A Comparative Analysis of Young Chinese Female Consumers’ Luxury Brand Purchase Intentions in Virtual and Brick-and-Mortar Store Environments

Introduction

The global luxury goods market anticipates a massive increase of 65% from 2010 to 2015, with most of the growth coming from emerging economies, especially in Far East Asia. China remains the essential increase generator in the region (Bombourg, 2011). With its developing economy and extensive population, the Far East Asia regions have quickly become the world’s largest brand-name luxury good market (Jiang, 2005; Wong and Ahuvia, 1998). As social-economic levels have changed over time, some wealthy market consumers continue their luxury purchases, and many middle market consumers have gradually changed their buying behaviour to have a better lifestyle and to improve the quality of life. Due to the social-economic changes and variation in consumers, the target luxury consumers have shifted from older, wealthy consumers to younger people. Belatedly, luxury brands have generated massive sale volumes from the Internet, which has underlined the influence of the social media and the convenience of the World Wide Web. In particular, fashion products (e.g., apparel, footwear, and accessories) are now essential goods for e-business growth, which represents 36% of total consumer spending (Nielsen, 2001). Furthermore, Okonkwo highlights the importance of incorporating e-businesses into the luxury brand’s strategy, so it is important to identify the most effective platforms for the younger, upwardly mobile generation (Okonkwo, 2010). The size of the global Internet population is approaching two billion; hence, an effective online presence is a critical component that cannot be dismissed by the luxury sector. This study focuses on the luxury consumption behaviour of young Chinese female consumers as they have been targeted as the majority of luxury brand purchasers (Barletta, 2003). The study provides insights into young Chinese female consumers’ luxury purchasing intentions in virtual and brick-and-mortar store environments.

Literature Review

‘Far East Asians have been found to be avaricious luxury consumers’ (Li and Su, 2007, p.37) - it is very common to see Far East Asian consumers dining in expensive restaurants or staying in luxury hotels (e.g., Michelin starred restaurants or celebrity cafés/bars), purchasing luxury-brand goods (e.g., jewellery, watches and accessories), flooding luxury fashion boutiques/flagship stores, and driving top of the range cars. Socha (2008) stated that consumers’ demand for luxury goods is influential and accelerating. Ignoring the impact of recessions on this area in recent years, the region of Far East Asia has soon become a potential marketplace for luxury brands. The region is claimed to be responsible for half of all global luxury purchases, and Greater China’s market is predicted to be valued at 169 billion euros and account for nearly half of the luxury market by 2020. This is a considerable increase from the 15% in 2010 (Sheng, 2011; Bowman, 2008). For those consumers, luxury branded goods cover a wide range of consumer products with premium price tags. Far East Asian consumers are willing to pay
premium prices for consumer goods even when some have limited financial sources (Ram, 1994). More importantly, most Chinese consumers deal with face-related and social-status issues on a daily basis, which include purchasing, salutations, invitations, and so forth (Li and Su, 2007).

Retail stores evolved from a simple channel into interactive role-play (Mathwick et al., 2001) in which consumers may have different purchasing experiences, such as the presentation of a product and customer services. The idea of atmospherics underlines the importance of store design and emotional effects for shoppers; it also enhances the probability of consumer purchases (Eroglu et al., 2003; Kotler, 1973). Brick-and-mortar stores (physical stores) witness the majority of luxury purchases due to face-to-face communications with sales representatives. In fact, the physical environment was conceptualised as a set of in-store variables for establishing a successful store atmosphere for consumers, which includes music, lighting, a colour scheme, smells, and the store layout design. Baker (1986) introduced merchandising management, which categorises smell, the sense of touch, and visual effects into three categories: ambience factors, design factors, and social factors. An atmosphere has also been defined as a mixture of atmospheric signs (Dailey, 2002). As Fraquet et al. (2002) stated, providing consumers with a pleasant shopping environment is becoming vital in attracting more consumers to visit the store and there is a high correlation between consumers’ experience and their surroundings. Due to the availability of new technologies, the Internet has formed a different type of electronic, psychosocial environment (Koernig, 2003). Compared with the physical stores, virtual stores cover a wide range of product selection; provide customised products and services; and offer convenience and consumer privacy (Tsao and Chang, 2010). It was suggested that the Internet helps luxury brands to play a successful communication and information role, but it is difficult to use it as a channel for consumer acquisition (Riley and Lacroix, 2003).

E-business represents an essence prospect for reducing costs, developing passages to market and growing a progressively loyal customer base, relating to the robust growth of new business (Webdale, 2003) and possible international marketing expansion (Jones et al. 2002). Bernstein Research (2010) further noted that few luxury brands focused on its online strategy to attract young target affluent consumers, and the online development strategy covers the efforts towards website development, interactive marketing forums and social media (e.g., Facebook, YouTube and Twitter). The Net-A-Porter Group Limited, the UK online luxury fashion group, developed the Chinese members-only online retailer outlet Shouke.com in February 2012, and also launched a Chinese version of its “Outnet” by supplying luxury designers’ collections with promotional price tags (Daily, 2012). In comparison, Neiman Marcus, an American luxury retail group, invested US$28 million in the privately held e-commerce company – Glamour Sales Holding – in 2012.

This study presents a comparative analysis of the purchasing behaviour of young Chinese female consumers aged between 18 and 35, which also concentrates on the purchasing intention of luxury brands in virtual and brick-and-mortar store environments. Some studies have suggested that luxury consumer purchase intentions are different due
to the different shopping styles and decision-making processes (Miller, 1981; Jacoby and Chestnut, 1978; Maynes, 1976). The concept of purchasing intentions grew from the relationships between buying behaviour. Several studies have identified the affirmative correlation between purchasing intention and purchase behaviour (Morwitz et al., 1996; Morwitz and Schmittlein, 1992).

For marketers, purchase intention has played a vital role due to its direct influence on consumer satisfaction (LaBarbera and Mazursky, 1983). Specifically, understanding consumers’ purchasing intention is viewed as a valuable resource for fulfilling consumers’ needs and predicting the possible sales volume of existing and newly introduced products or services. Therefore, the retailers conveyed the purchasing intention concept as multi-dimensional, which includes loyalty, substitution, expensiveness, external reply and internal reply (Zeithaml et al., 1996). The categories are: word-of-mouth, brand loyalty, swapping preference between brands or products and the behaviour of dissatisfied complains to illustrate the effects of consumers’ purchasing intentions (Bush et al., 2004). The multi-dimensional perspective is resourceful due to its coverage of the behavioural aspects and relevant factors. More importantly, consumer satisfaction may have a greater influence on developing their purchasing intentions than the service quality that consumers have received (Cornin and Taylor, 1994). The framework of this analysis has proposed that individuals should act according to their purchase intention with regard to luxury consumption. Consumers may change their preferences or follow new trends because of new technologies, social impact and cultural pressure. In accordance with the above discussion, this study assumed that there are differences between the psychological factors of young Chinese female consumers’ purchase intentions in virtual and brick-and-mortar store environments.

**Method**

The quantitative research method was adopted to support this study. The design of the questionnaires applies to the marketing scales from previous purchase intention research projects. The theory of purchasing intention has been used to identify consumers’ interests and motivation with regard to purchasing certain types of product or demanding particular brands for their purchases (Jani and Han, 2010; Bush et al., 2004; White et al., 2004; Cronin et al., 2000); and the satisfaction of purchases has played an important role in the consumer purchasing experience (Ibrahim and Najjar, 2007; Tsiotsou, 2005; Maxham III, 2001), which may influence the purchasing intentions and decision-making regarding future purchases. The survey participants were given a number of statements together with a seven point scale, from 1 denoting ‘Strongly Disagree’ to 7 denoting ‘Strong Agree’.

The questionnaires were designed and used in this research for quantitative data collection due to the advantages and benefits that this research could contribute. Using a questionnaire means that the questions are presented with precisely the same phrasing, meaning and order to all participants (Easterby-Smith et al., 2002), which eliminates any possible bias that might be generated by using a large number of sample surveys. A total
of 495 surveys were sent to people who matched the criteria of being 18 to 35 years old, living in China and who also had made purchases of luxury branded goods in virtual and brick-and-mortar stores in the last few years. By the end of the sampling period, 325 were regarded as qualified: 155 responses were collected from outside leading luxury stores and 170 from online panel surveys. The majority of surveys were distributed in the first tier cities, Shanghai, Beijing, Guangzhou, and Shenzen. The reasons for choosing the first tier cities are: the size of the population, they are major metro-cities, and they host luxury brand boutiques/flag-ships stores. The survey was designed by targeting young Chinese female luxury brand product purchasers via a random sampling technique. In order to complete this study, rewards are required to encourage potential participants. The survey participants were given the opportunity to participate in a draw for store vouchers worth $500 Chinese Yuan Renminbi. By the end of the survey collection, the response rate was 65.7 per cent. Data were entered for statistical analysis using the SPSS programme. A Chi-square test was applied to measure the presence of significant differences between the pair of variables.

**Empirical Findings**

Table 1 demonstrates the empirical results; these behavioural factors are essential in explaining luxury consumption purchase intentions. In the purchase satisfaction scale test, the differences are significant ($\alpha = 0.05$) for 3 out of the 5 statements. This also suggests that there is no significant difference between the purchase experience and purchase decision in physical and virtual store environments. In the purchase intentions test, all statements show a statistical significance below 0.05. This suggests that there are significance differences between consumers’ purchase intentions with regards to luxury brand items. This result matches the expectation of individuals’ purchase experience with their level of satisfaction. However, the statistical results reveal dissimilarities between consumers’ purchase intention in virtual and brick-and-mortar store environments.

Table 1: A paired comparison Chi-Squared test between young Chinese female consumers’ purchase behaviour towards purchase intentions and their purchase satisfaction on each questionnaire. *Significant at 0.05 level

<table>
<thead>
<tr>
<th>Purchase Satisfaction</th>
<th>Average Score Σ Mean</th>
<th>$\chi^2$</th>
<th>$&lt;\alpha$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall, I am satisfied with my decision to buy my last luxury brand item</td>
<td>4.83 5.37 5.10</td>
<td>0.004 *</td>
<td></td>
</tr>
<tr>
<td>My decision to purchase my last luxury brand item was a wise one</td>
<td>4.95 5.43 5.19</td>
<td>0.027 *</td>
<td></td>
</tr>
<tr>
<td>I feel that my experience with my last luxury brand item was enjoyable</td>
<td>5.06 5.01 5.04</td>
<td>0.279</td>
<td></td>
</tr>
<tr>
<td>I think I did the right thing when I purchased my last luxury brand item</td>
<td>5.36 4.36 4.86</td>
<td>0.138</td>
<td></td>
</tr>
<tr>
<td>I would recommend my last luxury brand item to others</td>
<td>4.51 4.87 4.69</td>
<td>0.000 *</td>
<td></td>
</tr>
</tbody>
</table>

Purchase Intentions
In future, I will buy luxury brand items again.  
| Rating | 5.12 | 5.14 | 5.13 | 0.021 |

I will say positive things about the luxury brand item to other people.  
| Rating | 5.06 | 6.17 | 5.62 | 0.000 |

Luxury brands will be my first choice in the future.  
| Rating | 5.32 | 5.11 | 5.22 | 0.004 |

I will encourage my friends and relative to buy this luxury brand item.  
| Rating | 5.17 | 5.32 | 5.25 | 0.010 |

Conclusion and Managerial Implications

This study investigated young Chinese female consumers’ online/offline luxury consumptions purchase intentions. The results indicate that Chinese female consumers take interactive online communication seriously, but still prefer to have face-to-face interactions in a Brick-and-Mortar store. The results also offer a further understanding of the importance of luxury purchase intentions. Prior to this study, many researches focused on the importance of consumer satisfaction (McQuitty et al., 2000; Morgan et al., 1996), instead of purchase intention specifically with regard to online/offline luxury consumption. The result also demonstrates that young Chinese female consumers have different approaches to their luxury decision-making and purchase behaviour in virtual and brick-and-mortar store environments, respectively.

According to our investigation, ‘trust’ is a vital factor, as it has been shown to be a facilitator in the relationship between website attributes and purchase intentions (Ganguly et al., 2009). It is even harder to achieve a higher level of trust in the virtual environment as the Internet has ‘spawned a lucrative trade in counterfeit goods’ (Barraclough, 2007, p. 42). Although most luxury retailers have made clear their counterfeit policies, it is still extremely difficult to prevent counterfeit sales by the consumer-to-consumer online marketplaces like eBay. eBay was fined by a French court £30 million for damaging luxury goods and failing to prevent sales through its website of counterfeit luxury products, from Louis Vuitton, Christian Dior and Hermès (Passariello and Mangalindan, 2008; Economist, 2008). The figure for purchase intentions underlines the importance of young Chinese female consumers’ purchasing behaviour towards the latest luxury purchase online/offline. The data show that a positive attitude will influence the intention regarding future repeat purchases and making recommendations to others. In other words, positive attitudes and behaviour have a great influence and tremendous impact on young Chinese female consumers’ online luxury purchase intentions. Luxury organisations should be focusing on how to develop positive attitudes amongst young Chinese female consumers by developing trust in the web presence. The results also indicate that our respondents share an indistinguishable enthusiasm for luxury goods in both the online and offline purchase environments.
Bibliography


