

CHINA WATCHING: LUXURY CONSUMPTION AND ITS IMPLICATIONS

An Empirical Research Article Submitted to

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**Abstract**

This study seeks to understand luxury shopping destination among Mainland Chinese residents. Using Hong Kong as an example, this study conducted five focus group discussions and identified brand and high prices as proxies of luxury in the Chinese mindset. Findings that motivations for luxury consumption are socially and personally oriented simultaneously indicate that the framework of self-concept theory is appropriate. However, the development of a luxury shopping destination goes beyond fulfilling the respondents' social and personal desires for luxury. The halo

effects toward social movements, such as Occupy Central and anti-parallel trade protests, have immensely mitigated the attractiveness of Hong Kong as a luxury shopping destination.

**Keywords:** luxury shopping, mainland Chinese travelers, focus group, Hong Kong

## **Introduction**

Shopping as a pivotal touristic activity has been well recognized in extant literature (Jin, Moscardo, & Murphy, 2017). The equation “leisure + shopping = tourism product mix” proposed by Jasen-Verbeke (1990) vividly depicts the significance of shopping in shaping tourism experiences. “Shopping tourism” was recently coined as a distinctive form of tourism for which shopping is the primary traveling purpose (Timothy, 2005). In this category, shopping is the main activity for travel and determines the visited locations (i.e., destination choice) (Wong & Wan, 2013). For destinations, shopping functions as a major source of revenue, and destination marketers have incorporated shopping in promotional campaigns (Rabbiosi, 2015). The role of shopping in destination selection has also attracted considerable academic attention. Yeong, Wong, and Ko (2004) compared Hong Kong to Singapore in terms of their attraction for shoppers. Their results indicated that the status of Hong Kong as the shopping paradise of the Asia-Pacific region is being seriously challenged by Singapore. Shopping values are also effective indicators of destination loyalty. Sirakaya-Turk, Ekinci, and Martin (2015) suggested that hedonic and utilitarian shopping values are strongly correlated to shopping satisfaction, thereby mediating the effects of shopping values on destination loyalty.

Various items ranging from functional goods (e.g., running shoes) to expensive merchandise (e.g., antique watches and jewelry) fall under the term “souvenir.” Souvenir purchase has become a central topic among shopping tourism-related studies, such as those related to influencing factors (Albayrak, Caber, & Çömen, 2016) and items purchased from a unique tourism destination (e.g., North Korea) (Li & Ryan, 2018). This factor is unsurprising because souvenirs have sensory and symbolic values. Souvenirs remind tourists of their touristic experiences and are given to others to maintain social networks (Swanson, 2014). These studies treated shopping as a byproduct of visiting a destination instead of as a traveling purpose. Shopping tourism has gradually become common in the current tourism market. Shopping for luxury goods is also an important factor that motivates people to travel. Park, Reisinger, and Noh (2010) determined that individuals who attach importance to shopping cared about luxury goods. Therefore, arguing that luxury shopping is an important stimulus factor is reasonable. Occasionally, this factor is the only reason people visit a destination rather than being a mere touristic activity of a refined visiting experience in a place away from home.

Extant literature has extensively covered the stimuli-based destination selection from various perspectives (e.g., Choi, Liu, & Kim, 2015; Mussalam & Tajeddini, 2016; Sirakaya-Turk et al., 2015). However, only few academic studies have specifically been devoted to analyzing the role of luxury shopping in destination selection (Correia, Kozak, & Kim, 2017; Correia, Kozak, & Kim, 2018; Hung, Guillet, & Zhang, 2018). The current study aims to fill this void by using Hong Kong as an example to explore the perceptions of luxury shopping destinations among Mainland Chinese residents. The limited literature that analyzes luxury shopping destination prompted the aim of this study to delve first into understanding luxury and the motivations for luxury consumption. Thereafter, the perceptions on a specific luxury shopping destination are examined to recognize the influencing factors beyond the identified elements centering on luxury consumption. Through

these two steps, this study determines the considerations for luxury shopping destination selection by integrating luxury consumption into a substantially dynamic and complex tourism context. In accordance with the explorative nature of the research questions, this study adopted a qualitative research technique of focus group discussions for data collection.

To address the research question, two reasons are provided in analyzing the Mainland Chinese residents' perceptions of Hong Kong as a luxury shopping destination. First, Hong Kong has been the top short-haul destination for Mainland Chinese for a long time because of its geographical proximity to the Mainland. For certain Chinese consumers, shopping is the sole purpose of their visit (Heung & Qu, 1998). Second, the attractiveness of Hong Kong as a popular shopping destination is being challenged by increasing competition from nearby countries, such as Japan and South Korea, or areas as far as Europe and the US. The changing preference of the Chinese in luxury consumption for tangibles and intangibles, including travel, can be attributed to various factors. Insights into the underlying motivations for pursuing luxury consumption will clarify the marketing and management practices of the luxury goods industry and destinations to considerably address the needs of this emerging market.

Second, the Mainland Chinese are considerably suited for a study on the connections between luxury shopping and destination choice because, in contrast to their counterparts in Japan who prefer shopping for luxury goods domestically, the Chinese tend to purchase luxury goods overseas as they spend three times more in other countries than they do locally (Bain & Company, 2015). *The Economist* echoed this statement and observed that approximately two-thirds of luxury goods purchased by the Chinese are bought outside China (The Economist, 2015a). Hence, the Chinese market has a natural advantage in discussing luxury shopping destinations because their purchase of luxury items is closely connected to temporary mobility. Such an initiative is complementary to the current studies on luxury consumption and destination image among Chinese consumers. A few of these studies integrate luxury shopping into the destination image formation process.

Previous studies have also emphasized the critical roles of the socioeconomic environment in understanding the consumer behavior of luxury consumption (e.g., Vickers & Renand, 2003). That is, luxury is a concept that may have varied meanings based on the socioeconomic environment (Christodoulides, Michaelidou, & Li, 2009; Vickers & Renand, 2003). Park, Reisinger, and Noh (2010) suggested that the global luxury goods market is primarily driven by the growth of economies and high net-worth individuals. In the wake of its accumulated material wealth, China has become the new arena for practicing materialistic values and conspicuous consumption, which have been long adopted as Western ideals (Podoshen, Li, & Zhang, 2011). Although the emergence of luxury consumption in China principally originates from rapid economic affluence, this market has its own distinct characteristics because consumer behavior is significantly modeled by factors along the spectrum of culture and personal features (Jap, 2010).

## **Literature Review**

This section presents findings from extant literature on luxury consumption. In particular, studies that analyze luxury per se, self-theory-based motivations for luxury consumption, and the role of China as an increasingly dominant player in the luxury shopping market are critically reviewed.

### ***Concept of luxury***

Understanding the nature of luxury requires consideration of its definition. Luxury refer to The *Oxford Latin Dictionary* defines luxury as “something that is not essential but provides pleasure and comfort” (The Oxford Latin Dictionary, 1969) while *The Free Dictionary* describes it as “something that is desirable but expensive or hard to obtain or do.” (The Free Dictionary, 2015). Both interpretations highlight the nature of the non-necessity and premium price inherent to luxury consumption.

An analysis of the literature reveals a lack of consensus on the definition of luxury, which can be partially attributed to the fact that “luxury” per se is a vague term (Beverland, 2004). Scholars interchangeably use several concepts, such as luxury, luxury consumption, luxury items, and luxury goods (Han, Nunes, & Drèze, 2010; Lee & Hwang, 2011; Wong & Ahuvia, 1998). Another reason involves the divergent disciplinary perspectives adopted by researchers, with only a few of them attempting to reconcile various interpretations (Eng & Bogaert, 2010; Li, Li, & Kambele, 2012; Zhan & He, 2012). For example, Nueno and Quelch (1998) adopted the economic perspective of defining luxury items as “those whose ratio of functional utility to price is low while the ratio of intangible and situational utility to price is high” (p. 62). Such economic stance is consistent with the four consumption categorizations proposed by Adam Smith (i.e., necessary goods to maintain life, basic goods for normal growth and prosperity, affluence goods that are unnecessary for normal growth and prosperity, and luxury goods with limited supply, difficult accessibility, and high price) and stresses rarity and high price (Berthon et al., 2009; Zhang & Kim, 2013). Goody (2006) suggested that luxury implies “refined enjoyment, of elegance, of things desirable but not essential” (p. 341). Such idea is relative to “daily living needs” (Vickers & Renand, 2003, p. 461).

Contrary to the conceptualization from an economic perspective, luxury has been conceptualized by a few scholars through the lens of social psychology theory, with emphasis placed on the conspicuous and social values inherent in the term “luxury” (Vigneron & Johnson, 1999). This perspective views the ownership of luxury items as an indicator of social status, thereby demonstrating that luxury plays a critical role in reconstructing social stratification (Kapferer & Bastien, 2008). Zhan and He (2012) believed that luxury consumption is inextricably linked to psychological benefits. Accordingly, psychological traits are fundamental in determining country-based differences in luxury consumption. Studies that adopted social psychology theories also reiterated the importance of interactions among members of a certain social community (Childers & Rao, 1992; Megehee & Spake, 2012). These interactions which are not necessarily actual or face-to-face contacts often represent the conceived influences from an actual or imaginary entity (i.e., either a person or a group). Such a phenomenon has been described as the bandwagon effect by Kastanakis and Balabanis (2012) and referenced by Li and Su (2007).

Unlike these sections where carriers of luxury mainly include tangible items, such as watches and jewelry, the tourism industry is a novel domain for discussing the concept of luxury because it offers tangible and heterogeneous services (Litvin, Goldsmith, & Pan, 2008). In the seminal book *Theory of the Leisure Class*, Veblen defined the leisure class in terms of consumption practices of travel, sports, and the arts (cited in Dimanche & Samdahl, 1994). Luxury holidays go beyond physical goods and are featured by specialized holiday offerings (Atwal & Williams, 2009). The narratives on symbolic consumption and tourism can be traced back to the study of Smith (1979), who investigated the reasons why middle-class Americans visited prestigious resorts

(Ekinci, Sirakaya-Turk, & Preciado, 2013). Since then, academic inquiries on luxury in the tourism context has continued. Recent research on luxury in the tourism context has become substantially diversified because scholars shifted their attention from tourism per se as a luxury activity to decision attributes of the meaning of luxury. Chen and Peng (2014) studied the behaviors of Chinese consumers during their luxury hotel stay and verified a model of luxury-value attitudes. Hwang and Han (2013) analyzed the strategies for maximizing and utilizing brand prestige in the luxury cruise industry. They concluded that eight attributes affect the prestige of a luxury cruise brand. However, these tourism studies have overlooked a pervasive element: Can the search for luxury be a dominant factor that propels tourists to embark on their trips? This question can be translated into discussions on destination image in relation to the places for luxury experiences or products. The present study uses luxury shopping to exploratively address this question, the results of which lead to the determination of the perception of luxury in the targeted market. This study also ascertains the image of destinations in precisely offering the consumers' expectations.

### ***Motivation for luxury consumption: Self-concept theory***

The above-mentioned two preceding perspectives are consistent with the views relating to the driving factors of luxury consumption. These perspectives have been presented as divergent to each other in the literature (Eng & Bogaert, 2010; Truong, & McColl, 2011). Two major views exist and are sorted in a general manner. Both views are concerned with the motivations for luxury consumption, namely, socially- and individually-oriented motivations. These motivations can be traced back to the notion of self-concept (Kastanakis & Balabanis, 2012). Numerous studies have suggested that consumption carries symbolic meanings because the items that consumers own can be recognized as part of their extended selves (Elliott & Wattanasuwan, 1998). This statement suggests the rationality of understanding consumer behavior within the self-concept framework.

Self-concept is referred to as the "totality to the individual's thoughts and feelings having references to himself as an object" (Rosenberg, 1979, p. 7, cited from Sirgy, 1982. P. 287), and it has been adopted to consumer behavior in various contexts, such as manufacturing (Heath & Scott, 1998) and service (Alden, He, & Chen, 2010). Kastanakis and Balabanis (2012) analyzed the impact of self-concept orientations upon bandwagon luxury consumption. Three mediating personality traits are included in this type of consumption: consumers' status-seeking predispositions, susceptibility to normative influence, and need for uniqueness. The results of the aforementioned study suggested that interdependent self-concept underlies bandwagon luxury consumption. The interdependent self sees the self as an outer public self, which is exemplified in Asian cultures (e.g., Chinese and Japanese cultures). By contrast, the independent self perceives the self as an inner private self, which is dominant in Western cultures (Markus & Kitayama, 1991; Wong & Ahuvia, 1998). Self-concept theories have also been applied to understand luxury consumption types, particularly using the importance of price and behavior perceptions. For instance, one study revealed five categories of luxury consumers: Veblenian, snob, bandwagon, hedonist, and perfectionist (Vigneron & Johnson, 1999). Husic and Cicic (2009) further analyzed the underlying drivers for these five luxury consumers, namely, brand image and quality, fashion, store atmosphere, and patron status.

Tourism scholars have also adopted self-concept theory in recognizing the reasons for selecting certain products or destinations over others (Beerli, Meneses, & Gil, 2007; Sirgy & Su, 2000). This idea implies the long-held belief that the activity of tourism per se is symbolic, although such halo effect has been fading in recent decades with the flourishing of low-cost carriers

and global economic development. Chon (1992) and Hung and Petrick (2011) discussed self-congruity in the tourism context and revealed that the higher the agreement between self-concept and destination image, the greater the satisfaction and travel intention of tourists. Todd (2001) claimed that self-concept can be an alternative segmentation base, thereby possibly enhancing the understanding of how tourists perceive themselves and their behaviors. Beerli et al. (2007) clarified the congruity between tourists' self-concept and destination image, thus positively correlating self-concept with the tendency of tourists to visit a certain place.

However, these studies overlooked the critical point that tourists are typically drawn in by a type of attraction, even though destination is intricately a comprehensive concept that consists of various attractions. This argument is implied in the scope of relevant research, such as shopping (Moscado, 2004), culinary tourism (Ab Karim & Chin, 2010), and branding cultural festivals (Esu & Arrey, 2009) as destination attractions. Investigations of destination image are generally cascaded down to a single stimulus. Hence, resolutions based on the treatment of destination are less case-relevant than others. Moreover, these investigations did not specify the elements that constitute the interdependent and independent self. This gap hinders pertinent studies from practical significance because culture contributes to global self-concept inconsistency (Spencer-Rodgers et al., 2009). Therefore, substantial academic attention should be devoted to comparing the perceptions on an image stimulus, such as luxury shopping in this research, against such stimulus-based destination image.

## **Methodology**

### ***Data collection process: Focus group discussion***

A focus group interview was used in this study because it allows for an open-ended discussion on a certain topic among a group of respondents. Although several scholars (Calder, 1977) regard this technique as preliminary because of concerns about its subjectivity, previous studies have also demonstrated its usefulness in obtaining substantive information on the motivations and perceptions of participants (e.g., Huang & Hsu, 2005). Hence, focus group discussion was appropriate in achieving the proposed research objectives given the exploratory nature of the current study. This work followed Hennink, Hutter, and Bailey (2012) in organizing the focus group interview process, which involves developing the discussion guide, selecting respondents, and conducting the discussion.

After a thorough review of the relevant literature, open-ended questions pertaining to issues such as motivations in luxury shopping and perceptions of Hong Kong as a luxury shopping destination were used throughout the discussion. Most of the questions were psychologically and socio-culturally oriented, further reinforcing the appropriateness of adopting a focus group as the research method (Pearce & Lee, 2005). A focus group enables the simultaneous presentation of divergent and, occasionally, even conflicting opinions derived from the dynamic interactions within a group. The efficiency of focus group discussions is critically contingent on participation selection. Stewart and Shamdasani (1990) explained that the benefits and validity of focus group data will be affected by the extent to which participants can express their opinions in an open and comfortable manner. This statement highlights the importance of a relaxed environment for proper discussions and interactions among the panel members.

This study recruited participants from a class of master's degree students in the tourism and hospitality field. All the participants are Chinese Mainlanders who work in tourism-related

businesses, such as hotels and travel agencies in Mainland China. All participants were part-time students working full-time. Most participants occupy managerial-level positions with extensive working experience. They flew to an eastern city in China a few times annually during their study period to attend block mode classes. Their salary is above the average level locally, while the tuition for this graduate degree program is over RMB 130,000, excluding other expenses for transportation and accommodation. All the participants have also traveled to Hong Kong to purchase luxury items, such as bags and watches, together with experiential products of luxury hotels. Therefore, including them is theoretically rigorous for exploring the fundamental motivations of traveling to Hong Kong, France, the US, and the UK for luxury items. Given that the participants are acquainted with one another via their master's program, their identity as students is an advantage instead of a drawback in the study because such acquaintance allows them to interact freely and discuss the issues comfortably. This interaction is vital for a focus group to generate in-depth understanding of a phenomenon. In this manner, they could be regarded as people familiar with the Chinese conspicuous consumption and experienced with regards to the Chinese perceptions of tourism activities. The study was conducted in Hangzhou when the participants gathered on campus to attend one of their study blocks. They were introduced to the project and invited for participation. After their consents were obtained, they were randomly assigned to five focus groups via lucky draw and their discussions were conducted in separate meeting rooms. A moderator with trained skills was assigned to each focus group to minimize subjectivity caused by having the same moderator. Each discussion lasted for an average of 70 minutes and the discussions were conducted in Chinese.

All discussions were recorded with the prior consent of the participants. The data were imported to NVivo 10 (QSR International, 2015), a software used in conducting content analysis on interview data. As a tool for storing, retrieving, categorizing, and coding text data, NVivo creates category trees to graphically present different categories simultaneously. Hence, NVivo has been extensively adopted by tourism and hospitality researchers in analyzing textual and visual materials (e.g., Pan, MacLaurin, & Crotts, 2007; Rodger, Moore, & Newsome, 2009). To ensure the validity of data analysis, the researchers coded the content independently without prior discussions. The underlying motivations for luxury shopping and the advantages and challenges of Hong Kong as a luxury shopping destination were coded. When disagreements occurred in coding, the researchers discussed them until a consensus was reached. Upon completion of the data coding, results were compared, with similarities retained and differences resolved through discussions among the researchers. Similar to the data of other exploratory studies, those generated in the current research were not numerical. Instead, the data were in the form of protocols, patterns, and similarities that constituted a framework for linking the concepts in question.

### ***Research context: Hong Kong as a destination for Mainland Chinese***

Located on the southern coast of China to the east of the Pearl River Estuary, Hong Kong has been well known as a popular tourism destination in Asia for a long time. Since the early 1980s, the structure of inbound tourists to Hong Kong has been altered and has been characterized by the considerable increase of visitors from Mainland China (Zhang & Lam, 1999). The relaxation of travel regulations by the Chinese government has spurred a significant boom in the Chinese outbound market. Flows of tourists to Hong Kong have been impressive because of its geographical proximity, its introduction of the Individual Traveler's Scheme in August 2003, and the economic prosperity of China (Law, To, & Goh, 2008). In 2013, 75% of the total tourist arrivals in Hong Kong were from Mainland China, and this number is likely to increase in the future given

the current growth rate (Hong Kong Tourism Board PartnerNet, 2015). Correspondingly, the importance of the Chinese market to the overall tourism industry in Hong Kong is evident.

Among the various tourism activities, shopping is repeatedly observed as an attractive factor for Chinese Mainlanders visiting Hong Kong (Zhang & Lam, 1999; Huang & Hsu, 2005). Scholars tend to use a typological (or cultural) lens to interpret and understand the shopping behavior of Chinese travelers. Mehta, Lalwani, and Ping (2001) observed that Asian consumers are less individualistic and their decision-making behaviors heavily rely on the extent to which they conform to cultural values. China is a collective society. Hence, the importance of social norms cannot be underestimated in the discussion of tourist behaviors. Hsu, Kang, and Lam (2006) argued that friends and relatives are the most influential factors in the decision making of Mainland Chinese tourists. Similarly, Choi, Liu, Pang, and Chow (2008) suggested that Chinese Mainlanders belong to the group of ethnic-, art-, and people-oriented tourists who are heavily involved in purchasing crafts for themselves and as gifts. Pearce and Wu (2013) credited the popularity among the Chinese outbound tourists for maintaining a social linking behavior, whereby “bringing back gifts is the passport for re-entering the group after having been away” (p. 149). Moreover, such gifts should be “distinctive and well-judged” (Pearce & Wu, 2012, p. 149).

Although Hong Kong has a solid basis for its development as a luxury shopping destination, this image has diminished in recent years because of the adverse effects of political and social movements in the local society. Such movements include the rising anti-Mainlander sentiment of the locals because of the inconvenience brought about by cross-border parallel trading and misbehaviors of Mainland travelers, as well as the increasing competitiveness of neighboring countries, such as Japan and South Korea. Therefore, understanding the luxury consumption behavior of Chinese Mainlanders and their view of Hong Kong as a luxury shopping destination is important in assisting Hong Kong regain its reputation as a shopping paradise.

### **Findings and discussions**

A total of 43 participants were included in the focus group discussions, with each round having 8 to 9 members. Of this number, over 60% are males aged 30–45 years. They have at least two years of working experience, with over 30% of them having over 10 years of working experience. Over 85% are from the industrial sectors of hotels and travel agencies, while 14% work in the tourism-related departments of universities or colleges.

#### ***Perceived parameters of luxury***

Figure 1 presents the respondents’ understanding on the concept of luxury and luxury items. The ranking of each parameter is based on the number of references made during the discussions. To most participants, luxury is closely related to brand and, in certain cases, brand is a proxy of luxury because other respondents used the terms interchangeably during the entire discussion. An analysis of the discussion results revealed that these brand-related attributes include brand stories and equity. This finding is expected because advertisers usually create specific meanings of advertised products in the modern business world that can eventually be interpreted and used by consumers in constructing their inner world (Elliott & Wattanasuwan, 1998). Despite the well-recognized brand effect, respondents in this study had limited knowledge of luxury brands. When brand stories were mentioned, the coordinators invited the respondents to further elaborate on these stories. Only few participants could provide specific examples. Similar findings have been obtained by previous studies, thereby suggesting that Chinese luxury consumers tend to treat several best-known brands



as representations of the entire category of luxury products (Zhan & He, 2012; Atsmon & Dixit, 2009).

Premium price was another important parameter in understanding luxury. Given the similarities to high price, this study coded words and terms of financial affordability to this category. This variable suggested the existence of the Veblen effect. Husic and Cicic (2009) explained that Veblenian consumers tend to impress others with prestigious prices, from which they perceive a high conspicuous value. Price is typically an effective indicator of quality. That is, a high price indicates a high product or service quality. Moreover, certain brands (e.g., Hugo Boss) charge a higher price for products with smaller logos to entice customers who consciously or unconsciously refuse to serve as human billboards (Husic & Cicic, 2009). Hence, price in this case and the identified brand principally represent the perceived prestige and superiority inherent in luxury consumption. The high ranking of the tangible attributes of brands and high prices likewise further emphasize that Chinese consumers chiefly rely on external factors rather than on their own judgment in luxury shopping.

The respondents also used a relative angle to express their understanding of luxury. They regarded the consumption of luxury goods as the purchase of unnecessary items relative to the necessities in daily life. This understanding indicates the relative perspective that is adopted in interpreting luxury because it depends on socioeconomic status. This idea is consistent with the most identified motivation for luxury consumption. Another relative view treats luxury as a “waste” relative to human materialistic needs. Although the term “waste” can mean a few unnecessary things in daily living, a distinctive line still exists between these two concepts. The “waste” opinion can be attributed to the traditional Chinese culture of thrift and frugality, which have been strongly cultivated among Chinese children for many generations (Wang & Lin, 2009). Correspondingly, buying unnecessary items can naturally be regarded as a waste.

Quality is another important parameter in defining luxury. As a key strategic ingredient, product quality has long been regarded as a fundamental element in determining business success (e.g., Jacob & Aaker, 1987; Mathews-Lefebvre & Valette-Florence, 2014). Sheth, Newman, and Gross (1991) defined product quality as the functional aspect of commodities that refers to basic utilities and benefits. Although luxury goods are designed to satisfy the psychological and functional needs of consumers, the latter is typically diminished, which can be observed from the ratio of price to utility. Nueno and Quelch (1998) determined that the ratio of price to utility can be used in differentiating luxury brands from others, such as upmarket and premium brands. In particular, luxury brands have the highest price-to-quality ratio, thereby indicating the pursuit for product quality of certain respondents, who can be categorized as perfectionist consumers as proposed by Husic and Cicic (2009).

Rarity is another important parameter in defining luxury based on the focus group discussion. This parameter can be indicated by the phrases “quantities limited,” “relatively rare,” and “owned by few.” The principle of rarity is substantially documented in the luxury consumption literature (Pantzalis, 1995). The exclusivity phenomenon can be achieved by several divergent mechanisms, such as setting a limited supply and high price, marketing tactics that have been frequently adopted by luxury marketers. This finding contrasts with the extant observations showing that rarity only holds in an individualistic culture (e.g., the US) instead of a collective culture (e.g., Singapore and Hong Kong) (Phau & Prendergast, 2000).

The respondents also emphasized the importance of experience in luxury consumption. A few of them expressed this opinion by comparing the shopping environment in China to that in European countries, whereas others compared the current environment of Hong Kong to how it was like in the past decade. Atwal and Williams (2008) observed the complicated process of luxury brand marketing that encompasses the tangible attributes reflecting quality and performance and the experiential elements relating to consumer lifestyle. Hence, they recommended the marketing of the experiential aspects of luxury items because it is “about taking the essence of a product and amplifying it into a set of tangibles, physical, and interactive experiences that reinforce the offer” (p. 341). This characteristic can be regarded as a feature of the desires of Chinese Mainlanders. This feature can also be attributed to the research context of luxury destination adopted in this study because experiential value has been extensively recognized as a key benefit in tourism and hospitality activities (Yuan & Wu, 2008).

\*\*\*\*\*Please insert Figure 1 here\*\*\*\*\*

### ***Motivation for the involvement in luxury shopping***

The identified motivations for luxury shopping are generally consistent with the preceding framework based on self-concept, and these motivations have likewise evolved along the spectrum of attached symbolism to the genuine pursuit of product quality (Tsai, 2005). As expected, the well-identified privileged images, such as premium price and prestigious names in luxury consumption, were also identified in this study. Moreover, this work ascertained several drivers with distinctive Chinese characteristics. Figure 2 presents the motivations identified in this study under the self-concept framework.

\*\*\*\*\*Please insert Figure 2 here\*\*\*\*\*

The motivations of the interdependent self are presented with six aspects: social conformity, *mianzi* (i.e., social status), vanity and bragging, dream value, gift-giving, and Western influences. Numerous studies have delineated the influences of social conformity in luxury consumption (e.g., Choo, Moon, & Kim, 2012). Chinese culture features a high level of social conformity, which has been regarded as a key predominant factor in analyzing publicly visible products, such as consumption (e.g., Park, Rabolt, & Jeon, 2008). Social conformity fundamentally operates in our daily lives as reference group influences, which are further presented in the forms of informational and utilitarian influences.

Informational motivation functions from three perspectives: stories of certain brands, information of certain social groups, and information of the trends. Such informational motives are relatively superficial because the respondents claimed that many luxury buyers lack sufficient knowledge of luxury brands. In particular, these luxury buyers could list brand names while having limited knowledge of the specific meanings and themes inherent in the brands. This phenomenon partially contributed to the highly selected luxury brands when luxury consumption was empirically analyzed in China (e.g., Zhan & He, 2011), as well as to the popularity of luxury products that have publicly visible logos.

The utilitarian influence reflects the attempts of individuals to comply with the behavior of others to gain rewards or avoid punishments (Park & Lessig, 1977). This finding could be caused by the main consumer group in China. The focus group discussion indicated that the primary group of consumers of luxury goods in China comprises second-generation rich individuals. This result is supported by O’Cass and Choy (2008), who reported that Generation Y consumers (i.e., young

adult consumers) have more positive attitudes toward premium brands and are more willing to pay additional amounts for these status brands. Hence, these customers would lose face in front of their peers if they lack one or two piece(s) of luxury items. A respondent who works in a university used an extreme example to demonstrate this distorted phenomenon:

*Take some students from my university as an example. Some of them are poverty-stricken students, but their behaviors do not make them look like they are poor. They use iPhones, buy lots of snacks from supermarkets, and wear branded clothes... They are regarded as poverty-stricken students, as their family incomes are below a certain level. However, they are willing to invest their limited money in things just because their classmates own them.*

The second motivation for luxury consumption is *mianzi*, which is the Chinese version of social status and refers to “recognition by others of an individual’s social standing and position” (Buckley, Clegg, & Tan, 2006, p. 276). Together with *guanxi*, *mianzi* is regarded as one of the core traditional Chinese values (Child & Lu, 1996). *Mianzi* is predominant in interpersonal relationships, and having *mianzi* means that people satisfactorily impress others with their reputation. Nearly all the respondents in the current study mentioned *mianzi* in their descriptions but in different forms. For example, a respondent referred to *mianzi* as follows: “*This brand, this product, is well recognized by people in this society. Therefore, you will have face if you consume it.*” Another respondent suggested that *mianzi* emerges “*only if what you have is visible to others, either brands or logos, do you feel you have mianzi.*” Other respondents specifically defined the discussion scope by stating that “*in the whole society, those who were born in the 1980s or the 1990s are not that well paid. But if you live in a group in which all others are wearing branded clothes, if what you have are not branded, then there is a chance that you cannot settle in society and have no mianzi.*”

Vanity and bragging are suggested as the third driver of luxury consumption, possibly relating to economic equality in Mainland China. Ordabayeva and Chandon (2010) explained that inequality increases conspicuous consumption among bottom-tier consumers attempting to “keep up with the Joneses” (p. 27). This statement was echoed in parts of the discussion, such as in terms of examples or phrases, including “compare” and “vie against each other.” A few respondents described this phenomenon as being applicable to the entire society by stating the following:

*We Chinese, more or less, have feelings of vanity. Take my elder sister as an example. My aunt is overweight, and one day she sent something to my sister at school. After she left, a classmate asked my sister, “Who is she?” My sister felt embarrassed and said, ‘Ah, my neighbor.’ If my aunt had been elegant and slim, maybe that would be a totally different story. Those young and middle-aged people involved in luxury consumption have the same psychological consideration.*

*To the Chinese, being keen on face-saving behaviors and vanity has been engraved in their bones.*

However, a few respondents specifically identified women, stating that “*Women like buying luxury items to show off.*”

The respondents also mentioned that Western influence and gift-giving can generate luxury consumption. Western influences can be interpreted from two perspectives: increasing exposure

to Western products among the Chinese and the preference of the young generation for foreign values and products. Since the late 1980s, increasing modernization has increased the exposure of China to Western products and services. A growing number of Chinese, particularly the elite, had overseas experiences, which profoundly influenced their manner of thinking and consequently increased their acceptance of Western values. In the domestic market, multinational companies emphasized Western values in their advertisements, which successfully conditioned young Chinese to be more receptive to Western values and ideas (Zhang & Shavitt, 2003). The two views can be connected to the long-lasting worship for all Western things among the Chinese as well. Respondents stated that “*The Chinese inherently have the worship for everything Western in their hearts,*” “*It has something to do with the Chinese culture, which includes the Chinese consumption mentality,*” and “*Worship for everything from the Western world could also contribute to the enlargement of the luxury market in China.*”

Gift-giving can also be understood from two perspectives. First, *guanxi*, which pertains to interpersonal relationships in China, is the cornerstone of the friendship or intimacy aimed at continued favor-seeking behaviors (Su & Littlefield, 2001). Hence, gift-giving is an essential means of maintaining interpersonal connections, although gift types may vary based on social obligations (i.e., role of gift receivers to senders). For example, a respondent stated:

*We buy luxury products in bulk. What is that for? We buy it for gift-giving, as nowadays, items such as branded belts or wallets are the most concealed and appropriate gifts for officials.*

Second, gift-giving can be another form of bragging by suggesting to their social circles that the gift-giver has been overseas.

Previous studies on luxury consumption conducted in the context of Western countries revealed a trend of diminishing symbolic and increasing personal values (Choo et al., 2012). Both trends were identified in the current work. Respondents regarded luxury items as a visual label, thereby impressing others with their own prominent achievement and enhancement of social status. Some respondents also claimed that they purchased luxury items for product quality.

Among those who stated the pursuit for quality, one respondent raised an interesting point by stating that “*luxury goods are of good quality.*” Such statement is similar to the observation of Husic and Cicic (2009) that consumers in a post-socialist country “are very loyal to the idea that every well-known brand has to be of good quality” (p. 242). A few respondents suggested that “*those middle-class people who buy luxury items for gift-giving and for self-use have a deep-rooted demand for quality.*” Another respondent expressed that “*some people buy luxury items because they are aware of the brand and are loyal to it.*” Moreover, such enthusiasm for luxury items stems from the lack of confidence in the products of domestic brands. A respondent used the traveling suitcase as an example:

*I asked my friend in Germany to buy a Rimowa suitcase for me. It has a size of 20 inches and is made of aluminum magnesium alloy. I asked my friend to buy it not necessarily because it is of superior quality, but because products of domestic brands are of low quality. I normally travel with a lot of stuff. There is a chance that the products of domestic brands would crash on the way, such as when the wheels break, which will cause me a lot of trouble.”*

Another respondent suggested that “*if the quality of home-produced items is reliable, then we would still support made-in-China items.*”

### ***Perceptions of Hong Kong as a luxury shopping destination***

This study also analyzed the perceptions of the respondents toward Hong Kong as a luxury shopping destination. Table 1 presents the advantages and disadvantages of developing Hong Kong as a luxury shopping destination. Hong Kong, which is the most popular short-haul destination, has a solid basis for becoming a luxury shopping destination. Generally, the respondents claimed that they have adopted positive attitudes toward Hong Kong as a luxury shopping destination. However, Table 1 shows different results. The major strength of Hong Kong is its geographical proximity to Mainland China. Such proximity enables it, as well as Macau, to be the traditional short-term overseas destinations among Chinese Mainlanders. Cultural links, such as low language barrier and similar cultural background, are also beneficial in removing the traveling constraints of Chinese Mainlanders to Hong Kong. Hong Kong also has a range of basic infrastructures, from the in-and-out transportation to the local in-city transportation system. Despite these unconquerable advantages of Hong Kong as a tourism destination among Chinese Mainlanders, other merits appear to be marginally competitive in the market, including complete product catalogues that can be competitive to other fancy luxury destinations, such as Paris, London, and New York. Moreover, Hong Kong has good public security, attractive interest rates—which are closely related to the increasing competitiveness of the Renminbi in the international market—and the payment gateway UnionPay.

\*\*\*\*\*Please insert Table 1 here\*\*\*\*\*

Despite such merits, Hong Kong faces an extremely challenging situation in attracting Chinese Mainlanders to shop for luxury items. These challenges are centered on emotional aversions caused by a few political and social movements, such as Occupy Central. These movements call for an enhanced democratic electoral system while reversely giving an anti-Mainlander image to Hong Kong. This situation was clearly illustrated through excerpts from the focus group discussions: “*Nobody wants to go to places where residents are hostile to them*” and “*Hong Kong people now have prejudices against Chinese mainlanders.*” Before Hong Kong even recovered from the Occupy Central movement, the anti-parallel trading protest worsened the already declining tourism industry, particularly because gangster-like protesters occasionally attacked tourist-like passersby (*China Daily*, 2015).

The respondents also complained about the increasing prices for accommodations, decreasing service quality, and unpleasant shopping environments partially caused by the increasing number of tourists and unfriendly attitudes of locals toward Chinese Mainlanders. Moreover, the emergence of alternative shopping channels further revised the market structure (e.g., daigou). Reduced transportation fees also substantially increased the cost efficiency of shopping in other destinations, such as South Korea and Japan. Visa liberalization further decreased the attractiveness of Hong Kong among Chinese Mainlanders because alternatives, such as Japan, South Korea, and Taiwan, became considerably accessible. Hence, to secure an advantageous status, Hong Kong should adjust its destination policy and be innovative in designing and promoting tourism products.

Hong Kong, as a luxury shopping destination, was used to further corroborate the findings related to luxury definition and motivation. If the advantages and disadvantages presented in Table

1 are further sorted out, then the decreasing advantages of Hong Kong as a luxury shopping destination are chiefly related to its dropping monetary efficiency. Political movements further intensifying the already declining situation are considered. A respondent in our study said:

*Residents from the first-tier cities would not regard Hong Kong as a luxury shopping destination because they have more options, like traveling to London and Paris where the promotions are more intensive. These locations have all the top-tier brands, whereas Hong Kong mainly has second-tier brands or even those brands that are only regarded as luxury brands by the Chinese, such as Coach. Those from second- or third-tier cities or counties may want to visit Hong Kong while shopping during the tour.*

This statement implied the concept previously identified, thereby indicating that luxury consumption by Chinese Mainlanders is primarily driven by bragging that they have been overseas. After years of development, Hong Kong has become a mature destination among Chinese Mainlanders. For some Mainlanders, traveling to Hong Kong is considerably similar to domestic travel. This perception, which is not as appealing as two decades ago, began after Hong Kong's return to China in 1997. Given the marginal difference in prices between visiting Hong Kong and other countries, the majority of Chinese Mainland residents would naturally select the latter. Traveling overseas would make them feel that they have more *mianzi* than others.

### **Conclusions and Implications**

This study centers on the development of a luxury shopping destination. In particular, it focuses on three fundamental questions: What does luxury mean to the Chinese? What factors motivate them to indulge in luxury shopping? To what extent do perceptions on a specific place as a luxury shopping destination match consumers' understanding of luxury and motivations for luxury shopping? To answer these questions, this study conducted focus group discussions among Mainland Chinese residents. Increasing affluence has prompted the emergence of the Chinese as a new but appealing customer group in various business sectors. Luxury consumption is not exempted from this general trend. Insights into the behaviors of luxury consumers can be obtained only by considering the cultural differences in each unique society. Different characteristics inherited in the Chinese market require special attention and knowledge, thereby possibly further enriching the understanding on global mobility. Thrift and frugality are substantially valued in Chinese culture, as partially evidenced by the unconquerable record of personal bank savings (Faure & Fang, 2008). Accordingly, luxury consumption has steadily gained momentum amid these traditional values. The preference of Chinese shoppers to buying luxury items overseas can be understood by considering the hefty import tariffs and taxes, as well as the strategy of premium prices in the Chinese market. Observations from the industry have confirmed that approximately two-thirds of luxury items are purchased outside of China (The Economist, 2015a).

The current findings are consistent with such a phenomenon, thereby indicating the suitability of setting the research in the context of Hong Kong. The perceptions on luxury and shopping motivations of Chinese consumers can be simply but paradoxically summarized as follows: Chinese luxury consumers cling to thrift. The present study integrated this concept with the notion of Markus and Kitayama (1991) on the interdependent/independent self and generally categorized the currently identified motives of Chinese consumers in pursuing luxury shopping (Figure 3). In summary, certain consumers may engage in luxury consumption to impress others

with product attributes, such as price, exclusivity, and popularity. By contrast, those with an independent self purchase luxury products to fulfill their internal goals and needs.

\*\*\*\*\*Please insert Figure 3 here\*\*\*\*\*

To Chinese consumers, brand and premium price are relative surrogates of luxury and luxury items. Literature has long identified brand and price as indicators of high quality and value, which increase purchase willingness (Wiedmann, Hennigs, & Siebels, 2009). However, in the current study, price and brand were dominant factors in the decision-making process of luxury consumption. Results indicate that the respondents are not equipped with the backstories of the luxury brands. Moreover, their purchase decisions are not driven by the congruence between self and brand image. Instead, their judgment to buy luxury items mainly relies on the popularity and price of brands, thereby possibly simplifying the process of choice selection and reducing any related risks. This finding may offer insights into consumers' conscious purchasing of counterfeit luxury brands in China. Brand prestige lifestyle immensely influences consumers who only have experience with counterfeit luxury fashion brands (Phau & Teah, 2009; Li et al., 2012).

Chinese Mainlanders buy to impress others. Thus, the dominance of conspicuousness underlies the phenomenon of "the Chinese speak the international language of shopping." This phenomenon was serially reported by *The New York Times* (*The New York Times*, 2006). The presentation of social status, which is a key element of conspicuous consumption, among the Chinese is *mianzi*. In a Confucian-oriented society, the concept of *mianzi* (face) is of paramount importance in China (Lindridge & Wang, 2008). The belief that "*face is the spiritual creed of the Chinese people*" has deeply penetrated the normal lives of the Chinese. This belief is reflected in several proverbs, such as "*people live on their face, trees live on their skin*" (Shi, Furukawa, & Jin, 2011, p. 163). To Chinese consumers, luxury items (i.e., branded and high-priced items) carry symbolic meanings. The four types of motivations identified in the current study point toward *mianzi* issues. Brands (or simply logos) and premium prices relatively carry the meaning of rarity and high social status, thereby making Chinese Mainlanders feel superior and have *mianzi*.

Our findings also suggest that complete product category and advantageous interest rates are critical in assessing if a place is a luxury shopping destination. Such results are consistent with the economic value and prestige brand involved in luxury consumption. The inherited mobility nature of tourism is also well implied as geographical distance, with easy accessibility highlighted as a critical merit of Hong Kong as a luxury shopping destination. This discovery parallels the aforementioned significance of economic value relating to luxury consumption. This study also discovered the crucial role of consumer experience in developing luxury shopping destinations. This development is simultaneously an inherited nature of the tourism industry because of the tangible nature of competitive sources within it (Stamboulis & Skayannis, 2003) and of luxury consumption because the experience is considered when luxury brand marketing is involved (Atwal & Williams, 2009).

This study likewise identified conscious halo effects in developing luxury shopping destinations. Previous studies suggested that the halo effect is "a fundamental inability to resist the affective influence of global evaluation on the evaluation of specific attributes, especially when they are unaware of the halo's existence" (Nisbett & Wilson, 1977, p. 255). In the current study, the respondents were well aware of the edges of going to Hong Kong to purchase luxury items. However, they consciously tolerated such edges to be diluted by halo incidents, such as the Occupy

Central movement. Other political incidents may cause social chaos, thereby striking the tourism industry. However, the political and social movements in Hong Kong affect Mainland Chinese, and the appeals of such movements include those related to national secession. The denial of national sovereignty goes against the patriotic and nationalistic beliefs of many Chinese people.

Theoretically, this study enriched the interpretations of self-concept theory in understanding Chinese luxury consumption motivations. It answers the question raised by Lau (1996) on whether a concept that focuses on Chinese children and adolescents exists in the Chinese culture. Lau (1996) refuted the existence of self in the Chinese culture because it considerably focuses on the social identities of individuals. By contrast, the current study indicated that the socially oriented self dominates in Mainland China. The reason is that luxury consumption behaviors chiefly involve shopping to impress others and gain *mianzi* (i.e., social status). An increasing number of Chinese customers have considerably recognized their inner self because the drivers of their involvement in luxury consumption are quality items meeting their personal tastes, as well as their chase for intangible luxury experiences. The current study also contributes to destination image literature by recognizing the existence of halo effects. Moreover, the influences of factors, such as those social movements causing halo effects, are more imperative compared with the stimuli of luxury shopping. Therefore, future studies on destination image should judiciously analyze objects of interest within a place and assess their interrelationships before jumping to inspecting a generally homogenous destination.

Given the diversified demands in the Chinese market, luxury retailers and shopping destinations (e.g., Hong Kong) should adopt differentiated marketing strategies. Promotions and advertising campaigns that create brand awareness should persist. Moreover, certain luxury customers from China are on a strict budget, as vividly depicted by *The Economist* (2015a): “Chinese tourists have no problem buying Prada by day but sleeping in two-star hotels by night” (online). Hence, second-hand luxury shops or outlets could attract Chinese shoppers. In addition, buying to showoff is rare in high-end markets because shoppers genuinely pursue quality and shopping experiences. Highly discrete and customized products and services would be appealing to this segment. Hence, luxury brands in this market could win the game by competing in activities that evoke rarity, brand awareness, and quality.

Furthermore, a certain group of customers genuinely pursues quality. On the one hand, such customers have low confidence in the quality of domestic brand items. On the other hand, their taste that seeks quality can only be fulfilled by internationally well-known brands. This phenomenon presents business opportunities for luxury retailers; those who follow their feelings and personal tastes can substantially regulate their behaviors (Wong & Ahuvia, 1998). This finding implies the possibility of cultivating loyal customers in the Chinese market. However, this group is quality oriented; it flocks to homemade brands if the quality of such brands could be ensured because these customers do not blindly seek luxury items. Given the halo effects, destination management agencies in Hong Kong should collaborate with others pertinent in attracting luxury consumers from Mainland China and their dominant source market in the long run.

The limitations of this study mainly emanate from the study sample. The participants in this study were representatives of luxury consumers. They offered in-depth views on luxury consumption motivations and perceptions on Hong Kong as a luxury shopping destination. Nevertheless, their similar, comparable backgrounds likely hinder divergent points of view. Despite the benefits of focus groups in qualitative research inquiries, a few respondents may



hesitate to share their personal spending or luxurious experience in public. Further investigations on the issue by using other methods, such as in-depth or photo interviews, will be beneficial to understand this phenomenon further.

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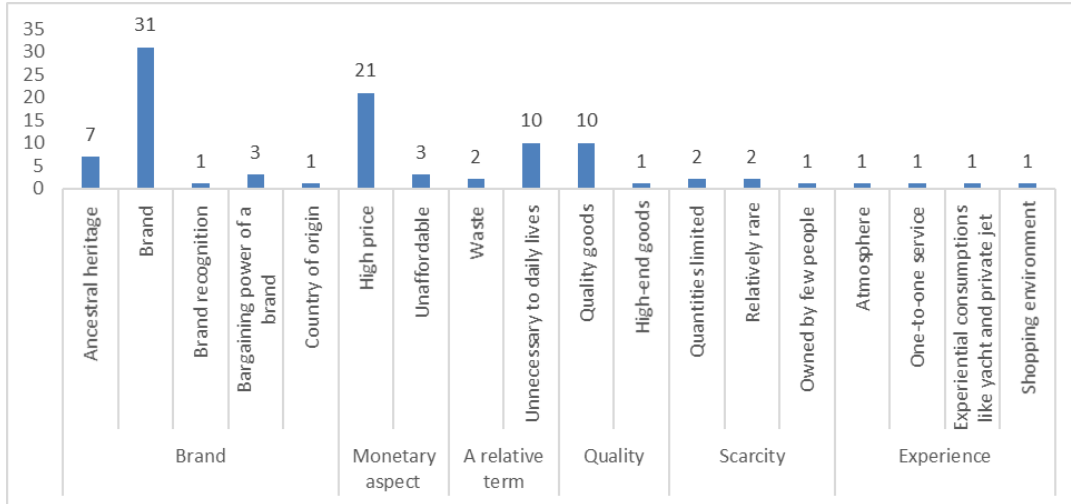


Figure 1. Concept of luxury: Focus group findings

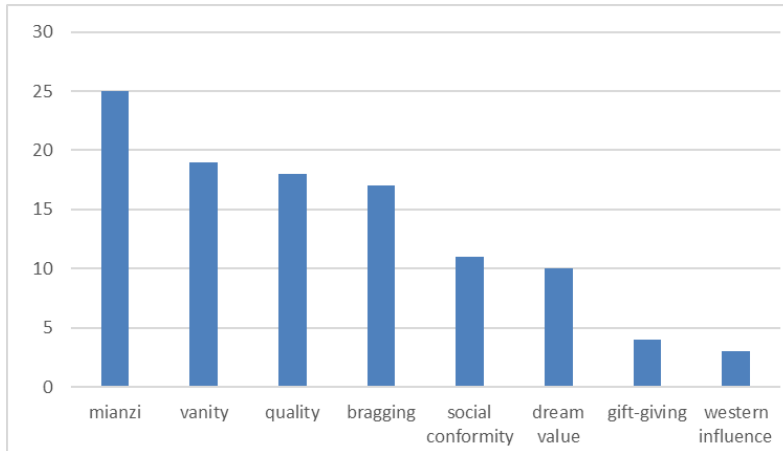


Figure 2. Motivations for luxury consumption

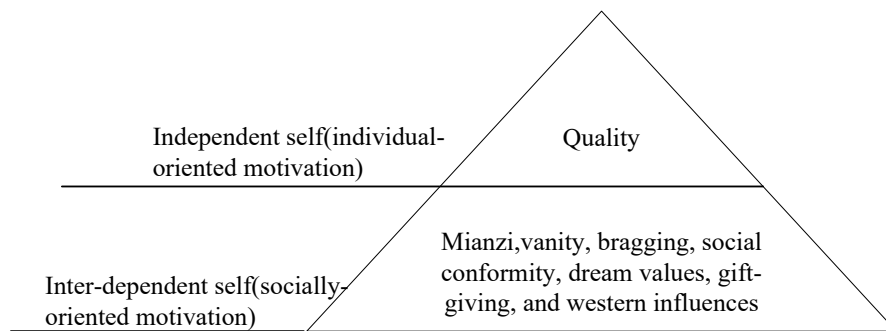


Figure 3. Interpretations of self-concept in understanding luxury consumptions among the Chinese

