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**Union of Luxury and Technology:  
Opportunities and Risks in the  
Chinese Market**

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## Table of Contents

<i>List of Figures</i> .....	<i>IV</i>
<i>List of Tables</i> .....	<i>VI</i>
<i>Introduction</i> .....	<i>1</i>
<b>CHAPTER I: Fashion’s Directions</b> .....	<b>7</b>
1.1 Production.....	9
1.2 Products .....	14
1.4 Place and Geographic Opportunities.....	20
<b>CHAPTER II: Luxury</b> .....	<b>23</b>
2.1 Differences in Consumption.....	25
2.2.1 Chinese Millennials.....	32
<b>CHAPTER III: Chinese luxury market</b> .....	<b>37</b>
3.1 Fashion and Luxury Development in China .....	38
3.2 Chinese Digital Development.....	40
3.3 Main Digital Platforms in China .....	47
3.3.1 WeChat .....	47
3.3.2 Weibo.....	49
3.3.3 Youku .....	50
<b>CHAPTER IV: What Matters in Luxury Purchasing</b> .....	<b>51</b>
4.1 Differences Between Luxury and Elegance .....	53
4.2 Is there a Chance for Elegance in this New Social and Technologic Market? .....	55
<b>CHAPTER V: Union of Fashion and Technology</b> .....	<b>57</b>
5.1 Union of Luxury and Technology.....	59
5.2 The Paradox of “Social Luxury” .....	65
5.3 Where Social Media can Change the Perception of a Luxury Brand .....	67
5.4 Why should Luxury Brands use Assiduously Social Media?.....	69
5.5 Multichannel or Omnichannel?.....	72
<b>CHAPTER VI: Research</b> .....	<b>75</b>
6.1 Quantitative Questionnaire .....	76
6.1.1 Purchasing Habits Correlations .....	77
6.1.2 Craftsmanship Correlations.....	80
6.1.3 Technology and Privacy Correlations.....	84
6.2 Qualitative Questionnaire .....	93
6.2.1 Evidences Derived from Qualitative Questionnaire .....	94
6.3 Personas .....	95
<b>Conclusions, Limitations and Future Research</b> .....	<b>103</b>
<b>Appendix</b> .....	<b>111</b>
Quantitative Questionnaire in English and in Chinese .....	111

Questions in Qualitative Questionnaire .....	114
<i>References</i> .....	115
<i>Sitography</i> .....	122

**List of Figures**

Figure 1: Concern about a brand’s sustainability and ethical standards before products purchasing, 2017 (% of consumers)..... 13

Figure 2: Worldwide Wearables Forecast, 2018..... 16

Figure 3: Channel breakdown for Chinese luxury goods spending, 2018 (€ billions)..... 21

Figure 4: Global personal goods market, 1996-2017 (€ billions) ..... 23

Figure 5: Influence of Culture on Behaviour, 1997 ..... 26

Figure 6: Reference Group Influence on Individuals, 2001 ..... 28

Figure 7: Share of global personal luxury goods market by region, 2017 ..... 31

Figure 8: Global personal luxury goods market by consumer nationality, 2000-2017..... 31

Figure 9: Share of global personal luxury goods consumers and sales value, by generation, 2016-2017..... 32

Figure 10: Millennials contribution in luxury goods purchasing, 2017 survey ..... 33

Figure 11: Purchase forecasts for millennials, 2017 survey..... 34

Figure 12: Time spent by millennials on digital every week, 2017 survey..... 35

Figure 13: Global personal luxury goods market evolution in China, 2019 (RMB billions)... 38

Figure 14: The fastest growing countries for fashion, 2016..... 40

Figure 15: Global online market share in global online personal luxury goods market, 2003-2017 (€ billions) ..... 41

Figure 16: Places of purchase: comparison between china and global, 2017 ..... 42

Figure 17: Frequency use of mobiles in shopping, 2017 ..... 43

Figure 18: Gap between China and the rest of the world in online media usage, 2017..... 44

Figure 19: Luxury goods sales via online channels, 2011-2016 (USD billion)..... 46

Figure 20: Percentage of digital marketing and digital platforms use by top 40 luxury brands, 2015-2018..... 48

Figure 21: Percentage of the top 40 luxury brands using WeChat official account functions, 2018..... 49

Figure 22: Brand is important, but relatively less among young consumers, 2019 ..... 51

Figure 23: Perceived country of origin vs actual country of origin, 2019 ..... 52

Figure 24: Followers gap between KOLs and brands official accounts, 2018..... 53

Figure 25: Biggest opportunities for the fashion industry in the opinion of fashion companies’ executives, 2017 ..... 57

Figure 26: Priority areas for 2018, 2018 ..... 58

Figure 27: New influences on consumers’ purchase decisions, 2018..... 59

Figure 28: Percentage of channels for the purchase of luxury goods, 2017 ..... 61

Figure 29: Prediction of the increase in the percentage of online purchases, 2018 ..... 61

Figure 30: Which platform do the Chinese prefer when they buy online, 2017 ..... 62

Figure 31: Online influence on luxury goods sales, 2018..... 63

Figure 32: Number of touch points in the consumer decision journey, 2018 ..... 64

Figure 33: Young Chinese Persona (Xue Zhang) ..... 97

Figure 34: Adult Chinese Persona (Li Feng)..... 98

Figure 35: Young Westerner Persona (Lily Schulz) ..... 99

Figure 36: Adult Westerner Persona (Virginia Massa)..... 100

**List of Tables**

Table 1: Purchase Reasons China ..... 77

Table 2: Purchase Reasons West..... 77

Table 3: China Correlation (Age Range and Purchase Reasons)..... 78

Table 6: West Correlation (Age Range and Purchase Place)..... 79

Table 7: China Correlation (Age Range and Purchase Place)..... 80

Table 8: Craftsmanship Importance West ..... 80

Table 9: Craftsmanship Importance China..... 81

Table 10: West Correlation (Age Range and Craftsmanship Importance) ..... 82

Table 11: China Correlation (Age Range and Craftsmanship Importance) ..... 82

Table 12: Crosstabulation (Age Range\*Craftsmanship Importance) China ..... 83

Table 13: Symmetric Measures (Age Range\*Craftsmanship Importance) China ..... 83

Table 14: Value of Technology West..... 84

Table 15: Privacy Violation West ..... 85

Table 16: West Correlation (Value of Technology and Privacy Violation)..... 85

Table 17: West Correlation (Age Range and Value of Technology) ..... 86

Table 18: West Correlation (Age Range and Privacy Violation)..... 86

Table 19: Crosstabulation (Age Range\*Value of Technology) West..... 87

Table 20: Symmetric Measures (Age Range\*Value of Technology) West ..... 87

Table 21: Value of Technology China ..... 88

Table 22: Privacy Violation China ..... 88

Table 23: China Correlation (Value of Technology and Privacy Violation) ..... 88

Table 24: Crosstabulation (Value of Technology\*Privacy Violation) China ..... 89

Table 25: Symmetric Measures (Value of Technology\*Privacy Violation) China ..... 89

Table 26: China Correlation (Age Range and Value of Technology)..... 90

Table 27: China Correlation (Age Range and Privacy Violation) ..... 91

Table 28: Crosstabulation (Age Range\*Privacy Violation) China ..... 92

Table 29: Symmetric Measures (Age Range\*Privacy Violation) China ..... 92



## **Introduction**

“Luxury brands succeed in developing the consumer’s brand attachment, they create what is termed brand love and thus ensure continuing profit for the brands” (Carroll & Ahuvia 2006). In this scenario, luxury and fashion are described as an environment in which the stories told and the emotions aroused are of greater importance than the substance, the products and their quality. Consumers become more aware and attentive every day to many accessory aspects that characterize a brand, beyond the single product. Furthermore, being one of the richest and oldest markets, competition is fierce.

Furthermore, due to globalization and the enrichment of new countries, luxury brands are faced with very different tastes and habits.

These are just some examples of factors that make attention to every detail indispensable. Certainly, design and quality of the products remains an indispensable factor and unquestionably the starting point. Successively, however, to be successful, creating the so-called "brand love" becomes decisive.

Nowadays one of the most effective ways to make consumers fall in love is the use of new technologies, especially digital technologies.

“Brand attachment describes the strength of the bond that connects consumers with brands. This attachment is critical because it affects the behaviour that fosters brand profitability and consumer lifetime value” (Thomson, MacInnis & Park 2005).

In order to create and strengthen this bond, you must constantly be present in the lives of consumers. Internet and social media respond perfectly to this need.

By exploiting social media and digital platforms, luxury brands can send messages, communicate their philosophy, promote their initiatives, use influencers and key opinion leaders (KOLs) and sell their products without even letting consumers leave their house. In doing so, they enter the minds of consumers by communicating values and images that are remembered. It is not simply a matter of satisfying a practical need. Being a sector that sells fundamentally useless goods, luxury must go further. “Symbolic image refers to the attached benefits that consumers gain when consuming products or availing services, primarily the satisfaction of consumers' inner needs” (Park et al. 1986).

Luxury brands will increasingly have to focus on experience, combining displays and in-store sales with promotion and digital information.

All this, however, generates problems, even more for a type of product known to be a niche product. “With continuous, dynamic growth, the luxury market is now characterized by the

provision of a broader availability to consumers than ever before” (Wiedmann, Hennigs & Klarmann 2012).

Social media specifically make luxury available to anyone at any time, the price remains the only discriminating factor. In this way, luxury becomes almost social, with important implications in terms of perception.

Probably the country in which the theme of luxury associated with new technologies is most current and persistent is China. Precisely for this reason, within this work, the Chinese luxury market will be thoroughly analyzed, comparing it with the West and its habits.

The online market in China is much more developed than the global average. More than this is a country that recently opened its market.

We are therefore entering a historical period where consumers in China reach the second and third generation.

This implies important changes in purchasing needs and habits. Western influences and the growing use of technology are changing the Chinese market. In addition to the diffusion and presence of social media and e-commerce, the use of technology also includes high-tech products included in luxury products. The comparison between two so different worlds will be useful to highlight some interesting trends, demonstrating the fact that consumers are homogenizing in some respects.

Since luxury products are also characterized by a component of craftsmanship, the union with technology leads to discussing a further theme. The luxury market may be one of the few to consider the human factor of considerable importance. The union with technology understood once again in the digital and wearable sense can represent an innovative sector that in any case does not put the added value brought by the human being into the background. For this reason, it will be important to understand and analyze how this union is seen in the West, which however remains one of the main markets, and in China, where continuous and important growth is expected.

This thesis aims to investigate what are the opportunities and risks that luxury brands may encounter due to the union between luxury and technology.

Specifically, this analysis will be carried out with a particular focus on the Chinese market and consumers, as one of the most important companies currently and in the future for this sector. The Chinese market will also be analyzed through a continuous comparison with the western market and mentality. This comparison will highlight common and non-common aspects.

Many themes revolve around the union between luxury and technology, therefore the main questions to which this thesis wants to answer are:

What are the main differences in the consumption of luxury fashion products between Chinese and Westerners?

What are the main opportunities and the main risks that luxury brands will face due to the union between luxury products and technology?

What will be the characteristics and needs of luxury goods consumers in China and in the West?

In addition to an in-depth analysis of the literature on the matter, an investigation will be carried out to resolve these questions. The participants in this survey for the Chinese sample mainly come from the cities of Beijing, Suzhou, Xi'an and Shanghai. As for the western counterpart, we will analyze the opinions of Italian, Dutch, Austrian, German and American participants.

Therefore, this dissertation is organized in this order:

The directions that the fashion market is taking will be initially exposed.

The first chapter will allow you to introduce the theme, addressing the impact of technology on luxury products in terms of production and product. In this regard, the issue of sustainability increasingly important for the planet and consumers will also be underlined.

After a first introductory part useful for outlining the state of the art, the following work will focus on luxury, the main theme addressed. Specifically, we are talking about one of the richest markets ever, very widespread and with important margins. We will also see how after a period of stagnation the luxury market is starting to grow again.

The concept of luxury will be addressed, analyzing it according to the different conceptions given by the western and Chinese vision. These differences will be deepened also as regards the ways and motivations of consumption by these two so different worlds. We will discuss what generates the need for a substantially useless product and what it communicates in different cultures. At a social level, in fact, luxury and luxury goods are used to mark their belonging to certain groups and social classes. This especially in China plays a fundamental role as ostentation is one of the main purposes related to the consumption of luxury goods.

This need and the growing wealth of Chinese consumers resulting from economic growth has

made China one of the most important consumers, with growth rates unimaginable in other countries. A particular focus will be placed on new and future Chinese consumers. The so-called millennials and future generations represent a very important target as they are very rich and more refined.

All this will give us a picture of the Chinese fashion and luxury market. As it is easy to imagine, it is a very dynamic and rapidly growing environment where there is no shortage of opportunities. There is also a lot of attention due to some not inconsiderable differences. First of all, the use of digital technologies and social media. We will see how Chinese consumers use social media and e-commerce much more massively also for purchases belonging to the luxury goods sector. We will analyze the importance of KOLs and platforms that do not even exist in the West. The gap will be important and evident.

The theme of elegance in contrast with sumptuous luxury will also be addressed. We will see how they are two very different concepts and how new technologies are much less applicable to elegance than to luxury.

Precisely this union between luxury and technology, as mentioned above, will be the theme dealt with in the following phases. We will see how this union is considered one of the main opportunities and how the use of social media will continue to grow more and more. The initial influence on the purchase will become almost entirely digital and e-commerce will continue to grow.

All of this will lead us to the paradox of social luxury. We will discuss how a notorious niche product has become widely distributed and advertised on platforms available to anyone. This heavy diffusion and democratization make these products undemocratic only thanks to the price.

The use of digital technologies makes consumers much more impulsive and, especially in China, even luxury products are purchased very quickly. All this will lead us to list all those dimensions in which social media can change the perception of luxury and the products associated with it.

However, there are also some very positive aspects for which brands should use social media. Clearly, the positive applications are numerous and decisive in a very digital market like the Chinese one.

Finally, after this in-depth analysis regarding the luxury market between China and the West, we will reach the central and most important phase of the paper: research. Thanks to the participation of more than 250 participants, data deriving from a quantitative and a qualitative questionnaire were collected. Following a statistical analysis of quantitative data and a

content analysis of qualitative responses, personas were created. The latter summarizes the identikit of some ideal consumers who represent the characteristics discovered thanks to the analysis. The same analysis develops through a continuous comparison between the western and Chinese world. All this will lead to the deepening of some differences and as many similarities.



## **CHAPTER I: Fashion's Directions**

The need to eat, the need to have a house or a secure refuge and the need to cover ourselves has always been at the basis of human life. When asked: “why did humans begin to dress?” The most obvious answer is to provide shelter from the cold. This is partly true, but the discussion is much more complex. The need to shelter from cold is innate, but this is not enough. In fact, even the ancient civilizations that lived in territories with a warm climate used to dress. Some dresses and ornaments were used as symbols for magic rituals or to emphasize the social and economic states. There is a whole universe of information linked to the dress you choose to wear. There is the need to communicate your identity and affirm your individuality. We dress depending on how we feel emotionally, we decide the model and the colour. In this way, we express emotions and moods. Fashion is one of the fundamental characteristics of studying human social behaviour.

However, humans began to cover their selves around the Palaeolithic and more precisely during the great glaciations in Europe. With the beginning of textile production and the gradual advancement of technology clothing, from primary need, has gradually become also a cultural phenomenon. Therefore, it has acquired more and more an anthropologic value, moving increasingly back from its main function. At the end of the eighteen century, technology and scientific discoveries increased enough to allow some European states to begin the development of the first system of industrial production. This change determined the departure from what had been the only known system of production for centuries, namely the agricultural-artisan-commercial system. The use of machines and the automated production system has completely changed the textile sector, which has benefited most from the introduction of the new production mechanism.

Thanks to the introduction of the first automatic spinning machines and the flying fuse, invented by the Englishman John Kay, the production of cloths and fabrics greatly increased the number, lowering considerable costs and realization times. These artefacts have allowed producing clothes of any shape, colour, size and model in large quantities and at low cost, giving the possibility to a large part of the world population to satisfy the primary need to cover themselves with relatively few economic resources. With the abundance of low-cost clothes, the concept of 'fashion' started to be understood how in our day to all sections of society. Dressing, traditionally a necessity, became also an aesthetic pleasure, to coordinate with periods of life and social consensus.

This aspect, always present in societies of all time, was difficult to achieve before the total automation of textile production.

With the great industrial offer, however, the artisan tailors did not disappear, indeed, they modified their job, adapting to the new needs of the market, specializing in customizations and repairs.

For millennia the human being has used natural materials obtained from animals or vegetable fibres. Starting from 1930 the chemical industry developed new materials, originally not present in nature: synthetic and artificial fibres appeared. Throughout history materials have changed, many trends are passed, and many others will pass but many fundamental aspects remained constant.

The definition Industry 4.0 obviously is entered also in the fashion industry. The new phase will see the prevalence of digital technologies along four lines of development: 1 - Data usage, computing power and connectivity. It is declined in big data, open data, Internet of Things, machine-to-machine and cloud computing for information centralization and storage. 2 - Analytics: the ability to draw value from the data collected. This chapter includes machines that learn (machine learning), improving their performance based on the data that is gradually collected and analysed. 3 - Interaction between man and machine, which involves "touch" and augmented reality interfaces. 4 - Switching from digital to "real" through additive manufacturing, 3D printing, robotics, communications, machine-to-machine interactions and new technologies in-store and the usage of energy in a targeted manner, rationalizing costs and optimizing performance. AIRI (Italian Association for Industrial Research) in the 9th edition of the report on innovations in the near future has indicated for the manufacturing sector 11 blocks of Technologies [1]. Here they are in summary: Eco-sustainable intelligent machines and production systems developed according to the Smart-Factory. New tools with a high content of knowledge for the design, simulation and production of advanced products. CAD CAM tools. Methods and standards for automation and integration of complex production systems capable of managing production on demand and just in time. Internet-based ICT methods and technologies for real-time integration of supply chain actors from retail, to manufacturers, to suppliers. Technologies for control, monitoring, supervision, diagnosis and maintenance to increase the life cycle and the efficiency of production systems. Techniques and software solutions for real-time planning of production and logistics. High-performance mechatronic sensors and components to improve efficiency and quality of production of end products. New configurations of eco-sustainable machines and systems to

optimize energy efficiency and the environmental impact of production systems. New eco-sustainable process technologies to reduce consumption and emissions.

As stated before nowadays fashion industry is facing many challenges. New markets, new technologies in production and promotion processes and sustainability are only a few examples of opportunities that could be transformed in threats. Digital technologies are becoming an integral part of today's fashion industry and starting to disrupt many traditional approaches and leading to a paradigm shift. In next sections, these aspects and some new trends will be analysed trying to deeply understand which are the main innovations and changes in the production process, in products in general and in the promotion of them and of the brands. Then will be developed further new markets opportunities.

## **1.1 Production**

The phases of clothing production, over time, have always remained the same, what has changed is the technology with which they were produced. These technologies improve significantly the amount of production and decreased costs. On the other hand, using chemical and plastic components in the process an environmental issue arose.

Probably the biggest innovation and the more disruptive technology is the 3D printing. The technology of 3DP is recognized for its potential to disrupt the traditional supply chain, in which offshore sourcing for manufacturing from developing countries will evolve into more domestic or local production (Winnan 2013).

Experts have noted that 3DP technology has the potential to reshape the global fashion supply chain by altering its geographic span and density (Laplume et al. 2016). Since the labour input in 3DP is relatively modest compared to traditional manufacturing, the comparative advantage of Asian countries on wage differentials is diminishing (Jing 2015).

3D printing starts from its base unit, a file. Usually, it is a 3D drawing, which is transformed into a code by specific software. Then it is produced in its three-dimensional form by a single machine, a printer, managed and controlled by a computer. This happens simply by superimposing layers of material, set aside one above the other, in succession. The materials used generally consist of carbon fibre, thermoplastic materials and photopolymers. In a nutshell, there are currently five accessible three-dimensional digital manufacturing technologies. First of all the CNC milling machines. Although they do not use a 3D printing technique it is, however, one of the most widespread and tested solutions for the production of unique objects and limited series through techniques digital. They work by subtraction of material while three-dimensional printing is always an additive type process. Secondly, the

3D laser printers that use the light emitted by a laser to melt, one layer at a time, a powder (either single-component, usually mineral or polymeric, or as a mixture of different materials) to produce objects with complex shapes, even with moving parts. Then in the Fused Filament Fabrication, a thermoplastic resin filament is extruded and deposited in layers about 0.2 mm thick by a computer-guided head, proceeding from the bottom to the top. It is among the few technologies available also for "home" users because materials and hardware are among the cheapest in the field of three-dimensional printing. In the case of binder jetting one or more nozzles similar to those of an inkjet printer alternately deposit layers of metal powder in layers of weakly bonding liquid resin. Once the excess powder has been removed, the resulting piece has the desired shape but is often fragile, and requires a further passage which makes it more resistant. For example the infiltration of a hardening agent or the cooking in the oven. Finally, developed in the late 1970s, stereolithography is the "oldest" 3D printing technology. It is conceptually similar to laser printing but is based on different physical principles; in fact, it uses ultraviolet light (usually produced by a UV laser) to polymerize liquid photopolymer resins in various types of plastic materials. Proceeding in thin layers, typically from 0.1 to 0.2 mm thick, from bottom to the top, stereolithographic machines can produce objects rich in detail.

Technological evolutions of traditional stereolithography, such as the so-called digital light synthesis, use new type resins and processes and can provide better quality products at a lower cost.

Undoubtedly, 3D printing has also begun to play an important role in the fashion industry. The innovation of 3D technology for creativity and innovation has won over some of the most famous designers in the industry and has attracted the attention of celebrities and fashionistas from all over the world. The introduction of 3D printing in fashion allows the creation of forms and models that are impossible to create with traditional manufacturing techniques. Currently, additive production in fashion makes it possible to create clothing of extreme complexity, significantly expanding the creative possibilities of the designer. However, the rigidity of the 3D printed materials does not allow, for the moment, to see these creations outside of the catwalks, galas and museums. With 3D printing the garment is processed with software and sent to the machine that makes it real in the immediate, eliminating multiple passages, from cutting to packaging.

The Dutch designer Iris van Harpen was the first to present a 3D printed runway in 2010, becoming the leading exponent of a fashion that looks at 3D technology to create a new style. Many designers, especially emerging, are predisposed to a good combination of fashion and

digital techniques. Together with valid technological collaborators, they introduce new aesthetic and functional forms, as well as new opportunities, fascinating perspectives yet to be discovered. Such collaborations are increasingly assiduous.

To summarize, 3D printers bring to the following benefits in production:

- Optimize production processes
- Accelerated design process
- Less production time
- It makes any customization possible
- Optimize costs (production without material waste)
- Allows prototyping or creation of complex shapes

The technology of 3D printing has also great potential in sustainability optimization from environmental, economic, and social perspectives. For instance, the US Department of Energy has estimated that the 3D printing manufacturing method can reduce energy consumption by 50% compared to the traditional subtractive manufacturing approach (We can't wait for 2012). Moreover, a forecast generated, using an environmental and economic impact model, suggests there can be a global reduction in the cost of \$170 to \$593 billion (US) and 5% in energy and CO<sub>2</sub> emissions of industrial manufacturing by 2025 (Gebler et al. 2014). These are some examples, but the next section will analyze the sustainability matter more deeply. Fashion is widely considered the second most destructive industry after oil, to the environment. To produce a single cotton T-shirt, for example, about 2700 litres of water are used and 10 kilos of CO<sub>2</sub> are produced. Without mentioning packaging and transportation. In the dock for the responsibilities related to climate change, fashion is at the forefront. 20% of the global waste of water and 10% of carbon dioxide emissions, as well as the production of more greenhouse gases than all the shipments and planes in the world, are to be attributed to this sector. At the same time cotton crops are responsible for 24% of insecticide use and 11% of pesticide use.

Technological innovation applied to eco-sustainability has led many fashion companies to use green and cruelty-free, recycled, natural, biodegradable or bio-based fabrics, without neglecting aesthetics, style and wearability. Fortunately, in recent years, research has led to the design of more ecological and performing fabrics. The improvement of production processes is important to reduce water and energy consumption, the use of toxic substances and the production of waste.

A shirt cannot last more than one season. This is the reality we are getting used to in the fashion world. We are more and more addicted to disposable garments that end up in the

garbage after wearing them a few times. The most popular fabrics are not made to survive two generations. The goal is to counteract the fashion that damages the environment and society: clothes made with poor materials and at low prices, with heavy consequences on the environment, on the rights of workers who produce them and sometimes even on their health. Gradually the "green" alternatives make their way, moving essentially along two lines: making eco-sustainable fabrics, perhaps using waste or other production waste. This process is fundamental to make the reuse and recycling of clothes an advantageous and fashionable reality, a true pivot of the circular economy.

For instance, if we move on to the food waste chapter, there is a huge farm from which we obtain the raw materials for clothes of the future.

A true Copernican revolution, which went beyond marketing logic by touching the actual product, is linked to the "cruelty-free" world and to fur, a product that has become the main enemy of the animal rights movement, grown exponentially in the last decade. After the position taken by Giorgio Armani last year against the exploitation of fur animals, even Maisons such as Gucci, Furla and Versace banned furs from their collections. The animal rights and ecologist movement have also made its echo in other ways: this is the case with research on new plant tissues, such as Orange Fiber for Salvatore Ferragamo, or the campaign launched by Lacoste in favour of animals in danger of extinction.

The Kering group (which includes Gucci, Saint Laurent, Balenciaga, Bottega Veneta, among others) set 2025 as a target for a 40% reduction in greenhouse gas emissions and, since 2013, has tested more than 3000 innovative fabrics. The LVMH group (that includes names like Louis Vuitton, Dior, Celine, Fendi) is focusing on the packaging which has been reduced by 60% for many products of the group.

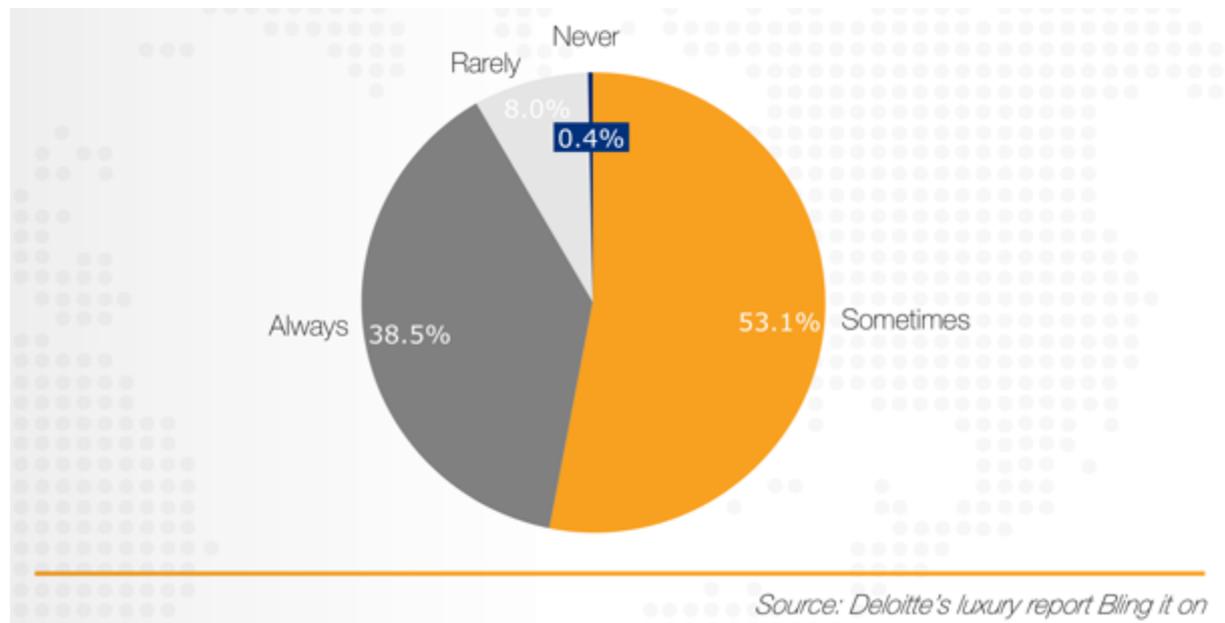
One of the objectives is to guarantee the consumer's right to be informed and aware of the problems of sustainable development, monitor the use of microfibres and microplastics that are released into the water and reduce the generation of chemical waste in the production process.

In recent years the orientation of the economy towards corporate social responsibility is of particular interest. Especially new generations pay much attention to corporate social responsibility, therefore they also value brands' social sustainability and ethical standards.

In Figure 1, it is possible to see the new general attention of younger generations to sustainability. It is the result of a survey conducted by Deloitte in the "Deloitte's luxury report Bling it on". At the question "are you concerned about a brand's sustainability and ethical

standards before purchasing products?” 240 samples aged 20-30 on average replied in this way:

Figure 1: Concern about a brand’s sustainability and ethical standards before products purchasing, 2017 (% of consumers)



We speak, therefore, of a sustainable economy, in which the company does not focus only on its profit, but directs its activity towards ethical values, social and environmental protection. Even for fashion companies, sustainability becomes strategically a value to be pursued in their business. The world of fashion is becoming more conscious of how the textile and clothing manufacturing sector has a strong impact on climate change, with its long supply chains and energy-intensive production, that contribute a lot to greenhouse gas emissions in the atmosphere.

On December 10th at the United Nations summit on climate change in Katowice, Poland, the world fashion industry signed the Charter for the sustainability of fashion, strongly highlighting the desire to significantly reduce its environmental impact and the intention to address issues related to climate change. The Charter lists the main issues that are in the spotlight, including:

- decarbonisation in the production phases;
- the choice of sustainable materials;

- low-carbon transport modes;
- the importance of establishing a dialogue with customers and raising consumer awareness;
- collaboration with financial communities and policymakers to identify scalable solutions and promote the circular economy.

## 1.2 Products

Luxury products, especially when produced artisanally by fashion houses, have always been considered symbols of quality and classicism. Today, in the era of industrial production and fast fashion, high-quality hand made products risk to remain something far from modern reality.

The question is whether fashion and technology are rivals or allies. On one hand, technology, which is becoming a consumer product in every sector, exploits strategies that come from the world of fashion to make its products perceived as a status symbol. On the other hand, fashion is forced to innovate but must face a change in the expectations and demands of potential buyers. For the luxury sector, for example, it is difficult to reach a young audience, fascinated by the electronic circuits of a smartwatch rather than the complex gears of a watch.

Fashion, to respond to these challenges, must innovate by proposing garments that integrate technological elements and new functions in a creative and highly customizable product.

Technology allows companies, fashion houses and the many start-ups that are entering the sector to create tech fabrics, products with microelectronic components. Innovation is technological.

The wearable sector is growing rapidly, with products now widely distributed and linked to strong and recognizable brands, from the Apple Watch to Snapchat glasses. The possibilities, however, are almost endless and in a short time our clothing will simply integrate different functions: even the simplest garment can lend itself to this technological innovation. Today, a parent can buy socks that monitor the heartbeat and sleep of their new-born and send information in real-time to the smartphone. The sportsman will instead choose stockings that record biometric data during a run.

The results can be small works of art like the Galaxy Dress, a dress made up of 24,000 LEDs - in fact, the largest wearable display in the world - permanently exhibited at the Chicago Science Museum.

In the future, more and more objects will be smart, with the possibility, therefore, to choose an accessory exclusively based on one's own tastes and style, and not a practical necessity. The union between fashion and technology could be one of the opportunities to raise even more the importance of high-quality products produced by skilled craftsmen.

Probably the best example of this union is represented by the wearables.

The wearable technology is no longer limited to a small object to be worn on the wrist. It is raising the idea that technology belongs not only on our desks but also on our bodies. The interest of companies in the sector is increasingly aimed at creating smart clothes that can dialogue with the wearer and with the external environment. The wearable technology is no longer limited to a small object to be worn on the wrist. The interest of companies in the sector is increasingly aimed at creating smart clothes that can dialogue with the wearer and with the external environment. The use of wearable technology is involving different sectors of human life, revolutionizing the relationship with one's body and purchasing spaces. In particular, the saturation of the smartphone market will convey consumers towards the use of new technology, favouring smart wearables such as Google Glass and Smartwatch.

Material with incredible flexibility and resistance, graphene was used to feed the LED lights sewn onto the dress that is activated by the movements: thus, the dress not only lights up but also changes colour following the breath of the wearer. Orange and green when the breath is slow, blue and purple when it gets deeper.

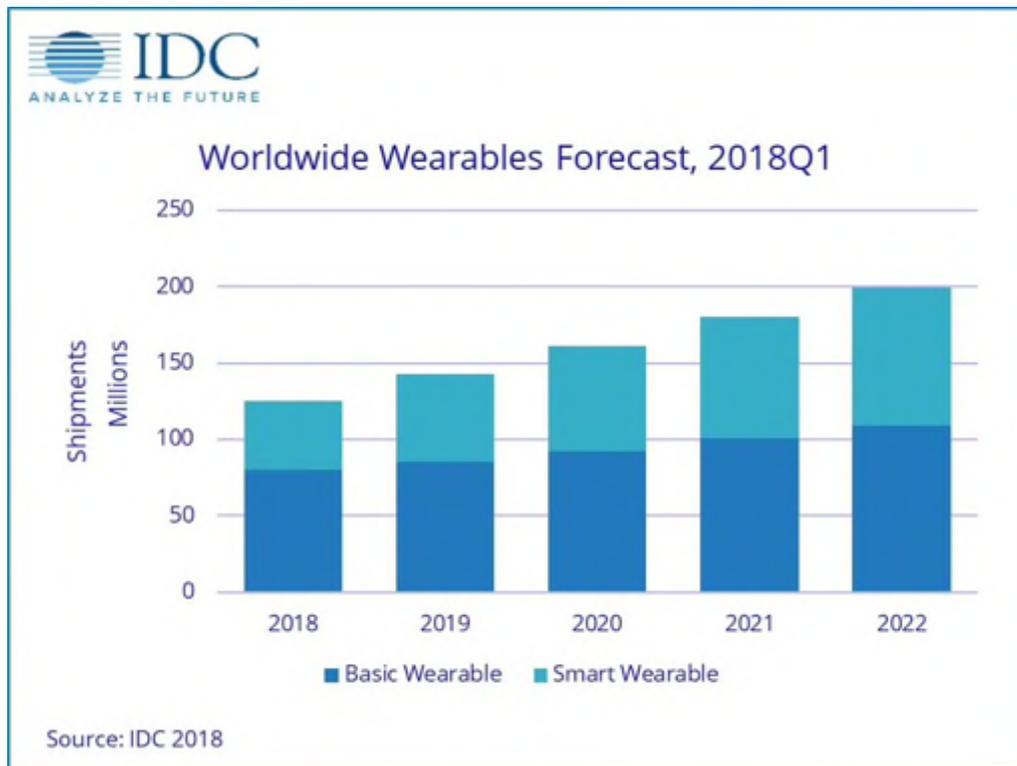
The Italian company ItalDenim has created a technological denim jacket together with designer Pauline Van Dongen. Sensors positioned in the upper part of the jacket send light impulses to the wearer in order to be more careful and aware of the moment one is experiencing. This is just one of the many projects realized by Pauline Van Dongen's studio aimed at improving the usability of garments through technologies, such as the jacket with mini solar panels that recharges smartphones. Remaining in the denim field, Commuter Trucker Jacket is the name of the denim jacket produced by Levi's and equipped with Google's Jacquard technology. The wearer has the ability to interact remotely with their mobile device, performing gestures on a smart tag inserted in the cuff.

Furthermore, the integration will be more and more important, in other words, the user wants to access a content network, connected to each other and usable from different devices, with the advantage of choosing the communication mode and tool depending on the context and time of use.

Although the market for smartwatches, according to IDC, is expected to reach about 44.6% of the market share in 2022, the rest of wearable products will not disappear, but will instead

find new forms of development. Looking at figure 2, for example, it is possible to see that there will be much more space for wearables dedicated to clothes or smart earphones, which will grow a lot in the coming years.

Figure 2: Worldwide Wearables Forecast, 2018



By the way, probably the smartwatches can be considered the more developed wearable products. Being the technical specifications almost the same across the board, design becomes the main aspect used to stand out.

Of course, watches have been status symbols for centuries, so it's no surprise that several fashion brands like Michael Kors, Emporio Armani and Louis Vuitton are rushing to introduce "connected" versions of their models.

An important topic related to the wearable sector is the acceptability. Starting from the fear of new and arriving at the privacy problem. These devices could invade one's own or others' privacy. According to Kelly "a wearable will cause consternation if it disrupts social conventions and/or negatively impacts others' welfare". And again "it is true that a device could be fashionable and stylish but also threaten privacy and be distracting when driving, thus scoring poorly in terms of social acceptability".

### 1.3 Promotion

The entry of the Millennials into the arena of luxury has changed how purchases are made and above all the places where they are finalized and the way in which products are promoted. No longer the exclusivity of the boutique, a "temple" reserved only for those who know how to appreciate, but the democracy of high-end e-commerce, characterized by a very high level of service. It is important to focus attention on the great values of which fashion is becoming a carrier, taking a stand on relevant and universal issues. Environmentalism, sustainability, gender equality, pacifism: these are some of the themes on which fashion houses have taken a stand, using communicative processes that give a nod to young people and triggering virtuous dynamics that impact sales volumes and sentiment around to the brand. For instance, the bond of Italian fashion houses with the territory of origin is a real competitive advantage on international markets, in love with the craftsmanship of the made in Italy product, and it is a relationship that many fashion houses have been able to nourish and maintain over time. In recent years an exponential growth of online purchases and an e-commerce development was seen, both from a structural point of view (they must be fast, clear, but above all responsive and accessible without problems from a smartphone) and from the content and improvement of the user experience. The co-presence in multiple communication channels of the brand - diversified according to the support used - is the present and the future of fashion.

Web and social media are increasingly relevant in intercepting luxury customers.

The role of images is fundamental: the greater part of luxury brand buyers view images and videos online before making the actual purchase.

In this regard, it is good to check the following aspects:

- do the images on the site consistently communicate the brand? Are they in line with the values that the company wants to communicate?
- are the images on social media easily referable to the brand? It is important to facilitate the visual recognition of the brand regardless of the platform on which you are communicating
- Instagram is a particularly suitable channel for communicating luxury and is the right platform to enhance brand values through images.

It is indisputable that a separate offline marketing strategy can no longer exist, digital must be increasingly interpreted as an extension of services offered by stores.

For instance, Burberry was one of the first luxury brands to broadcast their fashion shows online, giving users the chance to discover the new collections directly online and take advantage of the "see now - buy now", a way that allows users to buy clothes and accessories a few hours after the fashion show.

Today both large chains and brands are working on innovation in physical stores. If it is true that one enters the store to see, touch, evaluate a product and then use the smartphone to get real-time information thanks to the App, this explains the direction that fashion companies are taking. Physical stores are evolving by incorporating a whole series of technologies aimed at improving the customer's user experience: just think of apps, QR codes, geolocation, RFID tags and touchscreen displays.

And again, Beacon technology, that uses Bluetooth Smart technology, which allows the transfer of processed data through a GPS positioning and receives content based on the context in which you are. How does it work? A store can send a welcome message to the customer who has just entered on the application, a coupon with a special discount to buy some clothes or information and details about a dress that the customer approached at that moment. One of the great potentialities of the system is represented by the analysis of the movements in the store: positioning iBeacon in the store it is possible to trace the behaviour of each customer inside.

More than this there are three concepts related to the promotion of this kind of products: customization, user-generated content and behind the scene. Showing what is behind the creation of the product, the phases of realization or the tools of the trade is a way to humanize the brand and show how luxury is created.

Today the markets change much faster than in the past, and the fortune of the contenders is based on their ability to intercept the needs of the public. In the luxury sector, however, the need to keep the intrinsic values of the product and the brand almost intact is equally strong: it is on innovation and tradition that each brand must find its own centre of gravity, keeping away from seeming accessible but at the same time offering everyone the chance to experience luxury. Whether we focus on the bond with the territory, on respect for the environment, on adherence to new global opinion movements one thing is certain: no brand can avoid taking a position.

Temporary stores or temporary shops are different terms with the same meaning, namely a store, with sales activities within it, which opens and closes in less than the minimum canonical time of commercial rentals of 6 + 6 years. This type of store is firstly and primarily a strategic marketing operation, implemented by many companies, especially in the field of clothing and fashion. In addition to making you earn and increase sales directly; they also play an important role in strengthening the brand and building customer loyalty. Many

ingredients contribute to the success of a temporary shop that, given the short span of the experience, requires even more planning and attention to detail.

Various reasons can lead to the opening of a pop-up store, linked to marketing and branding aspects. This type of store can be a great driving force for promotional campaigns and to convey a new product nicely and innovatively, focusing on an engaging effect of customer experience.

From this point of view, temporary stores are often an effective means for promoting a new brand, but also for consolidating an existing brand on the market, which can benefit from the surprise effect on customers and the creation of totally new shopping experience.

Moreover, when a temporary shop is opened, it is possible to create relationships and interactions with numerous subjects. Not only customers but also suppliers, agents, operators in the marketing field, with which it will become easier to create a network to rely on to create and improve the brand image as well as to build on a more solid basis a possible fixed activity.

The aspects to be considered are therefore many and must be studied carefully to assess the actual feasibility of a project called to respond to new market demands and requests. In any case, although the formula may seem "strange" in the eyes of the more traditionalists, temporary shops are undoubtedly a valid alternative to be taken into consideration in the vast world of commercial activities, provided they are innovative and open to a continuous market change.

The advantages are different and some of a purely economic nature can easily be imagined. The opening of a temporary store makes it possible to reduce some costs associated with a traditional store, in particular when the product has a seasonal connotation.

Selling of the goods they have for a few months a year, in fact, exposes them to the risk of bearing excessive fixed costs even in periods when profits are very low if not zero.

Among the luxury brands that are experiencing with increasing diligence, the opening of a temporary store stands out Dior. Recently, the denim collection of the Dior Homme brand was sold in temporary stores located in New York (opened simultaneously with the New York fashion week), Los Angeles, Paris, London, Hong Kong, Shanghai and Tokyo.

Also, during the last round of fashion shows in the Big Apple, Diesel opened a shop on Canal Street, an area far from the streets of luxury. The store remained in business for only a few days, making the goods, sold at bargain prices, a collector's item.

What seems to characterize the purchase in a temporary store, in addition to the goods on sale, is the experience itself. More and more often, Instagram shows how much shoppers do not

just enter in a pop-up for shopping but immortalize the space by sharing it online and boosting the desire for emulation, the desire to adhere to limited-time experience. This pushes fashion brands to set up real sets, ready to be captured by smartphone targets. One example is the Moschino pop-up store built inside the Galaxy Macau which not only offers products made exclusively for the eastern mall. The temporary can also arise in an already known commercial space. Like the Moschino experiment, some Italian department stores often host corners that focus on capsules or special editions.

#### **1.4 Place and Geographic Opportunities**

The countries that give big brands the greatest satisfactions in this sector are China and Japan. Chinese people have become the main buyers of luxury goods in the world, coming to cover about a third of global purchases, with many of these purchases completed outside the country. These are some of the figures that emerge from the sixth edition of the annual study "The luxury and cosmetics financial factbook" presented by EY, which analyses the scenario of the luxury sector at a global level. The research includes analyses and statistics on the main listed companies in the luxury and cosmetics sector, on the main performance and valuation parameters.

From the overall picture it emerges that the luxury market is growing, particularly in Asia, but to further grow it must continue to digitize. The study highlights how, in recent years, there has been a consistent growth of digital distribution channels: the consumer is increasingly evolved, attentive, socially responsible and "multi-channel".

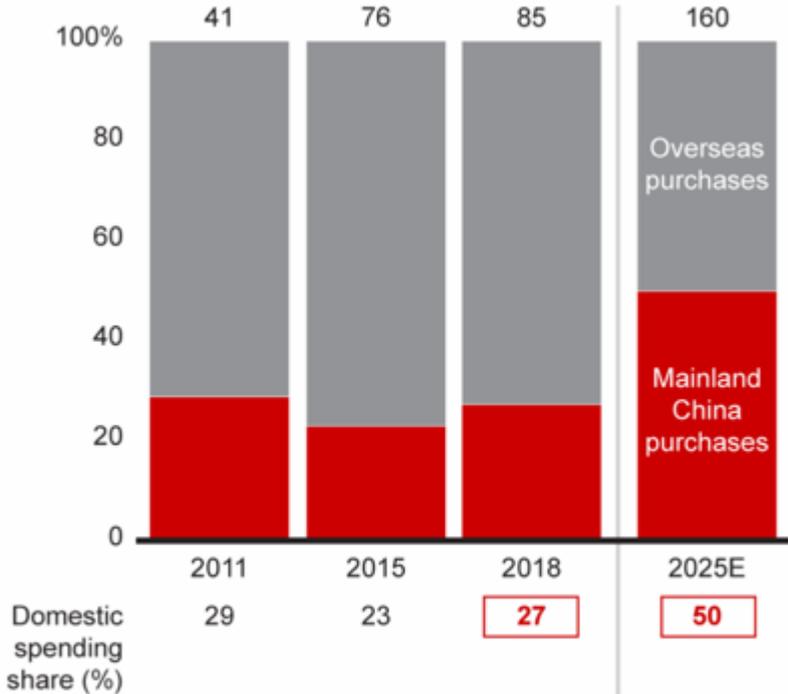
The digital strategy of luxury is a way to conquer the Chinese market. Commercial trends in luxury follow trends in retail, and e-commerce, or mobile commerce, is the new channel to target in China. Luxury homes are experimenting with various e-commerce marketplaces, using e-commerce as a platform to socialize with customers and provide a new level of customer experience. The presence of luxury brands in physical stores seems to serve more and more only as a showcase. In the past, luxury brands in China were reluctant to use online channels. Then with the development of cross-border online platforms and the widespread habit of travelling to buy foreign goods, especially luxury goods, online marketplaces have become one of the potential avenues for securing sales to China.

The global market, which includes both luxury goods and experiences, grew by 5% in 2018, at constant exchange rates, for an estimated value of around 1,200 billion euros and with overall positive performance in all segments. The luxury goods for the person have achieved excellent results: they have registered a 6% growth at constant exchange rates to reach 260

billion. Chinese consumers are driving positive market growth around the world. Between 2015 and 2018, their purchases in China contributed twice as much to their growth abroad. The share of global spending by Chinese consumers has continued to grow, while the share of consumption in China has risen again to 9% (from 8% in 2017). In China, sales of luxury products grew by 18% at current exchange rates to 32 billion, driven more by the increase in demand than by the increase in prices.

The purchase of luxury goods from Chinese consumers is often associated to an overseas purchase but forecast made by the Bain Luxury Goods Worldwide Market Study (2018) show that in the short term we could assist to a trend reversal, look at figure 3.

Figure 3: Channel breakdown for Chinese luxury goods spending, 2018 (€ billions)



Sources: Bain Luxury Goods Worldwide Market Study, 2018; Bain analysis

Luxury purchases in Japan are slowing slightly, pushing brands to find new solutions to bring consumers back to stores, especially the locals.

In the rest of Asia, retail sales grew by 7% at current exchange rates up to 39 billion euros, thanks to the dynamic growth of South Korea, driven by strong local consumption. The lively growth of other Asian countries - Singapore, Thailand and Taiwan - contributed to the region's positive performance, while Hong Kong and Macao benefited from purchases by Chinese consumers.

India will also become a nerve centre for the fashion industry, thanks to the growth of middle-class consumers and the strengthening of the manufacturing sector.

Europe has slowed down due to a strong euro that has impacted the purchasing power of tourists in the region. Local consumption was overall positive, despite conflicting performances among the various European countries.

A positive economic environment in the United States has contributed to increasing disposable income and overall spending on luxury by local consumers, even though brands remain cautious regarding the continuation of economic growth at the same pace. However, the strong dollar influenced the spending of tourists from Asia and Latin America. Canada and Mexico contributed positively to the region's growth, while political uncertainties penalized Brazil.

However, the "luxury map" has become increasingly complicated: consumers and very different needs both in old and new worlds make it increasingly difficult for companies to compete successfully in this universe. Companies will, therefore, have to refine their strategic marketing skills (knowledge of the consumer, segmentation, customization of strategies in different markets) and adopt increasingly sophisticated management tools.

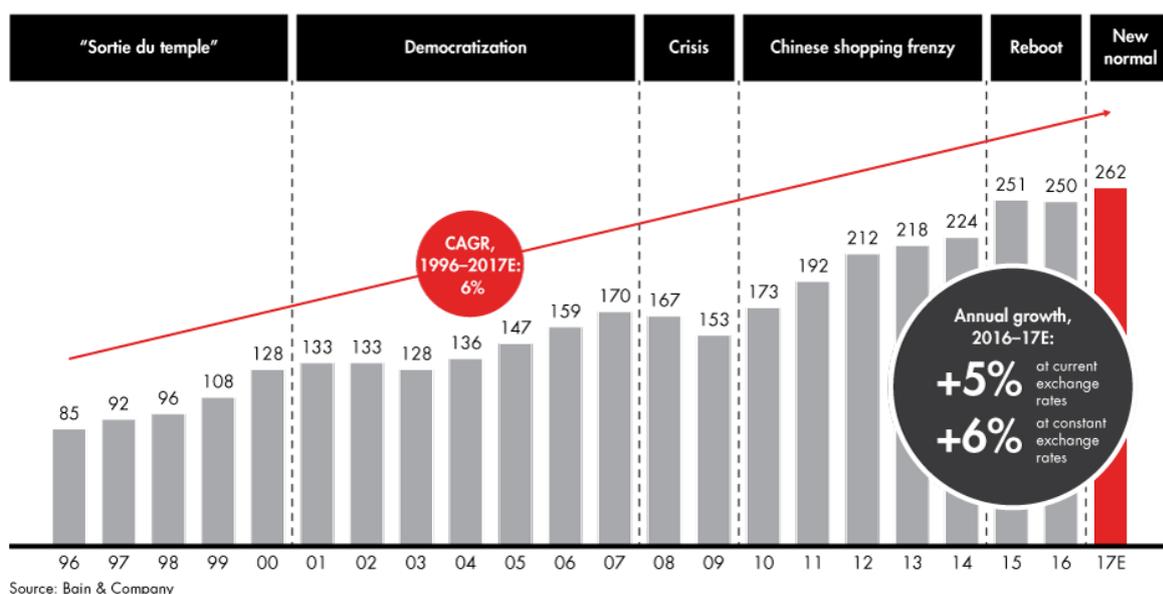
## CHAPTER II: Luxury

In this work, we are going to analyse the luxury side of the fashion market. Before doing this it is important to focus the attention on the size and potential of luxury market reporting some numbers from the Deloitte report “Global Powers of Luxury Goods 2019”. The average size of Top 100 luxury companies is \$ 2.47 billion and it is important to underline that to be on this Top 100 list the minimum luxury goods sales required is \$ 218 million. The most outstanding numbers regard sales, growth and margin. In fact, the aggregate luxury goods sales stand at \$ 247 billion, the composite year-over-year sales growth reached 10.8% and the composite net profit margin the 9.8%.

Wishing to analyse the luxury market and luxury products, first of all, a definition of luxury is needed. Dubois and Duquesne, (1993) together with Nueno and Quelch (1998) defined luxury goods like something that “share characteristic features that include a high price, superb quality, aesthetic design, heritage, reputation, exclusivity, desirability, inaccessibility, and clear reflection of personality”. These aspects lead us to an important distinction, between luxury and consumer goods. It is important to understand this distinction because the two markets are different and this work aims to analyze processes that are related specifically to the luxury side of the market.

This specific side, after stagnating in 2016, has resumed growing and as shown in figure 4 the trend is definitely positive.

Figure 4: Global personal goods market, 1996-2017 (€ billions)



According to Riley et al. “luxury goods are targeted at niche market segments and have exclusive distribution, but mass goods are mass-marketed and distributed; consumers usually give priority to functionality and price when buying mass goods, whereas consumers are influenced mainly by prestigious names and status when making purchase decisions for luxury goods; personal relationships with mass goods consumers are forged at the point of sale, whereas after-sale services are crucial for luxury goods; the success of mass brands often arises from embodying the latest technology, whereas craftsmanship and heritage are inherent in luxury brands”. Definitions depend also by disciplines. For example, economists define luxury goods as goods for which demand from consumers increases more than proportionally as income rises. This means that luxury products have high-income elasticity of demand. On the other hand, demand for consumer goods increases less than proportionally as income rises.

Vigneron and Johnson (1999) argued that “individuals form their understanding of the meaning of luxury goods according to their relationships with each other”. Hauck and Stanforth (2007) demonstrated in their study that “a particular good may be a luxury for one person but a necessity for another”. Also, Kemp (1998) said that “the concept of luxury goods varies from society to society, making it difficult to articulate a universal definition of luxury goods in the marketing literature”.

Authors such as Phau and Prendergast (2000) have noted that “the perception of what constitute luxury goods is subjective”. Moreover, they described five factors useful to develop the concept of luxury goods: “evoking exclusivity; having a well-known brand identity; enjoying high brand awareness and perceived quality; and retaining sales levels and customer loyalty”.

Vickers and Renand (2003) proposed a three-dimensional model by which showed that “luxury goods are higher in the personal and social identity, characterized by experientialism and symbolic interactionism dimensions, whereas non-luxury goods score higher in the functional dimension”.

Vigneron and Johnson (1999) stated also that “Consumer behaviour regarding luxury goods is the result of multiple motivations, three types of interpersonal effects on luxury goods consumption, namely Veblen effect, snob effect, and bandwagon effect, and two types of personal effects, namely the hedonic effect, and perfectionism effect”. Consequently “consumers may believe they can gain five values by purchasing luxury goods: perceived conspicuous value, perceived unique value, perceived social value, perceived hedonic value,

and perceived quality value”. Vigneron and Johnson (1999 & 2004) provided the conceptual definitions of the values of purchasing luxury goods as follows.

Perceived conspicuous value: “Perceived conspicuous value of luxury goods refers to the notion that the consumption of luxury goods is viewed as a signal of status and wealth, and whose price, expensive by normal standards, enhances the value of such a signal”.

Perceived unique value: “Perceived unique value refers to the concept that consumers purchase luxury good to express a need for uniqueness to enhance self-image and social image by adhering to one’s taste, or breaking the rules, or avoiding similar consumption”.

Perceived social value: “Perceived social value is that consumers use luxury goods to conform with prestige groups and/or to be distinguished from non-prestige reference groups”.

Perceived hedonic value: “Perceived hedonic value is emphasized by the consumers who desire the subjective intangible benefits such as sensory gratification, sensory pleasure, and aesthetic appeal when purchasing luxury goods”.

Perceived quality value: “Consumers who emphasize quality value tend to perceive that luxury goods compared to non-luxury goods have better characteristics such as technology, design and craftsmanship”.

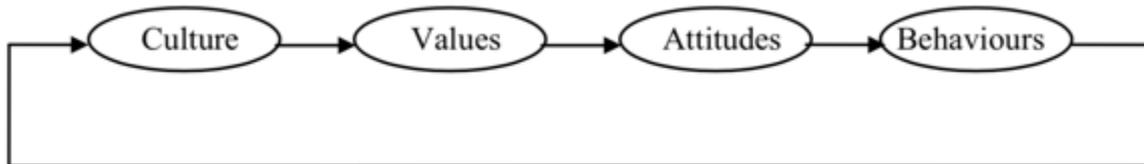
Luxury goods have many properties but do not yet exist in marketing literature a universally recognized definition. By the way, taking inspiration from Vickers and Renand (2003) and from Vigneron and Johnson (1999, 2004) it is possible to state that “Luxury goods are viewed as symbols of personal and social identity, and consumer behaviour regarding luxury goods is the result of motives of sociability and self-expression”.

## **2.1 Differences in Consumption**

Purchasing decisions depend on different factors for every type of good, including luxury goods. There are plenty of these factors, but Mooij (2004) affirmed that “together with national wealth, the cultural dimensions identified by Hofstede can explain more than one-half of the differences in consumption and consumer behaviour between people of different

countries”. So, culture has a strong impact on purchasing behaviours and behaviours in general as described in the following figure 5.

Figure 5: Influence of Culture on Behaviour, 1997



(Source: Adler, 1997)

Culture has been described in several ways, the definition that fits better with the purpose of this work is the one given by Kroeber and Kluckhorn (1952):

“Culture consists of patterns, explicit and implicit, of and for behaviour acquired and transmitted by symbols constituting the distinctive achievement of human groups, including their embodiments in artefacts; the essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other as conditioning elements of further action”.

Inside culture and inside Hofstede’s cultural dimension several scholars, in particular, Hofstede himself (1991, 2001) and Triandis (1989, 1990, 1995) have suggested that individualism/collectivism dimension is the primary dimension of culture that explain things that differ in the behaviour of consumers in different countries.

The distinction made by Hofstede was as follows: “Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family. Collectivism as its opposite pertains to societies in which people from birth onwards are integrated into strong, cohesive ingroups, which throughout people’s lifetime continue to protect them in exchange for unquestioning loyalty”. Therefore, individualists and collectivists have different perceptions of the self and other people, this implies also a different idea about the interactions between the self and everyone else. Markus and Kitayama (1991) stated that “individualists tend to view the self as independent and the individual as an independent, self-contained, and autonomous entity

made up of a unique configuration of internal attributes; on the contrary, collectivists tend to view the self as interdependent and relationally, contextually, and socially situated”.

All these attributes determine consumers' choices in terms of products and experiences related to a specific type of product. Wong and Ahuvia (1998) confirmed that “Differences between the independent self and the interdependent self-help determine the types of value consumers seek from products and services”.

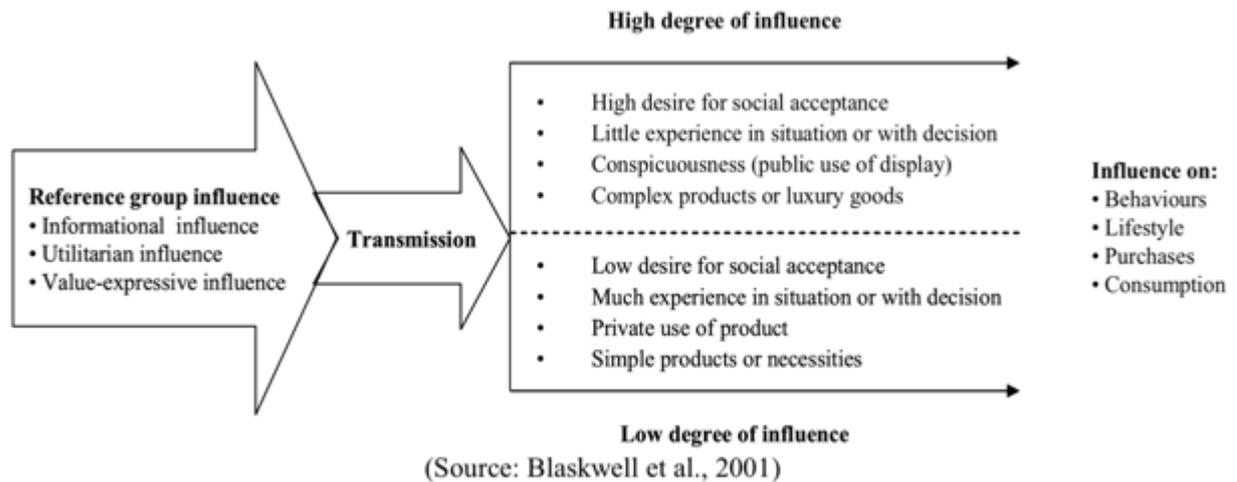
Individualists tend to give less importance to social cues. They tend to make purchasing decisions based on personal judgment, trying to express themselves. On the other hand, collectivists tend to adjust their behaviour according to their relationships and environmental factors.

For this reason, individualist consumers may be interested in luxury goods for the inner experience, in contrast, collectivists could purchase luxury goods to receive external social status. Luxury goods serve also as a way to communicate with the reference group of a consumer. O’Cass and Frost (2002) argued that “these goods are often used as means to ends by making the desired impression on others via their symbolism”.

Being social symbols, luxury goods consumption is inevitably influenced by the consumer’s reference group, so this relationship is absolutely important to understand luxury goods consumption. It is a sort of identity card, in fact, O’Cass and McEwen (2006) affirmed that “luxury goods consumption may provide a code that helps them communicate personal status and hence gain recognition, approval, or acceptance from their reference groups”.

This recognition comes from society, and even more frequently from the groups to which each of us belongs. Figure 6 illustrates this kind of influence in a more schematic way.

Figure 6: Reference Group Influence on Individuals, 2001



## 2.2 Luxury Goods Consumption in the Chinese Context

Phau and Prendergast (2000) stated that “research on luxury goods consumption in different cultural contexts reveals that Asian consumers hold perceptions of and attitudes toward luxury brands that differ from those of consumers in Western societies”.

In this sense, Wong and Ahuvia (1998) underlying that western consumers are more individualists compared to the more collectivist eastern society pointed out that “Southeast Asian consumers, will place more emphasis on public and visible possessions and will more often use products to symbolically claim desirable vertical locations within the socioeconomic hierarchy”.

In traditional culture, Chinese people appreciated the frugal lifestyle, luxury was absolutely a negative word, often accompanied by loss. However, the economic rise of China has brought rapid growth of the purchasing power and evolution of the concept of consumption to its people, forming an enthusiastic luxury consumer base.

Especially in recent years, luxury goods reached a high level of importance among Asian markets, and the fast expansion of the Chinese economy made it one of the key markets.

This immense popularity, according to the report by Schutte and Ciarlante (1999) “may be due to considerations of “face” or the importance of the regard of others rather than an individual preference for the products”. And again “Asian consumers purchase luxury goods for status display because their culture emphasizes hierarchy and status”. Interpersonal factors have high-priority on luxury consumption in Asian cultures. These “social meanings” are

communicated using some signals, for instance, brand name, product quality, packaging and price.

Chinese culture is described by Leung (1996) as “group-oriented or socially oriented”. He wrote that “Chinese collectivism promotes the beliefs that the individuals from the same in-group are inter-related, and individuals should follow the norms of the group in order to make the group harmonious and prosperous”.

Chinese culture is known as a culture that tends to maintain a particular social distance between people coming from a different social class and at the same time that try to reduce the social distance between people within the same social class. Consumption is often used as a medium to increase, maintain or reduce this social distance.

This fact becomes more evident especially in China, where the strata of society have been created and changed rapidly because of the recent rapid and dramatic economic development.

Tse (1996) argued that “the motivation to use luxury goods to reinforce social identity is stronger for the newly wealthy”. The reason of this shift from traditional values to consumeristic values is explained by Radha Chadha e Paul Husband (2006): the answer lies once again in the massive changes - political, social and above all economic - that have constantly transformed Asia. They wrote that: “From rigid social orders defined by birth, caste, family position or profession, suddenly you get a free-for-all where how much money you have is the key criterion of classification. No matter what social class you were born in, you earn enough and you can go up the social ladder; luxury brands are a modern series of symbols that Asian people wear to redefine their identity and social position”.

In this sense, three effects should be considered to describe some behaviours of Chinese consumers: Veblen effect, snob effect and the bandwagon effect. The definition of Veblen effect given by the business dictionary is: “Abnormal market behaviour where consumers purchase the higher-priced goods whereas similar low-priced (but not identical) substitutes are available. It is caused either by the belief that higher price means the higher quality or by the desire for conspicuous consumption”. Snob effect is related to the need for standing out from the crowd. The business dictionary defines it as a “Situation where the demand for a product by a high-income segment varies inversely with its demand by the lower-income segment”.

On the contrary, the bandwagon effect is defined as a “psychological theory where individuals will do something primarily because other individuals are doing it, regardless of their own beliefs, which they will ignore or override”.

Despite this, it cannot be said that only interpersonal effects push Chinese consumers to purchase luxury goods. In fact, Triandis (1995) stated that “The traditions of Confucianism, Taoism, and Buddhism have together shaped Chinese life so that Chinese philosophy emphasizes not only in-group norms and competition but also individuality and quality”. More than this, other factors can influence a changing society such as the influence of Western values. Since the open-door policy in 1978 Chinese culture received a significant impact on traditional values and especially the young generations have more and more adopted Western values and products. Already in 1996 Tse affirmed that “the craze for a luxurious life is found among the Chinese younger generation”.

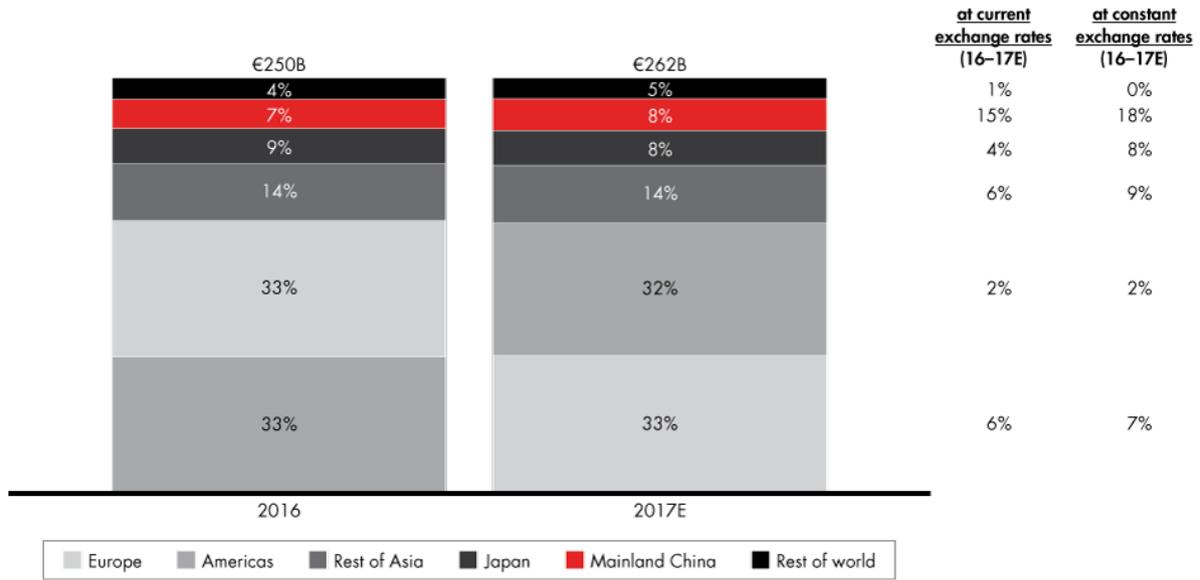
There is an increasing amount of people within the new generations that are changing their values, shifting from traditional Chinese values to Western values.

Furthermore, Chinese luxury consumers are becoming increasingly mature and sophisticated very quickly. Growth in the number of wealthy families, the spending habits of younger consumers and omnichannel e-commerce are making the level of Chinese consumption higher.

According to McKinsey, China's consumption structure is increasingly similar to that of developed countries. Angelica Cheung, editor-in-chief of Vogue China, said in McKinsey's report on the state of fashion (2017): “People here are no longer easily impressed; now that the Chinese are spending overseas, they put more effort into experiences and learning personal improvements and health. Anything that has to do with a healthy lifestyle and a healthy self”. It is an increasingly demanding, educated and fragmented consumer profile. And purchases are not only made in the first and second-tier cities in China but increasingly in lower-tier cities.

Even if China is not yet the main market for luxury in terms of share of global personal luxury goods market, all these aspects bring to positive growth, as shown in figure 7.

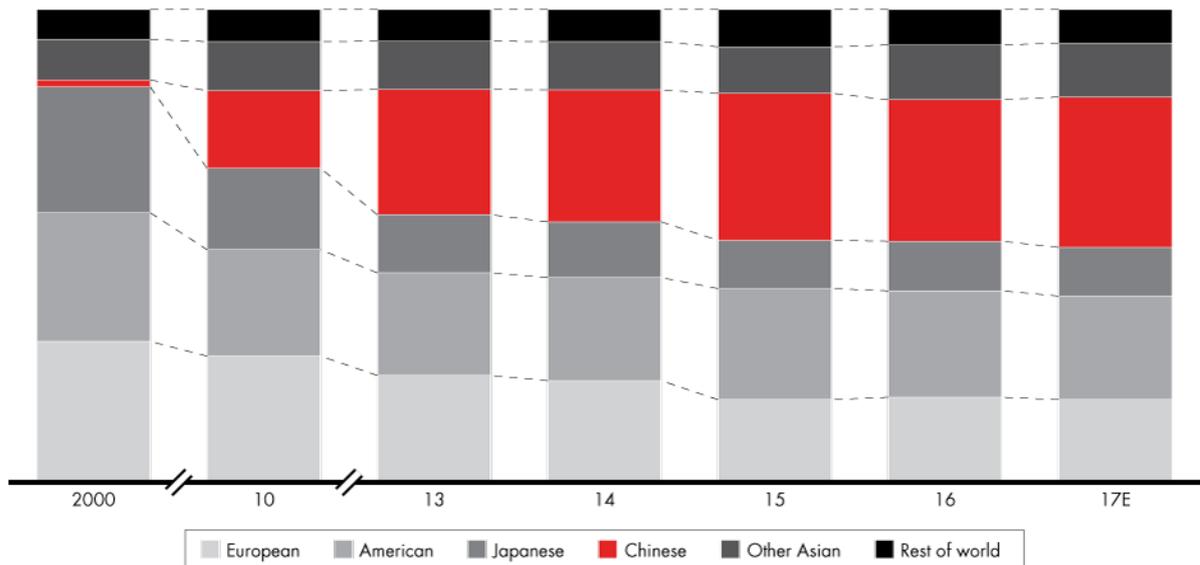
Figure 7: Share of global personal luxury goods market by region, 2017



Source: Bain & Company

What is impressive is the acceleration in purchasing if we look at the Chinese consumers. At the beginning of this millennium, the share by consumer nationality in global personal luxury goods market of China was almost irrelevant. Seventeen years later the growth is impressive, reaching 32% of global purchasing by value and the rate of growth is clearly displayed in the figure 8.

Figure 8: Global personal luxury goods market by consumer nationality, 2000-2017



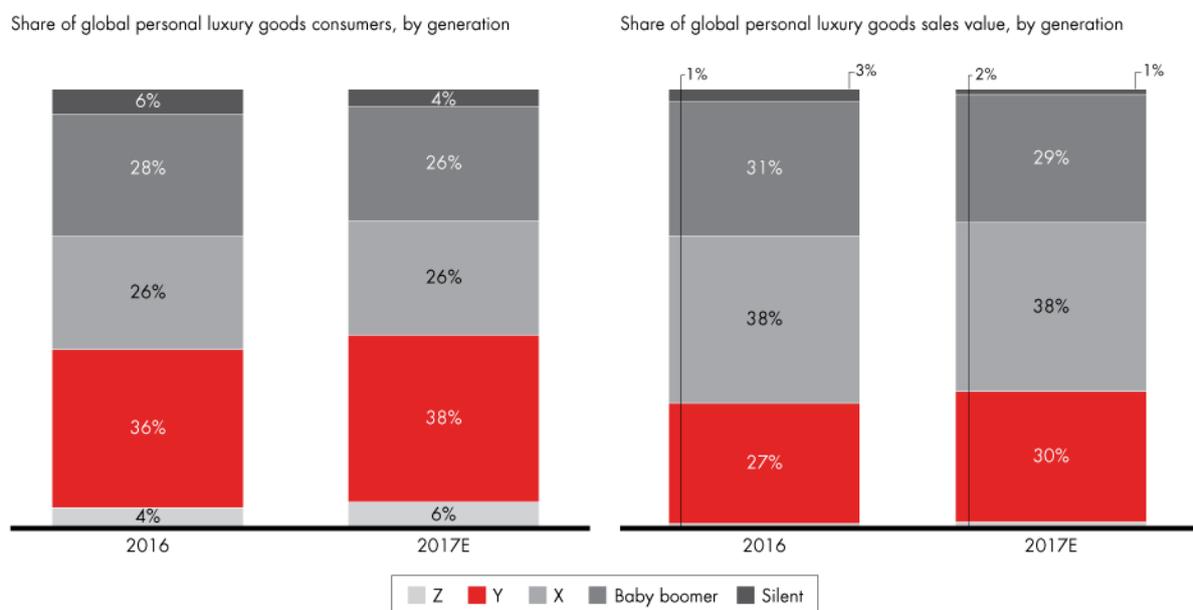
Source: Bain & Company

An important aspect to consider is that Chinese consumers are becoming more sophisticated and discerning in buying luxury products. This is what also McKinsey says in the report “Chinese luxury consumers: The 1 trillion renminbi opportunity” (2017). Besides this they affirm that: “while warning signals about the slowing growth of the market should not go unheeded, we believe Chinese consumers will remain one of the biggest drivers of growth in the global luxury market for the foreseeable future”. Moreover: “To capture this growth, however, luxury goods players will need to rethink their approach to winning the hearts of China’s luxury spenders. And since two-thirds of Chinese luxury spending happens overseas, luxury brands will need to identify ways to become an integral part of the Chinese traveller’s itinerary”.

### 2.2.1 Chinese Millennials

Talking about luxury goods consumption in China, a very distinctive consumer segment in the country is that of millennials, on which many luxury brands are focusing their attention. The figure 9 shows that Y generation, worldwide, in 2017 already accounted for 30% of luxury sales and Z generation is growing fast.

Figure 9: Share of global personal luxury goods consumers and sales value, by generation, 2016-2017

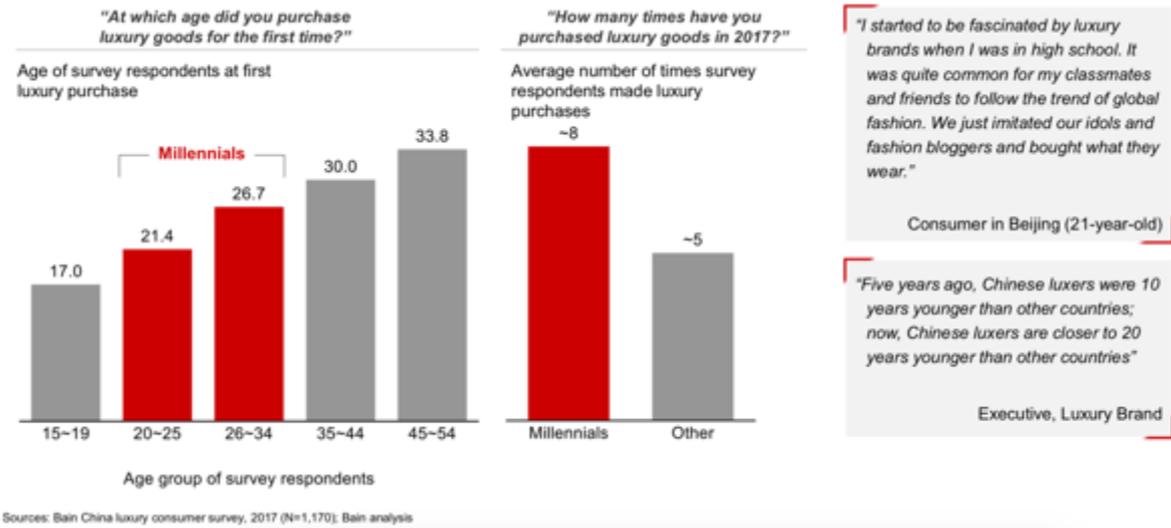


Source: Bain & Company

This process is even more rapid and clear in China, indeed, young middle-income Chinese are the main consumers of luxury.

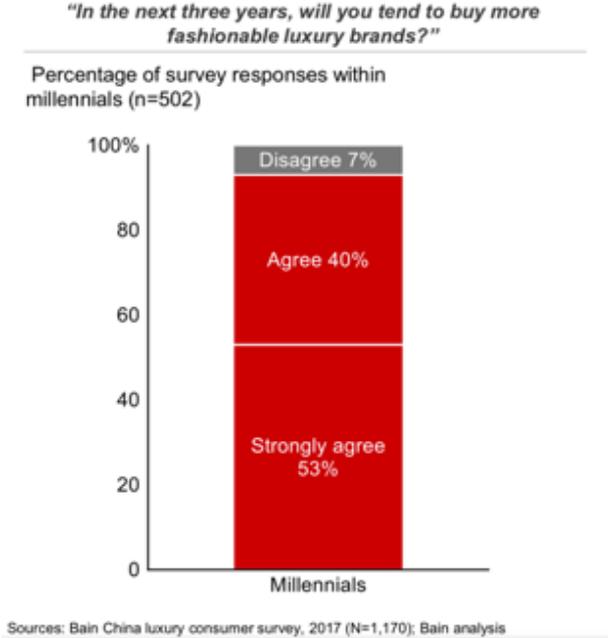
Euromonitor data show that, in 2015, millennial consumers and the Z generation achieved 34% of total social income and it is expected that the ratio will increase to 50% in 2025, which means that half of all social wealth will be owned by Millennial and Generation Z. New generation consumers will become the most important luxury consumers within the next decade. As shown in figure 10, according to the Bain China luxury consumer survey (2017) Millennials in China made almost the double of luxury purchases compared to the other ages.

Figure 10: Millennials contribution in luxury goods purchasing, 2017 survey



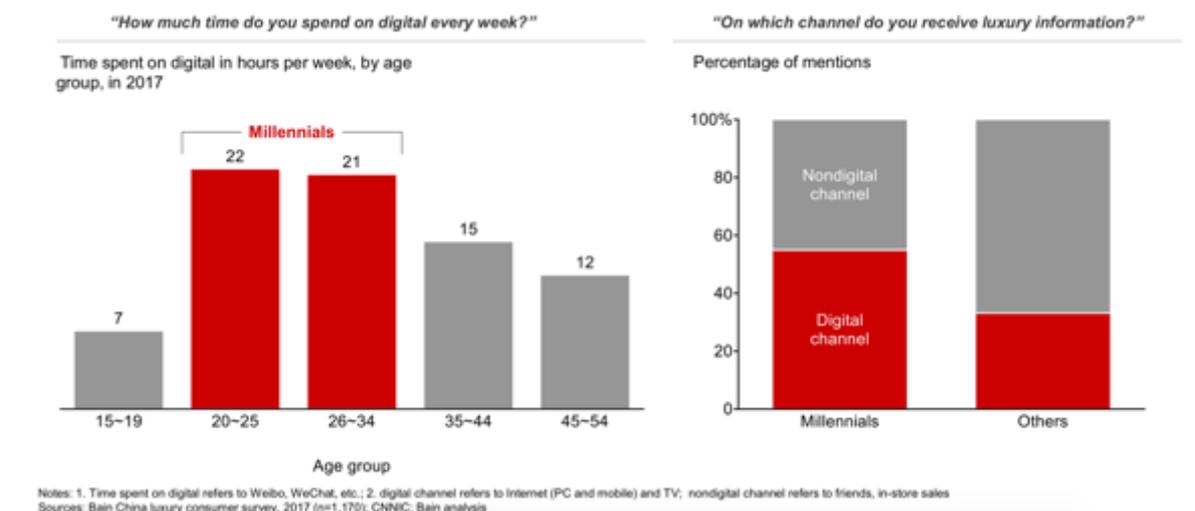
Moreover, at the question: “In the next three years, will you tend to buy more fashionable luxury brands?” almost all participants responded positively as shown in figure 11.

Figure 11: Purchase forecasts for millennials, 2017 survey



One of their important features is that they are extremely attached to digital technology in the buying path. At the end of 2017, the number of Internet users in China according to CNNIC (China Internet Network Information Centre) reached 772 million, of which 408 million were young users under the age of 30. AliResearch (2016) argues that the close connection between Chinese consumers and the Internet is higher than that of consumers of the same age in the world. Compared to wealthy groups in the United States and Japan, the most important feature of high-end consumer groups buying using the Internet in China is a young age, with an average difference of over 15 years. They are closely connected to the Internet and well educated. Of course, digital media has emerged to become an important channel for the new generation of Chinese consumers to receive information on luxury goods. If we look at the same Bain China luxury consumer survey the discrepancy is very clear, and it is even clearer observing figure 12 resulting from answers to questions: “How much time do you spend on digital every week?” and “On which channel do you receive luxury information?”

Figure 12: Time spent by millennials on digital every week, 2017 survey



Overall, Chinese consumers have become increasingly young, have considerable spending power, but also have very different characteristics and values compared to the previous generation. They are better informed, better connected to others, less tied to brands and more open to mixing global brands with local labels and in a variety of price points, more demanding, more driven by technology and more difficult to predict than ever.

One of the social classes related also to Millennials that represents a possible target for luxury companies is the one called “HENRYs”, that means High-Earners-Not-Rich-Yet. These people are a new consumers class who will become affluent or ultra-affluent in the future. Deloitte in the Global Powers of Luxury Goods report (2019) stated that: “the potential benefits of onboarding this demographic to luxury brands’ product and service portfolio are twofold: securing valuable present customers and building client relationships and business with those most likely to be amongst the most affluent consumers in future”. This is the reason why luxury brands want to target the HENRYs, they are a critical customer segment. In the same report, Deloitte argued also that: “loyalty could be built by endorsing their core values, such as authenticity, relatability, commitment to do the right thing, and following sustainable practices, consequently, brands have started to deliberately focus on values shared by this aspirational demographic”. Most of them, being young and influenced by new technologies, are addicted to social media for their buying decisions. So, if luxury brands want to intercept these future consumers, they must be present on social media.



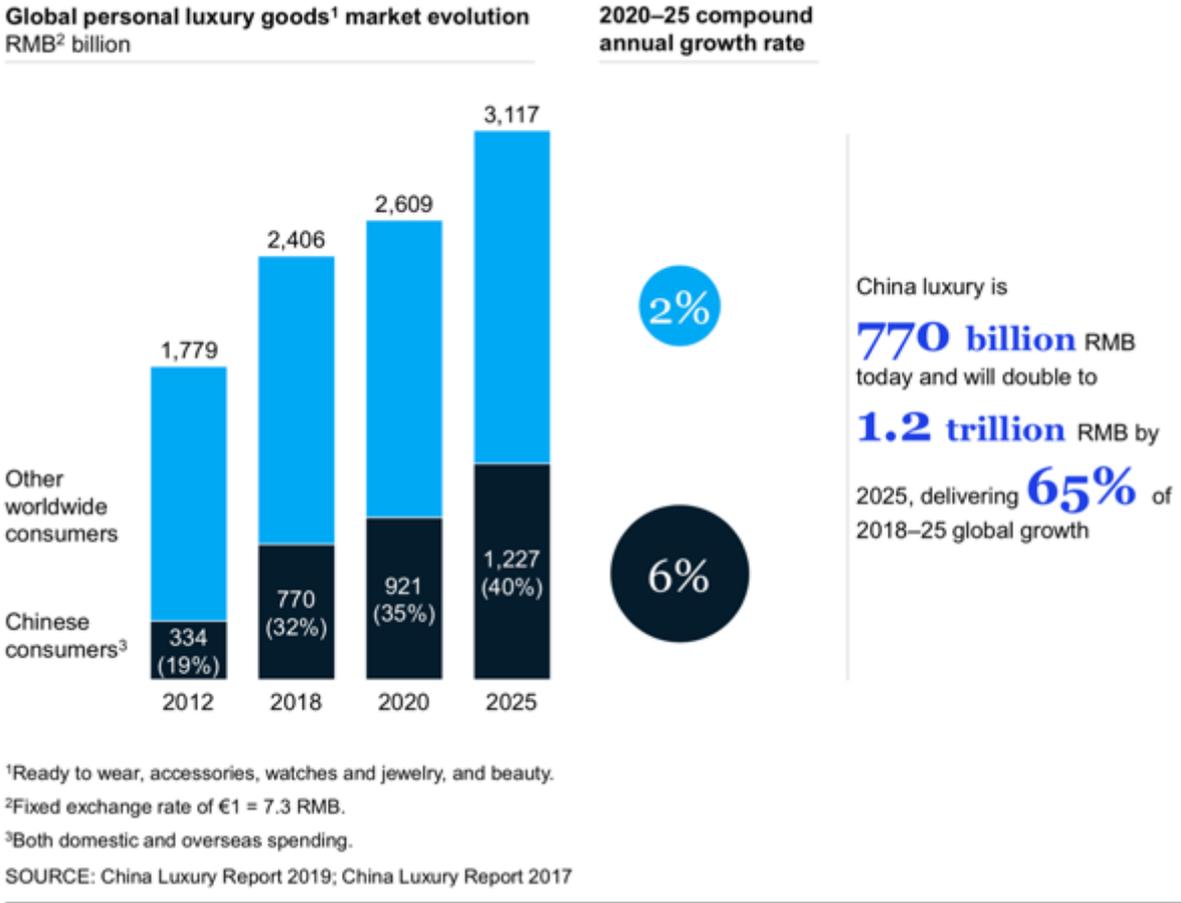
### **CHAPTER III: Chinese luxury market**

With a population of 1.3 billion inhabitants and an area of 9.63 million square kilometers, China is a non-negligible economic power thanks to the policy of reforms and opening-up since 1978. McKinsey & Company estimated that by 2021, China is expected to have the richest families in the world. In fact in the report “Chinese luxury consumers: The 1 trillion renminbi opportunity” (2017) they affirm that “Each of these 7.6 million households spends on average 71,000 RMB in luxury goods per year—which is twice what French or Italian households are spending”. To give a deeper sense of this rapid growth they continue writing that: “In 2008, when China hosted the Olympics in Beijing, Chinese consumers accounted for only 12% of global luxury spending. In the eight years that followed, we estimate that over 75% of the total growth in global luxury spending, over \$65 billion, could be attributed to purchases made by Chinese consumers, either at home or abroad”.

The rapid rise of the rich and middle class has generated a huge market for luxury fashion goods. In recent years, China has been one of the fastest-growing luxury goods countries. As for personal luxury goods, according to Bain & Company, local purchases by Chinese customers increased sales in mainland China by a substantial 15% at current exchange rates, for a total market volume of € 20 billion, along with the increase in purchases abroad. The actual expenses from the Chinese are higher considering the shopping carried out outside China caused by the great price difference. McKinsey & Company estimates that from 2008 to 2016, over 75% of total global luxury spending growth, over \$ 65 billion, could be attributed to purchases made by Chinese consumers, both in the domestic market and abroad. The continuous development of the economy and the rapid rise of a richer middle class will continue to strengthen China's importance in the following years.

According to the China Luxury Report made by McKinsey in 2019, UnionPay transaction data explain how: “China delivered more than half the global growth in luxury spending between 2012–18, and is expected to deliver 65% of the world’s additional spending heading into 2025”. The same study argues that this growth “will be primarily driven by an explosion of upper-middle-class households, the population of which will rise at a compound annual growth rate of 28% from 2018 to 2025, taking the total number of people in China earning between \$2,600 and \$3,900 per month per household to 350 million”. All these data are clearer looking at the Figure 13.

Figure 13: Global personal luxury goods market evolution in China, 2019 (RMB billions)



The Millennials and Chinese consumers are the two main contributors to the future growth of the luxury market and the two largest consumer groups in 2024 if we look at generation and nationality. McKinsey predicts that, by 2025, the value of the global luxury goods market will rise to 2.7 trillion RMB, Chinese consumers will represent 44% of the overall global market, 7.6 million Chinese families will represent 1 trillion RMB in global sales luxury, an amount that is twice that of 2016, and equivalent to the size of the US, British, French, Italian and Japanese markets combined in 2016.

### 3.1 Fashion and Luxury Development in China

Clothing is a reflection of society, whose change often arises following social transformation. In China, one of the oldest countries in the world, numerous customs styles vary in history. In the last hundred years, China has had a drastic collision both at a political and a cultural level with the Western world, and gradual integration into the globalization process, accompanied by a series of upheavals, reforms and social revolutions. During this time, Chinese-style clothes and Western clothing coexisted, continued to reform and combine mutual

characteristics, developed and constantly changed. After the First World War, with the development of Chinese national capitalism, the textile industry, the printing and dyeing industry were all developed.

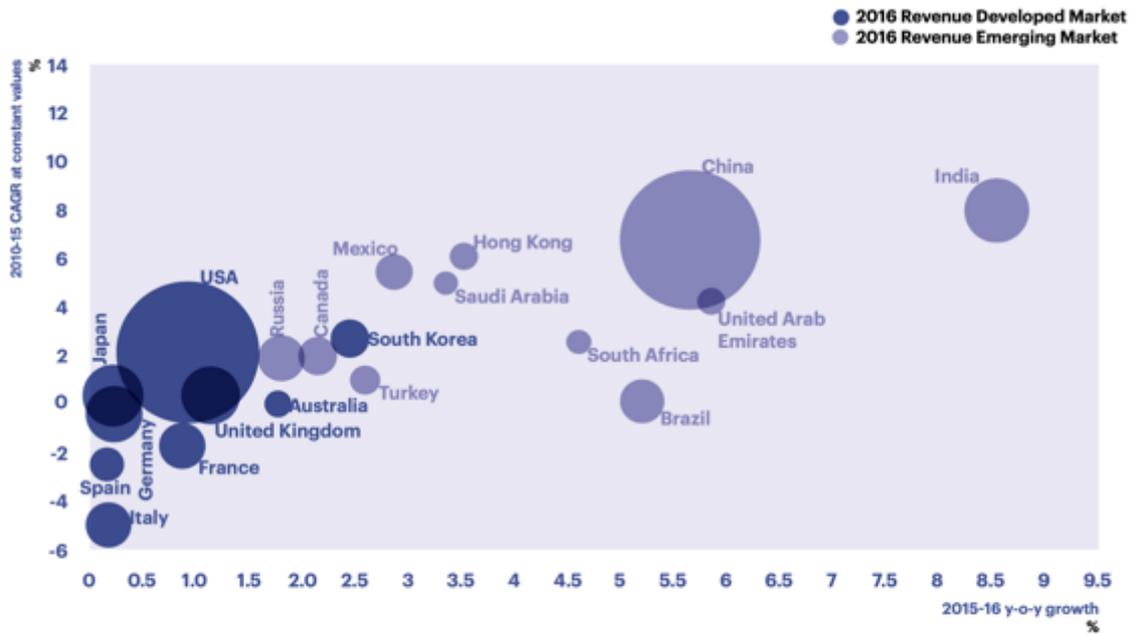
In the 1920s, several boutiques were created throughout the country and the prêt-à-porter market was quite large. In 1933, there were already about 100 boutiques in Shanghai. The customers were mainly foreigners and ladies of the highest class. After the victory of the war against Japan, in the late 40s, new fabrics were introduced in China, the American style spread, and high-end fashion continued to develop. From the 50s to the 70s, for political reasons, society only appreciated simplicity and functionality, the colours of the clothes were simply blue, black and grey. In 1978, China ended the Cultural Revolution and began Reforms and opening-up processes, which was a turning point of great importance both for China and for the world, giving vitality to contemporary industry, including that of luxury fashion.

In the 1980s, the mentality of people and their financial resources have changed, the clothing industry has inaugurated a period of rebirth and prosperity. People have freed themselves from the world of monotonous colour, pursuing novelties, diversity, fashion, famous brands and luxury. Since then, China's clothing production, sales and trends are all influenced by international factors.

The 90s were the most intense period in which international luxury brands entered China, including Louis Vuitton, Chanel, Ermenegildo Zegna, Burberry, Hugo Boss, Gucci, Hermès, Armani, etc.

Thanks to a graph in figure 14 created by McKinsey in “The State of Fashion 2017” (2017) it is easy to see how important is and how important could become the Chinese market for the fashion industry.

Figure 14: The fastest growing countries for fashion, 2016



1 Excludes Argentina and Venezuela due to poor data reliability resulting from FX fluctuations.

Source McKinsey FashionScope

With the development of China's economy, more and more Chinese have chosen to travel abroad, often taking the opportunity to buy luxury goods. China's luxury consumption in recent years has mainly taken place outside the country, the trend began to reverse in 2016 when an increase in the percentage of domestic consumption occurred.

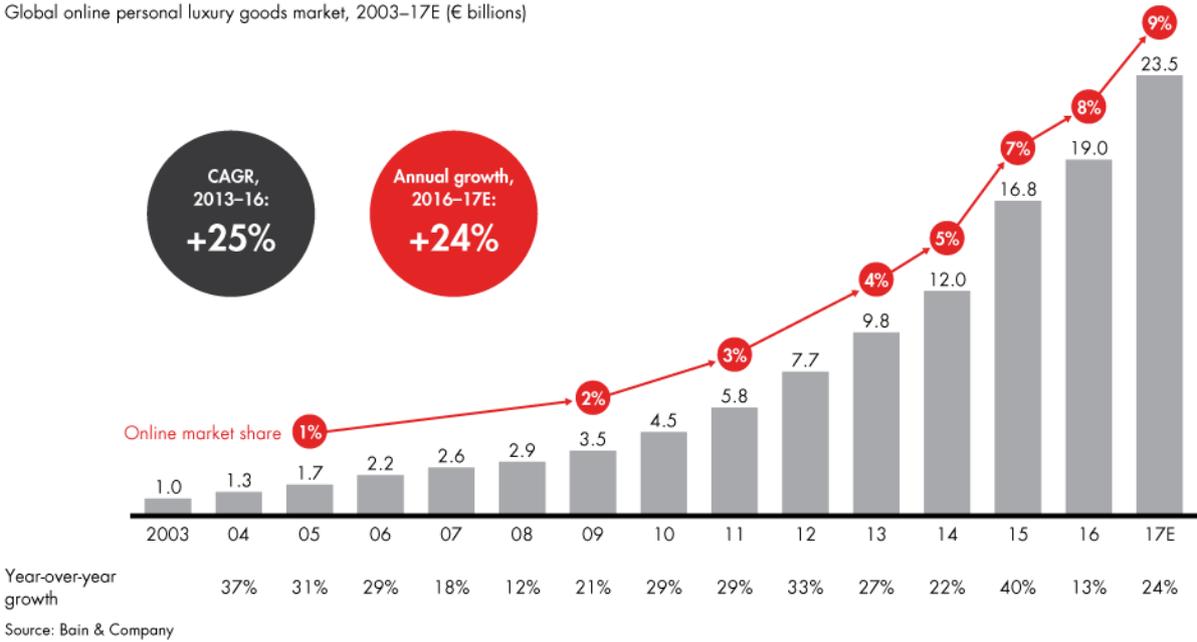
Today, considering the clothing category, practically all the major global brands are available in China and have acquired a significant presence in the main shopping centres, online channels or both. The brands continued to close offline stores and launched digital activities on websites, social media and third-party platforms. Consumers are always more mature and rational, looking for brands with high quality and special values, new designs and marketing are adopted to meet the needs of the new generation. The experience of lifestyle and service will become fundamental values.

### 3.2 Chinese Digital Development

Digital development intended as an increase in online shopping has seen a remarkable increase in recent years. The figure 15 shows double-digit growth starting from 2003 to 2007.

Figure 15: Global online market share in global online personal luxury goods market, 2003-2017 (€ billions)

Global online personal luxury goods market, 2003-17E (€ billions)



This trend is even more “dramatic” in China where digital development is increasingly noted. According to the report “China Luxury e-Commerce whitepaper” (2017) by Deloitte “China has the highest online sales ratio in overall retail sales of anywhere in the global market”. Jack Ma, president of Alibaba, said: "In the industrial era, the United States developed thanks to the automotive industry; in the digital age, China should be driven by the Internet and mobile phones ". China has a unique digital environment.

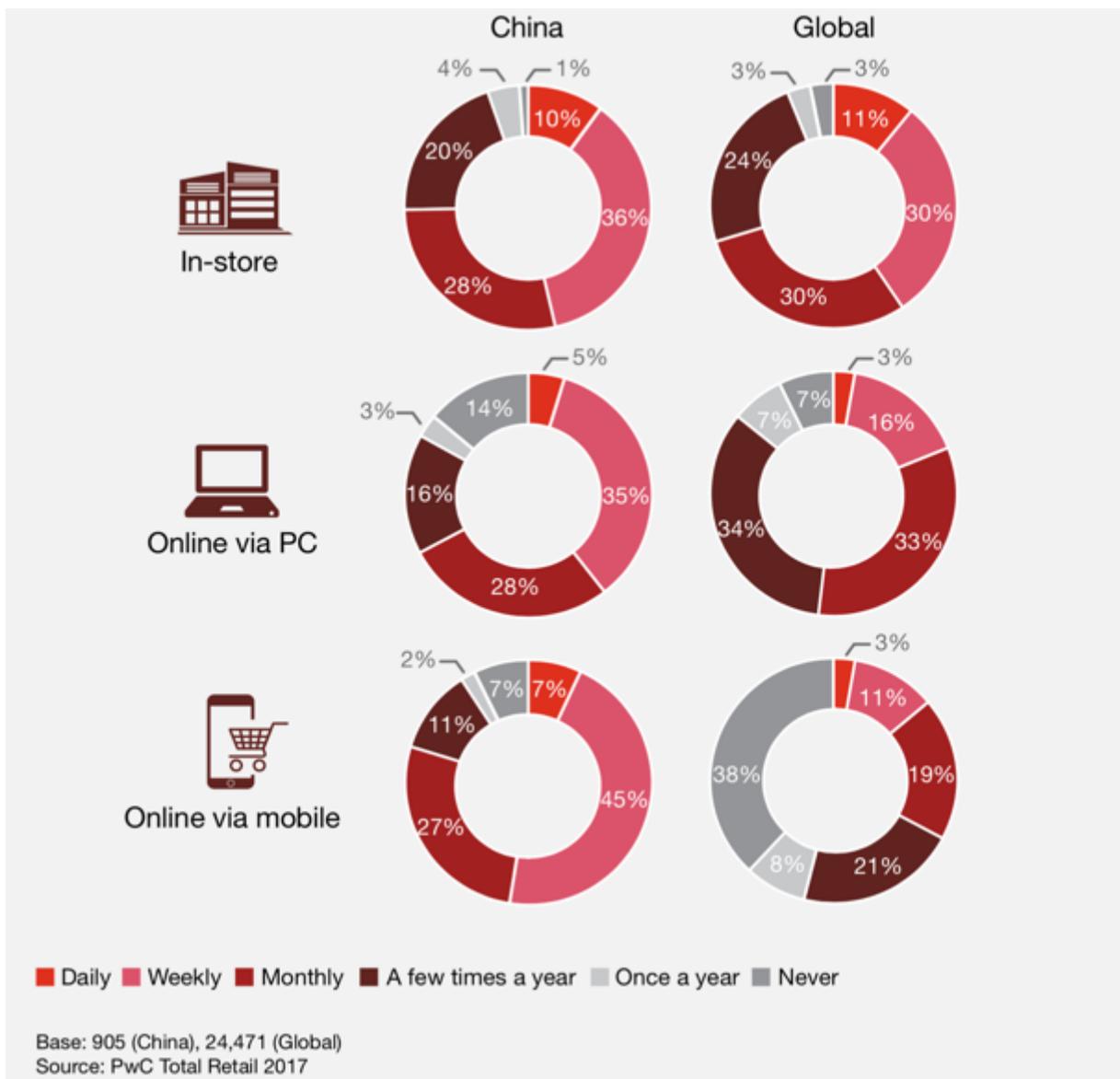
Pwc in a report called “eCommerce in China – the future is already here” (2017) wrote a sentence that leaves little room for doubt: “China is the largest and most innovative retail eCommerce market in the world”. To support this statement Pwc argues that “China, today, is characterized by mobile-first consumer behaviour, vibrant social commerce adoption and a ubiquitous digital payments infrastructure”.

According to the study “China luxury e-commerce whitepaper” (2017) Until December 2017, the number of websites in China was 5.3 million, with an annual increase of 10.6%. The number of Internet users in China has reached 772 million. The internet diffusion rate was 55.8%, of which the rate in urban areas of China was 71% and in rural areas, 35.4%; the number of mobile Internet users in China has reached 753 million, whose percentage of total users has risen from 95.1% in 2016 to 97.5%; the number of online shopping users in China has reached 533 million, equal to 69.1% of the total number of Internet users, and the number

of users of online purchases via mobile Internet has reached 506 million, whose percentage has increased to 67, 2%.

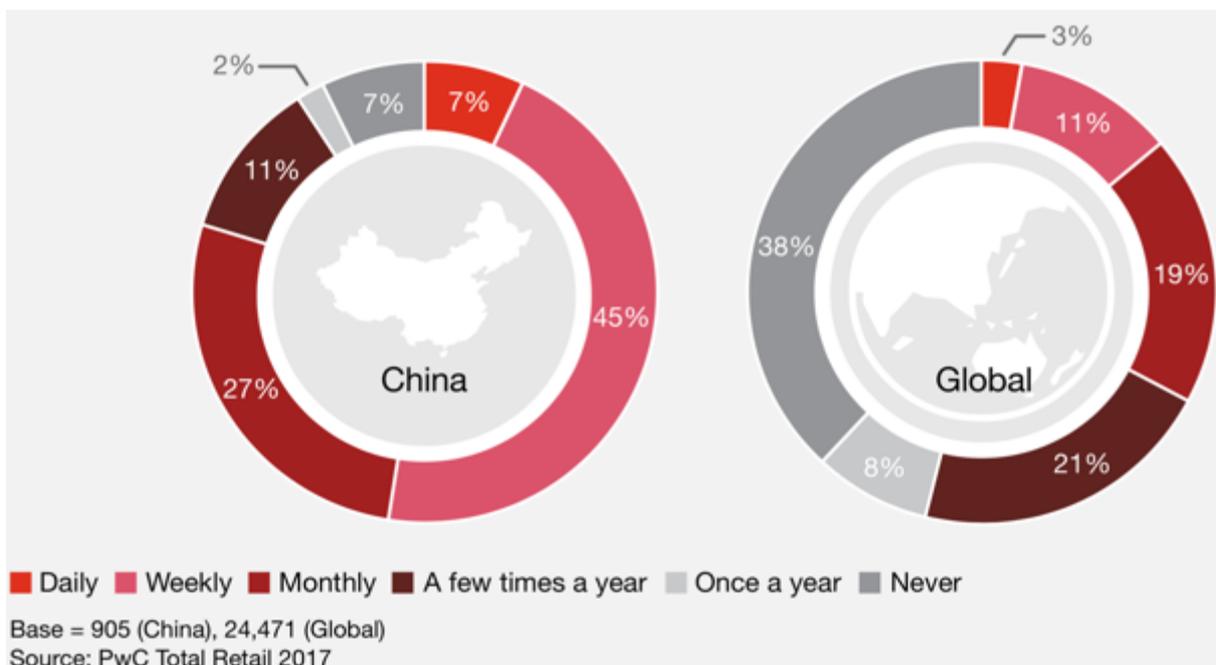
Analyzing data coming from a survey conducted by Pwc in the report mentioned before “eCommerce in China – the future is already here” you can find some interesting ideas comparing China to the rest of the world. Looking at the Chinese shopping behaviour compared to the global one (Figure 16), in addition to the fact that the Chinese buy more frequently, it is possible to notice that they use to buy even more often using computers or smartphones.

Figure 16: Places of purchase: comparison between china and global, 2017



More than this, Chinese consumers seem to be more reactive to an online advertisement. 31% of Chinese consumers will click on an advertisement that is relevant to them, compared to 16% globally. Just to give a further idea of the presence of Chinese people on e-commerce platforms simply take the example of Tmall. Tmall.com is a Chinese website for business to consumer online retail operated by Alibaba Group. 97% of Chinese online shoppers use Tmall. This means that virtually anyone in China is addicted to online shopping. This high percentage of online shopping is related also to the fact that mobile dominates the e-commerce ecosystem. At the question about the online shopping frequency using mobiles/smartphones the difference of frequency between Chinese and global respondents is quite huge and it can be noted observing figure 17.

Figure 17: Frequency use of mobiles in shopping, 2017



Mobile and smartphones usage is strongly related to the usage of social media given that many parts of the social network are designed primarily for mobile use.

This brings to three interesting data. First of all 41% of Chinese consumers use social platforms as a way to receive promotional offers, compared to 34% globally. Pwc continues to explain the survey’s results arguing that: “79% of Chinese customers (46% globally) say that positive interactions with brands on social media have driven them to endorse the brand more, and 71% customers (44% globally) have spent more as a result”. If it is true that “ for brands to stand out they first need to be where their consumers are” in China this means

social. The following graph, in figure 18, shows exactly the gap between China and the rest of the world in the use of social networks and other online media as sources of inspiration for purchases.

Figure 18: Gap between China and the rest of the world in online media usage, 2017



The third interesting fact is related to KOLs and celebrities. In fact, 29% of Chinese consumers, compared to 13% globally, use social media to see what brands or products KOLs and celebrities are endorsing.

So even taking a quick look at these statistics it is easy to understand how much Chinese consumers are more digital and to what extent this influences their purchasing decisions. According to the Pwc report (2018), the leading technology companies in the Chinese market are Alibaba, Baidu, Tencent, Weibo, Youku and JD.

The functions of various social platforms are increasingly perfecting, social media are turning into an ecological system of "connection of everything" that has changed the marketing and communication of the company: social marketing services and mobile advertising have become the most active areas, thanks to its large user base, to the rapid dissemination of information and immediate interactive functions. Digital marketing is more precise and personalized and has become a new traffic portal for e-commerce.

Based on PWC's analysis (2017), in China, consumers use social media to discover new brands and products (45% compared to 39% worldwide), validate the quality of the product through reviews, comments and feedback (54% compared to 47% globally), buy directly through a social channel (25% against 15% globally) and write a review of the product or experience ( 27% against 20% globally). 79% of Chinese customers (46% worldwide) say

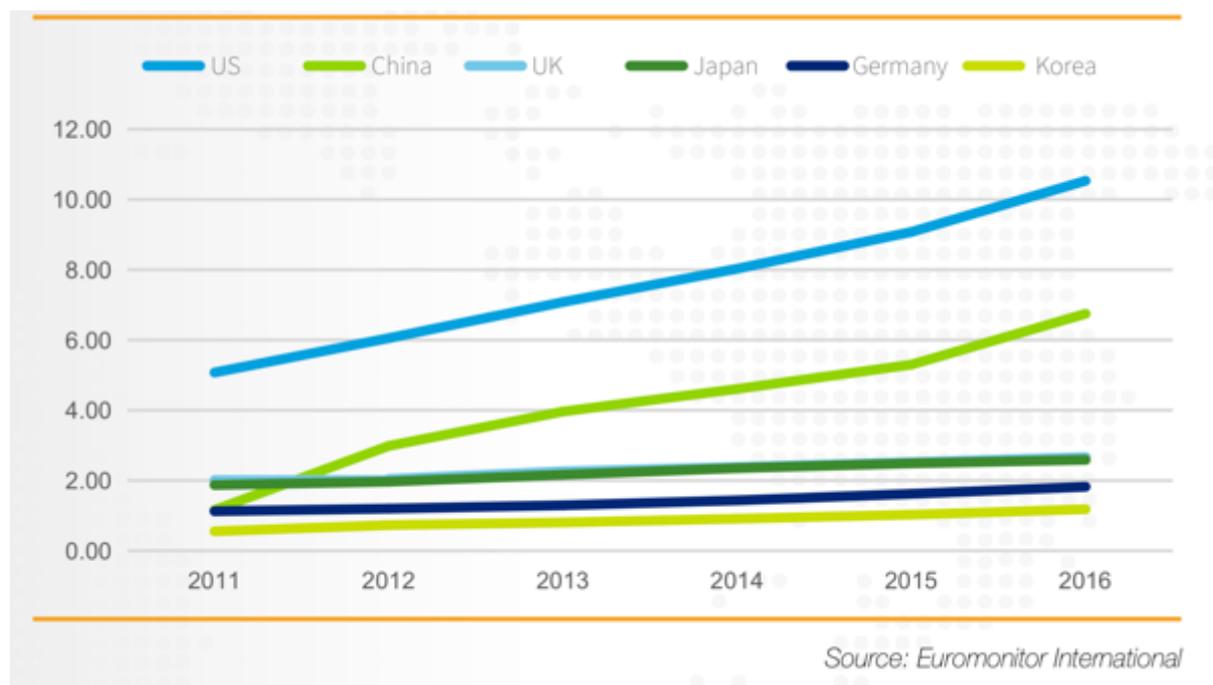
that positive interactions with brands on social media have pushed them to support more of the brand and 71% of customers (44% globally) spent more accordingly.

Today it is almost impossible to distinguish between e-commerce and social media in China. This is evident in the case of key opinion leaders (KOL). 29% of Chinese consumers, compared to 13% worldwide, use social media to see which KOL brands and products and celebrities are endorsing. For example, in 2017 Burberry used a partnership with an important KOL Mr Bags to promote a special edition, using WeChat to launch it. That special edition sold out in less than ten minutes.

Concerning luxury, digitization is changing the need, the way of buying and the expectations of consumers. Although online brand stores in China accounted for only a small part of the total volume and the offline channels remain the main channel for sales, they maintained high-speed growth. Important brands such as Louis Vuitton, Gucci and Prada have launched e-commerce in China in 2017. The online promotion has become more important for these brands and the opening of the online store has become a common practice for them.

In marketing, luxury brands are increasingly using digital channels and digital methods. Wenyu (2018) argued that luxury brands have spent 30% to 60% of their marketing budget on advertisements on WeChat, a miraculously popular social application in China. Wechat and Weibo have become the most widely used social media when luxury brands make digital marketing. The consumer response is undoubtedly positive, to such an extent that in the luxury goods sector online sales in China have rapidly increased, reaching the second position in global sales volume after the US market. Differences between US and Chinese market compared to other markets are clear looking at the graph (Figure 19) made by Deloitte in the “China Luxury e-Commerce Whitepaper” (2017) using data from Euromonitor International.

Figure 19: Luxury goods sales via online channels, 2011-2016 (USD billion)



In the same report, Deloitte affirms that: “Following the acceleration of omnichannel development in luxury brands and the shift in the trend of luxury goods consumption, the penetration of online channels in the luxury market will gradually grow”.

Even the Chinese marketplaces have focused on the potential of the luxury market. On 1st August 2017, Alibaba launched Luxury Pavilion, a personalized sales channel for luxury brands, whose first participants were Burberry, Hugo Boss, La Mer, Maserati and Guerlain of the LVMH group.

At the same time, the content of e-commerce shifts from a pure transaction to the construction of lifestyle and experience. And in the case of WeChat, given that it remains almost ubiquitous in everyday life in China, brands have managed to add some form of e-commerce access via this app, whether it's a link to their online store or your own store on WeChat. The WeChat store has become one of the sales channels, indeed, it is more popular among luxury fashion brands than aggregators such as JD Mall and Tmall because it is more exclusive. In fact, the PwC survey on total retail sales (2017) argues that unlike the mass market, luxury clothing consumers are more likely to use the brand's e-commerce website (45%), compared to buy from a third-party multi-brand platform (43%). Bain's report (2017) listed the reasons why they prefer official websites: the authenticity of the products, the exclusive shopping experience, the after-sales service, etc.

To conclude, the traditional channel in luxury goods sales dominate while online sales grow rapidly.

### **3.3 Main Digital Platforms in China**

Digital channels for marketing in China are mainly made up of official websites, social media, video streaming, search engines and marketplaces. The most important social media in China are WeChat and Weibo. The biggest video site is Youku. Baidu is the dominant search engine in the market. Online sales channels include the official website, the flagship store on marketplaces like Tmall and JD and the WeChat store.

In this section, we are going to deepen the most interesting for this research and therefore WeChat, Weibo and Youku.

#### **3.3.1 WeChat**

WeChat has an unassailable position in the Chinese social market. It is a free application launched by Tencent on January 21, 2011, to provide instant message services on mobile terminals. Its basic function is to quickly send written or voice messages, videos, images and other files, update personal status with public messages and make payments with WeChat Pay. Aiming to achieve the goal of "connecting everything", WeChat continues to enrich its services such as Official Accounts, Mini Programs, Research, WeChat at Work, WeChat Shopping, WeChat Game and so on. It is also connected to many third-party services, for example, catering, ticketing, courier, taxi, bike-sharing, hotel, e-commerce, etc. it evolved from a social communication tool to a digital ecosystem that connects everything.

According to data from CAICT, China Academy of Information and Communications Technology (2017), for 87.6% of users, WeChat was the most used mobile app. Data from Tencent (2017) reveal that the number of monthly official accounts was 3.5 million, with a total of 797 million active fans per month.

The official WeChat accounts are one of the main interactive digital platforms for communication and marketing in China, as it is an important means of accessing information and services. Users can subscribe to accounts of different types and in different fields according to their preferences and needs, in order to obtain the information requested in the shortest time through the regular publication of account managers. Also according to CAICT data, at the end of 2017, the number of official accounts was over 10 million.

The WeChat mini-programs further drive traffic to the store built into the app. Forms of commerce offered by luxury brands through WeChat include WeChat boutique, flash sales and gift cards.

According to a Bain analysis, the brands have invested heavily in digital marketing, with growing investments in WeChat, as shown in figure 20, all the top 40 luxury brands have launched official accounts to provide information and services, engage target consumers, and implement campaigns to drive traffic to stores or even convert them into sales.

Figure 20: Percentage of digital marketing and digital platforms use by top 40 luxury brands, 2015-2018

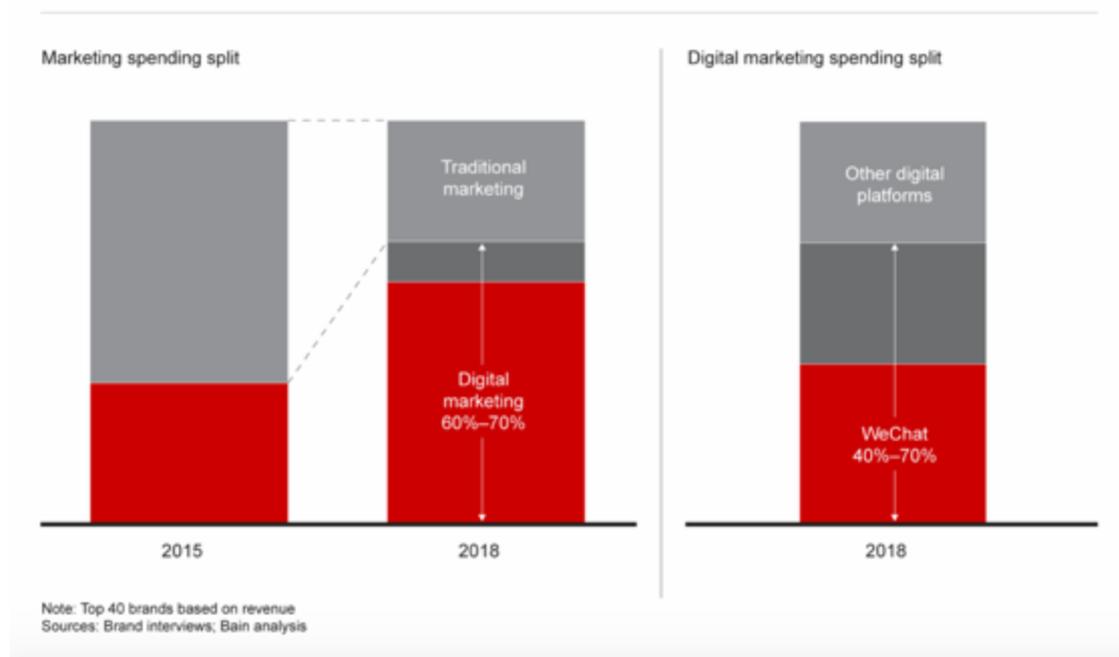
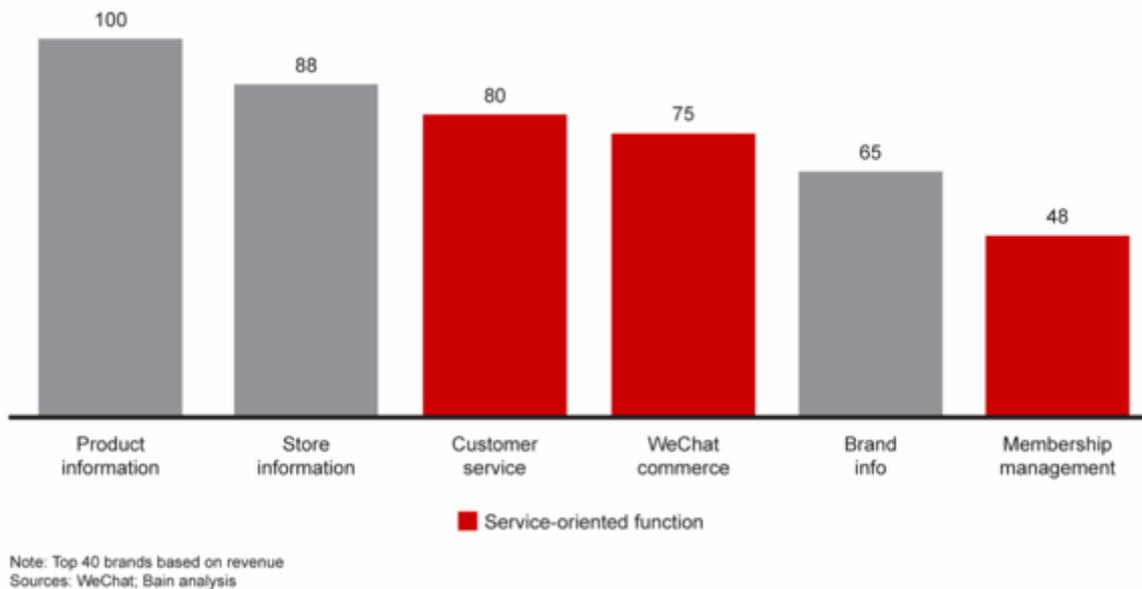


Figure 21 shows that the top 40 luxury brands use the official WeChat account to offer potential customers product, store and brand information, support service, WeChat e-commerce, and member management.

Figure 21: Percentage of the top 40 luxury brands using WeChat official account functions, 2018



### 3.3.2 Weibo

Weibo is a type of blog that updates information with a maximum of 140 words and allows instant sharing. In China, Weibo includes Sina Weibo, Tencent Weibo, Netease Weibo, Sohu Weibo, etc., but if not specified, Weibo refers to Sina Weibo which has the largest market share. Sina Weibo was launched in August 2009 from the Sina portal and immediately became a popular social media where you can quickly look up information to choose interesting ones. You can also publish and share content, text, images, videos and more so that others can view them. The most obvious feature of Weibo is the speed of information dissemination that allows users to express and follow the latest news.

According to Weibo's report on the luxury sector, from November 2016 to October 2017, luxury company accounts sent over 190 000 posts (147,000 posts were original) with 13.6 billion views in total (removing duplication), generating 7.3 million comments, 19.4 million likes and 69.11 million shares; in the period between 1 January 2017 and 1 November 2017, the number of searches relating to luxury goods on Weibo exceeded 270 million and the number of researchers was approximately 29.99 million, the brands and categories of luxury have become one of the most sought after topics by users of Weibo. In the clothing category, Chanel, Dior, Armani, Givenchy, Gucci, Fendi, Burberry, Prada, Hermes were the most sought-after brands. Luxury especially attracts young people who are well educated and have a certain purchasing power. The Weibo survey found that Weibo's advertising and KOL publication they are effective ways of dissemination and above all the research objects obtain

luxury information through brand ambassadors (55.9%), fashion bloggers (53.2%), official business accounts (42%), research or popular topics.

### **3.3.3 Youku**

Youku is the first video site in China that was founded in 2006, on June 21st. The site allows users to search, view and share high-quality video content quickly and easily on multiple devices. The Youku brand is one of the most popular online video brands in China.

In October 2015, Alibaba Group purchased the brand which is now one of the two main distribution platforms for digital multimedia and entertainment content of the group. Youku helps retain customers of Alibaba's core business by offering complementary content.

Marketers can also place advertisements on Youku in different formats, including videos, banners, links, logos and buttons. Youku is the exclusive online video platform for streaming the main core business events of the Alibaba group, supported by interactive features to encourage consumer involvement.

## CHAPTER IV: What Matters in Luxury Purchasing

It is important and not that easy to understand what motivates Chinese people to spend a large amount of money to buy a luxury product. Wanting to be oriented to the future this work will deeper analyze the Millennials category, that as is said before, is going to become the main customer. Speaking of which, according to China Luxury Report (2019) from McKinsey in Millennials opinion: “luxury helps them feel distinct from the people with whom they share their cities, They see luxury as a form of social capital that helps mark them apart, and achieve personal and social goals”.

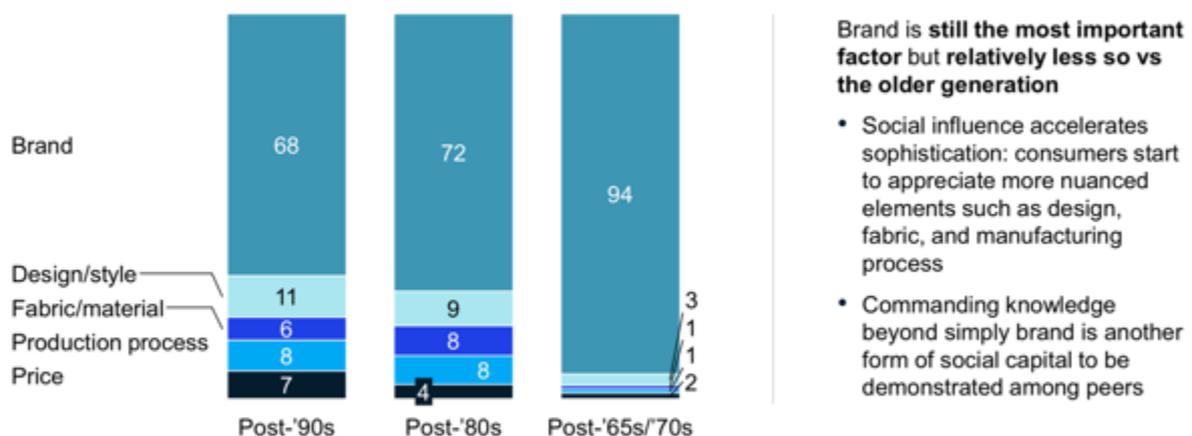
Talking about the brand, it remains the most important aspect of buying a luxury product but with a significant difference between generations. In fact, as can be seen in figure 22 millennials give less importance to the brand, considering more important other aspects such as design, materials and production process.

Figure 22: Brand is important, but relatively less among young consumers, 2019

### Brand is important, but relatively less so among young consumers.

#### Top reason for last luxury purchase by generation

% of respondents who selected reason as no. 1 contributing factor



Participants ranked these 5 reasons as a contributing factor for their most recent purchase

Note: Figures may not sum to 100%, because of rounding.

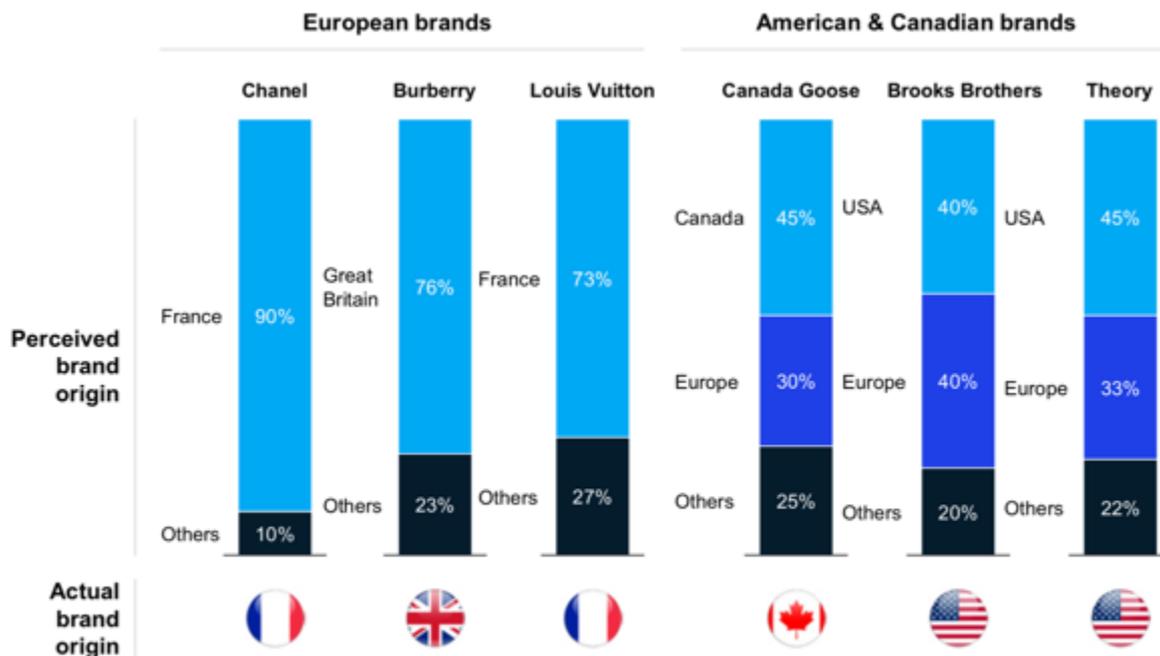
SOURCE: China Luxury Report 2019

In addition to this, it is important to remember that the concept of a niche brand has multiple interpretations. From those who want simply exhibits a unique design to those that want to be rare in the sense, for instance, of wearing something impossible to find in the Chinese market. The same Report made by McKinsey affirm that: “China’s luxury market has yet to develop

the widespread sophistication necessary to sustain demand for truly niche or boutique brands, as has been the case in the West”.

One example could be the fact that for many brands Chinese people don’t know the country of origin of the brand and so of the product. This is particularly evident for non-European brands. Figure 23 below shows some data about it.

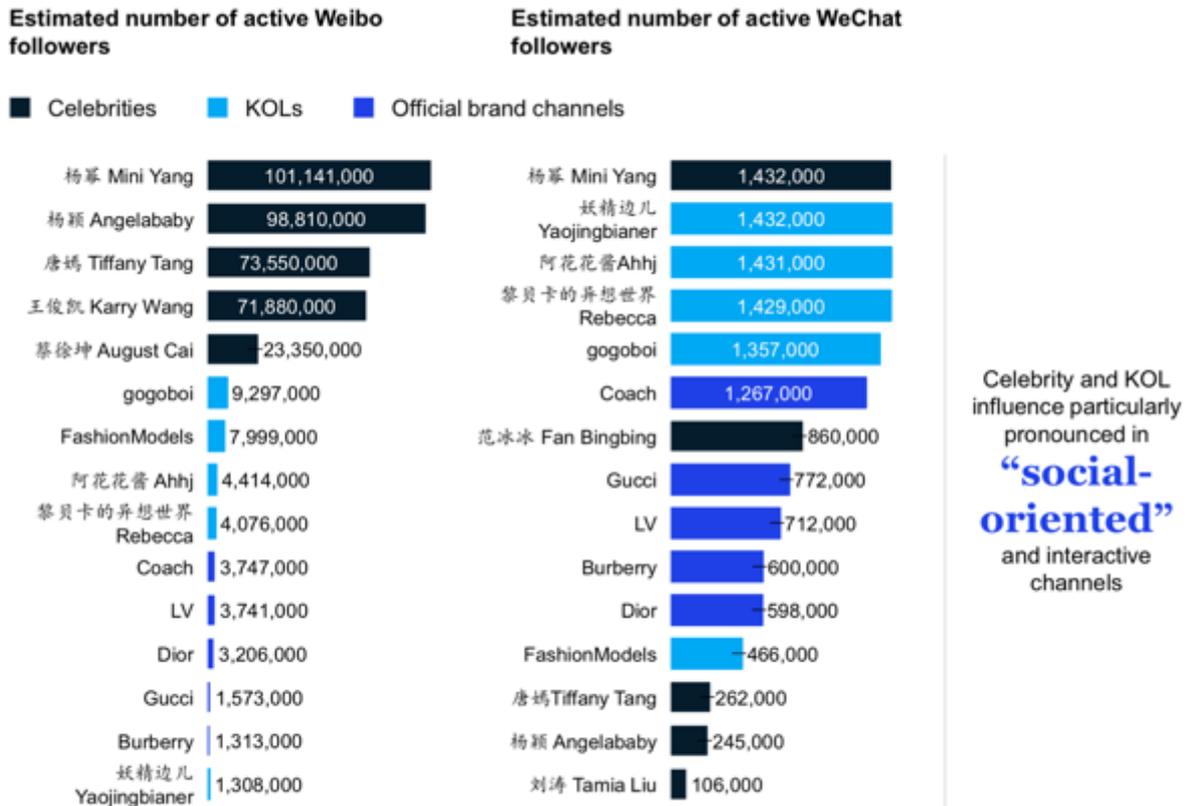
Figure 23: Perceived country of origin vs actual country of origin, 2019



Note: Figures may not sum to 100%, because of rounding.  
 SOURCE: China Luxury Report 2019

The research also suggests that: “young consumers are loyal not to brands per se, but iconic brand-product combinations”. This fact comes from the high exposure to social media because young consumers can find on the images, tailor video and other content used by a luxury company to “educate” the consumer. Another important aspect related to the high exposure to social media is that young Chinese are heavily influenced by KOLs. In China, many celebrities have a strong influence on consumers, such as Angelababy, Tiffany Tang, Yang Mi and Gogoboi. They raise awareness of new products and promote the brand itself. These KOLs has much more followers compared to the luxury brands official accounts. So thanks to a partnership with one of the companies can reach more people compare to the attainable amount using the official account. McKinsey published some data useful to understand the gap of followers, they are shown in figure 24.

Figure 24: Followers gap between KOLs and brands official accounts, 2018



SOURCES: Press search, as of Nov 2018

McKinsey concludes the report with an important statement, that is relevant to understand the way how Chinese millennials think: “China’s young luxury consumers are more interested in aspiration than heritage, making it imperative for brands to modernize their stories and deliver them through digital channels”. That means that it is not enough to have an important history or luxury tradition, to succeed brands should continue to innovate being always present on social media and so in their lives.

#### 4.1 Differences Between Luxury and Elegance

Too often these two words are related to the same meaning.

Perhaps there is a difference: luxury can be bought, even though the lexical definition expresses not so much veiled negative connotations, elegance not, at least not in all its meanings. That being said, what are luxury and elegance today? There cannot be a single answer, because there are many ways in which consumers interpret luxury and elegance, reflecting a profound transformation of the market and the cultural approach that people have, from time to time, with these two concepts.

Beyond the sociological interpretations, which in this area do not compete with us, what is certain is that luxury should not only be synonymous with extremely expensive and therefore naturally exclusive products, reserved for a few.

Luxury is a necessity that begins where necessity ends.

“I love luxury. It does not lie in wealth and pomp but in the absence of vulgarity. Vulgarity is the ugliest word in our language. I stay in the game to fight it. Some people think that luxury is the opposite of poverty. It is not. It is the opposite of vulgarity”. These words expressed by Coco Chanel would be enough to explain the true meaning of luxury. With the mass communication and mass production at the beginning of the last century, were laid the foundations for the so-called "democratization of luxury". It was the beginning of luxury within the reach not only of a very limited elite but of an extensive market segment.

For marketing a real luxury asset, be it a consumer good or an investment good, is defined by three characteristics: the price must be exaggeratedly high, it must be rare and exclusive and must be made with precious materials. Private luxury has a future since the search for difference belongs to the very mechanism of evolution; but tomorrow the superfluous will have completely different priorities: the concepts of scarcity, rarity, cost and desirability will be revolutionized. If it is true that the concept of luxury changes over the centuries, it still has something to do with something rare, which allows us to differentiate ourselves from our peers. And it must immediately represent this diversity of ours.

Luxury is the expression of “possessing beyond all real needs” but it is not synonymous with those values that make rich the mankind. The “class”, elegance, “good taste” and “knowing how to live” cannot be bought and are often not even interpreted as indispensable ingredients for those who would like to belong to a certain social class. Especially in recent years, we have seen a sort of cultural and inner decadence of the human race. The arrogance of "saying" without any regard amplified and encouraged by social media; the rooting of wrong concepts of originality; the need to cause amazement by showing every facet of bad taste and that "trash" way of life. But what makes the difference between human beings, in reality, is not the banal display of opulence or self-deceiving forms of appearing, but the art of knowing how to live, of elegance, of the taste for beauty; that indefinable, mild and unrecognized style above the common imitations, between an imperceptible carelessness, simplicity and dissimulation of qualities even possessed. The concept of elegance, in its deepest essence, is indefinable and reflects the personality of each one, enveloping everything that surrounds his life. Elegance is an attitude that fashion does not share, as it is not subject to external factors and, above all, to

any market. The difference between a fashionable person and an elegant person depends on the number of labels and designer labels he flaunts.

“Luxury costs less than elegance”. Thus stated Honoré de Balzac, the Master of the french realist novel. Today, perhaps it would be hard for him to understand the dimensions and complexity that underlie the “Luxury” phenomenon: it has become an industrial, commercial and distribution phenomenon.

However, the aphorism caught a latent contradiction in the concept of luxury, especially in its sense linked to fashion: in fashion, the products of a luxury brand should represent the highest quality level in terms of style, material and production technique.

So many aspects differentiate elegance from luxury, and probably it is correct to define luxury as something easier to obtain. Given that these two aspects are different, it is easy to understand that they need different consumers and different channels. The new main channel to sell and to promote goods on the internet thanks to social media usage, but is there a place for elegance and sophistication on social media?

#### **4.2 Is there a Chance for Elegance in this New Social and Technologic Market?**

What ruins luxury is globalization. The most demanding people, to escape it, want niche products, which do not have the numbers to become the object of globalization. But globalization is that phenomenon pushed also by social media.

We can take as an example of the bespoke work bags market. If we imagine a craft shop where people buy their bags, we cannot imagine a popular big store. These places are reserved for a little part of consumers, for those who are not interested in luxury and ostentation but in elegance and refinement. Obviously, there are no brands, no big envelopes characterized by a big brand written on them. What is important is that this kind of product will be personal, unique and of very high quality. More than this it will be functional, in fact, the first thing that the artisan will ask you is: “What are the objects that will be put in the bag?”. In this way, everything is custom made, and it is not important the dimension of the brand on it.

Moreover, these products are conceived to last many years and if something should get damaged the bag will be sheltered, not changed.

This is just an example but thanks to this it is even easier to understand how different this kind of market is compared to luxury.

It is especially clear that this is not a segment where social media and technology can easily access. This market usually spreads by word of mouth, maintaining a sort of sense of secrecy is part of the peculiarities.

If it is true that social media is the opposite of a niche it seems impossible that this particular type of market could ever be contaminated by social media or new technologies.

In the luxury segment, even if things are slowly changing, the purchasing experience remains still very important. For this reason, the internet and social media are of great importance mainly for marketing and communication.

So, if luxury products are purchased for the most part in stores, this tendency can only be accentuated for this further kind of product that makes its strengths of elegance, exclusivity and above all experience. The second utility, that is marketing and communication, decays since in this case the sense of niche and refinement would be lost.

Characteristics that made elegance are in contrast with the definition of social media, we can say that we could try to combine this segment with new technologies, the internet, social media and globalization, but in doing so it would lose those characteristics that make it so special. In this case, the price cannot be the only discriminant or at least one of the most important.

Digital technologies, as previously mentioned, can be useful combined first of all with fashion, and then with luxury.

This is what we will discuss in the following paragraphs.

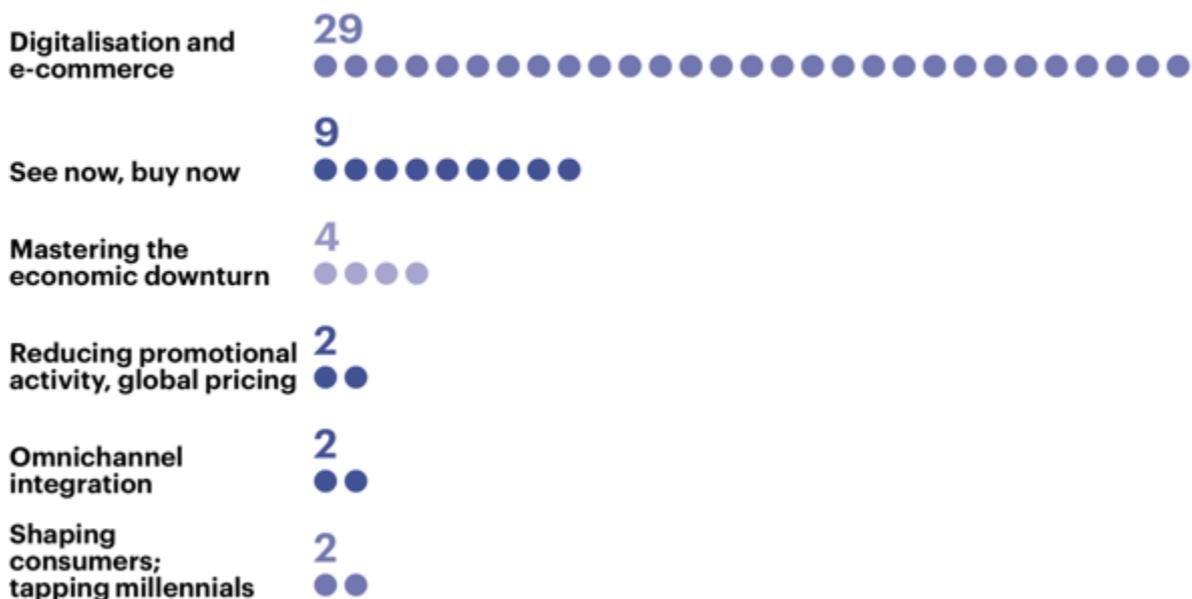
## CHAPTER V: Union of Fashion and Technology

The term technology is very generic. In fact, fashion uses technology in many different ways, managing to combine modernity and classicism. Starting from wearables and technology included in the products or technology used inside the stores such as QR code, culminating in technology intended as social media, digitalization and e-commerce.

This last part is probably the more interesting, not only for us but also for many executives of fashion companies. As can be seen in figure 25, the result of a survey conducted by McKinsey for “The State of Fashion 2017” (2017) shows that at the question: “What do you think has been the single biggest challenge and the single biggest opportunity for the fashion industry in 2016 so far?” the majority replies digitalization and e-commerce.

Figure 25: Biggest opportunities for the fashion industry in the opinion of fashion companies' executives, 2017

### TOP 6 OPPORTUNITIES



Question: What do you think has been the single biggest challenge and the single biggest opportunity for the fashion industry in 2016 so far?  
Source: BoF-McKinsey Global Fashion Survey, September 2016

To confirm this, the following year in The State of Fashion 2018 (2018) by McKinsey data confirm this trend. To the question: “What are the top 3 priority areas for your company in 2018?” related to sales, growth and investment the majority of fashion executives replied omnichannel integration, e-commerce and digital marketing. Results of the survey can be seen in figure 26.

Figure 26: Priority areas for 2018, 2018

## SALES GROWTH AND INVESTMENT



It is a matter of fact, nowadays consumers are strongly influenced by social media and one of the more influenced aspects is the purchase decision.

It is said that consumers believe more to other consumers than companies. For this reason, in the digital era, a comment or a review counts much more than what the company affirms. Apparently though, looking at the results of the report created by McKinsey, the data produced by metrics in social media week indicate that social media influence and weigh even more. Consumers trust influencers and aspire to buy what they see on social media. The comparison between the importance of online reviews and social media in consumers' purchase decisions is exposed in figure 27.

Figure 27: New influences on consumers' purchase decisions, 2018

#### Customer shopping habits



Sources: Kissmetrics, Social Media Week

To create a content that is tailored for every consumer fashion companies recur once again to technology. In fact, using artificial intelligence and big data personalized recommendations can be created.

Talking about fashion this large social media presence is understandable, everyone needs clothes and shoes. What about luxury?

### 5.1 Union of Luxury and Technology

“As popular culture becomes segmented, a greater number of consumers are increasingly attracted to niche brands, reflecting the more specialized trends within fashion while also aiming to meet the consumers’ demand for more unique individualized products”. This is one of the concepts that Deloitte states in his report “China Luxury e-Commerce Whitepaper” (2017). As mentioned before, the Chinese market gives a lot of importance to KOLs and KOLs is becoming segmented as well. Again Deloitte writes that: “These individuals or groups may not be particularly famous and could even be completely unknown outside their own circle, but, with an increasingly-specialized expertise and deeper understanding of fashion trends, they have gained attention and recognition from an increasing number of young people who are looking for more niche culture”.

Technology is transforming luxury brands into digital enterprises. New technologies are penetrating the value chain changing the balance and creating opportunities to be more effective. Luxury brands are digitizing their business to increase speed and agility in the market. They also use data to bring the relationship with consumers to a more personalized and customized level. The impact of industry 4.0 that could create a Luxury 4.0 it is not to be

compared to the impact that technology has had on other industries. The luxury sector is characterized by art, intangibles and other aspects that have nothing to do with what the cold technology can achieve. For this reason, we should expect an impact of industry 4.0 that will allow brands to be more efficient and responsive without forgetting what characterizes a luxury product: design, craftsmanship and personalization over all.

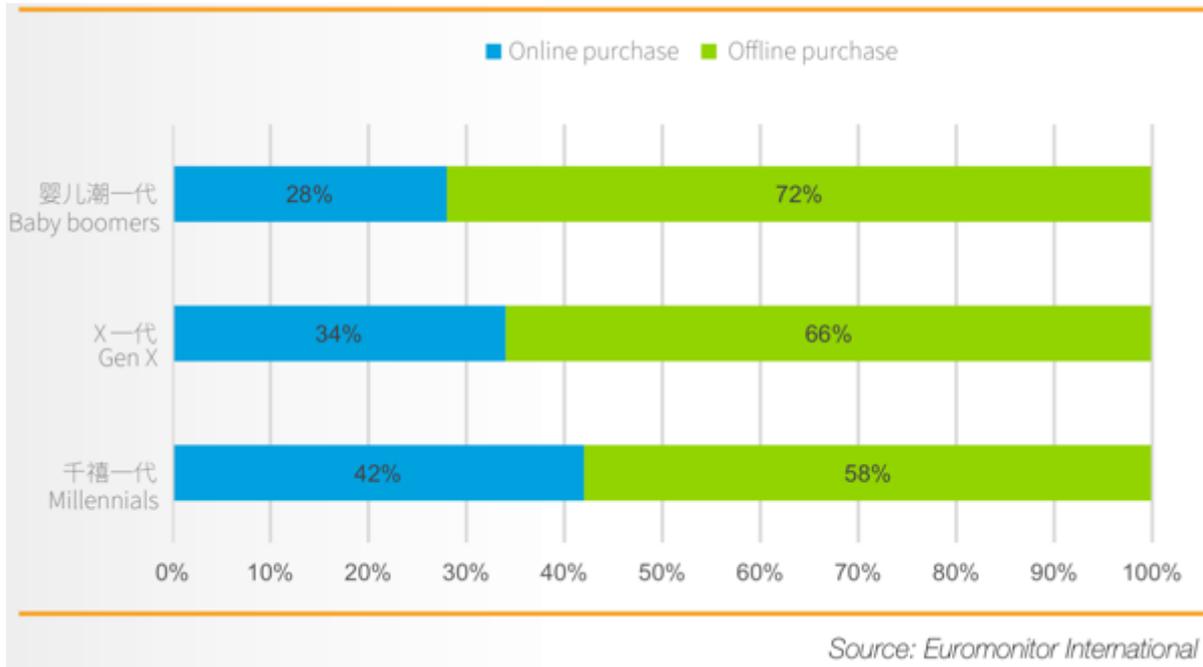
As said before, luxury cannot be considered at the same level of fashion in general. Can be described as a niche inside the general and huge fashion world. For this reason, some principles should be different. Generally, when we think about luxury, we imagine something exclusive, expensive and of the highest quality. Every person and every culture has a different concept of luxury, as explained in section 2.1 even if we tried to define it in section 2.

By definition, the luxury concept has an opposite meaning compared to social and online. This specific segment should not be present on social media or public platforms, or at least less than non-luxury products. This should happen just to maintain that sense of exclusivity. By the way, some statistics reveal the opposite.

More and more people buy luxury products online, even if doing so they lose a significant part of the purchasing process.

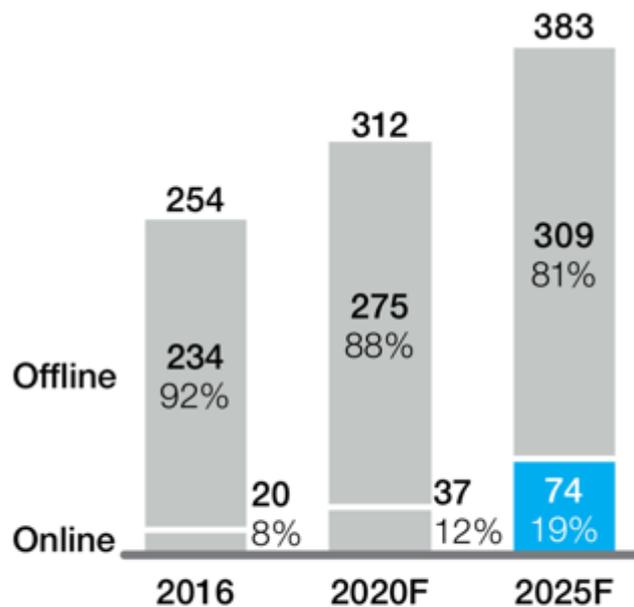
This also derives from the fact that consumers are becoming younger, and the new generations replace the old ones. In fact, looking at the Figure that represents the percentage of channels for the purchase of luxury goods created using data from Euromonitor International this trend is evident. The graph (Figure 28) was published by Deloitte in the “China Luxury e-Commerce Whitepaper” (2017) and in this way it divides the various generations: “Gen Z (born after 1995), millennials (born between 1985 and 1995), Gen X (born between mid-1960s and late 1970s) (35-54 years old), baby boomers (born between 1946 and 1964)”.

Figure 28: Percentage of channels for the purchase of luxury goods, 2017



A forecast made by McKinsey in “The age of digital Darwinism” (2018) reveals that probably in the next years the percentage of luxury sales will increase, arriving at 1/5 of the whole amount by 2025, as explained in detail in figure 29.

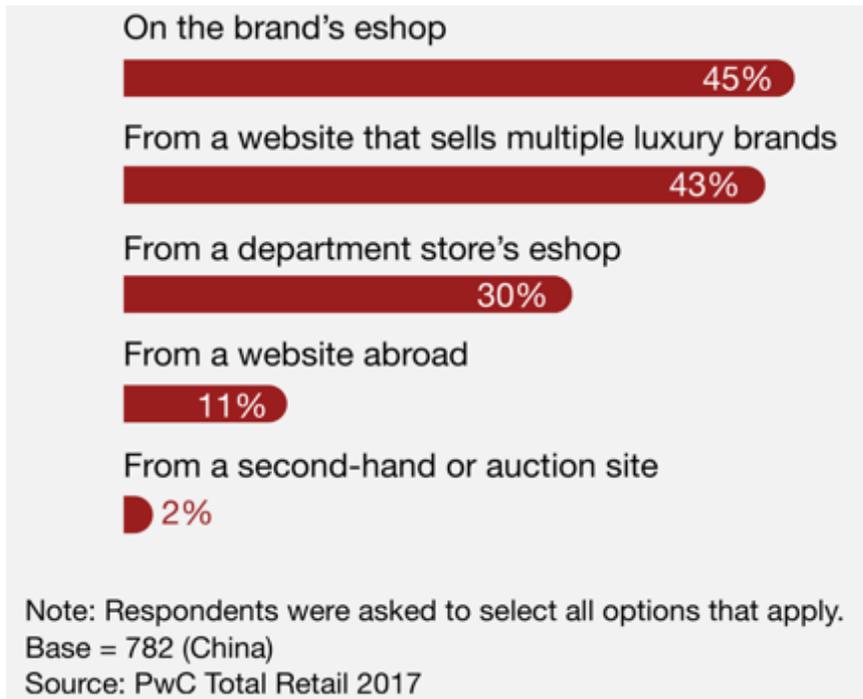
Figure 29: Prediction of the increase in the percentage of online purchases, 2018



SOURCE: Euromonitor; Forrester

This part of online sales is made mainly using the brand’s e-shop. A survey conducted by Pwc in the Pwc Total Retail (2017) reveals that 45% of Chinese consumers use the brand’s e-shop to buy luxury clothing, shoes or leather goods. As can be seen in the graph in figure 30 that summarize the results of this part of the survey the second more popular choice to buy luxury products online is from a website that sells multiple luxury brands.

Figure 30: Which platform do the Chinese prefer when they buy online, 2017



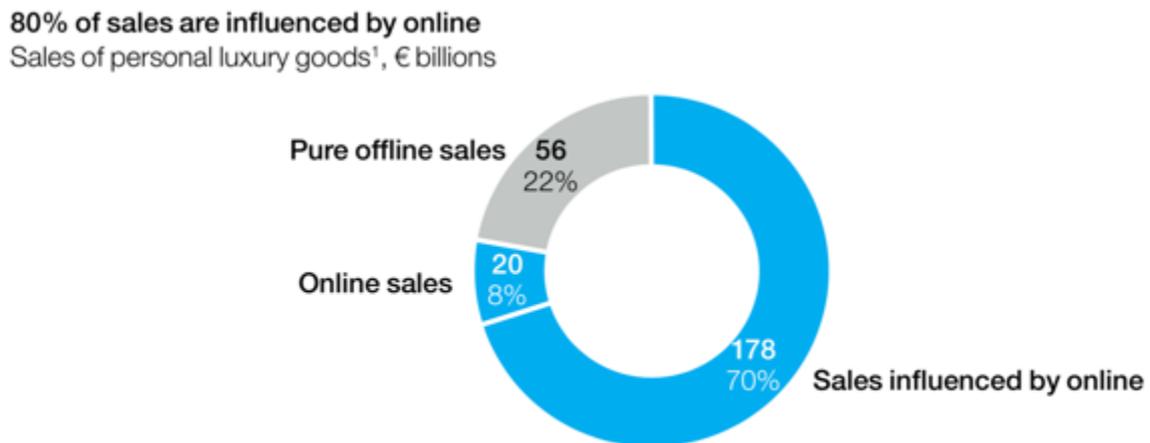
The two most used (brand’s e-shop and websites that sell multiple luxury brands) are the two that give more reliability. In fact, the authenticity of products is one of the factors that worries the most the consumers, even Chinese ones, when buying online.

Pwc in its report eCommerce in China – the future is already here (2017) argues that: “one of the main barriers to consumers buying luxury goods online is the need to touch and feel”. For this reason: “the relevance of physical store for luxury brands remains significant, but retailers should not neglect the opportunity that digital presents to enhance the in-store experience”.

By the way, what is impressive is the percentage of sales influenced by online. If a purchasing process is influenced by social media that means that a specific consumer segment follows certain contents, trusts what it sees and feels the values transmitted by social media. However, in this case, values transmitted by these platforms are exactly the opposite of what theoretically a luxury product should communicate.

Despite this, a graph inserted by McKinsey in the same report, “The age of digital Darwinism”, using once again data from Euromonitor reveals exactly the opposite. 80% of personal luxury goods sales are influenced by online. More precise data are explained in figure 31 below.

Figure 31: Online influence on luxury goods sales, 2018

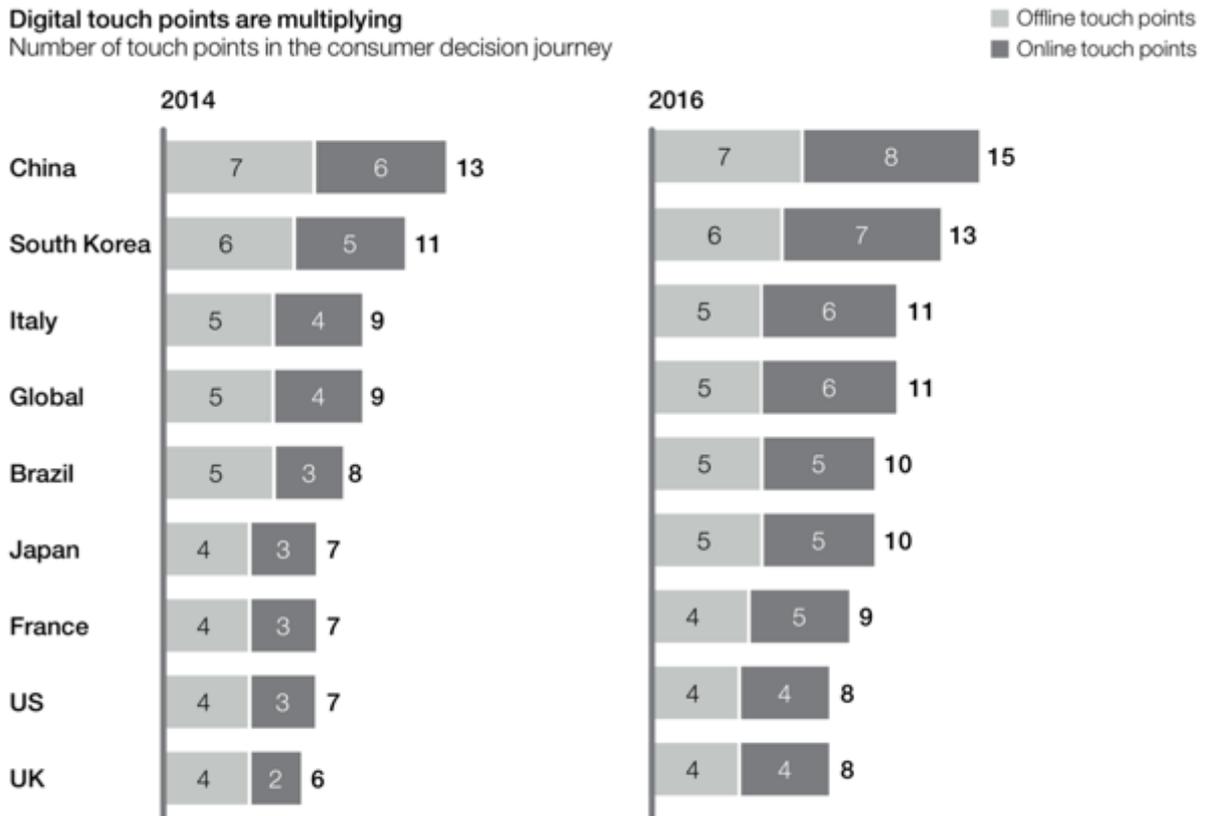


SOURCE: Euromonitor; Forrester; companies' Annual Reports; McKinsey

Influence brings to purchasing decisions. To guide the consumer through this decision companies use, among other things, the integrated marketing communication. This type of communication is possible just thanks to digital technologies. Exist two models that describe the path followed by consumers before the purchase. The AIDA model (Awareness, Interest, Desire, Action) and the hierarchy of effects (Think, Feel, Do). These models are incomplete since they do not consider important aspects such as impulsive shopping and post-purchase behaviours. Despite this are relevant to show how many touchpoints a consumer can find in every phase of the decision journey. Digital touchpoints are multiplying, and once again we find China in the first position as it is possible to see in another graph built by McKinsey using data from Euromonitor in “The age of digital Darwinism” (2018).

Figure 32 follows, with the specific data of what has just been mentioned.

Figure 32: Number of touch points in the consumer decision journey, 2018



SOURCE: Euromonitor; Forrester; McKinsey

Another fact is evident thanks to this union between luxury and technology, the power shift between companies and consumers. Consumers are becoming the new marketing channel. In fact, if we compare official posts of some luxury brands accounts and consumer mentions the difference is huge. Just to give some examples the official Instagram account of Chanel counts 1945 post, 36.3 millions of followers but 64.5 millions of mentions. Gucci counts 6079 posts, 36.1 millions of followers and 61.4 millions of mentions. Hermes, which stands on lower numbers, however, counts 41.2 millions of mentions against 2171 post and 9 millions of followers. Looking at the other accounts of luxury brands the result is the same. By the way, what is very strange is the fact that luxury brands, who produce luxury products directed at a small number of consumers, have such an assiduous presence on platforms called “social”. More than this luxury brands are present in every type of media: owned, paid and earned media. Owned media carry communication messages from the organization to internet users on owned channels. Paid media are properties owned by others who are paid to carry promotional messages. Earned media are when individual conversations become the channel,

in summary, the word of mouth. The luxury brand used both owned and paid media components as its foundation to achieve earned media objectives.

In this way, however, do they not risk to lose completely that sense of uniqueness and niche that such a product should convey?

## **5.2 The Paradox of “Social Luxury”**

Results coming from all these analyses concerning the union between luxury and technology suggest that it has become more important for the business to establish omnichannel strategies. Niche brands meet the demand of the masses. Of the masses so to speak since the price at which this kind of products is sold is prohibitive for most consumers. Despite this, however, thanks to the internet and digital technologies, the preferential channel for first contact and advertisement of these products has become a channel to which everyone can easily access. We must therefore raise and explain the problems inherent in adoption by luxury brands and therefore their relationship. First of all, it should be emphasized that the adoption of these tools in the luxury sector took place with a delay of a few years. If we want to give a very general explanation of this gap between these two worlds, we must analyze the differences between the luxury code and the peculiar characteristics of digital tools. There are various elements which, given the nature of the two actors, lead to this asymmetry. The most classic of the examples is "experience". Consumers of luxury products give a very high importance to the sensory experience in which they immerse themselves when they enter a point of sale, starting from the possibility of touching the products, of having a sales assistant who can make them feel unique through a personalized service, to the emphasis given to the product rather than the price. This is instead lost in an online store where instead the only sense that can be developed is that of sight, in addition to a standardized service for each user and the loss of emphasis on the product that is presented together with the price.

Concerning communication, on the other hand, the element on which this difference is based on the loss of control that involves having an online distribution channel. The Internet is in effect a parallel market and can influence marketing decisions.

In addition, we should underline the recent phenomenon of the "democratization of luxury". It refers to the fact that the Internet is democratic by definition, as it provides information everywhere and to anyone who has an active connection. Therefore, it represents a possible loss of control over the circulation of the brand image and therefore friction to its adoption by luxury companies. Good access to all cannot be defined as exclusive or rare. According to some authors such as Hennings, Wiedmann and Klarmann (2012) and Kapferer (2012), social

media is a perfect tool to increase the brand image and prestige of a luxury brand. It is also true, however, that one of the fundamental characteristics of social media is that of putting the consumer and the company in direct contact. Leading to a reduction in the psychological distance between brand and consumer there is the risk of reducing the brand's perception of prestige.

All these aspects are valid for western consumers and for Chinese consumers with some differences.

What has been noted is an increased sophistication of wealthy Chinese consumers.

If it is true that Chinese consumers are also becoming more aware, this consequently leads us to analyze further paradox. In the report “Chinese luxury consumers: The 1 trillion renminbi opportunity” McKinsey affirmed that besides being more sophisticated and buying more “they have become much more impulsive in the way they shop for luxury goods: one in two of their purchases are decided within a single day”.

It is clear that the more time passes the more they make purchase decisions in a single day. As luxury consumers, and especially those in China, have become more impulsive, the word of mouth and consequently the KOLs have gained in importance. In the same research, “Chinese luxury consumers: The 1 trillion renminbi opportunity” (2017), McKinsey finds out that “30% of luxury purchases are directly influenced by word of mouth, up from only 14% in 2010. Word of mouth from friends and family is now the number- one-factor influencing purchase decisions, ranking above the in-store experience”.

So, less weight to sophistication, more weight to the opinions of others and to what is seen even only quickly on social networks, less aware and reasoned purchases. On the other hand, attention is paid to sustainability and other factors that help to prefer one brand over another. The second paradox to be underlined is that of consumers, on the one hand, more aware and sensitive to some issues and on the other more impulsive. The superficiality related to some aspects, for example, the quality of design or craftsmanship, turns in more attention and awareness towards issues such as sustainability. This change of attention means that consumers are no longer so focused on the single product, which therefore they buy impulsively and without reflection. New consumers are much more focused on the general values transmitted by the brand as a whole

This is why it is so important to be one of the favourite brands so that the new consumer chooses quickly from their favourite brand, being sure to support their "ideals" even without thinking too much about the purchase.

This is probably a complicated way to say that initial consideration is becoming critical. The initial consideration phase is strongly related to this growing impulsiveness. The brands that consumers consider top-of-mind before they actively gather information are the ones from which consumers buy many parts of luxury products. McKinsey affirms that “wealthy Chinese are unlikely to purchase luxury goods that don’t fall within the two brands they consider the top of mind”. Consequently: “Given the critical role of initial consideration, brand preeminence, that is being a globally well- known brand, is now the top buying factor across all categories”.

### **5.3 Where Social Media can Change the Perception of a Luxury Brand**

Luxury brands base their identity on specific backgrounds, including cultural ones, while in the online world we talk about globalization and the absence of barriers. The condition of exclusivity and limited accessibility are milestones of luxury and justify its premium price, this concept of rarity is missing in the digital world that embraces, by its very nature, the principles of democracy and accessibility. The challenge is to reconcile the potential of the internet with the sense of uniqueness of luxury brands.

Relevant to this regard is the concept of psychological distance, which refers to the Construal – Level – Theory of Trope and Liberman (2003). It is a theory born from the observation of the effects of perceived psychological distance, in the way in which individuals elaborate information on their own personal judgments and behaviours. It also highlights how subjects use more global and abstract mental models to represent information about future and distant events, instead of applying more concrete and local mental models to interpret information about the near future. Luxury goods are considered inaccessible by most people, and according to the Construal – Level – Theory this mental distance is associated with abstract mental representation. What happens after the advent of social media, tarnishes this aura of uniqueness by shortening the gap between individual and brand, so one of the most typical aspects of the luxury sector fail. The studies conducted by Semin, Gün & Fiedler and Klaus (1991) indicate, first of all, that luxury influences the level of mental representation, in fact, individuals use a more abstract language if they think of luxury goods, but the psychological approach to the brand, operated by social media, changes the concept of luxury in its mental representation and leads to a configuration based on more concrete aspects.

The opportunities that the digital offers are many, according to the analysis of Jahn et al (2012), there are four fundamental areas where social media can change the perception of a luxury brand:

1. The dimension of conspicuousness. It is based on the assumption that luxury brands represent prestige or social status, regardless of any functional utility. All of this adapts to one of the classic interpretations of luxury according to which one buys to impress others. Intuitive is the connection with Veblen and his "Theory of the leisure class" (1899) which establishes that the members of the upper classes buy luxury goods to distinguish themselves from the lower-level classes. While vice versa the latter acquire flashy brands for the desire to be associated with the leisure class. In this case, the correlation with social media is positive, the user can identify the followers of the brand page, so he or she can be able to understand who is identified with the brand.
2. The dimension of uniqueness. It is based on the assumption that rarity and exclusivity make the brands more desirable, consequently, the link with social media is negative. The pages generally have an enormous number of fans rather than real and own brand customers. The elite brand will suffer from an enormous number of members, particularly when they are inadequately shared.
3. The dimension of quality - it is based on the expectation that luxury brands offer products with superior quality and performance compared to non-luxury brands. The members of the virtual channels cannot experience the real product on the platform, it will then be the quality and functionality of the contents that will also increase the perception regarding the quality of the brand.
4. The dimension of Hedonism. It is based on the assumption that buyers are increasingly looking for emotional rather than functional benefits. Vigneron and Johnson (2004) state that consumers with a strong personal orientation using a brand are not necessarily interested in producing effects on colleagues or social groups. In social networks, the brand comes to life, protects emotions, entertainment and smiles, allows you to answer questions, all this takes hold of the consumer and increases loyalty.
5. The dimension of the extended self-dimension. It is based on the assumption that consumers are integrating symbolic meaning into their identity. Belonging to a brand community makes it possible to extend one's identity in a relationship or friendship with the brand, a way to connect one's personality with that of the brand as a representation of the ideal, emphasizing a positive correlation.

#### **5.4 Why should Luxury Brands use Assiduously Social Media?**

The digital revolution is perhaps one of the most radical and powerful of all those so far experienced, the creator of decisive changes in society, culture, economy and the everyday life of individuals.

It has expanded and continues to travel at an exponential rate, leaving no way out, as an epidemic has infected countries, companies and sectors in a disarming manner.

At first sight, the luxury sector may seem to be a sector that is not very inclined to digitization, at least as regards purchases; the wealthy clientele buys in exclusive boutiques which offer the possibility of touching the product first-hand and making the consumer experience a sensory experience out of the ordinary. Internet, in fact, as Karl Lagerfeld (2005) argues, “does not convey the unique feeling and refinement of luxury materials, the high tailoring and the extraordinary attention to detail that can be found in high fashion”.

The logics that support these structures are different, while the world of luxury maintains the importance of time, which passes unaltered if the value of a good is not increased, on the contrary, on the Internet, quality is represented by reactivity, a concept completely opposite. But Luxury communication has always been focused on storytelling. It is always a story that evokes the desires that consumers would like - and could - fulfil if they used the brand's products. The natural places of digital storytelling are social media, and that's precisely where luxury manages to communicate at its best.

The storytelling phenomenon can be also associated with Corporate Social Responsibility (CSR). Today it is undeniable that a part of the added value created by the fashion houses derives from the promotion of values concerning environmental respect, the condition of workers and in general the attention paid to the hottest and most delicate issues of the moment. There is no business without ethics and shared value creation, especially if citizens become increasingly aware and sensitive even in their consumption choices.

In a sector like luxury and fashion in which companies could contribute in many ways (animal welfare, the condition of workers and artisans, emissions, waste, environmental impact, etc.), social networks become the ideal stage where companies can show their commitment. This acts as a plus for all that part of aware and informed customers who will choose one brand over another based on this attention that they reserve to the world in which they operate.

Another common feature of the social activity of the major fashion brands is expressed in the promotional use of digital influencers. Instagrammers, vloggers and bloggers are increasingly preferred as testimonials to traditional celebrities. These influencers allow luxury brands to

speak to audiences otherwise unattainable, establishing authentic and profitable connections with them, at least in terms of image. This is also why the luxury sector, even though one can think of it as one of those sectors incompatible with digitalization and in particular with these social platforms, has adapted and approached the latter. The main reason, however, is that online is a market with enormous potential.

Given the undeniable growth of web power, all luxury brands must think very carefully and very serious about their presence on the web. Each brand has its own unique "right" digital strategy and is not limited to a well-designed website or effective advertising banners.

Dauriz et al. (2014) in the report "Luxury shopping in the digital age" affirmed that: "The most successful will be obtained by those brands that build a convincing "mobile presence", a use of Social Media aimed at engaging and influencing consumers and focusing on a mix of carefully chosen digital performance metrics".

Luxury brands can no longer ignore social media, not only as a marketing channel but also as a social platform and tool with which consumers can approach their brand.

The challenge is to reconcile the potential of the internet with the sense of uniqueness of luxury brands. In the face of numerous differences, luxury brands must be able to use the internet to spread the dream of the brand and attract new consumers, while maintaining a sense of exclusivity.

This trend makes clear that luxury brands need to continue to build their supremacy over time, intending to settle in the mind of the consumer every time a buying event occurs. This is a long process, which requires the creation of brand awareness, reputation and relevance in the long term consistently and prominently. In this new reality, marketing success is more important than ever in being able to attract attention and feed platforms in which consumers spend their time searching for emotional and experiential content to be appreciated and shared.

Secondly, social media can be used as tools to fully engage users in engaging with the brand community. Companies must scan them, monitor their comments and respond on time especially to negative opinions. Inadequate behaviour can quickly damage the brand image; this aspect is of fundamental importance above all for luxury brands since in social media everyone can become a fan and interact with it.

This more widespread knowledge about luxury in general and luxury brands/products, on one hand, makes this market more popular and less a niche one, on the other hand, the entire population is more aware of luxury products and "luxury quality". This allows people who actually can afford a certain type of product to have a more aware audience and therefore to

show the actual difference of possibilities and class to more people. Not everyone buys luxury products for this reason, but especially in China, it is one of the main reasons. Making everyone share in what luxury means making the actual buyers feel even more diverse and privileged.

As we mentioned before an important future target will be that of HENRYs (High-Earners-Not-Rich-Yet). It is easy to understand how important social media are for this generation. Millennials represent the largest demographic group within the global market and possess the ability to influence consumer preferences. This causes Generation Y to decide global trends to be recognized as a model to follow. They have the habit of communicating with brands and other consumers. And it is precisely from this need that companies derive various advantages by using new technologies. For companies, establishing a relational link with users is essential for studying strategies and plans to provide users with a perfect Customer Journey. Having direct feedback, requests, expectations, but also disappointments or dissatisfactions, enables them to perfect offers, products and strategies and increase turnover and the number of customers constantly. Today's consumers want to be involved in product design and promotion. They are increasingly looking for dialogue with brands. The Millennials have clearly expressed their needs over the years, but the Z generation is beginning to hint at very different changes and needs, which are transforming and developing a new online shopping method in the future.

The search for experience does not disappear, on the contrary, with this generation it increases exponentially, from the brands they always expect more, and they are not satisfied with a simple purchase. Generation Z is linked to shopping differently. Online research points to the product "not to be missed", to the latest collections and often buy articles related to a social purpose.

In an era where technology is everything, where generations are connected at all times, we need to focus on a sales strategy that does not only embrace a generation, which thinks about new consumers and even future ones. To be able to intercept the new consumers one of the certainties will be a correct use of the social networks of new digital and non-digital technologies. All to be able to offer an all-round shopping experience.

Every aspect underlined in this analysis is accentuated in China, the country where social media, digital technologies and the generation of new rich will find the best environment to expand.

## **5.5 Multichannel or Omnichannel?**

Given for granted that, even if social media are changing the luxury market and perception, to be present on social media is currently important. Not just this, looking at the future trends, especially regarding the Chinese market, an assiduous social media and multichannel presence will become increasingly important.

To describe this phenomenon a definition of multichannel is needed.

Multichannel marketing refers to the practice of interacting with customers using a combination of direct and indirect communication channels: websites, shops, mail order, direct mail, email, mobile devices, etc. and allows customers to act accordingly and then purchase the product or service, using the channel they prefer. To put it simply, multichannel marketing is based entirely on choice.

Among the factors affecting the purchase, we must not underestimate the multi-channel nature. By now, the sales attributable to a physical store are decreasing, yet, when the consumer finds confirmation in the coherence of the brand image, in the integrated services for the delivery and the recognition of his privileged customer status, then the purchase takes place. In this perspective, integrated communication on multiple channels, different vehicles that reach different targets, delivering a single, coherent message becomes fundamental. For this reason, is becoming more and more important the multichannel presence on social media for a marketing aim, more than the multichannel presence for sales purposes. It is a matter of coherence and univocal communication.

As we said, the multichannel approach provides consumers with multiple channels to get in touch with the company, so that they can choose what they prefer, be it social media, the mobile app, the online store or the physical store. This type of approach places the company where the customer can find it and increases brand recognition, but the limit is that each channel exists and lives independently, and silos are created that make it difficult to manage data in an integrated way, information and behaviour of consumers passing from one point of contact to another.

The problem is that consumers have now become agnostics towards the "channel": what they are looking for is a coherent and fluid experience regardless of the touchpoint they use. And this is where omnichannel comes into play. In essence, omnichannel strategies remove the boundaries between different sales and marketing channels to create a unified and integrated whole. The distinctions between the various channels, shop, website, mobile, social, disappear in a holistic consumer vision.

The omnichannel approach allows you to create a coherent experience by communicating with each consumer based on their behaviour and what those behaviours say about their preferences. Thanks also to cutting-edge technologies, such as artificial intelligence and machine learning, omnichannel strategies make it possible to interact with consumers in a relevant, timely and personalized way.

Omnichannel marketing involves the ability to orchestrate customer interactions with the brand in a single direction, automating interactions through all available contact channels. To achieve an omnichannel marketing strategy, therefore, technology is needed, but above all an internal coordination within the company that is based on objectives shared by the various divisions. We can define it as a "data-driven" model because it is precisely from the exploitation of data, from their collection, analysis and processing that it is possible to intercept the consumer in a coherent and personalized way in all its phases of the purchase. Once again, we should talk about technology, in fact, the starting point for the unification of consumer data is the creation of a single CRM that integrates all the data on the customer master data, also relating to several products/brands/channels. A more technologically advanced step consists in the adoption of a Data Hub, which has the function of integrating and harmonizing the data coming from multiple sources, from different touchpoints and of different nature, making them available to other platforms.

The goal is the creation, on the one hand, of a unique view of the customer and, on the other, of user segments on which to activate differentiated communications.

All these aspects increase the business and marketing complexity, requiring a constant presence both online and offline in every part of the purchasing process.

The paper promoted by Deloitte for Secoo.com "China Luxury E-Commerce Whitepaper" underlines the importance of technology in this sense, arguing that: "Upgrading the current information system, implementing real-time data information transmission online and offline and in-depth mining, improving the terminal service platform, turning sales staff into smart service staff, plus achieving transparency and deployment of omnichannel of goods all require advanced retail technology-driven digital solutions".

This is a clear example of an aspect where many industries, including fashion and luxury, must use technology to attack the market and to avoid the risk of being excluded.



## **CHAPTER VI: Research**

Through the analysis and revision of literature, many themes have emerged that link new technologies to the fashion market in general. For convenience, within this work, we have divided this huge market into fashion, luxury and elegance. These three segments with different types of intensity and with different types of applications have proven to be contaminated or contaminated by technology and above all by digital technologies. As it has been possible to notice the attention has been focused on the luxury sector. Furthermore, the parallelism between the Eastern world, with a specific focus on China, and the Western world denotes that there are many differences in understanding luxury and the union of the latter with new technologies. To study the world of infinite opportunities but also of numerous risks that these differences represent a comparison between these two worlds is necessary. For this reason, in-depth research on the main topics analyzed in this work was conducted. In spite of the abundant literature consulted on the subject, it was essential to deepen some themes. For example, to investigate more deeply the idea of Chinese and Westerners regarding the democratization of luxury, with a particular focus on new generations of consumers.

To achieve this goal and to clarify what unites and what differentiates the western world and the Chinese universe, a survey composed of questionnaires and interviews was conducted. Obviously, the focus was on China due to the economic importance and the enormous opportunity it has in the world of luxury, especially connected to the social and digital world. As anticipated in the introduction of this thesis, the Chinese participants mainly come from the cities of Beijing, Suzhou, Xi'an and Shanghai while the western participants are Italian, Austrian, German, Dutch and American.

It will be possible to note that some results will agree with the literature while others will communicate conflicting outcomes. In this scenario, this chapter will aim to give the clearest possible image of what luxury means for these two cultures and how new technologies impact positively or negatively on their vision.

Starting from a more general point that gives an initial idea about the subject, a very short quantitative questionnaire was created, consisting of seven multiple-choice questions. This questionnaire was translated into Italian English and Chinese to allow as many people as possible to understand and complete it.

To receive more personal and in-depth impressions and ideas subsequently to some candidates, a qualitative questionnaire was submitted.

Unlike the first, the qualitative questionnaire has more the form of an interview where the candidate has more space to express his ideas and where there is the possibility of discussing with the interviewer. To receive as many different opinions as possible, people of different nationalities were interviewed. The aim was to compare the opinions of Chinese people as opposed to the opinions of different people of Western culture. In this way, using the data and the answers obtained from the two different types of questionnaires it was possible to create a clearer image of how these two cultures see luxury and to captivate its contamination with technology. The two types of the interview will be specifically analyzed in the following paragraphs, clarifying the questions and how the interviewees responded.

In this phase, the results will be exposed, and the first conclusions will be drawn, trying to make the first synthesis of concepts. To conclude the research, the results of both parts will be crossed and personas will be created to contain the collected data. The personas are real identikit of ideal clients, a sort of fictitious profile of the user, which represent the needs, behaviours, interests and aspirations of real users. They are a representation of the characteristic traits of each user and of those who share them. In this way, different profiles will be outlined that will express the vision of luxury, of how and why it is purchased. Everything is always divided between China and the west of the world. For practical reasons, most of the Western culture will be represented by Italian responses.

## **6.1 Quantitative Questionnaire**

First of all, it is important to point out that quantitative research collects numerical data. Quantitative research investigates a vast amount of people by submitting questionnaires based on multiple answers, numeric and open-end questions. The latter are usually very few or are omitted.

As the word itself says, quantitative research serves to quantify, use numerical data or otherwise data that can then be easily transformed into statistics, and measures the behaviour, opinions, attitudes of a very large respondent sample.

The approach is experimental, and there are no interactions of any kind between the interviewer and the interviewee. The structure is closed, therefore whoever answers cannot leave the answers that are proposed for the choice. The subjects to whom the questionnaire was submitted were specifically chosen to have a homogeneous population in terms of sex and age.

Qualitative nuances inevitably exist in the quantitative tool, despite this the questions and therefore the results that derive from it are as objective as possible.

The main fields of interest concern purchasing habits, the importance given to craftsmanship and the themes of technology and privacy. The same questionnaire was made in English and Chinese so that we could compare the western world with the Chinese one.

To analyze the results in a more precise and statistical way, a program created by IBM called Statistical Package for Social Science (SPSS) was used. The results will be shown below, analyzed first in a descriptive way and then by relating variables.

The total of respondents is 127 Westerners and 122 Chinese. The two samples examined are mostly young people, aged 18 to 34 years and they are both about half female and the other half male.

### 6.1.1 Purchasing Habits Correlations

A first interesting result concerns the reason why the two samples decide to buy a luxury product. Within the western group, almost 82% responded to the beauty and quality of these products. The Chinese instead stop at 50% with almost 20% choosing a luxury product to communicate a certain social status. Westerners who indicate social status as the main reason for purchasing luxury products do not even reach 5%.

**Table 1: Purchase Reasons China**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Beauty	61	50,0	50,0	50,0
Status	24	19,7	19,7	69,7
Trend	36	29,5	29,5	99,2
Tot.	122	100,0	100,0	

**Table 2: Purchase Reasons West**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Beauty	104	81,9	81,9	81,9
Status	6	4,7	4,7	86,6
Trend	17	13,4	13,4	100,0
Tot.	127	100,0	100,0	

The first really interesting answer is obtained by linking the reason for the purchase choice to age through a bivariate correlation. While for the western sample this correlation does not generate any significant relationship, the same cannot be said for the Chinese sample. Looking at the matrix that relates these two variables it is possible to notice how Pearson's index is positive. In statistics, the Pearson correlation index between two statistical variables is an index that expresses a possible relationship of linearity between them. Pearson's correlation index is defined as their covariance divided by the product of the standard deviations of the two variables. According to the Cauchy-Schwarz inequality, it has a value between +1 and -1, where + 1 corresponds to the perfect positive linear correlation, 0 corresponds to an absence of linear correlation and -1 corresponds to the perfect negative linear correlation. Despite not having a very high value, it remains significant. This shows how younger consumers in China attach great importance to quality and design while the more they are older, the more consumers buy luxury products for trend and social status.

**Table 3: China Correlation (Age Range and Purchase Reasons)**

		Age Range	Purchase Reasons
Age Range	Pearson Correlation	1	,248**
	Sig. (1-tailed)		,003
	N	122	122
Purchase Reasons	Pearson Correlation	,248**	1
	Sig. (1-tailed)	,003	
	N	122	122

In addition to why they buy this type of product, it is also interesting to analyze where they decide to do it.

As analyzed in the previous chapters, luxury products are characterized by strong discrimination given by the purchasing experience. For this reason, it is no wonder that for both groups the majority of purchases are finalized in stores. However, a substantial difference can be noted between the two samples. In the West, almost all consumers decide to buy directly in stores, only a small percentage use e-commerce. In China, the majority prefers physical stores, but the percentage of online purchases is higher. This difference is even more marked as regards purchases from third-party sites, and therefore not from the official website of a brand.

**Table 4: Purchase Place West**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Online retailer	16	12,6	12,6	12,6
Official website	18	14,2	14,2	26,8
In store	93	73,2	73,2	100,0
Totale	127	100,0	100,0	

**Table 5: Purchase Place China**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Online retailer	34	27,9	27,9	27,9
Official website	26	21,3	21,3	49,2
In store	61	50,0	50,0	99,2
Totale	122	100,0	100,0	

The results become even more interesting if they relate to the age of consumers. In both cases, in fact, Pearson's correlation is positive, indicating that in both groups the younger the participants are, the more they usually use the web for purchases. What is truly striking, however, is the fact that the data deriving from the Chinese responses is almost double compared to the western counterparts. This gives us an idea of how much Chinese consumers are tied to the digital world, we could say twice the western culture.

**Table 6: West Correlation (Age Range and Purchase Place)**

		Age Range	Purchase Place
Age_Range	Pearson Correlation	1	,274**
	Sig. (1-tailed)		,001
	N	127	127
Purchase_Place	Pearson Correlation	,274**	1
	Sig. (1-tailed)	,001	
	N	127	127

**Table 7: China Correlation (Age Range and Purchase Place)**

		Age Range	Purchase Place
Age Range	Pearson Correlation	1	,518**
	Sig. (1-tailed)		,000
	N	122	122
Purchase Place	Pearson Correlation	,518**	1
	Sig. (1-tailed)	,000	
	N	122	122

Another central theme dealt with in the quantitative questionnaire is craftsmanship, on a scale of 1 to 5 where 1 is the minimum score and 5 the maximum score, how important consumers consider the fact that the product purchased has been handcrafted.

This can also be useful for understanding how sophisticated and attentive a consumer can be. It also clarifies how much value different consumers give to one of the main aspects on which the prestige of luxury products is based.

### 6.1.2 Craftsmanship Correlations

Craftsmanship deserves a chapter in itself, we could discuss when we talk about craftsmanship, we could discuss the relocation of production and many other things. In this case, the question was asked trying to make it as simple as possible. In doing so, the two groups evaluated according to their personal opinion how important is it for them, by choosing these kinds of product, that they are produced by craftsmen. Results are once again very interesting and are useful to confirm a trend previously expressed. Starting as before from a descriptive analysis it is possible to note that within the occidental group none of the 127 respondents gave the minimum marks. Indeed, the percentage of votes assigned to 4 and 5 far exceeds 2 and 3.

**Table 8: Craftsmanship Importance West**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
2	16	12,6	12,6	12,6
3	26	20,5	20,5	33,1
4	48	37,8	37,8	70,9
5	37	29,1	29,1	100,0
Tot.	127	100,0	100,0	

The same cannot be said for the Chinese sample. In this case, the minimum vote is represented by a percentage, albeit low, of voters. The majority ranks in the middle, while the percentage of consumers who gave the highest possible score turns out to be only half compared to Western results.

**Table 9: Craftsmanship Importance China**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
1	11	9,0	9,0	9,0
2	19	15,6	15,6	24,6
3	43	35,2	35,2	59,8
4	31	25,4	25,4	85,2
5	18	14,8	14,8	100,0
Tot.	122	100,0	100,0	

These results could give a foregone first impression. One would think that Westerners are more sophisticated and attentive consumers, while the Chinese represent a superficial market, attentive only in appearance and ostentation. A prejudice would probably arise deriving from the idea that we have of a world very far from us that being specialized only in low-quality productions cannot give importance to high-quality craftsmanship.

Wrong, things are changing. The most interesting observations are obtained once again by relating the latter analysis to the age of the participants in the interview. In the bivariate correlation deriving from the data extrapolated from the Chinese sample, the Pearson correlation assumes a truly significant value. Specifically, a negative value.

This means that as the age of the participants' decreases, the importance given to the artisan aspect of luxury products increases.

Even in the matrix deriving from the data extrapolated from the western group, the Pearson correlation is negative, but the value is four times lower than the Chinese one.

**Table 10: West Correlation (Age Range and Craftsmanship Importance)**

		Age Range	Craftsmanship Importance
Age Range	Pearson Correlation	1	-,125
	Sig. (1-tailed)		,162
	N	127	127
Craftsmanship Importance	Pearson Correlation	-,125	1
	Sig. (1-tailed)	,162	
	N	127	127

**Table 11: China Correlation (Age Range and Craftsmanship Importance)**

		Age Range	Craftsmanship Importance
Age Range	Pearson Correlation	1	-,542**
	Sig. (1-tailed)		,000
	N	122	122
Craftsmanship Importance	Pearson Correlation	-,542**	1
	Sig. (1-tailed)	,000	
	N	122	122

These data, even if calculated on a sample of small population, indicate a very clear trend. In the West, even if already very important, the artisan aspect of a luxury product will become increasingly important. Fortunately, even new generations understand and appreciate the importance of human ability in the creation of very expensive products. This data confirms the responses received regarding the fundamental importance of quality and design when deciding to purchase one of these products.

The correlation obtained from the analysis of Chinese data appears to have a fairly high degree of significance. Being the concept of craftsmanship something very subjective these data deserved a more detailed analysis. For this reason, cross tabulation was used.

**Table 12: Crosstabulation (Age Range\*Craftsmanship Importance) China**

		Craftsmanship					Total	
		1	2	3	4	5		
Age_Range	1	Count	1	2	21	15	12	51
		% of total	0,8%	1,6%	17,2%	12,3%	9,8%	41,8%
	2	Count	0	1	11	12	2	26
		% of total	0,0%	0,8%	9,0%	9,8%	1,6%	21,3%
	3	Count	2	6	8	3	2	21
		% of total	1,6%	4,9%	6,6%	2,5%	1,6%	17,2%
	4	Count	2	8	3	0	2	15
		% of total	1,6%	6,6%	2,5%	0,0%	1,6%	12,3%
	5	Count	6	2	0	1	0	9
		% of total	4,9%	1,6%	0,0%	0,8%	0,0%	7,4%
Total		Count	11	19	43	31	18	122
		% of total	9,0%	15,6%	35,2%	25,4%	14,8%	100,0%

By observing the table that crosses the data, it is possible to see how the importance given to craftsmanship actually decreases with increasing age. A useful tool to insert and compare with Pearson's correlation is Cramer's V. In statistics, Cramer's V is used to measure the degree of association between two variables, the result is a real value in the range [0,1]. It is based on the chi square test. As a guideline, if the value obtained is between 0 and 0.3 there is a low connection, from 0.3 to 0.6 there is a good connection, from 0.6 to 1 there is an excellent connection. Comparing the values we can see that we are faced with a good connection, but not an excellent one. This means that the results obtained can be considered a good starting point but that research on this topic should probably be deepened.

**Table 13: Symmetric Measures (Age Range\*Craftsmanship Importance) China**

		Value
Nominal by nominal	Phi	,821
	Cramer's V	,411
N of valid cases		122

Anyhow, regarding the Chinese world, we are facing a real change, we could say a turnaround.

The third generation of consumers is growing in China. These new consumers in some cases have an economic availability above average. As the data analyzed so far show, young Chinese give more importance to quality, design and craftsmanship. On the contrary, they consider ostentation and the demonstration of belonging to a specific social class to be less relevant. What is interesting is the comparison with the data obtained by the western group and which demonstrate how the new class of Chinese consumers as well as being more aware is aligning very quickly with the tastes and needs of western consumers. A high price and a large and recognizable logo will no longer be sufficient, obtaining new customers will be an increasingly complicated and refined operation, even in China. To do this, digital and new technologies will play a fundamental role, in China even more than in the rest of the world.

### 6.1.3 Technology and Privacy Correlations

New technologies introduce us to the last two topics investigated with the quantitative questionnaire: the union of luxury and technology and subsequently privacy. These two topics are strongly related and for this reason, they will be analyzed together.

Specifically, both groups were asked if technology could be an added value for products belonging to luxury fashion. By technology, we mean all its forms, from technological components included in the products to the use of social media for promotion. Consequently, the last question concerns the predisposition of the participants to the possibility that companies can obtain a great deal of data regarding their habits precisely by using this type of technology.

By asking westerners if technology can bring added value to luxury products, the results are decidedly unbalanced. If you then ask yourself if they prefer to have a more personalized and tailored service by sacrificing part of their privacy, the data become ambiguous.

**Table 14: Value of Technology West**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Positive	79	62,2	62,2	62,2
Negative	48	37,8	37,8	100,0
Tot.	127	100,0	100,0	

**Table 15: Privacy Violation West**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Yes	47	37,0	37,0	37,0
No	80	63,0	63,0	100,0
Tot.	127	100,0	100,0	

As you can see in the tables above, most Westerners think that the union between technology and luxury fashion can be an absolutely positive thing. This result clashes with the results regarding privacy. Even 63% of the participants said they preferred their privacy to more personalized service. All this turns out to be inconsistent.

The frequency data are incredibly specular, a symptom of the fact that there is probably still a lot of confusion about the functioning of digital and satellite technologies.

These results lead to an insignificant bivariate correlation. The Pearson index so low in the matrix that relates the value given to technology and the value given to privacy indicates that there is no coherent set of answers. In the West, we want a more personalized service while keeping privacy unchanged, which is somewhat difficult.

**Table 16: West Correlation (Value of Technology and Privacy Violation)**

		Value of Technology	Privacy Violation
Value of Technology	Pearson Correlation	1	,127
	Sig. (1-tailed)		,078
	N	127	127
Privacy Violation	Pearson Correlation	,127	1
	Sig. (1-tailed)	,078	
	N	127	127

As for the correlation of these two aspects with the age of the participants, the results are different. As might have been expected, there is a strong relationship between age and appreciation of technology. In fact, the younger the participant, the more he sees the use of technology in this sector as a good thing. Regarding privacy, however, there is still a lot of confusion, this greater appreciation for technology does not imply greater awareness.

It almost seems like, especially young people, they want to completely entrust themselves to technology without knowing or accepting compromises.

The older generations are wary, however, without fully knowing one of the main reasons why this type of technology can be dangerous. They tend to cling to the fact that luxury products are classics and classics should remain.

**Table 17: West Correlation (Age Range and Value of Technology)**

		Age Range	Value of Technology
Age Range	Pearson Correlation	1	,504**
	Sig. (1-tailed)		,000
	N	127	127
Value of Technology	Pearson Correlation	,504**	1
	Sig. (1-tailed)	,000	
	N	127	127

**Table 18: West Correlation (Age Range and Privacy Violation)**

		Age Range	Privacy Violation
Age Range	Pearson Correlation	1	,083
	Sig. (1-tailed)		,178
	N	127	127
Privacy Violation	Pearson Correlation	,083	1
	Sig. (1-tailed)	,178	
	N	127	127

The Pearson index obtained from the correlation between age range and value given to the technology is quite high in the western sample. Also, in this case the analysis has been deepened using the cross tabulation. The value of Cramer's V this time comes close to a decidedly significant level. We can therefore say with relative certainty that in the West the new generations tend to accept decisively more new technologies and the consequent loss of privacy.

**Table 19: Crosstabulation (Age Range\*Value of Technology) West**

		Technology_value		Total	
		1	2		
Age_Range	1	Count	47	10	57
		% of total	37,0%	7,9%	44,9%
	2	Count	21	6	27
		% of total	16,5%	4,7%	21,3%
	3	Count	3	11	14
		% of total	2,4%	8,7%	11,0%
	4	Count	6	11	17
		% of total	4,7%	8,7%	13,4%
	5	Count	2	10	12
		% of total	1,6%	7,9%	9,4%
Total	Count	79	48	127	
	% of total	62,2%	37,8%	100,0%	

**Table 20: Symmetric Measures (Age Range\*Value of Technology) West**

		Value
Nominal by nominal	Phi	,550
	Cramer's V	,550
N of valid cases		127

We will now face the same type of analysis considering the data obtained from the sample of Chinese participants. As has often happened during this comparison, the results will be different. Once again, we will start from descriptive analysis and then move on to different bivariate correlations.

The frequency of participants who consider the use of technology by luxury brands as an added value appears to be very unbalanced just as within the western group. Even more unbalanced.

The first differences are visible by looking at the frequency of responses regarding privacy. In addition to being much more balanced, a greater percentage of participants responded that they prefer to sacrifice part of their privacy to obtain a more fluid and personalized service

based on their needs. Westerners prefer to protect their privacy as much as possible while the Chinese with 18% of discrepancy prefer to get a "better" service.

**Table 21: Value of Technology China**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Positive	85	69,7	69,7	69,7
Negative	37	30,3	30,3	100,0
Tot.	122	100,0	100,0	

**Table 22: Privacy Violation China**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Yes	66	54,1	54,1	54,1
No	56	45,9	45,9	100,0
Tot.	122	100,0	100,0	

Regarding the correlation between technology and privacy, the Chinese are much more coherent and aware. Indeed, the Pearson index is significant and decidedly positive. This means that participants who think that technology can bring added value also think they are willing to sacrifice their privacy.

It could also be related to the fact that in China people are much more used to sacrificing their privacy without being able to do anything. So why not have a more personalized service and experience since my data is stolen anyway?

**Table 23: China Correlation (Value of Technology and Privacy Violation)**

		Value of Technology	Privacy Violation
Value of Technology	Pearson Correlation	1	,430**
	Sig. (1-tailed)		,000
	N	122	122
Privacy Violation	Pearson Correlation	,430**	1
	Sig. (1-tailed)	,000	
	N	122	122

As with Westerners, young Chinese are also more favourable to the technology used to enrich and promote luxury products. This result was foreseeable, as was the fact that the correlation was even stronger than the western one.

Seeking confirmation about such a sensitive issue especially in China this time the cross tabulation is not of particular help. In fact, the value obtained remains at a degree of significance in the medium, which does not allow to affirm with absolute certainty the correlation between acceptance of technology and willingness to transfer their data.

**Table 24: Crosstabulation (Value of Technology\*Privacy Violation) China**

		Privacy		Total	
		1	2		
Technology_value	1	Count	58	27	85
		% of total	47,5%	22,1%	69,7%
	2	Count	8	29	37
		% of total	6,6%	23,8%	30,3%
Total	Count	66	56	122	
	% of total	54,1%	45,9%	100,0%	

**Table 25: Symmetric Measures (Value of Technology\*Privacy Violation) China**

		Value
Nominal by nominal	Phi	,430
	Cramer's V	,430
N of valid cases		122

The trend that is emerging, therefore, does not reverse the current trend, rather it seems to strengthen it. In general, the world is moving towards increasing use of technology, especially concerning digital technologies. In China, as has been analyzed in the previous chapters of this work, digitization is much greater compared to other countries and the gap seems destined to increase.

**Table 26: China Correlation (Age Range and Value of Technology)**

		Age Range	Value of Technology
Age Range	Pearson Correlation	1	,531**
	Sig. (1-tailed)		,000
	N	122	122
Value of Technology	Pearson Correlation	,531**	1
	Sig. (1-tailed)	,000	
	N	122	122

To conclude, we will analyze one of the most surprising data in terms of value and result, the relationship between age and the importance given to privacy.

Talking about privacy in China is very complicated. First of all, the concept of privacy is very different for various reasons, including historical and demographic reasons. China has always been a very large state which, although often divided internally, has always been composed of a huge population. This is precisely a cultural difference, which also arises from the different importance given to the censuses, from the different control exercised by the state and from a very different perception in general.

Chinese citizens have always been subject to a strong control which in recent years, thanks above all to the development of new technologies, has always increased. The streets are littered with cameras, controls at the border of the country are very precise, train tickets are nominative and always require an identity document and, news of the last days, to be able to use a phone card will require a facial scan.

In addition, every search engine and every kind of social media must be able to be controlled by the government. Applications that do not allow this is excluded from the country. These are some examples to give an idea of the level of control to which Chinese citizens are subject. In the West, we are in any case-controlled, probably much more than we imagine. Despite this, we certainly cannot compare the two methodologies.

Clearly, this level of control also affects consumers and their habits. Studying the habits and desires of the most numerous and among the richest consumers in the world can only be a great opportunity.

As previously analyzed, Chinese consumers are on average willing to sacrifice their data to receive a better service and be able to live more personalized shopping experience. This is

probably based on a sort of resignation due to the enormous control exercised over any part of their lives.

But what is striking is that the more the age decreases, the more Chinese consumers prefer to sacrifice their privacy. The bivariate correlation rate between age and privacy decisions is even more striking. The Pearson index has the closest value to 1 ever calculated within this analysis. This is a truly significant result, especially when compared with the almost irrelevant data obtained from the same western matrix.

It could mean that young Chinese are even more consistent than older generations, or that they are more informed and attentive about the meaning of digital and non-digital technologies.

It may also mean, however, that a sort of resignation is underway. Young people who have grown up in this age of digital habits control are resigning themselves and choose to accept control as long as this brings them a better shopping experience. Obviously accept all this for each product category, including luxury fashion. If you can't defeat them, join them.

**Table 27: China Correlation (Age Range and Privacy Violation)**

		Age Range	Privacy Violation
Age Range	Pearson Correlation	1	,614**
	Sig. (1-tailed)		,000
	N	122	122
Privacy Violation	Pearson Correlation	,614**	1
	Sig. (1-tailed)	,000	
	N	122	122

To further support one of the most significant values obtained in this work, cross tabulation was used. Looking at the table that crosses the two values, you immediately notice how the new Chinese generations prefer to make their data available in order to receive a more personalized service. Cramer's V also reaches the most significant level recorded so far. they exceed 0.6, even if only slightly. We can therefore say with moderate certainty that in terms of privacy, young Chinese are much more flexible.

**Table 28: Crosstabulation (Age Range\*Privacy Violation) China**

		Privacy		Total	
		1	2		
Age_Range	1	Count	42	9	51
		% of total	34,4%	7,4%	41,8%
	2	Count	17	9	26
		% of total	13,9%	7,4%	21,3%
	3	Count	6	15	21
		% of total	4,9%	12,3%	17,2%
	4	Count	1	14	15
		% of total	0,8%	11,5%	12,3%
	5	Count	0	9	9
		% of total	0,0%	7,4%	7,4%
Total	Count	66	56	122	
	% of total	54,1%	45,9%	100,0%	

**Table 29: Symmetric Measures (Age Range\*Privacy Violation) China**

		Value
Nominal by nominal	Phi	,624
	Cramer's V	,624
N of valid cases		122

We have seen how in general in the West consumers give more value to quality at the expense of trends and social status. However, we have also shown how this trend is changing at the expense of a new generation of Chinese consumers who are much more attentive to design, quality and craftsmanship.

Mostly craftsmanship has been the subject of an in-depth analysis which has shown how young people in general still attach great importance to this aspect. Within the Chinese group, the difference in responses received based on age has shown that new consumers are much more sensitive and attentive to the fact that a luxury product is also a product created by the skill of a craftsman and therefore of a man.

It has also been confirmed that in China e-commerce is used much more and that, even in the West young people buy online, the comparison with Chinese peers expresses a huge

difference. In China, young people use e-commerce much more, both as regards the official website of the various brands and as regards third-party sites.

Finally, we addressed the issue of new technologies and the related consequences that imply on people's privacy. Even when they are used to enrich or promote luxury, we have seen that the Chinese group is more coherent and aware. In addition to this, it seems that the direction in which especially Chinese consumers are going is that of an increasingly frequent union with technologies, especially digital ones. Privacy seems to be something expendable on the altar of personalized service and tailored experience.

## **6.2 Qualitative Questionnaire**

To obtain a more complete picture of the habits of the two groups previously analysed, a qualitative questionnaire was used. With the qualitative research more abstract and deeper concepts were identified, aspects impossible to obtain with a purely experimental and quantitative approach.

Qualitative research investigates a small number of people, subjecting them to the product, physically present in front of the interviewer, thus collecting a large amount of behavioural details on a small sample of users. Qualitative research is an empathic, empirical, exploratory, direct and physical research. It serves to understand the reasons, the motivations, the opinions, the tendencies that are hidden behind the more numerical data of the quantitative research. As previously stated, this type of questionnaire takes the form of a real interview, carried out face-to-face or via video call.

Some guiding questions have been thought up, to have a set of steps to follow during the interview. The very nature of the qualitative questionnaire has meant that for each person the directions taken have been slightly different. Subsequently, the recorded responses were transcribed and analysed with a content analysis program, specifically MAXQDA. This allowed us to outline different preferences and different themes based on different personalities and backgrounds. Not having the opportunity to submit it to the same number of people who filled out the quantitative questionnaire it was even more important to select a sample as suitable as possible. Specifically, the subjects interviewed come from different states belonging to the western sphere (Italy, Austria, Germany, Holland and United States) and from Chinese subjects.

### **6.2.1 Evidences Derived from Qualitative Questionnaire**

As mentioned above, the amount of data collected is certainly less than the quantitative analysis. Despite this, the answers given by the participants were important as they confirm some trends that emerged thanks to the quantitative questionnaire. Specifically, one of the topics dealt with in greater depth is the democratization of luxury that takes place thanks to social media. Many common aspects can be found within the responses of the various groups. For most of the participants it is unconventional for luxury brands to post on social media because these products are very expensive and have been traditionally marketed to sophisticated consumers. However, almost everything has become digitalized. Therefore, these luxury brands have to advertised on social media platforms even to gain recognition of elite individuals. For instance, most high profiled people on sites such as Instagram are sponsored by luxury brands which not only reaches the average consumer but also these "elite" niche consumers. Brands keep posting things on social media to let more people to get to know their brands, attract more consumers, raise their awareness in the retailer market. On the other hand, they also try to blind the new generation with fascinating ads and social media celebrities as their spokesmen. Their craziness for those celebrities would drive them to buy the same product as those celebrities. References to influencers are very frequent, this figure speaks to every social class, allows anyone to live and dream of something different. In summary, the presence of luxury brands on social networks acts subliminally in minds of people who internalize the product, coming into contact with it daily, several times a day and are more easily pushed to buy them.

As far as the first contact is concerned, how the respondents first came into contact with this type of product we are faced with an absolute domination of social media.

In the west, Instagram turns out to be the first channel through which the new generations come into contact with luxury products, and not just the younger ones. The slightly older participants refer to a kind of word of mouth and teaching by their parents. Some much younger Chinese participants also say they were introduced to this world initially by their parents. This may be a demonstration of how in China they are a generation of consumers behind but how they are reaching the West quickly. Since Instagram is not available in China, a lot of other social media are used, especially those analyzed previously within this work: WeChat, Weibo and Youku.

Instead, by analyzing the factors that push a person to buy a luxury fashion product, only confirmations can be found. They prefer to consider the value of it and the quality first. It's

called luxury not just because it's fame, but also because of its value. Exclusivity may equal to high value, but at the same time exclusivity also means follow the fashion trend.

However, there is no lack of opinions in which a luxury product must be purchased mainly to show off wealth and demonstrate belonging to a certain social class. This idea can be found especially in the answers given by Chinese participants belonging not to the last generations, just as it resulted from the analysis of the quantitative questionnaire.

A trend that can be found especially in the American participants regards the great importance given to accessory elements of which the brand becomes an ambassador.

Luxury products should have distinct characteristics that separate it from fast fashion. Such as high quality and overall good reputation of the company, sustainable and good ethical values. These characteristics make the product more expensive because the time and effort it takes to make the luxury item. Having an important history, respecting the environment and being sustainable, paying attention to the condition of workers and becoming ambassadors of important causes make brands better in the eyes of new consumers. This obviously leads them to be chosen, no matter which state the consumer comes from.

Regarding the theme of craftsmanship data obtained from the quantitative questionnaire were undoubtedly confirmed.

It is widely believed that it justifies the price, the value for a product is depending on the craftsmanship as well, it's definitely one of the most important part for valuing a product. It's the process for valuing and improving, a brand with history must have its special technique for craftsmanship.

Today's consumers, whether western or Chinese, consider the artisan aspect and human skill to be fundamental in the total value of a luxury product. This fact returns to be very important especially concerning the Chinese sample. It can be confirmed that new Chinese consumers are and will be increasingly attentive to the value of the brand as a whole, without focusing exclusively on ostentation and price.

### **6.3 Personas**

The personas are defined based on the information gathered from various sources: the users' browsing and their experience with the brand, the analytics coming from the websites, questionnaires, interviews. The more specific the information obtained, the more it is possible to outline the personas in detail. In this case they will be created based on data collected from literature, from the quantitative and qualitative questionnaire. In defining the personas, any

information that may be useful for the reconstruction of one's ideal client is taken into account:

- Psychographic information: behaviours, interests, reasons for purchase, necessity.
- Demographic information: age, sex, geographical location, income.

Defining the personas, we try to delineate the basin of reference users with precision.

By creating buyer personas, you can identify who your target customers are, and you can create targeted and effective marketing or communication campaigns.

Even though people are fictitious, basic information is based on real data about socio-demographic characteristics, user behaviour, purchasing behaviour, interests and action patterns. The use of Personas makes sense only if you create the most detailed personality profiles possible, which are therefore real fictitious representatives of the target. The target must be defined in advance. Based on empirical data, collected for example with the help of web analysis and tracking, individual fictitious characters are subsequently created.

In this case they will be created based on the data collected thanks to the quantitative and qualitative questionnaires. Furthermore, some details will derive from personal experience. If properly created, the Buyer Persona allows a different view on the target audience than a pure data collection. Potential buyers are not an amorphous and homogeneous group in which each individual corresponds to the average. They are individuals who share only a few characteristics. Therefore, the Buyer Persona allows a better evaluation of the individual buyers, even if it is only a fictitious prototype. Specifically, four different personas have been created representing two western figures and two Chinese figures. For both ethnicities a younger and an older figure was created. Although few, these fictitious profiles will be useful for making the data and results analysed previously more concrete. More than this they will be useful to illustrate different perspective and to focus on costumers.

Below are the four personas created for this work. In the order:

- Young Chinese (Xue Zhang)
- Adult Chinese (Li Feng)
- Young Westerner (Lily Shulz)
- Adult Westerner (Virginia Massa)

Figure 33: Young Chinese Persona (Xue Zhang)



## Xue Zhang

Shanghai, China

Gender: Female

Age: 22

Status: Single

Education: Bachelor's degree

Profession: Master student

Archetype: Fashion addicted

### BIO

Xue Zhang was born in Shanghai in a wealthy family. Her parents work for two important multinational companies. She is undergraduate in an important Chinese University, situated in Suzhou. Now she is studying for her master degree with the hope to become a career woman. In addition to this she would find love, but she does not want to have a baby. Since she was a child her mother has passed on her passion for fashion. The environment in which she grew up made her a conscious consumer, attentive to the quality and values of the brands she buys from. She loves that luxury brands are present on social media because in this way she can always stay updated on new products and new initiatives. She considers craftsmanship very important in luxury products, one of the factors that justify price together with quality and design.

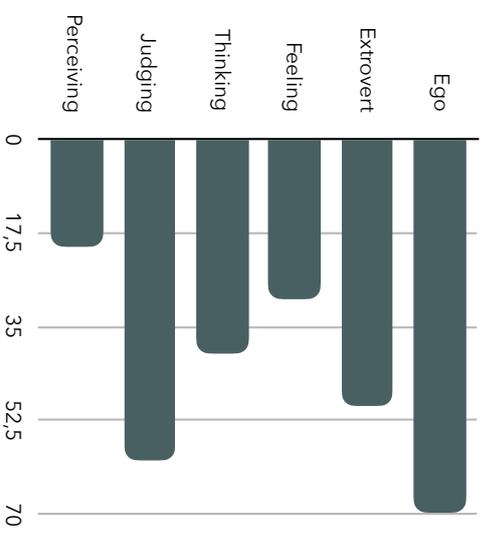
### VALUES

- Pleasure
- Culture
- Environmentally friendly
- Beauty

### GOALS

- Find a boyfriend
- Be always trendy
- Get rich

### PERSONALITY



### BRANDS



Figure 34: Adult Chinese Persona (Li Feng)



**Li Feng**

Beijing, China

Gender: Male

Age: 61

Status: Married

Education: Bachelor's degree

Profession: Works for an automotive company

Archetype: Hard worker

**BIO**

Li Feng was born in Chengde and to study he had to move to Beijing. He found a good job in an automotive company, thanks to his abilities he moved up. He has a wife and one child. In his opinion luxury products are important to show the wealth he has accumulated after several years of hard work. For this reason he use to by luxury products for himself but also for his family as a gift. He loves to flaut the social class that reached working hard. The brand is important as a signal of wealth, design and craftsmanship are of secondary importance.

**VALUES**

- Family
- Work

**GOALS**

- Support his family
- Work hard
- Travel

**BRANDS**

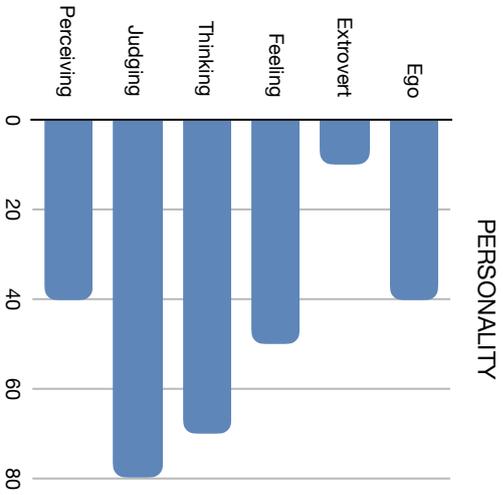


Figure 35: Young Westerner Persona (Lily Schulz)



**Lily Schulz**

New York City, New York

Gender: Female

Age: 26

Status: Engaged

Education: Master's Degree

Profession: Work for a fashion multinational

Archetype: Romantic

**BIO**

Lily Schulz was born in Philadelphia, her grandfather was a German immigrant. Her father decided to move the family to New York for a job offer. She studied in New York most of the time but she decided to conclude the university in Germany. She really love to travel, especially in Europe because she appreciates especially Italian and French beauties. After university she found a very good job in New York in the fashion sector, another of her passions. She is engaged with a famous broker and one day they would like to live together. She loves flowers, books and music. She is dynamic and uses many social networks to keep up on world trends.

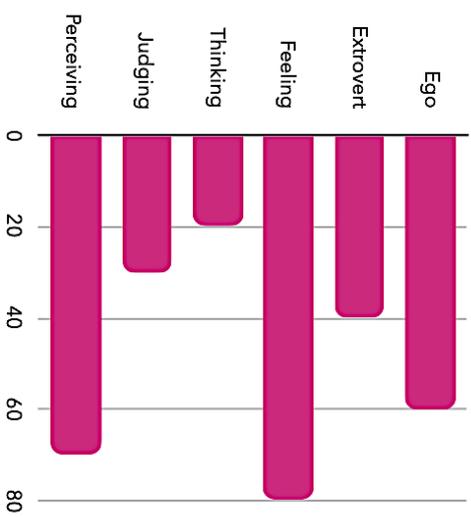
**VALUES**

- Family and friends
- Honesty
- Environmentally friendly
- Beauty

**GOALS**

- Make a career
- Preserve beauty and uniqueness
- Enjoy life

**PERSONALITY**



**BRANDS**

**MOSCHINO**

**BALENCIAGA**

Figure 36: Adult Westerner Persona (Virginia Massa)



**Virginia Massa**

Rome, Italy

Gender: Female

Age: 65

Status: Divorcee

Education: High school diploma

Profession: Pensioner

Archetype: Pragmatic

**BIO**

Virginia Massa was born in Rome during a difficult period. Her family was poor but thanks to the economic boom conditions changed. After the high school diploma she became a famous journalist. She had the opportunity to marry an important entrepreneur but after 27 years into the union they decided to divorce. She has a comfortable life result of her gains. She made also some good investments. She loves taking care of her home decorating it with many flowers and paintings. She also loves her grandchildren. Sometimes she wants to buy luxury products as a lover of classic beauty. Despite this his purchases are infrequent and derive from a long decision-making process.

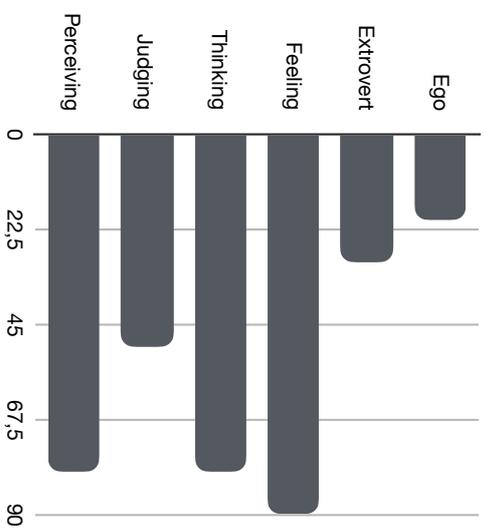
**VALUES**

- Family
- Respect
- Hedonism
- Religion

**GOALS**

- Healthcare
- Peace of mind
- Relax

**PERSONALITY**



**BRANDS**



**VERSACE**



Clearly, as previously anticipated, the profiles created are absolutely random. They do not refer to any real person but are simply the result of union of data collected during this work. As a summary they are also the natural conclusion.

In order to be considered real consumers of luxury products, the four personas refer to people with high economic availability. The new generations of consumers have been represented so that they are more similar to each other than more adult consumers.

They are more attentive to the environment and the sustainability of the products; they give a lot of weight to the craftsmanship and assiduously use social media.

They are also more extroverted and self-focused. They had more opportunities to travel and study, which made them overall more aware consumers than their parents when they were the same age.

Previous generations of consumers on the other hand demonstrate some differences between west and china. They also denote a different approach compared to the new generations.

They have gone through more difficult periods of change; therefore, they are attached to the practicality and immediate purpose of luxury goods. The Chinese consumer does not give weight to craftsmanship but is interested in what others think of him and his family. He wants to demonstrate the results of his hard work externally. For this reason, the luxury product becomes a simple means of ostentation, the brand must be expensive and immediately recognizable.

The person who refers to a previous generation of western consumers instead buys with diligence and attention. She loves to slowly choose the objects she deems most valuable and beautiful. It proves to be a more refined consumer but with less financial resources. One loves luxurious luxury, the other appreciates elegance.

Despite being a very small sample, it is possible to have an idea of how needs, priorities and habits are changing. In some ways, Chinese consumers are no longer so different from their western colleagues although there are still strong differences especially in the use of digital technologies. Consumers of luxury products are changing, and brands will have to be ready to seize the opportunities that this change will inevitably bring to overcome the competitive challenge in one of the richest markets in the world.



## **Conclusions, Limitations and Future Research**

### Conclusions

In the last decade, the luxury fashion sector has undergone a profound transformation and is constantly evolving. Globally, the expansion of the market, the diversification of customers and their needs, the growing presence of disruptive technologies and digitalization present companies with both opportunities and challenges, as well as greater competition.

Today's consumers are younger, more demanding in their expectations of personalization, experience and individual values. In addition to this, they are more informed and active, they are highly connected via the Internet, for them, the digital world means much more than just online purchases, the whole purchasing process today is influenced by the Internet.

The communication channels evolve every day, the touchpoints with which the potential customer comes into contact constantly change, the messages arrive faster and faster and just as quickly they are selected and partially rejected by our cognitive system.

The advent of the Internet was certainly the greatest challenge faced by brands operating in this sector. The divergences between these two realities that come into contact have brought to light many incompatibilities that even today, very often it is not possible to resolve in an optimal way. Incompatibilities are given by a different concept of time, in which the exaltation of the speed and responsiveness of the online industry encounters an industry in which time was synonymous with value. The raw material, the workmanship and the feeling of well-being and uniqueness that these two elements can generate in the consumer through touch and the sensorial and purchasing experience generally recreated within the physical stores and which represented up to a few years it makes one of the major strengths of these brands and through which it was possible to justify a premium price, it fades with the advent of the web.

Already at first glance, the luxury sector may seem a sector that is not very inclined to digitalization at least as regards purchases; wealthy customers buy in exclusive boutiques, which offer the opportunity to touch the product with your hand and make the consumer experience an extraordinary sensorial experience.

But the digital presence does not necessarily damage the luxury image of the brands, on the contrary: the appropriate digital strategies can promote the increase of both sales and brand awareness while maintaining the exclusivity of the brand; they also help to renew the brand image, attracting consumers of the new generations.

That undertaken with the internet is a challenge but certainly also an opportunity. Unlike other sectors, however, the importance of the internet is not so much linked to the ability to sell the product online, but rather to the value it can create in the experience, in influencing the purchase.

The condition of exclusivity and limited accessibility are milestones of luxury and justify its premium price, this concept of rarity is lacking in the digital world which embraces, by its very nature, principles of democracy and accessibility. The challenge aims to reconcile the potential of the internet with the sense of uniqueness of luxury brands.

In China, we can find a unique digital environment. The future of the Chinese luxury fashion market is represented by the full integration of websites, social media, e-commerce platforms and offline activities. Digital strategies that involve consumers in each of the possible phases with an integrated digital experience are indispensable in terms of brand awareness and sales. To be successful in the Chinese market, international brands must plan their digital strategies systematically based on their objectives, brand characteristics and specific market analysis, distinguishing their values from the market where there are many competitors. We need to balance between standardization and localization of their strategies, launch ad hoc campaigns aimed at local consumers. Furthermore, it is always necessary to identify the macro trend differently from the micro trend of the market to develop long and short-term strategies, maintaining its position while following market trends.

By investigating the differences between western and Chinese culture regarding luxury, some of the results obtained can be considered relevant.

Luxury means the product itself and the union of this market with new technologies, digital and otherwise.

In recent years, the Chinese consumer is going through a maturation process, which is moving towards more aware and less enthusiastic purchases, with the attention that gradually grows for the product and style and less for the "logo" and greater demand for a relationship high price-quality.

The most certain result confirmed by various data shows how new Chinese consumers are aligning more and more with their western counterparts. The main reason for purchasing also becomes the quality and design of the product in China, leaving the need for ostentation in the past.

As mentioned earlier, the digital environment in China is unique. In fact, Chinese consumers also buy luxury products online, in a much higher percentage than western consumers, our tests even reveal 20% more. These data clearly increase with lower age.

A very important aspect that deserves further study is craftsmanship. The weight given to the added value that human work can give to a product gives an idea of how sensitive consumers are to the history of the brand. In a market where automation and standardization dominate production processes, luxury can be considered as one of the few sectors in which the craftsman's know-how still takes on great value. However, this value depends on the importance that consumers give to craftsmanship. When it should no longer be valued by consumers, even luxury brands would probably move towards automation. Fortunately, the data that our analyzes return seems to be positive. In the West, craftsmanship has always played and still plays a leading role. What is very interesting is that Chinese consumers are becoming increasingly attentive and aware, also with regards to the history of a product. The results show that the effects of functional value and social value on purchase intention of luxury brands are stronger for older generations than younger ones, while the effects of self-identity and hedonic value on purchase intention are stronger for younger generations than older ones.

The statistical correlation between age and importance given to craftsmanship shows a significant trend. The new generations of Chinese consumers are beginning to give much more importance to craftsmanship than in the past, this bodes well. In this way, the luxury sector will be able to continue to expand without leaving its roots and postponing one of the few markets where the practical skills of the human being remain of primary importance. We can say that thanks to the analysis carried out on the collected data, a strong trend was found. Despite this, the theme of craftsmanship remains highly subjective and for this reason the limitations deriving from the limited number of participants could influence the consistency of the result.

Luxury brands will be able to continue on this path without forgetting innovation. The results of the questionnaires clearly indicate that especially the new generations, they see the union between luxury products and new technologies in a very positive way. From the interviews, it emerges how the insertion of technological products into classic products can lead to an improvement in the final result. At the same time, digital promotion is viewed positively, without too much fear of the democratization of luxury. Social media have now entered our lives to such an extent that it would be incomprehensible to try to intercept new consumers without using them.

The results obtained allow us to affirm with a high degree of confidence that this trend will continue in the future, especially in China where the indices obtained are highly significant.

Talking about technology implies having to face one of the hottest issues in recent years: privacy. The results obtained from the analyses conducted in this work may not be sufficient to clarify a trend regarding such a delicate issue. Analyzing the data there seems to be an opening by the new generations towards the use by brands of their data. This trend seems to be accentuated in China, where historically the concept of privacy has always been considered differently. Chinese consumers, especially the younger ones, seem to be even more available than their western colleagues to give their data in exchange for increasingly personalized service. This is probably due to the climate of resignation present in China, where every citizen regardless of purchasing habits is constantly monitored. Despite this, the collected data return an ambiguous trend, at times confused, for this reason further analyzes will be needed to understand if there is still a lot of confusion on the topic or if it is inclined to a certain direction.

Obviously, the purpose for which this series of analyses are carried out concerns a clearer and more in-depth knowledge of current and future consumers.

Consumer analysis represents an obligatory stage for identifying and understanding the typical customer of luxury and how it has evolved by becoming more attentive, socially more responsible, culturally more prepared. For this reason, using the data obtained from the qualitative and quantitative analyzes, four personas have been created that can be useful for identifying more concretely the types of consumers.

Given the importance of the consumer as an actor in the purchase, it is important to underline and make explicit that not all luxury consumers focus on the same values, and it is precisely based on their diversity that the company will work to capture the attention of the customer in a different way to induce him to purchase.

For this reason, the ultimate aim of this thesis is to assign main characteristics to Chinese and western consumers of different generations. By combining the results of statistical analyses carried out on quantitative data with the trends found in the qualitative responses using the content analysis software, four consumers were outlined.

The older generations have proved to be very distant, in the West there was already a lot of attention to quality, design and craftsmanship while in China much emphasis was placed on the ostentation of one's wealth. In the end, we can say that the new generations also thanks to new technologies and social media are aligning in terms of priority tastes and needs. Social media are creating global trends, also shifting attention to accessory product elements.

Consumers of the future will increasingly accept that technological components are added to classic products and that niche markets are also advertised on social platforms. The role of the

KOLs must also not be overlooked, especially in a country like China where digitization and connection have reached very high levels.

The market is constantly evolving and with it, consumers also change. We have seen that two worlds so far apart in reality in some respects are no longer too different. It remains to be understood how these two mentalities will respond to the union between luxury products and technology in terms of privacy. Privacy is certainly a current issue, not to be underestimated and to be explored in the future.

We can, therefore, say that the union between luxury and technology has started a few years ago and that it does not seem destined to stop. New consumers will become increasingly accustomed and this union will certainly bring great opportunities. In the Chinese market, the new buyers will always be different, despite the thinning of the differences with the western world. This is why brands will always have to pay close attention to communication and the use of the right platforms.

#### Limitations

The experiments presented in this thesis may undergo some situations that limit the validity of the results obtained. The representativeness of the sample of the whole population is limited to certain socio-demographic variables such as age, education, nationality in the case of the western sample and income.

There are limitations regarding the method of investigation of the quantitative questionnaire. Although the test only presented closed questions, it required concentration and availability, attitudes that could not be controlled through a questionnaire via the web.

The interviewees responded privately to an online questionnaire, this could be positive for the answers from the point of view of sincerity as it was completed without controllers and in a condition of total ease. However, it could be negative because of the possibility that the answers were given with superficiality and / or haste.

Besides, the people who made their contribution through the qualitative questionnaire are not enough in number, mainly for logistical and time issues. The content analysis in this way allowed to confirm or change some considerations made following the data obtained from the quantitative questionnaire, without making an indispensable autonomous contribution.

The aesthetic and emotional components of the decisions have not been sufficiently addressed here; a future study would undoubtedly provide a clearer picture.

Through the collection of a greater number of data, above all relating to quantitative interviews, also the nuances given to the personas could be more precise. The creation of a

greater number of personas, more specific and with more peculiar characteristics, would certainly help to understand more precisely the needs and tastes of the different consumers. A job that leads to results gives great satisfaction, but the honest recognition of the limits reduces that same satisfaction and pushes to seek further information and confirmations.

#### Future research

For future research it could be suggested to further deepen the research and to succeed, through a more in-depth qualitative research, to understand what are the motivations that push the individual to behave in a certain way and to be able to understand what is the mental mechanism that leads to precise conclusions. In this work it has been studied what happens and how consumers are changing, it would be interesting to analyze perhaps from a more psychological point of view the reason for certain results. Being able to analyze the complexity of emotions, feelings and intrinsic characteristics of the different categories of individuals on which brands, particularly luxury brands, can leverage.

Furthermore, to obtain even more reliable results, it would be advisable to extend the number of states that represent the western part and the number of cities that represent the Chinese sample. Within the western part, an analysis by state could even be carried out, therefore dividing the western sample into several more specific parts.

By increasing the number of subjects analyzed and comparing China with a specific country, more specific indications regarding the importance of craftsmanship could certainly be obtained. The same comparison could be made between several European countries, in fact, as mentioned before, the concept of craftsmanship remains very subjective and therefore variable according to the subjects analyzed.

The same analysis could be conducted by comparing any other state besides China. It would be desirable to consider an extension in this sense in future research, being that of the Internet, a reality with borders open on every continent and projected by its nature to reach even the most distant of consumers.

It is essential that researchers continue to explore what are the winning strategies for luxury brands in the field of social media, taking into account the importance of the language to be used depending on the type of brand in question.

Finally, it will be important to deepen the theme of privacy connected to the union between commonly used products and technology. The results obtained by this thesis in terms of privacy were at times ambiguous and unsatisfactory. Being such a delicate and current issue,

further analysis will be necessary, perhaps focused solely and exclusively on the aspect of privacy.



## **Appendix**

### **Quantitative Questionnaire in English and in Chinese**

What is your age?

- 1 18-24
- 2 25-34
- 3 35-44
- 4 45-54
- 5 55+

What is your gender?

- 1 Female
- 2 Male

Why would you buy this kind of product?

- 1 Beauty and quality of the product
- 2 Social status
- 3 Trend

Typically, where would you purchase this product category?

- 1 At an online retailer site
- 2 At the official site of a brand
- 3 In store

By choosing these kinds of products, how important is it for you that they are produced by craftsmen? (1=not important, 5=extremely important)

- 1
- 2
- 3
- 4
- 5

Do you think that technology could improve these kinds of products?

- 1 Yes, could be an added value
- 2 No, they are classic

Are you agree with the fact that technologic components can collect a large amount of data about your habits?

- 1 Yes, I can receive a better customized service
- 2 No, I prefer privacy

请问您处于的年龄段是？

- 1 18周岁-24周岁
- 2 25周岁-34周岁
- 3 35周岁-44周岁
- 4 45周岁-54周岁
- 5 55周岁及以上

请问您的性别是？

- 1 男性
- 2 女性

请问为何您会购买这一类的产品？

- 1 美观且产品质量优秀
- 2 产品所带来的社会地位
- 3 潮流趋势

通常情况下您会通过什么渠道购买这一类的产品？

- 1 通过线上零售网站或网店
- 2 通过品牌的官方网站
- 3 通过线下店铺

请问您认为对于这类商品而言，纯手工制作是否重要？

请从1-5中圈出一个能代表其重要程度的数字，其中“1”代表“不重要”

“5”代表“极其重要”，按顺序排列

- 1
- 2
- 3
- 4
- 5

请问您认为科技会为这一类产品带来提升空间吗？

例：爱马仕与苹果就苹果旗下的iWatch表带设计达成合作协议)

- 1 我认为科技可以为这类品牌赋值
- 2 我认为传统奢侈品行业不应该与科技冲突

请问您是否可以接受当下科技产品与相关服务收集大量关于你生活习惯的数据？

- 1 我接受，因为这样我获得更多以消费者为中心的服务
- 2 我不接受，因为这涉及到个人隐私

## Questions in Qualitative Questionnaire

The following questionnaire concerns your concept of luxury and your ideas regarding the union between luxury and the digital world. Being qualitative it develops as a kind of interview. For this reason, I ask you to respond openly and arguing your statements.

By which means of communication do you come into contact with luxury products, starting to think about a possible purchase?

Do you consider correct that luxury products are advertised on social media that are, by definition, a mass platform and therefore the opposite place where it is possible to find buyers of this kind of product? Why do you think that luxury companies maintain such assiduous presence on social networks? On social media most people cannot afford the products and, above all, fashion companies' risk to lose part of the sense of awareness of the most sophisticated consumer and a part of that niche sense maintained almost exclusively by price. What do you think is the real purpose of the presence on social media for luxury brands?

How important is it for you the niche sense (exclusivity) that a luxury product could convey?

In your opinion, is a luxury product purchased to flaunt wealth and a specific social class or for the beauty / history of the company or product itself?

What is your concept of luxury? What are the characteristics that a considered luxury product should have?

How do you consider craftsmanship? Does it justify the price or is it only a secondary aspect?

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