumption, conformity consumption psychology, and emotional consumption psychology. This paper then studies the development strategies of Hermès, and it is found that Hermès has successfully developed itself by entering a wide variety of markets, keeping a good reputation and high-quality products, and becoming creative and innovative. Taking the strategies of Hermès as a reference, this paper provides suggestions on the luxury marketing strategy in China, which can be summarized as paying attention to the cultivation of brand awareness, the pricing strategy of luxury goods, the design of luxury sales stores, and the creation of the scarcity of luxury products, so as to promote the development of China's luxury industry.

Keywords: *Luxury goods, Set price, Market, Consumer psychological behavior, Luxury marketing strategy.*

1. INTRODUCTION

With the rapid development of the economy, the mainstream culture is gradually developing in the direction of the culture of rich, and luxury has increasingly become a synonym for wealth. Consumers also pay more attention to their personalized needs. Reform and opening up has brought great opportunities for China's economic development, and luxury goods have become the goal of many consumers [1]. In recent years, the proportion of luxury goods in China's market has increased year by year, and China has become a luxury consumer country second to Japan [2]. Chinese consumers have high enthusiasm for luxury goods, and their spending power can not be underestimated [3][4]. However, due to the differences between eastern and western cultures, the consumption of luxury goods in the Chinese market is different from that in western countries [5]. This paper analyzes the psychological characteristics of Chinese luxury consumers and the factors affecting Chinese consumers' purchase of luxury

goods, then puts forward the marketing strategies suitable for the development of luxury goods in China. The research in this paper has important and urgent practical significance for guiding and helping Chinese local enterprises to carry out effective luxury marketing, and cultivate and develop local luxury brands as soon as possible.

2. RESEARCH ON THE LUXURY CONSUMPTION PSYCHOLOGY OF CHINESE CONSUMERS

Consumers must have some consumption motivations before buying luxury goods. Consumption motivation can be divided into two categories: social luxury consumption motivation and personal luxury consumption motivation. Social luxury consumption motivation is to show off social status. Personal luxury consumption motivation is to obtain psychological satisfaction and pursue quality and experience [6]. In China, luxury consumers belong to commodity-driven

consumption, while in western developed countries, luxury consumers belong to experience-driven consumption, hoping to relax and enjoy life through luxury goods.

2.1 Pursue self-realization

There is no doubt about the quality of luxury goods. In the process of using luxury goods, people will have a strong sense of superiority. For example, in Prada's exclusive stores, the salesperson's service is extremely considerate, which will make consumers have a good consumption experience. Although many people have vanity when buying luxury goods, they also enjoy the envy of others in the process of consumption. When traveling abroad, Chinese consumers have a great interest in the purchase of luxury goods. These countries also cater to the Chinese people's consumption psychology and consumption needs, and encourage consumers to consume through various methods [7]. There are a large number of people in China loving certain luxury brands so much that they must buy the products of these brands no matter they are on sale or being in the current season. Many people are even proud of having a large number of clothes of a luxury brand, paying no attention to whether the clothes are suitable for them.

2.2 Conspicuous consumption

With the continuous development of the economy, the gap between the rich and the poor is gradually widening. Some people rely on their accurate judgment of the market to become rich in a short time, and then through continuous efforts to achieve a large amount of capital accumulation; some people who previously had no social status successfully join the ranks of the rich. They need to find some substitutes to show their value. Many rich people show off their wealth by buying luxury goods, which are different from mass goods. It is the representative of identity and the symbol of success. These characteristics of luxury goods stimulate people's desire to buy [8]. In addition, living in a changing society, people often have anxiety, and conspicuous consumption is considered to be an effective way of identity. Chinese consumers pay too much attention to the opinions of others, and face comes first. Many people buy luxury goods only to obtain psychological satisfaction and meet their vanity.

2.3 Conformity consumption psychology

Any consumer's consumption psychology and behavior will be affected by its relevant social groups. Generally speaking, the group will form pressure on the members, urging them to be consistent with the group in behavior and other aspects. Therefore, herd consumption psychology is also a common social

psychology and consumption phenomenon [9]. The so-called conformity refers to the understanding or behavior that an individual changes his or her behaviors or opinions.

2.4 Emotional consumption psychology

Emotional consumer psychology is the most common consumer psychology, referring to the psychology which is not easy to regret. In other words, consumers' consumption psychology and behavior are vulnerable to their emotions. When people are in bad moods, they will take consumption as a way to relieve the pressure and vent negative emotions. When in good moods, they will take consumption as a way to express happiness. Chinese consumers often show emotional consumption psychology in luxury consumption [10]. For example, being in a different state of mind, people sometimes will buy luxury goods as gifts to reward or compensate themselves, or they treat them as souvenirs or celebration of a special day, such as an anniversary or a festival.

3. DEVELOPMENT STRATEGIES OF THE LUXURY GOODS INDUSTRY—TAKE HERMÈS AS A CASE STUDY

3.1 Entering a wide variety of markets

For luxury brands, the consumers of luxury goods belong to a minority group. Suppliers should know the preferences of consumers well, and understand how to build consumer loyalty, gain more consumer base, and price luxury goods.

Founded in 1837, Hermès is an international enterprise that is loyal to traditional handicrafts and constantly pursues innovation. At first, it mainly produced high-end horse gears, but later it has 17 categories of products such as luggage, silk scarves and ties, men's and women's clothing, and art of life. The products focus on the craft decoration and exquisite details, and have won a good reputation for their excellent quality. Hermès is a symbol of wealth and has won the favor of many consumers. In the first half of fiscal year 2021, the sales of Hermès increased by a year-on-year rate of 70% to 3.235 billion euros, achieving an increase of 33% over the same period in 2019 before the epidemic. In addition, sales in the second quarter increased by a year-on-year rate of 119%. Including Japan, sales in the first half of the year increased by 87% compared to the same period in 2020, and (before the epidemic) in the same period in 2019, the sales also increased by 70% [11]. This reflects the good growth momentum of Hermès and the strong promotion of Hermès products in the Asia-Pacific region. In addition, Hermes, the luxury 'giant' of recent years, is also entering the beauty market. It is easy to see

from the sales results of recent years that the global beauty market has grown rapidly in size in recent years, with most companies achieving significant growth in sales and net profits. Shiseido's operating profit increased by 34.7% to ¥108.4 billion in 2018 compared to the previous period [12]. It is the dividend of the beauty market that has made Hermès realise that the beauty market is like a 'big cake' ready to be cut. In the first year, Hermès' fragrance and beauty categories fell by 10% due to covid-19, and in the first quarter of 2021, revenues totalled €9,890, showing an increase of around 20% in the same year [12]. In addition, by creating luxury beauty products, it is also possible to "nurture" young consumers, starting with the purchase of perfumes and beauty products. They will gradually become dependent on luxury products as they grow older and have more purchasing power, thus becoming consumers of leather goods and even ready-to-wear [13].

3.2 Keeping a good reputation and high-quality products

Luxury goods are symbols of status. Being made from rare materials and handcrafted, luxury goods are produced in small quantities and are essentially unique. The brand culture is attractive and many people buy it as a work of art rather than an everyday object. The quality and craftsmanship of the luxury goods themselves are not the issues, it is the material that is the problem. Hermès is extremely expensive and is a luxury brand with a contemporary art appeal. It is not just the craftsmanship that makes it famous, but also the materials it uses. The Hermès documentary "Heart and Craft" says: "With horses one must control, as well as in the field of craftsmanship, one must control the material we are going to use, in this case leather, and then achieve the desired result, which is to create an elegant and beautiful object" [14]. Hermès' hides are carefully selected from the best leather suppliers in the world. In November 2015, Hermès acquired TP (The core tannery of France), which has since been owned by Hermès. The leather from TP has bright colors and is in short supply, and because of its high price, products of Hermès are expensive [15]. Moreover, Alex says: "The rules of a bag, an artisan are part of our DNA" [16]. To become a qualified Hermès craftsman is not an easy task. First, it is needed to study in a leather handicraft school for 5 years. After passing the qualification, one needs to continue to study in the Hermès workshop for 2 years before he or she can operate the above-mentioned workbench. The whole study lasts for 7 years. This is the "craftsman spirit". It is precise because of Hermès' emphasis on the character of talents and its unique craftsman training system that it has enjoyed a global reputation for more than 170 years.

3.3 Becoming creative and innovative

The Hermès company is quite good at combining creativity, invention and innovation. In 2010, Hermès opened a new shop on the site of the former Lutetia swimming pool [17], which has long been considered a historical monument of Paris. The shop not only recaptures the spirit of the former pool, but also offers a rather modern expression of the Hermès spirit in this Left Bank location with its contemporary style and spaciousness, as well as a different Parisian cultural atmosphere. In addition, Hermès has showcased a number of new and innovative products. In addition, Hermès has demonstrated how the company strives to offer high quality products while meeting the expectations of its customers in terms of environmental responsibility and sustainability. In October 2015, the Hermès Group collaborated with Apple to produce handmade leather straps [18], meeting the expectations of many Apple and Hermès co-lovers, offering different colourways and tastes for Apple Watch products, and showing a sense of variation in the visual presentation.

4. SUGGESTIONS ON THE LUXURY MARKETING STRATEGY IN CHINA

Chinese consumers pay too much attention to sensibility in the choice of luxury goods. They lack the consumer psychological construction, and blindly pursue material consumption. Therefore, in terms of luxury goods, China should establish its own brand, broaden the purchase channels, adjust the price according to the psychology of consumers, and constantly meet the consumption needs of the majority of people, so as to truly make the domestic luxury goods go out of China and into the world.

4.1 Focusing on cultivating brand awareness

Conspicuous consumption attitude is closely related to brand awareness. Only by focusing on cultivating brand awareness can the brand be recognized by more people. Some brands are low-key with luxury, and their products have no obvious signs on the surface, so people will hesitate when buying. Chinese luxury is eye-catching. It is known that the hottest bag sold by LV is the one with the most prominent logo. T-shirts do not look so good without Armani's font. Therefore, on the premise of ensuring the brand, it is a good approach to show the charm of the brand and promote it in many aspects, including a variety of media, rather than blindly pursuing a low-key. For instance, some luxury goods frequently appear in foreign luxury magazines. The purpose of the magazine is to let more people know about the brand. However, there are only a few luxury magazines in China, and these magazines are not popular enough. It is difficult to establish luxury brands in China, and one way to make up for this defect is to

broaden the communication channels of brands, so as to reach more potential customers.

4.2 Focusing on pricing strategy

There are two pricing strategies for luxury marketing. One is the scarcity pricing strategy, the other is the psychological pricing strategy. The price of products mainly depends on the degree of scarcity, consumer satisfaction and production cost. When pricing luxury goods, people do not pay too much attention to the production of goods. Manufacturers should not consider the cost of luxury goods when they use the theory of scarcity to guide the pricing of luxury goods. According to the purchase motivation of consumers, it is a common way to make use of the scarcity and particularity of products to set higher prices. For example, the manufacturer is required to produce only 1000 pieces of mahogany furniture every year, and reservations for the next year can only be made after the external sale. But the predetermined price will be higher. This pricing method improves the image of the product and meets the purchasing psychology of consumers. Psychological pricing strategy is not based on the price of the product itself. The price itself only realizes the intrinsic value. If a higher level of service is provided with a lower price, consumers will question it. Therefore, when pricing, the price of the product can be higher than the pricing cost, because the brand itself has a certain value. For luxury goods, the pricing law does not apply. Especially in China, luxury consumers have a special purchasing psychology. If the price is not high enough, it cannot fully reflect the commodity status.

4.3 Paying attention to the design of luxury sales stores

When consumers consume luxury goods, they pay attention to emotional and experiential consumption. At the same time, consumers have consumption psychology such as showing off and vanity. Therefore, luxury sales businesses should pay attention to the design of luxury sales stores. Through the luxurious appearance, exquisite interior decoration, and noble and unique image of luxury sales stores, every consumer entering the store can be satisfied with the emotional and psychological needs of luxury consumption.

4.4 Creating the scarcity of luxury products

Create the scarcity of luxury products, so that consumers believe that such luxury goods are the ones that most people expect and only a few people can have. Buying such luxury goods can meet the consumption psychology of female consumers, such as comparison and ostentation. Luxury product-related enterprises can create a virtual sense of scarcity and nobility of luxury products by means of natural or technological scarcity

and limited production, adopting multi-variety and small batch production modes, and using exclusive and selective limited luxury sales channels. So as to use the luxury consumption psychology of rare things to stimulate the consumption desire.

5. CONCLUSION

In conclusion, with the continuous development of China's economy and the significant improvement of people's living standards, luxury consumption also presents a broader market prospect. Chinese consumers usually pursue luxury consumption out of the psychology of self-realization, showing off, conformity consumption, or emotional consumption, which is too perceptual and blind. For this consumption psychology of Chinese consumers, it is suggested to pay attention to cultivating brand awareness, focus on the pricing strategy of luxury goods, improve the design of luxury sales stores and create the scarcity of luxury products, so as to promote the development of China's luxury industry. One of the shortcomings of this study is the lack of questionnaires or interviews on Chinese luxury consumers. In the future, it is worth studying the influencing factors and existing problems in consumer behaviors of Chinese luxury consumers of different age groups.

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