

DETERMINANTS OF KOREAN CONSUMER'S BEHAVIOR IN  
PURCHASING LUXURY BRAND NAME PRODUCTS

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   NAME PRODUCTS  
By                                    Miss Dhitiya Boonsinsukh  
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งานวิจัยนี้มีวัตถุประสงค์เพื่อวิเคราะห์ปัจจัยสำคัญที่มีผลต่อการซื้อสินค้าแบรนด์เนมของชาวเกาหลี และ เสนอแนะกลยุทธ์สนับสนุนแผนการขายสินค้าแบรนด์เนมที่เหมาะสม การศึกษานี้ใช้แบบสอบถามในการเก็บข้อมูลจากชาวเกาหลี 359 คน อายุระหว่าง 20 – 30 ปีในย่านชินนง กรุงโซล สาธารณรัฐเกาหลี ในช่วงระหว่างเดือนมีนาคมถึงเมษายน พ.ศ. 2555 โดยได้รับแบบสอบถาม 359 ชุด (หรือร้อยละ 89.75) จากทั้งหมดที่แจกไป 400 ชุด และวิเคราะห์ข้อมูลโดยใช้สถิติเชิงพรรณนา

จากข้อมูลพบว่า ผู้ตอบแบบสอบถามส่วนใหญ่เป็นเพศหญิง อายุระหว่าง 18 – 20 ปี โดยสินค้าที่ผู้บริโภคนิยมซื้อมากที่สุดคือ สินค้าประเภทกระเป๋าถือ ส่วนแบรนด์ยอดนิยมคือ แบรินด์ เอ็มซีเอ็ม ซึ่งเป็นแบรนด์ดั้งเดิมของประเทศเยอรมัน แต่ได้ ถูกพินแบรนด์ใหม่โดยชาวเกาหลี นอกจากนี้ ผลการศึกษายังชี้ให้เห็นว่า ปัจจัยสำคัญที่ทำให้ผู้บริโภคชาวเกาหลีซื้อสินค้าแบรนด์เนมมากที่สุด ได้แก่ แนวคิดอัตลักษณ์แห่งตน คุณภาพ และประสิทธิภาพการใช้งานของสินค้า ตามลำดับ การตัดสินใจซื้อของชาวเกาหลีนั้น เปลี่ยนแปลงไปตามกาลเวลา ผู้บริโภคชาวเกาหลีไม่ต้องการซื้อสินค้าแบรนด์เนมเพียงเพื่อโอ้อวดสถานะของตนเหมือนเช่นในอดีต ปัจจุบัน ผู้บริโภคชาวเกาหลีตัดสินใจซื้อสินค้าแบรนด์เนมเพื่อที่จะเข้าเป็นส่วนหนึ่งของสังคมนั้นๆ ส่วนกลยุทธ์การสนับสนุนการขายสินค้าที่เหมาะสมกับลูกค้า นั้น นอกจากจะต้องนำเสนอว่าสินค้านั้นมีคุณภาพดี มีรูปลักษณะสวยงาม มีความทนทานและสามารถใช้งานได้ตามที่ลูกค้าคาดหวังแล้ว ยังควรเน้นที่ผู้นำเสนอสินค้าด้วย โดยผู้นำเสนอสินค้าควรสื่อถึงบุคลิกได้หลายรูปแบบเพื่อให้เหมาะสมกับสไตล์ของลูกค้า ซึ่งจะช่วยให้ลูกค้าสามารถแสดงอัตลักษณ์ของตนผ่านสินค้านั้นๆได้ และมีความต้องการที่จะสนับสนุนแบรนด์นั้น นอกจากนี้ บริษัทที่ประกอบธุรกิจเกี่ยวกับสินค้าประเภทนี้ ควรปรับปรุงแบบการนำเสนอและกลยุทธ์ทางการตลาด เพื่อให้เหมาะสมกับพฤติกรรมผู้บริโภคของลูกค้าที่เป็นกลุ่มเป้าหมาย โดยอาจจำแนกลูกค้าตามกลุ่มอายุ รายได้ และเพศ

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# # 5387522320: MAJOR KOREAN STUDIES

KEYWORDS: LUXURY BRAND PRODUCT/ KOREAN/ CONSUMER'S BEHAVIOR/ PURCHASE

DHITIYA BOONSINSUKH: DETERMINANTS OF KOREAN CONSUMER'S BEHAVIOR IN PURCHASING LUXURY BRAND NAME PRODUCTS. ADVISOR: SINEENAT SERMCHEEP, Ph.D., 107 pp.

The objective of this study is to identify the important factors that lead to Koreans' purchase on luxury brand products. This study also suggests the strategy for developing campaign promoting the sale of luxury brand products. This study collected data from 359 Korean people, aged between 20-30 years old in Sin-Chon neighborhood, Seoul, South Korea, during March – April, 2012. Out of 400 questionnaires that have been distributed to the respondents, 359 questionnaires (89.75%) were received. Descriptive statistic is used in this study.

The results show that most of the respondents are female, ag 18-20 years old. Top item is hand bag and top brand is MCM that is originally a German luxury brand but now resurrection by Korean. Moreover, the results show that the important factors that lead Korean consumers to purchase luxury brand products the most is self-identity value, followed by quality value and usability value. Korean purchasing decision has evolved over time. Korean consumers do not purchase luxury brand name products because they want to show off like in the past, but they move forward to the fit in stage. This is when consumers decide to buy luxury products because they want to belong in the society. For the strategy for developing campaign on luxury brand product that suit with the young Korean consumers, except from items that have high quality, look good, last long and perform as they expected, we suggest by focusing on the presenters of the brand. Presenters should have many characters to suit with the style of the consumers, which will help them show their style through that product and want to support that brand. We suggest that the companies should be adjusted to match with behavior of their target group according to age group, income level and gender aspects.

Field of Study: Korean Studies Student's Signature: .....

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# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Significance of the Problem**

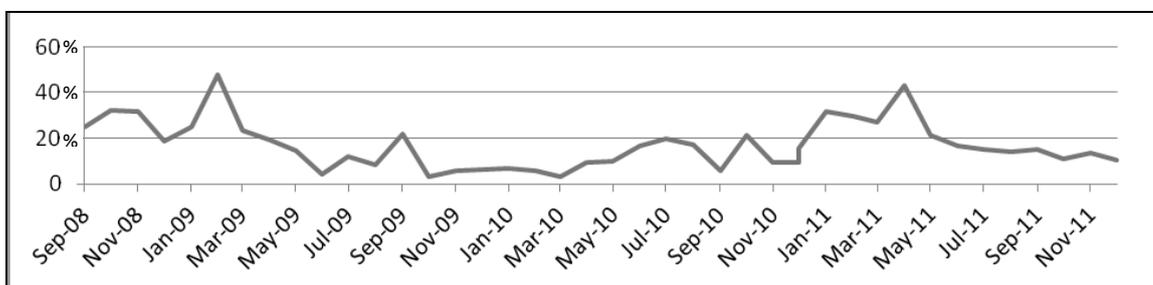
Nowadays, it is a rare sight to see a Korean woman not carrying a Prada bag. Brands are important everywhere. What makes Korea more interesting is that everyone knows and wants these products and brands (Chang, 2007).

After the Park Chung Hee period (1970-1979), Korean governments strongly discouraged the imported consumption from foreign countries. Korean economy is more open to international trade since Chun Doo Hwan period (1980-86). However, during 1970s – mid 1990s, Korea's economy grew rapidly because of the industrialization. Korean people had more income and started to focus on improving their quality of life. Living standards improved, and many people think about social class and used luxury goods as the symbol of status. Therefore, luxury product market in Korea had increased and also still continued increasing even if there was a financial crisis in 1997-1998 (Koo, 2007; Yoon and Seok, 1996; Nelson, 2000).

The purchase of luxury goods in Korea was still increasing in 2009. According to the Ministry of Knowledge Economy, sales of luxury goods in 2009 at department stores across the country went up to 47.7 percent in February and 23.6 percent in March and 14.7 percent in May (see Figure 1.1) (Korea Herald, 2010). Also, the average growth in Korean luxury market was 12 percent per year from 2006 to 2009, with year 2010's sales surpassing 4.50 billion US dollars. The sale in department

stores, the main distribution channel of Korean luxury goods, soared almost 30 percent compared to the same period in 2010. Sales of Louis Vuitton, Chanel, Hermes, Prada and Gucci in Korea jumped to 17 percent. The number reflected an ever-growing appetite for high-end handbags, shoes and accessories among Korean customers, even though some of the European luxury groups increasing their prices of their products in the first half of the year (Korea Herald, 2011).

**Figure 1.1 Growth Rate of Luxury Goods Sale from Three Major Department Store Chains**



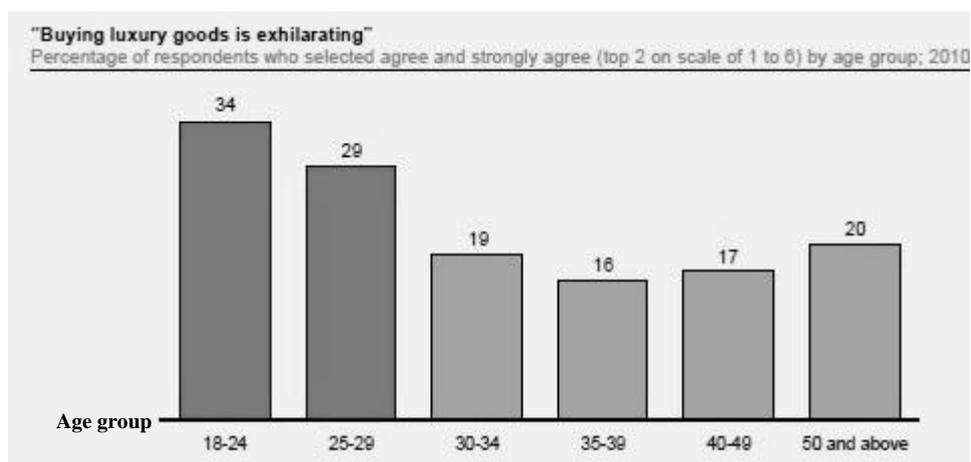
Source: Ministry of Knowledge Economy

The pressure to conform, in the sense of keeping up to their neighbors, may also become more intense. Korean luxury consumers stay on top of trends, and naturally show off their latest luxury purchases. In the survey of McKinsey, 60 to 70 percent of respondents mention finding enjoyment in “the functional or emotional value of wearing luxury items” as the leading reasons for increasing purchase (McKinsey, 2011).

Consumers in their twenties are rapidly replacing middle-aged consumers and become the major customers of global luxury brands in Korea (Park, 2000). Korean in their 20s and 30s had emerged as an exciting new demographic group for retailers,

from 35 percent in 2006 to 44 percent in 2009 (Hankyung, 2009). Compared to older shoppers, younger ones especially in group of 18-24 years old and 25-29 years old tend to spend greater portions of their disposable income on high-end clothing and accessories. They are more exciting in purchasing luxury goods, which is good for the luxury market (McKinsey, 2010) (see Figure1.2).

**Figure 1.2 More Exciting in Purchasing Luxury Goods Expressed among Young Customers**



Source: McKinsey, 2010

Moreover, they are deeply in debt that they have build up from vanity. This is the problem in Korean society, they need money, use credit card, and spend money thoughtlessly because they care how people look at them, and prefer using “luxury brand” products (Chosun, 2011).

Why Korean people purchase luxury brand items so much that they might end up with more debt that can turn out to be social problem is an interesting issue. Therefore, this study examines Korean consumer behavior and the factors that have influences on luxury products purchase.

According to Luxury value perception model (Weidmann, Hennigs, and Siebels, 2007), there are many factors that have impact on luxury purchasing, which are price, usability, quality, uniqueness, self-identity, hedonic, materialistic, conspicuousness, and prestige value. From the theory, the important factors are conspicuous consumption, self-identity, and materialism value. Therefore, this study wants to proof whether those factors are important or not.

## **1.2 Objective**

1. To identify the important factors that leads Korean consumers to purchase luxury brand name products.
2. To suggest the strategy for developing campaign on luxury brand products that suit with the consumers.

## **1.3 Hypothesis**

1. Age, income and gender as demographic factors have impact on purchasing luxury brand products.
2. Conspicuous consumption as social value is the most influencing factor in purchasing luxury brand name products of Korean.
3. Self-identity and materialism as individual value are the important factors in purchasing luxury brand name products.

#### **1.4 Scope of the Study**

This study focuses on Koreans both male and female, aged between 20 – 30 years old in Shin-Chon district during March – April, 2012 since they are new major customers of global luxury brands in Korea. Moreover, Sin-chon neighborhood is the famous area for young consumers and also known as “University Fashion Shopping Street” because there are four universities in that area which are Yonsei University, Ewha Womans University, Sogang University, and Hongik University.

#### **1.5 Expected Benefits**

1. To understand the important factors that have influenced on Korean consumers behavior in purchasing luxury brand name products.
2. To recommend the strategy on luxury brand products that suits with Korean consumers.

## **CHAPTER II**

### **LITERATURE REVIEW**

This chapter summarizes the theoretical frameworks and the empirical studies that related to luxury concept, consumer's behavior, conspicuous consumption, prestige-seeking consumer's behavior, luxury value perception and luxury value in Asia.

#### **2.1 Theoretical Framework**

##### **2.1.1 Defining the Luxury Concept**

Even if we use the term "luxury" in our daily life, but still there are various definitions of luxury since it is a subjective, multidimensional, and depends on the different people using this term in different mood and experience of the consumer (Weidmann, 2007). Luxury is particularly slippery to define. A strong element of human involvement, very limited supply and the recognition of value by others are key components (Cornell, 2002).

Luxury brands can be defined as those which price and quality ratios are the highest of the market (McKinsey, 1990) and even though the ratio of functionality to price might be low with regard to certain luxury goods, the ratio of intangible and situational utility to price is comparatively high (Nueno and Quelch, 1998).

In order to understand the consumer's behavior in purchasing luxury brand items, not only the psychology factors that we need to focus on, but we should also

pay attention on the personal factors and social factors. Vigneron and Johnson (1999) use the definition of luxury as the highest level of prestigious brands encompassing several physical and psychological values.

Luxury brands have often been associated with the core competences of creativity, exclusivity, craftsmanship, precision, high quality, innovation and premium pricing. These products attribute to the satisfaction to the consumer from not only owning expensive items but also the extra-added psychological benefits like self-esteem, prestige and a sense of a high status. This reminds them and others that they belong to an exclusive group of only a selected few, who can afford these pricey items (Uche, 2004).

Therefore, this study uses the definition of luxury brand name product adapted from Mckinsey (1990) and Uche (2004) as “products and service with the certain brands whose names are associated with high quality or high price in high-end market”. The examples of brand in this study are Chanel, Gucci, Prada, Louis Vuitton, and MCM.

There are four theories that explain consumer’s behavior used in this study. The first one explains the general consumer’s behavior, the next three theories explain luxury consumer’s behavior.

**Table 2.1 Theoretical Framework Evolution that used in This Study**

<b>General Consumer's behavior</b>		
<b>1. Consumer's Behavior</b> (Kotler, 1995) - For the general consumer's behavior, related to the buyer characteristic that consisted of 4 factors; cultural factors, social factors, personal factors, and psychological factors.		
<b>Luxury Consumer's behavior</b>		
<b>2. Conspicuous Consumption</b> (Veblen, 1899) the spending behavior; spending goods and services, represents the status symbol of income or wealth.	<b>3. Luxury-seeking Behavior</b> (Vigneron and Johnson, 1999) can be divided into two perception which are (1) perception from the consumer themselves or personal perception (perceived quality and perceived hedonism), and (2) the perception that related to others or interpersonal perception (perceived conspicuousness, perceived uniqueness, and perceived extended self).	<b>4. Luxury Value Perception</b> (Weidmann, Hennigs, Siebels, 2007) can be divide into four dimensions of luxury value perception; (1) financial dimension (price value), (2) functional dimension (usability value, quality value, uniqueness value), (3) individual dimension (self-identity value, hedonic value, materialistic value), and (4) social dimension (conspicuousness value, prestige value).

### 2.1.2 Consumer's Behavior

Normally, if we talk about the consumer's behavior in purchasing something, it has to be stated about buyer characteristic. Kotler (1995) stated that there are four factors that have influenced on buyer characteristic, which are cultural, social, personal

and psychological factors. Cultural and social factors are the interpersonal factors, and personal and psychological are the personal factors (see Table 2.2).

**Table 2.2 Factors Influencing Behavior**

<b>Cultural</b>	<b>Social</b>	<b>Personal</b>	<b>Psychological</b>
<ul style="list-style-type: none"> <li>• Culture</li> <li>• Subculture</li> <li>• Social Class</li> </ul>	<ul style="list-style-type: none"> <li>• Reference Groups</li> <li>• Family</li> <li>• Role &amp; Statuses</li> </ul>	<ul style="list-style-type: none"> <li>• Age &amp; life cycle stage</li> <li>• Occupation</li> <li>• Economic Circumstances</li> <li>• Lifestyle</li> <li>• Personality</li> </ul>	<ul style="list-style-type: none"> <li>• Motivation</li> <li>• Perception</li> <li>• Learning</li> <li>• Beliefs &amp; Attitude</li> </ul>

Source: Kotler and Bliemel, 1995; Thorben, 2003

### **Cultural factors**

Cultural factors have the broadest and deepest influence on consumer's behavior. These consist of culture (values, perceptions, preferences, and behavior that acquired from school or family), sub-culture (nationalities, religions, racial groups, and geographical regions.), and social class (similar values, interests, and behavior as the members in the same society). For example; culture factors played a major role in deciding whether what to be on sale in that region.

### **Social factors**

Social factors include the buyer's reference groups (that maybe direct or membership groups like friend or indirect group like inspiration person), family (member in the same family), and roles and statuses (that one person can have

different roles in the society). For example, social factor is like the reference group that has an influence on the purchasing decision; if their friends, as the reference group, told that this product is good, they might decide to buy it easily.

### **Personal factors**

Personal factors include the buyer's age and stage in the life cycle (different age, different need), occupation, economic circumstance, lifestyle (depending on activities, interests, and opinions), personality and self concept (e.g. self-confidence, dominance, social ability, adaptability). For example; personality as a personal factor will control what kind of product they will buy to suit themselves.

### **Psychology factors**

Psychology factors include the buyer's motivation (physiological needs, safety needs, social needs, esteem needs, and self-actualization needs), learning (depending on experiences), perception (depend on selective exposure, attention, distortion, and retention), beliefs and attitudes. For example, motivation as a psychological factor will support them whether or not to buy that product. If they really need that product, they will buy so easily, but if they do not, they might not buy that product.

However, for the purchase of the luxury goods, consumer's behavior is more specific and some factors might be more important than the general consumer's behavior as mentioned before.

In a global context, it is critically important for luxury researchers and marketers to understand why consumers buy luxury product, what they believe luxury is, and how their perception of luxury value impacts their buying behavior.

### **2.1.3 Conspicuous Consumption**

“Luxury goods” or “Myongpum” in Korean refers to luxury brand name product, like Gucci, Prada, Louis Vuitton and Chanel. The majority of luxury brand name products are luxury goods and often act as a status symbol in socio-economic, and some luxury goods are used as examples for the Veblen theory, conspicuous consumption, in the way that luxury researchers and marketers focus on as the luxury market value perception.

#### **2.1.3.1 Definition of Conspicuous Consumption**

Conspicuous consumption can be defined as “the act of buying a lot of things, especially expensive things that are not necessary, in a way that people notice” (Longman American Dictionary, 2000). This study follows the definition of Trigg (2001) “Conspicuous consumption is behavior whereby an individual can display wealth through extensive leisure activities and luxury expenditure on consumption and services”.

#### **2.1.3.2 Theory of Conspicuous Consumption**

Conspicuous consumption was mentioned in the theory of the Leisure Class by Veblen (1899), as the spending behaviors; spending goods and services, represents the status symbol of income or wealth. Accordingly, some consumers may try to find some exclusive product with a high price to show their higher social status.

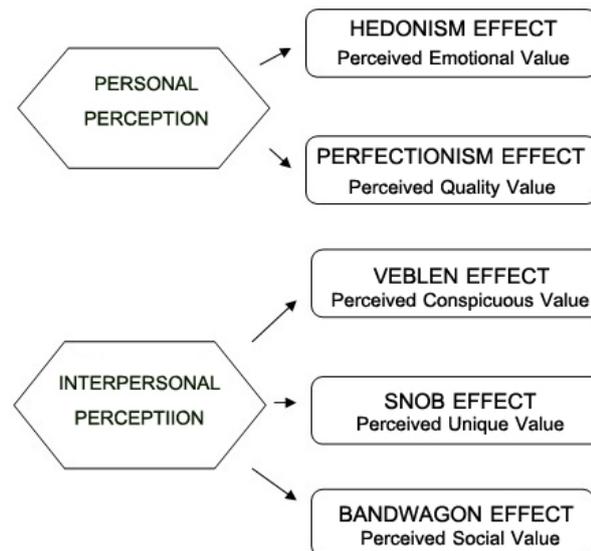
Since the luxury market’s consumer range is wider, the luxury market transformed from its traditional conspicuous consumption model to a new experiential luxury sensibility marked by a change in the way consumers define luxury (Weidmann, Hennigs, and Siebels, 2007).

Concerning the motives for consuming luxury brands, it has to be stated that the notion of “buying to impress others”, still more or less serves as a strategic principle for the marketing management of luxury brands.

#### 2.1.4 Prestige-seeking Consumer Behavior

From conspicuous consumption, Vigneron and Johnson (2004) developed a framework of “brand luxury index” by separating the factors into two aspects. This model followed the work of Dubois and Laurent (1994), Leibenstein (1950), Mason (1992), Kapferer (1998), and Eastman (1999).

**Figure 2.1 Prestige-Seeking Consumer Behavior**



Source: Vigneron and Johnson, 1999

They explained that the luxury-seeking consumer’s decision-making process from the Prestige-Seeking Consumer Behavior (PSCB), and this can be divided into two perceptions which were perception from the consumer themselves or personal

perception (perceived quality and perceived hedonism), and the perception that related to others or interpersonal perception (perceived conspicuousness, perceived uniqueness, and perceived extended self) (see Figure 2.1).

#### **2.1.4.1 Personal Perception**

##### **Perceived Emotional Value (Hedonism Effect)**

Hedonism is the pursuit of pleasure, sensual self-indulgence. In philosophy, it is the ethical theory that pleasure (in sense of the satisfaction of desires) is the highest good and proper aim of human life (Oxford Dictionary).

The hedonism effect occurs when consumers purchase luxury products and value the item. People who represent hedonism effect are those who purchase items for self-fulfillment, and those who are not affected by interpersonal influences (Riesman, 1950). Emotional value is in the consumed product (Vigneron and Johnson, 1999) and that emotional value for consumers is an essential characteristic of the perceived utility acquired from luxury products. This subscribes to the hedonic motive that is “One buys luxury goods primary for one’s pleasure” (Dubois and Laurent, 1994).

##### **Perceived Quality Value (Perfectionism Effect)**

The perfectionism effect is included in the perceived quality value. In psychology, perfectionism is a belief that work or output that is anything less than perfect is unacceptable. The perfectionism effect exists when consumers purchase luxury items and expects superior products and performance as well as quality (Vigneron and Johnson, 1999). People who represent the perfectionism effect are

those who are associated with personal values and judge a product according to their value of a luxury brand product.

In addition, Prestige brands are expected to show quality and even greater respectively (Garfein, 1989). That is why consumers may assess the level of how luxury a product is by its quality. Also, perfectionism in psychology is a belief that work or output less than perfect is unacceptable. So, if the consumer perceives the brand as having an excellent level of quality, his or her quality perception would play a positive role over his or her perception of prestige on the same brand (Vigneron and Johnson, 1999).

#### **2.1.4.2 Interpersonal Perception**

##### **Perceived Conspicuousness Value (The Veblen Effect)**

As mentioned in the beginning, the Veblen effect can be explained through conspicuous consumption in which people feel that it is necessary to purchase luxury products because they have a high price tag (Leibenstein, 1950). Also, conspicuous consumption is used by people to signal wealth and, to show their power and status (Veblen, 2003).

##### **Perceived Social Value (The Bandwagon Effect)**

People's desire to possess prestige brands, may serve as a symbolic marker of group membership. That is why perceived social value or the extended self may be useful to interpret the prestige value which encourages a bandwagon effect.

The bandwagon effect represents those who purchase products because they wish to fit in with a particular group. The bandwagon effect is an observed social behavior in which people tend to go along with what others do or think without

considering their actions (Berry, 1994). They might use the prestige brand during the week, to show their status and position in their working social class. However, they used a modest brand during the weekend in order to match social standards of his/her neighborhood. Bandwagon consumers may use the perceived extended-self value of prestige brands to enhance their self- concept (Belk, 1985). The bandwagon effect influences an individual to conform to prestige groups/or to be distinguished from non-prestige reference groups. For example, people who purchase luxury brand products wish to differentiate themselves from people who do not, are influenced by the bandwagon effect (Vigneron and Johnson, 1999).

#### **Perceived Uniqueness Value (Snob Effect)**

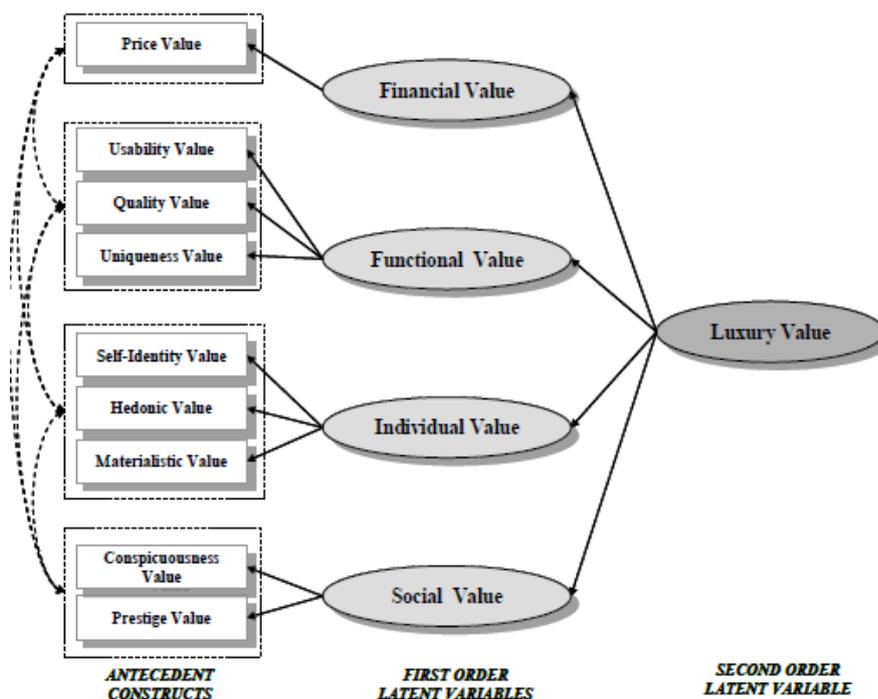
Snob effect refers to the desire to own unusual, expensive or unique goods. Snob effect is complex because its origin on both interpersonal and personal effect (see Figure 2.1). It may occur during two circumstances: 1) when a new prestige product is launched, the snob will adopt the product first to take advantage of the limited number of consumers at that moment, and 2) snob effect is in evidence when status sensitive consumers come to reject a particular product as and when it is seen to be consumed by the general mass of people (Mason, 1981).

The limited and rare items have high value, and have a greater effect on demand if people also perceive the product as unique, popular and expensive (Solomon, 1994; Verhallen and Robben, 1994). The differentiation between snob effect and bandwagon effect is that bandwagon consumers purchase items to fit in with others, while snob consumers purchase items because they want to be unique and stand out among those people in the same group (Dubois and Duquesne, 1993).

### 2.1.5 Luxury Value Perception

Not only focus on two aspects which are interpersonal factors (perceived from related to others) and personal factors (perceived from themselves), but adding more aspects to understand more clearly about luxury value. Weidmann, Hennigs, and Siebels (2007) included economic cultural and social capital into the Vigneron and Johnson five-dimension framework to enhance the current understanding of consumer motives and value perception in relation to luxury consumption. Therefore, the conceptual model of luxury value consists of four dimensions of luxury value perception which are financial dimension, functional dimension, individual dimension, and social dimension.

**Figure 2.2 Concept Model of Luxury Value Perception**



Source: Wiedmann, Hennigs, and Siebels, 2007

### **2.1.5.1 Financial Value**

The financial dimension of luxury value perception refers directly to money aspects such as price, resale price, investment, and discount. It refers to the value of the product expressed in dollars and cents, and to what is given up or sacrificed to obtain a product (Ahtola, 1984; Monroe and Krishnan, 1985).

#### **Price Value**

The price of a product may have a positive relationship with the perception of quality. The high price is often used as evidence for the high quality and/or high status value. Nevertheless, luxury consumers demand more value along with their luxury. That is why it is important to understand that the expensive price of product or service does not have to be a luxury good, because sometimes, their sentimental value (such as wedding ring or family tradition things) can be regarded as luxury goods, not in terms of a price tag or label. Thus, consumers can distinguish between the actual price of a product and the price as judged by the consumer (Groth and McDaniel, 1993).

### **2.1.5.2 Functional Value**

The functional dimension of luxury value perception refers to the core benefit and basic utilities that drive the consumer based luxury value such as the quality, uniqueness, usability, reliability, and durability of the product (Shelth, 1991).

#### **Usability Value**

Normally, a product or a service is designed to satisfy consumer needs. The usability is based on both the products' properties and the consumer's needs. Hence, The judgment of usability of the products depends on each consumer's

individual evaluation and the specific propose of use. Consumers expect the item they buy to work right, look good, last long time and can perform as expected and as promised (Fennel, 1978). These expectations also increase even more in terms of luxury items.

### **Quality Value**

One reason why consumers buy luxury brands is because of the superior quality reflected by the brand name (Gentry, 2001). Luxury consumers might prefer quality that not mass-produced, but often hand-made luxury brands offer excellent product quality and performance as compared to non-luxury brands (Dubois and Laurent, 1994, Vigneron and Johnson, 2004).

### **Uniqueness Value**

Uniqueness is based on the assumption that the perceived exclusivity and rareness of a limited product strengthens the consumer's desire or preference for a brand (Verhallen, 1982; Lynn, 1991). Furthermore, this value can be related to the financial value of the luxury item (Groth and McDaniel, 1993). The more unique a brand is, the more valuable the brand becomes (Verhallen and Robben, 1994). Also, for those customers who want the different and exclusive items, this uniqueness function will also strengthens that individual's need, which can only be fulfilled when the consumption and use of a certain brand is only given to the exclusive customers (Leibenstein, 1950; Vigneron and Johnson, 1999, 2004).

### **2.1.5.3 Individual Value**

The individual dimension of luxury value perception focuses a customer's personal value on luxury consumption such as self-identity value,

hedonistic (Vigneron and Johnson, 2004), and materialism (Richins and Dawson, 1992).

### **Self-Identity Value**

Self-identify refers to the internal factor of one's self in terms of the way the individual perceives him or herself (Jamal and Goode, 2003) In addition, for the theory of consumer behavior, there is the relationship between one's self image and one's image of a product or service (Belk, 1988). Luxury consumer may use luxury items as the symbolic of their own identity or they use the luxury brands to support and develop their own identity (Vigneron and Johnson, 2004).

### **Hedonic Value**

The study about the concept of luxury has repeatedly identified the connection between emotional value and luxury consumption, such as sensory pleasure, or aesthetic beauty (Vigneron and Johnson, 2004). Hence, an emotional value like hedonic can be fulfilled its enjoyment to their functional utility with the certain products and services from purchasing and consuming luxury brand name items (Westbrook and Oliver, 1991).

### **Materialistic Value**

Materialism has many different perspectives, and not yet agreed on a single definition (Richins and Dawson, 1992). However, for the research about luxury consumer's behavior, materialism always get involved. Materialism can be described as the degree to which individual principally find possessions, to have positive attitudes related to acquire, and to assign a high priority to material possessions (Belk, 1985).

#### **2.1.5.4 Social Value**

The social dimension of luxury value perception refers to the perceived utility individuals acquire by consuming products or services recognized within their own social groups such as conspicuousness and prestige value, which may significantly affect the evaluation and the propensity to purchase or consume luxury brands (Vigneron and Johnson, 1999, 2004).

##### **Conspicuousness Value**

The study about the influence of reference groups on the consumption of luxury brands (Mason, 1981), concluded that conspicuous consumption plays a significant part in shaping references for many products especially luxury goods which are purchasing or consuming in public contexts (Vigneron and Johnson, 2004). Thus, luxury brands may be important to individual who searching of social status as a representation or means as the ranking in a society for the conspicuous consumption value (Weidmann, 2007).

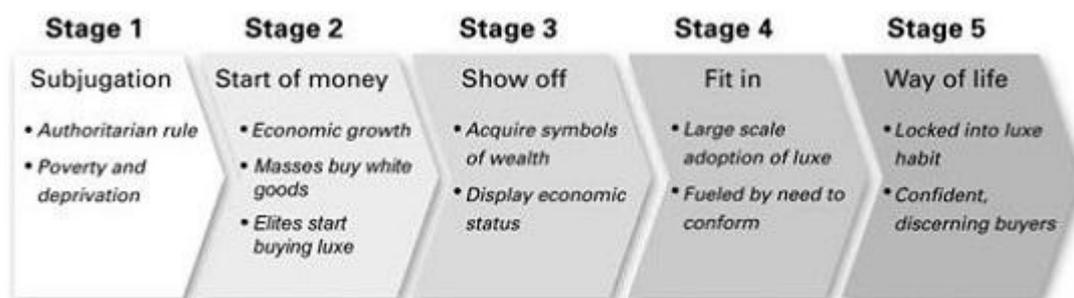
##### **Prestige Value**

The role of status takes place in the relationship between one's possessors and social relations (Douglas and Isherwood, 1979). People tended to adapt the majority opinion of their membership groups, a person may use a prestige brand during the weekday to show their professional position, and use a modest brand during the weekend to match their social standards of his or her neighborhood. This prestige value, which including bandwagon effect, influences an individual to have a lifestyle and/or to be different from others by using luxury brand name items as a symbolic sign of group membership (Belk, 1988).

### 2.1.6 Luxury Value in Asia

There are some unique characteristics of luxury value in Asia that is different from those of the West. Chadha and Husband (2010) mentioned that luxury value in Asia depend on a country's development level. This can be explained in five stages of "Luxe evolution" or "luxury model" for countries in Asia (see Figure 2.3).

**Figure 2.3 Luxe Evolution**



Source: Chadha and Husband, 2010

The first stage is subjugation. Every country in Asia has gone through some form of it, for example Japan was defeated and ruled by the Americans and South Korea had first a Japanese occupation to cope with and then an American presence. Taiwan exchanged Japanese rule for an even tougher time under Chiang Kai Shek and his cronies and China subjugated itself through a series of purging when the Communists took over. Hong Kong was under the British who only got liberal a few years before it was time to leave. India, Singapore, and Malaysia were under the British. The Philippines lived under the Spanish and then the American and Indonesia had the Dutch to deal with before the Japanese dropped by during the Second World War. Regardless of the means of subjugation, it mostly led to a fairly miserable life

for the people: hard work, low income, and limited personal dignity. What deprivation does is building a hunger, a desire, and a dream. When you release the pressure, as all these nations eventually did, the desire invariably bursts out and the hunger has to be fed. That's what makes subjugation the essential Stage 1.

Then stage 2, the start of money, began in earnest. The economy grew and people had money for the first time. Luxury goods are for the emerging middle class, while a smaller segment of elite consumers were already went farther than that.

Stage 3 is the show off stage. When you have money you need to announce it. People started acquiring the symbols of wealth and displaying them as Thorstein Veblen's theory.

Stage 4 is fit in fueled by need to conform. When luxury is their status markers, it is come with the new set of rules about how to express your status. This is the stage at which the collectivist nature of Asian cultures kicks in strongly; if the group prescribes that you carry Gucci and Prada, you do exactly that. If you don't you run the risk of being considered deficient socially, or losing face.

Stage 5 is the way of life stage. The last stage that signifies that there is no going back – unless there is a dramatic drop in financial status and you simply can not afford them anymore. Once you get used to the fine quality of luxury brand name product, you will not look for those simple brand because you think that its quality is not the same at all.

By using the model of Chadha and Husband, the conclusion is that Japan is in stage 4-5 (From fit in stage to way of life) , Hong Kong and Singapore is in Stage 3 – 5 (from show off to the way of life) , Taiwan and South Korea is in stage 3 – 4 ( in

stage of show off to be fit in) , China is in stage 1 – 3 (from the subjugation to the show off stage) , and India is in stage 1 – 2 ( beginning of subjugation to the start of money stage).

**Figure 2.4 Luxe Evolution in Asia**



Source: Chadha and Husband, 2010

Japan is the big market for luxury brand name product in Asia and sales of luxury goods in South Korea is rising (Mckinsey, 2011). Knowing the history of luxury market in these two countries would help us to understand more about their unique and similar characteristics and motivation in purchasing luxury brand name products.

#### **2.1.6.1 Luxury in Japan**

Japan's economy grew very fast in 1960s – 1970s. Then, the luxury brand name products started to get into the country when Japan hosted Olympic Games in 1964 (Ginza Connective, 2012), but the products did not boom at that time. Luxury brand products set their shop in the department stores, and Japanese also buy luxury items from there because it is more trustworthy. In 1980s, with a rapid growth in personal income and the emergence of a wealthy middle class, people started to

show their status markers, and conformed new set of rules about how to express your status, to express through luxury brands. Luxury market in Japan peaked in the mid 1990s and made Japan luxury market grew up remarkably in two decades.

In 2000, most Japanese department stores have been rattled by financial problems and some have tanked. For example, Sogo declared bankrupted in 2000, however, on the women's wear floor, numbers of prestigious imported brands were still presented. Moreover, luxury companies changed their strategies to set up their own shops on popular and famous shopping street instead (Sensu, 2003).

Japanese society is also both collectivism and individualism (Edward, 1977). For collectivism, it means that you have to be into the group with people. So, if others have Louis Vuitton bag, you have to have Louis Vuitton bag too (Hamaguchi, 1985). This can explain the problems why Japanese girls sleep with salary men to buy those items because they want to be the membership of their social group demands. Moreover, the Japanese also are individualism meaning that they still want to show what they are through items they have. The Japanese express how well they live because there is not much space in Japan so they can not show how they are rich through household stuffs, but instead they show it through the luxury brands. However, they tend not to show off because everyone has the same stuffs. The Japanese will show off through their knowledge as the quote "I have and I know". Also, some researchers mentioned the Japanese tend to shop in order to reduce their stress.

### **2.1.6.2 Luxury in Korea**

South Korea utilized the protective trade walls in Park Chung Hee period (1970s). During that time, the government strongly discouraged imported consumption from foreign countries. However, starting in 1986, in Chun Doo Hwan period, South Korea slowly opened about trade, they started to import the ready-to-wear apparels, handbags, and shoes (Nelson, 2000). Then Seoul Olympic in 1988 catapulted the country on to the world stage, luxury brand companies such as Armani, Burberry, and Louis Vuitton started to come in. Also, the government allowed the travels abroad for leisure for the first time so they go went travel and shopping abroad. However, the government was still against the imported foreign products.

In 1995, Korea's luxury market grew up remarkably in just a decade because of the economic boom. After that, IMF crisis in 1997 caused problems to middle class. Therefore, some middle class tended to purchase luxury brand name product as a mean to keep up their class, and that was why the sales for luxury market was still increasing (Koo, 2005). Small luxury brands reduce/cut their investment or temporarily left the country, however, they did not suffer much. Unlike the stronger brands such as Louis Vuitton and Hermes, that they changed the promoted strategies instead.

In 2000, Korean consumers started to buy luxury items with credit card but those who have debt from purchasing luxury brand name products and cannot find their way out, got committed suicide in a huge numbers in 2001-2002.

The Korean society values the social status determined by others higher than the real economic circumstances. In Yi-Dynasty, scholars were a symbol of status in

Korea because most government and military elite positions were recruited from this group. Then, since Korea's economy grew so fast between 1970s – mid1990s, the Koreans had more income and started to focus on improving their quality of life. Living standards improved, and many people think about social class and using Luxury goods as a symbol of status (Yoon and Seok, 1996; Nelson, 2000).

Most Asian countries have strong collectivistic cultures while many Western countries are highly individualistic. However, Korea is both. It does not neatly fall into either category but instead seems to be both, simultaneously. With the distribution analogy, we can thus easily see how the “We” (collectivistic) and the “Me” (individualistic) can concurrently exist. If you are in the Korean society and you do not want to be “out of bounds”, you need to be collectivistic. The upper bound constrains people from being too conspicuous such as flaunting an overly expensive foreign brand. The lower bound pulls people in as they fear that they might be left behind. People deem that they have to belong to a group to have an identity. The need to be part of a group in Korea is very strong. Moreover, the Koreans show their individualism by approaching but not exceeding the far reaches of the cultural bounds. The demand for brands may be very similar, but people may set themselves apart from others by using a slightly different style. For example, many young Korean women will ask for an acceptable brand like Chanel lipstick because they are collectivism but then they will use a different shade of red according to their personal liking to show their individualism (Chang, 2007).

**Table 2.3 Japan and Korea Luxury Evolution**

<b>EVENT / TIME</b>	<b>JAPAN</b>	<b>KOREA</b>
Starting point	1964 Olympic in Japan	1986 South Korea opened about trade
Economic boom	1960s-1970s Economic grew so fast	1970s – 1990s Economic grew so fast
Changing point	1980s The emergence of a wealthy middle class, express their status through their possessions.	1997 IMF Crisis, middle class have to keep up their class, show their status through their possessions.
Catalyzed point	-	1988 Olympic in Korea
Peak Point	1990s Luxury market up	1995 Luxury market up
Problem starting point	-	2000 debt from using credit card to purchase products

## 2.2 Empirical Evidence

There are many studies that related to the motivation and purchasing intention for luxury goods. This study classifies the studies into two groups which are non-Korean cases and Korean cases. The details are as follow:

### 2.2.1 Non-Korean Cases

(1) Sirichan Sriviroj (2007) studied about the motivation for purchasing luxury goods among students in the UK who aged between 18 to 25 years old, by using the culture difference to differentiate the young Western and Eastern consumers: British, Chinese and Thai, in order to see how different the motivation is among those developed and developing countries. The result showed that consumers in traditional cultural beliefs in the Eastern countries like China and Thailand, they have started to

adapt themselves to Western culture like of the UK in purchasing luxury brand products. Although, some people still have strong beliefs in traditional cultural behaviors, but since they have experience in a Western style environment, their purchasing behaviors have been changed. Perfectionism effect has become a major motivation on consumers, to consider quality as important when purchasing luxury brand products. The UK and Chinese consumer are similar in the way that their reason for purchasing luxury products is self-fulfillment and personal value. In contrast, the UK and Thai respondents are the same in term of Snob effect. They prefer limited items or exclusively products. Also, some Chinese consumers seem to follow celebrities, and think about Status and Materialistic Consumption. Some Chinese consumers might purchase luxury products to show their class, and because they envy others, while UK and Thai consumers do not.

(2) Heinemann (2008) studied the Motivations for buying luxury brands among Chinese and Indian males between the ages of 20 and 35, who live in New Zealand. The results showed that, even if there is a gap between Chinese and Indian culture, but their main motivation for purchasing luxury products are almost the same, which are Quality and Superiority of luxury products, Comparative Superiority (e.g. they feel superior than those who can not have), the need of uniqueness, the attention and image showing (e.g. they want to impress other by showing their possessions), and Status consumption (e.g. they want to use the luxury brand name products as a symbol to show their status and social group). Still, there are different concepts between these two consumers' behavior in purchasing luxury items. Chinese consumers think of Professionalism and Power Implications (e.g. they want to look

professional, reliable, and high ranking for their business opportunities, also get respect from others), Relationship (e.g. make others wish to have a relationship with them by using luxury items), Lifestyle Enrichment (e.g. improve their life), and Gifting (e.g. luxury products make effective gifts). But, Indian consumers think of Utility, Luxury Lifestyle, Competitiveness (e.g. luxury brands will allow them to be better than their rivals or friends), Cultural status (e.g. luxury brands will help them to be admired by others).

(3) Nutchai Krimjai (2004) studied about the perception and decision for purchasing international brand name products among Thai consumers. Her sample were separated into 3 groups; Generation Y (aged 13 – 19 years old), Generation X (aged 20 – 32 years old), and Baby Boom (over 33 years old). The results showed that the main motivation in purchasing international brand name items was quality, and the influenced group is friend. While price, channel of distribution, marketing promotion, culture and social aspects, personal characteristics and psychological aspect was including in decision making, just only at the fair level.

### **2.2.1 Korean Target Cases**

(4) In Korea, Yoon and Seok (1996) studied about conspicuous consumption and social status in Korea. They use the theory of conspicuous consumption to test with Korean consumers who lived in the cities. The results showed that Conspicuous consumption among Korean households will increase their self-evaluation of own social status more than will their own socioeconomic status such as occupational prestige, income, wealth, and education. Also, those who have conspicuous consumption tend to spend more conspicuously.

(5) Park, Nancy, Robolt, and Jeon (2007) studied about the purchasing intentions toward foreign luxury brands among female university students in Seoul. The results showed that the personal values and social recognition factors such as Materialism, Conformity, and the need for uniqueness on young Korean Consumers purchasing intentions for foreign luxury brands was positive, while the consumer ethnocentrism was negative. Additionally, the results from examining demographic factors also showed that, the lower of age, the larger pocket money and the higher purchasing frequency, the higher purchasing intentions toward luxury brands.

**Table 2.4 Empirical Evidence on Luxury Consumption**

<b>Author (Year)</b>	<b>Detail</b>	<b>Research Questions</b>	<b>Factors</b>	<b>Result</b>
Nutcha Krimjai (2004)	-Thai consumers - 3 Aged groups; Generation Y (aged 15-19), Generation X (aged 20 – 32), Baby Boom (age over 33 years old) - 402 samples	- What is consumer's perception and behavior of purchasing international brand name products - What factor contributing consumer's perceptions and decision on purchasing products - Comparison of relationship between demographic variables and consumers' decision on purchasing international brand name products	- Quality - Influenced group - Price - Marketing promotion - Culture and social aspects - Personal characteristic - Psychological aspect	- Factors that have influenced the most is quality and durable of products, and television highly influenced consumers' decision in purchasing products. While other aspects were at the fair level. However, there are differences for the comparison of relationship between demographic variables and consumer's decision depending on social and psychological aspects; the lower age, larger pocket money, high purchasing frequency, the higher purchasing intention

**Table 2.4 Empirical Evidence on Luxury Consumption (Continue)**

<b>Author (Year)</b>	<b>Detail</b>	<b>Research Questions</b>	<b>Factors</b>	<b>Result</b>
Sirichan Sriviroj (2007)	- Thai, Chinese, and the UK students in UK - Generation Y (aged between 18 to 25 years old) - 150 samples (UK-50, China- 50, Thailand- 50)	- How different motivation in purchasing luxury goods among developed and developing countries (Eastern and Western) - What are the motivational factors that encourages into purchasing luxury brand products and the comparison between young consumers from Western and Eastern countries.	- Perfectionism effect - The Veblen effect - The bandwagon effect - The hedonic effect - The snob effect - Status and materialistic consumption - Generation Y - Gender - Limited item - Face - Independent and group needs	- Consumers in traditional cultural beliefs in Eastern countries like China and Thailand, has adapt to Western culture like the UK in purchasing luxury products because of the popularity of Western style fashion that has emerged in Eastern countries. - For the motivation, perfectionist had the most impact on all consumers. Snob, perfectionist, and hedonic effect motivate UK and Thai consumers, while Hedonic and perfectionist motivate China consumers.

**Table 2.4 Empirical Evidence on Luxury Consumption (Continue)**

<b>Author (Year)</b>	<b>Detail</b>	<b>Research Questions</b>	<b>Factors</b>	<b>Result</b>
Heinemann, 2008	<ul style="list-style-type: none"> <li>- Chinese and Indian males, in Newzealand</li> <li>- Aged 20-35 years old</li> <li>- Interviewed from June21 to July30, 2008</li> <li>- 23 interviewers</li> </ul>	<ul style="list-style-type: none"> <li>- What motivates consumers in China and India to purchase luxury products</li> <li>- How similar or different motivation in purchasing luxury goods between Chinese and Indian</li> </ul>	<ul style="list-style-type: none"> <li>- Luxury product implications (uniqueness, quality, exclusivity, branding, superiority, and utility)</li> <li>- Perceived interpersonal effects (Image enhancement, comparative superiority, attention, public use, wealth and success)</li> <li>- Perceived personal effects (personal empowerment, professionalism implications, image creation, luxury lifestyle, competitiveness)</li> <li>- Societal group implications (status enhancement and assertion, power implication,</li> </ul>	<ul style="list-style-type: none"> <li>- Similar concepts on purchasing luxury products for China and India are branding, attention, personal empowerment, status enhancement and assertion, quality and superiority, and image enhancement and creation. However, another concepts that including for Chinese consumers are comparative superiority, professionalism and power implications, relationship, lifestyle enrichment, and gifting. While India consumers focus on utility, luxury lifestyle, competitiveness, categorization, cultural status, common cultural attributes, and comparative superiority.</li> </ul>

Author (Year)	Detail	Research Questions	Factors	Result
			and categorization) - Other concept (relationship, lifestyle enrichment, gifting, cultural status, common cultural attributes, invidious consumption)	
<b>Comments</b>	<ul style="list-style-type: none"> <li>- Confucianism and hierarchical society had to be understood</li> <li>- Motivations in China including status consumption, price-conscious, gifting, consumption as to improving family's face, to be more attractive, and as to show their good taste.</li> <li>- Motivation in India including conspicuous consumption, global lifestyle (show their wealth, power, and modern lifestyles), identity of consumers and motivation from Bollywood movie and star's lifestyle.</li> </ul>			

**Table 2.5 Empirical Evidence on Luxury Consumption in Korea**

<b>Author (Year)</b>	<b>Detail</b>	<b>Research Questions</b>	<b>Factors</b>	<b>Result</b>
Yoon and Seok (1996)	<ul style="list-style-type: none"> <li>- Korean, married householders who lived in the cities</li> <li>- 531 samples</li> <li>- data were collected through a 1990 national survey of equity and social inequality by Korean Social Research Council in Korea</li> </ul>	<ul style="list-style-type: none"> <li>- What is the relation of conspicuous consumption and status competition in Korea</li> <li>- Why industrializing countries of East Asia such as Singapore, Korea, Hong Kong and Taiwan change their people orientations through status and consumption</li> </ul>	<ul style="list-style-type: none"> <li>- Conspicuous consumption</li> <li>- Demographic (socioeconomic, status-occupational, prestige, income, wealth, education, age)</li> </ul>	<ul style="list-style-type: none"> <li>- Conspicuous consumption among Korean householders will increase their self-evaluation of own social status more than their occupational prestige, controlling for a household member's income, wealth, and education.</li> <li>- Those who have conspicuous consumption tend to spend more conspicuously</li> </ul>
<b>Comments</b>	Required to understand how Confucianism's influence in Korea – because hierarchical principles of Confucian ethics have traditionally treated a higher rank as a higher status, that's why Korean people have more conscious of rank.			

**Table 2.5 Empirical Evidence on Luxury Consumption in Korea (Continue)**

<b>Author (Year)</b>	<b>Detail</b>	<b>Research Questions</b>	<b>Factors</b>	<b>Result</b>
Park et al. (2008)	<ul style="list-style-type: none"> <li>-Female university students living in Seoul</li> <li>- 319 samples</li> <li>- limit only fashion bags</li> <li>- aged between 18 to 25 year old</li> <li>- data were collected in 2005</li> </ul>	<ul style="list-style-type: none"> <li>- What leads young Korean consumer to purchase foreign luxury brands.</li> <li>- What is the impact of personal values, social recognition, and demographics</li> <li>- What is the most effective strategies based on their finding</li> </ul>	<ul style="list-style-type: none"> <li>- Social recognition</li> <li>- Personal Values (ethnocentrism, materialism, conformity, the need of uniqueness and vanity)</li> <li>- Demographic (age, gender, pocket money, and frequency of purchasing)</li> </ul>	<ul style="list-style-type: none"> <li>- Except for vanity, Social recognition, and personal values was positive, but ethnocentrism was negative.</li> <li>- The lower age, larger pocket money, high purchasing frequency, the higher purchasing intention</li> </ul>

## **CHAPTER III**

### **METHODOLOGY**

This chapter presents the methodology that this study follows. There are three parts which are the conceptual framework, data collection, and the method that is used to analyze data.

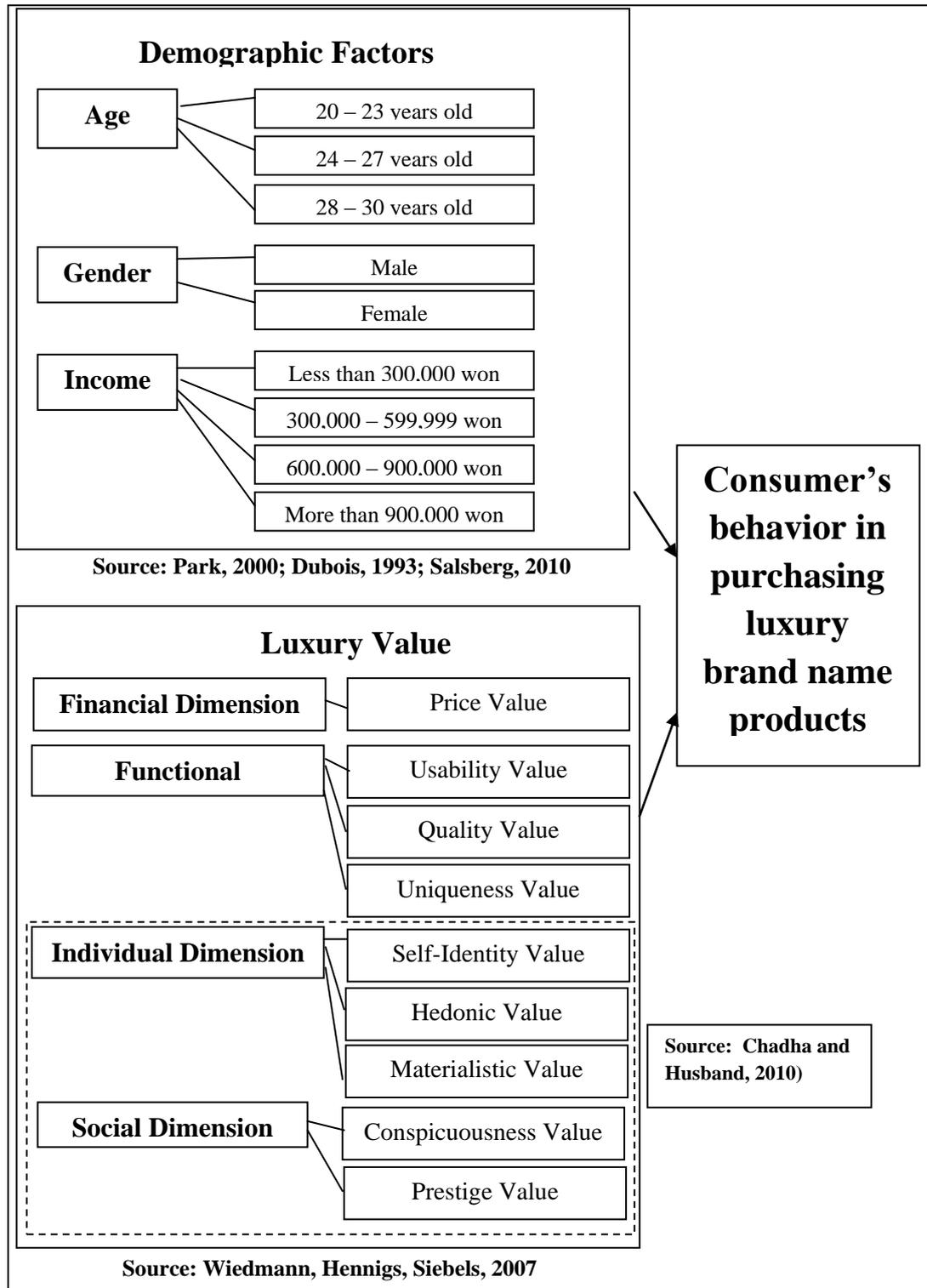
#### **3.1 Conceptual Framework**

This study adapts the framework of luxury value perception from Wiedmann, Hennigs, and Siebels (2007), demographic factors from Park (2000), Dubois (1993) and Salsberg (2010) and consider in the case of Korea. The hypothesis is set according to the previous studies and the explanation of Chadha and Husband (2000) for the luxury evolution in Korea, which stated that South Korea is currently in the stage of show off and going to be fit in the stage.

There are five main aspects to consider in this framework which are demographic factors, financial value, functional value, individual value, and social value. The effect of each value on consumer's behavior will be clarified with their hypotheses in the following section.

**Figure 3.1 Conceptual Framework**

**Case Study of Korea**



### **3.1.1 Demographic factor**

Personal data such as age, gender, average income are required for general background of respondents who purchase luxury brand products. Additionally, purchasing frequency to show how often respondents purchase luxury products is included in this conceptual framework.

Consumers in their twenties are rapidly replacing middle-aged consumer as the main consumers of global luxury brands in Korea (Park, 2000). Also, even if women are the primary luxury market, but men are another emerging market. Shopping has become more common and accepted among Korean males (Brian Salsberg, 2010). The income is related to luxury product purchases (Dubois, 1993). Therefore, income should be included as one of the factors of purchasing luxury brands.

Hypothesis1 Age, income and gender as demographic factors have impact on purchasing luxury brand products.

### **3.1.2 Financial Value**

The financial aspect in the Luxury Value Perception refers directly to money and many studies show that there is positive relationship between the price of a product and the perception of high quality and also often use price as evidence for the high quality and/or high status (Erickson and Johansson, 1995; Lichtenstein, Bloch and Black, 1988; Tellis and Gaeth, 1990; Weidmann, 2009).

Korean consumers have spent more in purchasing expensive luxury brand products compared to the cheaper one (Kim, 2011). Therefore, price value should be included as one of the factors of purchasing luxury brand products.

### **3.1.3 Functional Value**

The functional aspect in the luxury value perception refers to the core benefit and basic utilities that drive the consumer based luxury value. With regard to basic usage, consumers expect the items they buy to work right, look good, last long time, and perform as expected and as promised (Fennel, 1997). These expectations increase even more in regard to luxury items. While, one reason that consumers buy luxury brands is because of the superior quality reflected in the brand name (Gentry, 2001). Moreover, the perceived exclusivity and rareness of the product boost a consumer's desire (Verhallen, 1982).

Additionally, young consumers in Korea want to buy products in which they could express themselves to make them unique in a rather uniform society (Gluck, 2002). The value of usability, uniqueness, and quality should be included as the factors of purchasing luxury brand products.

### **3.1.4 Individual Value**

The individual aspect in the Luxury Value Perception focuses a personal value on luxury consumption. Consumers may use luxury items as a symbolic meaning into their own identity (Vigneron and Johnson, 2004). Certain products also carry an emotional value in addition to their functional utility (Westbrook, 1991). Also,

materialism always involved in the factor of purchasing luxury products as individual attitude in material possessions (Belk, 1985).

Moreover, Koreans tended to buy luxury goods as a way of signaling self-indulgence and people wanted other people to know what they are using, to show their image and style (Mckinsey, 2011). Additionally, the change of Korean consumer's lifestyle in the way of considering money as the symbol of success and value things as luxury brand name products, which they can show off to others. Considering the ongoing changes of Korean's consumers' lifestyles under the influence of culture pursuing materialism (Yoon, 2003), would be meaningful to explore whether materialism is directly related to Korean consumers in purchasing luxury brand name products. Therefore, self-identify and materialism should be included as the factors of purchasing luxury brand products.

Hypothesis2 Self-identity and materialism as Individual value is the important factor in purchasing luxury brand name products.

### **3.1.5 Social Value**

The social aspect in the Luxury Value Perception refers to the perceived utility individuals acquired by consuming products within their own social group. Conspicuousness still plays a significant part in the luxury goods market (Vigneron and Johnson, 1999, 2004). Also, prestige value as the role of status still takes place in the relationship between one's possessors and social relations (Douglas and Isherwood, 1979).

Additionally, the pressure to conform, in the sense of keeping up with the neighbors, may also be intense. Korean luxury consumers stay on top of trends, and showing off their latest luxury purchases seems to come naturally, and Koreans tended to buy luxury goods as a way of signaling social status (Mckinsey, 2010, 2011). Therefore, conspicuousness and prestige value should be included as the factors of purchasing luxury brand products.

Hypothesis3 Conspicuous consumption as social value has the most influences factor in purchasing luxury brand name products.

## **3.2 Data Collection**

This study aims to explore consumer's behavior, which focuses on factors and motivation of purchasing luxury brand products. This study used questionnaires to collect data from Korean people, aged between 20 – 30 years old in Sin-chon neighborhood, Seoul, South Korea, during March – April, 2012.

### **3.2.1 Population**

Populations in this study are Korean males and females in Sin-chon neighborhood, Seoul, aged from 20 - 30 years old. Sin-chon neighborhood is the famous area for young consumers.

This study focuses on the Korean age between 20-30 years old as the sampling group because they are the young consumers, who are the new target group for luxury brand name product market. When compared to older consumers, younger consumers

tend to spend greater portions of their disposable income on high-end clothing and accessories (McKinsey, 2010). Also, they are the future customer, who will continue to support the future growth of luxury brand name.

**Figure 3.2 South Korea Map**



Source: Central Intelligence Agency

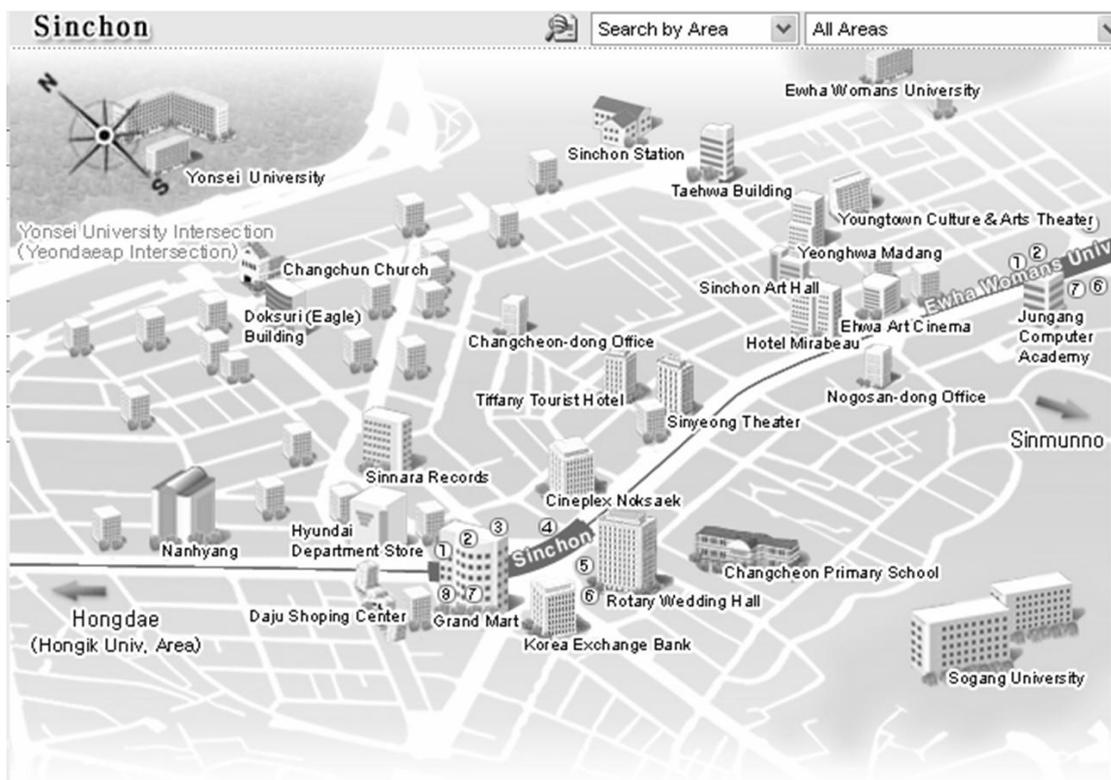
Sin-chon neighborhood is located in Seodaemun district, Northwest Seoul, and it is a shopping area which has several department stores, cinemas, restaurants, karaoke rooms (Noraebang), DVD rooms, PC rooms, and night clubs.

Figure3.3 Seoul Map



Source: Visit Korea

Figure3.4 Sin-chon Neighborhood Map



Source: Korea4southafricans

Figure3.5 Shopping Street in Sin-chon Neighborhood



Source: Visit Korea

Sin-chon neighborhood's floating population number is 1,154,538 as showed below (see Table3.1)

**Table 3.1 Top 20 districts of Floating Population**

<b>No.</b>	<b>Town</b>	<b>District</b>	<b>Neighborhood</b>	<b>Population in one day</b>
1	Inchoen	Jung	Youngjong	4,850,788
2	Seoul	Gangnam	Yeoksam-1	2,374,170
3	Seoul	Gwanak	Daehak	2,263,007
4	Seoul	Junggu	Jungno-gu 1,2,3,4 ga	1,477,421
5	Seoul	Youngdeungpo	Yeoui	1,443,681
6	Kyunggido	Paju	Kyoha	1,411,193
7	Seoul	Dongjak	Sadanjae1	1,308,285
8	Incheon	Namdong	Nonhyungojan	1,293,579
9	Seoul,	Gangnam	Samsung1	1,259,543
10	Ulsankwang	Nam	Samsan	1,243,575
11	Kyunggido	Tanwon	Choji	1,240,082
12	Kyunggido	Buchun	Sang	1,228,530
13	Seoul	Yongdeungpo	Yongdeunpo	1,208,693
14	Seoul	Seochon	Seochon3	1,203,234
15	Kyunggido	Hwasung	Bongdam	1,199,409
16	Kyunggido	Ilsandong	Janhang2	1,195,837
17	Kyunggido	Paldal	uman1	1,160,565
<b>18</b>	<b>Seoul</b>	<b>Seodaemun</b>	<b>Sinchon</b>	<b>1,154,538</b>
19	Kyunggido	Namyangju	Hwado	1,138,242
20	Seoul	Nowon	Sanggye6,7	1,130,090

Source: Hankyung News, 2011

Moreover, Sin-chon Neighborhood is also known as “University Fashion Shopping Street”, since there are four universities in this area, which are Ewha Womans University, Yonsei University, and Sogang University. Table 3.2 shows the number of student in 2011 of these three universities. University students are aged between 20-30 years old, which are our target group, so Sin-chon neighborhood should be collecting data area.

**Table 3.2 Number of Students in 2011**

<b>Name of University</b>	<b>Number of students</b>
Ewha Womans University	17,917
Yonsei University	26,335
Sogang University	11,964
Hongik University	16,790
<b>Total</b>	<b>73,006</b>

Source: Academyinfo, 2011

Even if there are other places in Seoul like Myeong-dong as the most famous shopping area, or Apgujeong and Chongdam-dong as the luxury fashion street that should be considered as the collected data area. However, because Sin-chon neighborhood is also the big and famous shopping area for young consumers especially for university students, aged around 20 – 30 years old which are target group. That is why Sin-chon neighborhood should be our collecting data area.

### **3.2.2 Sample Group**

The population size is 1,154,538 and by using Yamane Taro's Table with the confidence level of 95%, the sample size is 400 people. Therefore, this study gives out 400 questionnaires to Korean male and female, aged 20 - 30 years old, in Sin-chon neighborhood, Seoul.

### **3.2.3 Sampling Method**

The sample group in this study includes 400 Korean consumers who purchase luxury brand name products. This study used two sampling methods which are (1) traditional sampling by gathering information from consumers of luxury brand products through face-to-face questionnaires in Sin-chon neighborhood, Seoul; and (2) online sampling by using the internet via e-mails (electronic survey), and online survey in the website.

The advantage of data collection from consumers by using face-to-face questionnaire is that it is possible to correct any misunderstanding of the questions that is being asked, and any missing information that has not been filled in. However, there are limitations in face-to-face data collection with large amount of sampling such as the respondents did not answer all questions in the survey. Therefore, the use of electronic surveys is also applied. Also, using online questionnaires can also be posted to those who are interested in completing one because they would be able to focus on the questions and take more time to fill it out rather than asking random people who are passing by to complete a questionnaire (Dillman, 2000).

### 3.2.4 Questionnaire

This study collects the primary data by using questionnaires as a tool. This questionnaire covers all the research objectives.

#### 3.2.4.1 Questionnaire Design

There are 4 sections in this questionnaire.

**Part1** Question about demographic information. This study will use close-ended questions to find out the respondents' demographic information such as gender, age, level of education, average income.

**Part2** Questions about consumer's behavior. This study will use close-ended questions to find out the respondents' behavior in purchasing goods, and personal frequency of purchasing items.

**Part3** Questions about the factors in purchasing luxury brand name products. There are four dimensions in this part.

(1) **Financial dimensions:** Price Value

(2) **Functional dimensions:** Usability Value, Quality Value, and Uniqueness Value

(3) **Individual dimensions:** Self-Identity Value, Hedonic Value, and Materialistic Value

(4) **Social dimensions:** Conspicuousness Value and Prestige Value

**Part4** Questions about the intention to purchase luxury brand name products in the future. This study uses close-ended questions to see the trend whether the respondents' will purchase luxury brand name products continuously or not depending on their economic status.

### 3.2.4.2 The Rating Criteria

The questionnaires in part 2 and 3 which concerns the evaluation of the respondents, will require the rating on a 5-point Likert scale. Levels of measurement are provided below:

<b>Score</b>	<b>Score Meaning</b>
5	Strongly agree
4	Agree
3	Neither agree nor disagree
2	Disagree
1	Strongly disagree

### 3.2.4.2 The average level of score

This study separates the score into five groups ranging from very low level to the very high level

<b>The score between</b>	<b>Influenced level</b>
1.00-1.50	very low level
1.51-2.50	low level
2.51-3.50	medium level
3.51-4.50	high level
4.51-5.00	very high level

### 3.3 Data Analysis

In this study, after gathering all questionnaires, the data are analyzed by using the statistic products and service solutions (SPSS) program. Detailed data analysis is shown as the following.

1. Demographic of the respondents' data will be analyzed by calculating into percentage.
2. Factors in purchasing luxury brand name products' data will be analyzed by calculating into Mean ( $\bar{x}$ )
3. To find out the relationships of each factor, data will be grouped by demographic factors and analyzed the important factors later.

#### 3.3.1 Descriptive Statistics

Descriptive Statistics consists of:

1. Percentage is used to translate the meaning of the personal data respondents by the following formula (Boonchom Srisaard, 1998)

$$P = \frac{f}{n} \times 100$$

Where P = Percentage

f = Frequencies that need to be converted into Percentage

n = Total frequencies or samples

2. Average is used to translate the data by the following formula (Boonchom Srisaard, 1998)

$$\bar{X} = \frac{\sum X^n}{n}$$

Where  $\bar{X}$  = Mean  
 $\Sigma X$  = Sum of all samples  
 $n$  = Sample size

### 3.3.2 Criteria

In this study, to find the important factors, the data are analyzed as follow;

1. Choose top three factors that have the highest average score.
2. Each important factors have level of opinion score more than 3.5 out of 5, or got more than 70% which can indicate that it is a high influencing factor.

## **CHAPTER IV**

### **EMPIRICAL RESULTS AND ANALYSIS**

This chapter presents the result of this study, consists of 6 parts which are demographic information of the respondents, consumer's behavior, determinants to purchasing luxury brand name product, future trend, determinants of luxury brand name purchasing behavior, and discussion.

#### **4.1 Demographic Information of the Respondents**

This part presents the respondents' demographic information which are age, gender, and average income per month. This part will help understanding the characteristic of the respondents.

##### **4.1.1 Age**

The table 4.1 shows that most of the respondents are between 20-23 years old, calculated into percentage are 47.4%, 24-27 years old are 35.3% and 28-30 years old are 17.3% respectively.

**Table 4.1 Age**

<b>Age</b>	<b>Amount</b>	<b>Percentage</b>
20-23 years old	170	47.4
24-27 years old	127	35.3
28-30 years old	62	17.3
<b>Total</b>	<b>359</b>	<b>100</b>

### 4.1.2 Gender

Women respondents are more than men. There are 278 women or calculate into 77.4% and 81 men or 22.6% respectively.

**Table 4.2 Gender**

<b>Gender</b>	<b>Amount</b>	<b>Percentage</b>
Male	81	22.6
Female	278	77.4
<b>Total</b>	<b>359</b>	<b>100</b>

### 4.1.3 Average Income per Month

Most of the respondents have average income per month less than 300,000 won (300 USD) which is calculated into 36.5%, 300,000 - 599,999 won (300 – 599 USD) at 29.8%, more than 900,000 won (900 USD) at 23.4%, and 600,000 - 900,000 won (600 – 900 USD) at 10.3% respectively.

**Table 4.3 Average Income per Month**

<b>Average income per month</b>	<b>Amount</b>	<b>Percentage</b>
Less than 300,000 won (Less than 300 USD)	131	36.5
300,000 – 599,999 won (300 – 599 USD)	107	29.8
600,000 – 900,000 won (600 – 900 USD)	37	10.3
More than 900,000 won (More than 900 USD)	84	23.4
<b>Total</b>	<b>359</b>	<b>100</b>

## 4.2 Consumer's Behavior

This part presents consumer's behavior in purchasing luxury brand name product in order to show how they get money for shopping, their frequency of

purchasing, how much they pay, how they decided and who influenced them to buy the luxury brand name product.

#### 4.2.1 Source of Money for Shopping

The table 4.4 shows that the most of respondents get money for shopping from parents calculate into percentage are 43.5%, from part time job 30.4% and from salary are 26.2% respectively.

**Table 4.4 Source of Money for Shopping**

<b>How you get money for shopping</b>	<b>Amount</b>	<b>Percentage</b>
From my parents	156	43.4
From my part time job	109	30.4
From my salary	94	26.2
<b>Total</b>	<b>359</b>	<b>100</b>

#### 4.2.2 Source of the first luxury brand name product

The most of respondents answered that they get their first luxury brand name product as a gift from others for 64.6% and 35.4% get their first luxury brand name product by having bought with their own money as showed in table 4.5

**Table 4.5 Source of the First Luxury Brand Name Product**

<b>How you get your first luxury brand name product</b>	<b>Amount</b>	<b>Percentage</b>
Bought with my own money	127	35.4
Received as a gift from others	232	64.6
<b>Total</b>	<b>359</b>	<b>100</b>

Moreover, the first luxury brand name products that that most respondents got is Louis Vuitton, followed by Gucci, MCM, Coach, Chanel, Bean Pole and Prada.

#### 4.2.3 Value on Foreign and Korean Luxury Brand Name Product

The table 4.6 shows that the most of respondents purchased foreign luxury brand name product rather than the local Korean brand name product by its well known (Global brand) for 38.4%, and following the current trends and others for 31%. The other reasons are 30.6% with the reasons depending on “style, design, quality and price”.

**Table 4.6 Value on Foreign and Korean Luxury Brand Name Product**

<b>Why you purchase foreign luxury brand name product rather than the local Korean brand name product</b>	<b>Amount</b>	<b>Percentage</b>
Well-known brand name (Global brand)	138	38.4
Following the current trends and others	111	31.0
Other	110	30.6
<b>Total</b>	<b>359</b>	<b>100</b>

#### 4.2.4 Purchase Frequency for Luxury Brand Name Products in a Year

From the data collection, most of the respondents purchased luxury brand name product once a year for 55.2%, 16.9% for once a season, 3.9% for once a month and 24% for other occasion with the reason that “depends on when I want, when travel abroad, when my parents buy me, once per 2-3 years, or not so often”.

**Table 4.7 Purchase Frequency for Luxury Brand Name Products in a Year**

<b>How often do you purchase luxury brand name products in a year</b>	<b>Amount</b>	<b>Percentage</b>
Once a year	198	55.2
Once a month	14	3.9
Once a season	61	16.9
Other	86	24.0
<b>Total</b>	<b>359</b>	<b>100</b>

#### **4.2.5 Occasion for Purchasing Luxury Brand Name Product**

Most of the respondents purchase luxury brand name product on Celebrating season (Ex. New Year, Christmas) for 35.4%, followed by purchasing on birthday 27.9%, 10.6% for those who are shopping when the new collection come out and 26.1% for other reasons like “When travel abroad, when it is on sale, when I find product that I like, when I need or want it, and when I want to buy a gift for others and for myself”.

**Table 4.8 Occasions for Purchasing Luxury Brand Name Product**

<b>On what occasions do you purchase luxury brand name product</b>	<b>Amount</b>	<b>Percentage</b>
Birthday	100	27.9
Celebrating season (Ex. New Year, Christmas)	127	35.4
New Collection	38	10.6
Other	94	26.1
<b>Total</b>	<b>359</b>	<b>100</b>

The result shows that they purchase luxury brand name product mostly in the celebrating season like New Year or Christmas event. This can explain why the luxury products sales performance in those celebrating season went up so high.

#### 4.2.6 Place for Purchasing Luxury Brand Name Product

Table 4.9 shows that the respondents normally purchase luxury brand name product from shops in Korea for 71.9% and from shops abroad/overseas for 28.1%

**Table 4.9 Place for Purchasing Luxury Brand Name Product**

<b>Where do you normally purchase luxury brand name product</b>	<b>Amount</b>	<b>Percentage</b>
From shops in Korea	258	71.9
From shop abroad/overseas	101	28.1
<b>Total</b>	<b>359</b>	<b>100</b>

Unlike in the past that the Koreans could purchase the luxury brand products only while traveling abroad or by importing them, nowadays, the Korean consumers purchase the products from shops in Korea. That is the reason why the amount of sales for luxury brand name products in Korea increases rapidly.

#### 4.2.7 Price for Spending on Luxury Brand Name Products

From data collection, the price that the respondents spend on luxury product each time they shop the most is less than 400,000 won (400 USD) for 59.9%, followed by 400,000 – 599,999 won (400 – 599 USD) for 22.3%, More than 800,000 won for 11.7%, and 600,000 – 800,000 won (600 – 800 USD) for 6.1% respectively.

**Table 4.10 Price for Spending on Luxury Brand Name Products**

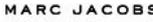
<b>How much do you spend on these products each time you shop for them</b>	<b>Amount</b>	<b>Percentage</b>
Less than 400,000 won (Less than 400 USD)	215	59.9
400,000 – 599,999 won (400 – 599 USD)	80	22.3
600,000 – 800,000 won (600 – 800 USD)	22	6.1
More than 800,000 won (More than 800 UDS)	42	11.7
<b>Total</b>	<b>400</b>	<b>100</b>

#### **4.2.8 Luxury Brand Names that are Normally Purchased**

The most brand that the respondents normally purchase the most is MCM for 13.4%, the second is Chanel for 11.7%, then followed by Louis Vuitton for 10.6%, Coach for 9.2%, Marc Jacobs for 8.4%, and 7.5% for Prada, Gucci for 7.2%, Bean Pole 6.7%, 4.7% for Daks, Louis Quatorze for 3.6%, and 3.3% for Lovcat. 10.8% for others brands are including brand like Vivien Westwood, Mulberry, and Armani.

The top 10 luxury brands in Korea are MCM, Chanel, Louis Vuitton, Coach, Marc Jacob, Prada, Gucci, Bean Pole, Daks, and Louis Quatorze. The interesting thing is that those brands are in the high-end and premium high-street market, not only did it show that they purchase the global brand name, but the results also showed that even purchasing decision, nationalism or homogenous notions among Korean people are still in high level. They still support the brand that related with the Korean company.

Table 4.11 Luxury Brand Names that Normally Purchase

What luxury brand names do you normally purchase	Logo	Amount	Percentage
MCM		48	13.4
Chanel		42	11.7
Louis Vuitton		38	10.6
Coach		33	9.2
Marc Jacob		30	8.4
Prada		27	7.5
Gucci		26	7.2
Bean Pole		24	6.7
Daks		17	4.7
Louis Quatorze		13	3.6
Lovcat		12	3.3
Cartier		5	1.4
Metrocity		4	1.1
Fendi		1	0.3
Bottegaveneta		1	0.3
Other		38	10.6
<b>Total</b>		<b>359</b>	<b>100</b>

The brand that Korean people normally purchase the most is MCM, which is originally German-luxury brand but was resurrected by Korean businesswomen in

2005, so it is very popular in Korea now. Also, the same with top brands in Korea like Louis Quatorze (originally French brand, designed in Paris office but marketed by Taejin International, Korea), Daks (originally British brand, but LG Fashion Corporation was the one who launched a flagship store), and Metrocity (originally Italian brand, but now mainly produced in South Korea). Moreover, Korean brand that have international images like Bean Pole (South Korean fashion brand and an affiliate company of Samsung, using American actor or actress like Gwyneth Paltrow as a presenter) and Lovcat (South Korean brand, but using Paris style images and have stores in USA and China) also played a crucial role in purchasing decision.

#### **4.2.9 Luxury Items that Normally Purchase**

For luxury items that the respondents normally purchase the most is handbag for 50.7%. The second is wallet for 32.3%, and the third is sunglasses for 2.8%, followed by glove 1.9%, scarves and belt 1.4%, key holder and hat 0.8% and necktie 0.6%. There are 7.3% of the other includes items like shoes, jewelry, watch and clothes.

Top three of luxury items that Korean people normally purchase are handbag, wallet and sunglasses.

**Table 4.12 Luxury Items that Normally Purchase**

<b>Which luxury items do you normally purchase</b>	<b>Amount</b>	<b>Percentage</b>
Handbag	182	50.7
Wallet	116	32.3
Sunglasses	10	2.8
Glove	7	1.9
Scarves	5	1.4
Belt	5	1.4
Hat	3	0.8
Key holder	3	0.8
Necktie	2	0.6
Other	26	7.3
<b>Total</b>	<b>359</b>	<b>100</b>

**4.2.10 Deciding Factors on Which Brand of Products to Purchase**

Most of respondents make decision base on their personal preference with no specific in their mind for 75.8% while 12.8% base on current fashion trend, and from the same brands as they used before or brand royalty for 11.4%

**Table 4.13 Deciding Factors on Which Brand of Products to Purchase**

<b>How do you decide on which brand of products to purchase</b>	<b>Amount</b>	<b>Percentage</b>
From my personal preference of each item	272	75.8
From the current fashion trend	46	12.8
From the same brands as I used before (Brand royalty)	41	11.4
<b>Total</b>	<b>359</b>	<b>100</b>

#### 4.2.11 Influencing Persons in Purchasing Decision

From the table 4.13, the first rank for influencing persons in purchasing decision the most are friends for 30.6%. The second is family members for 25.6%, the third is Celebrities or Idol stars for 16.4%, and designers for 4.7%. For 22.7% of other person including answers like “myself and internet” as influences one for their purchasing decision the most.

**Table 4.14 Influencing Persons in Purchasing Decision**

<b>Who influences your purchasing decision the most</b>	<b>Amount</b>	<b>Percentage</b>
Friends	110	30.6
Family members	92	25.6
Celebrities / Idol stars	59	16.4
Designers	17	4.7
Other	81	22.7
<b>Total</b>	<b>359</b>	<b>100</b>

The result shows that not only did social factors include direct reference group like friends or family, and indirect groups like inspiration person as celebrities, idol stars or designers also played very significant roles in influencing the consumer’s decision. However, their personality and self concept as their self-confidence or choosing by believing themselves also have influenced in their purchasing decision.

#### 4.2.12 Results from Comparing Brand that They First Get and Brand that They Normally Purchase

In addition, Korean consumers have their first luxury brand name product as a gift from other, and from the results, it showed that they think they purchase luxury

brand products from their personal preference of each item. However, the luxury brand that they first got and the brand that they normally purchase are the similar.

**Table 4.15 Results from Comparing Brand that They First Get and Brand that They Normally Purchase**

<b>luxury brand that first get</b>	<b>luxury brand that normally purchase</b>
Louis Vuitton, Gucci, MCM, Coach, Chanel, Bean Pole, Prada, Marc Jacob	MCM, Chanel, Louis Vuitton, Coach, Marc Jacob, Prada, Gucci, Bean Pole,

### **4.3 Determinants to Purchasing Luxury Brand Name Products**

This part presents the determinants of the luxury brand name products purchasing. The questions are divided into four values, which are financial value (price), functional value (usability, quality and uniqueness), individual value (self-identity, hedonic and materialistic), and social value (conspicuousness and prestige).

#### **4.3.1 Financial Value**

From the results from the young consumer in Sin-chon neighborhood, it shows that the overall average of financial value which is price value is 3.27, which means that it is in the medium influenced level.

**Table 4.16 Financial Value**

<b>Questions</b>	<b>Level of opinion</b>	<b>Overall average</b>
<b>Price Value</b>		
1. I prefer expensive luxury brands over cheaper brands	3.08	<b>3.27</b>
2. In my opinion, luxurious items are not always usable	3.46	

### 4.3.2 Functional Value

The overall average of functional value is 3.52, which is in the high influenced level. Moreover, if we separate functional value into small units, it shows that quality value is the highest one, then usability value is in high level and uniqueness value is in medium level.

**Table 4.17 Functional Value**

Questions	Level of opinion	Overall average	
<b>Usability Value</b> 3. I consider usability as a priority when purchasing luxury brand	3.75	3.75	<b>3.52</b>
<b>Quality Value</b> 4. I buy luxury brand products because they offer better quality 5. I consider quality as a priority when purchasing luxury brand products	3.80	3.85	
<b>Uniqueness Value</b> 6. I have less desire towards luxury brand products when mass quantities of people consume the same products as me 7. I purchase luxury brand products to differentiate myself from others	3.44	3.07	
		2.70	

### **4.3.3 Individual Value**

From the result from Korean young consumers in Sin-chon neighborhood, it shows that the overall average of individual value is 3.15, which is in the medium influenced level. However, when looking in self-identity value, it shows that level of opinion is quite high but hedonic value and materialistic value is in the medium level.

**Table 4.18 Individual Value**

Questions	Level of opinion	Overall average		
<b>Self-Identity Value</b>				
8. I only buy items from luxury brands that suits my personal character	4.11	3.91	<b>3.15</b>	
9. My choice of luxury brand depends on whether they reflect the way I view myself, not how others view me	3.70			
<b>Hedonic Value</b>				
10. I purchase luxury brand products to full fill myself as a gift	2.87	2.86		
11. Luxury brands are one of the sources for my own pleasure without regard to the feelings of others.	3.50			
12. Purchasing luxury brands provides deeper meaning in my life	2.22			
<b>Materialistic Value</b>				
13. I believe my life would be better if I owned certain things I don't have	2.47	2.92		
14. I would be happier if I could afford to buy more things.	3.54			
15. I envy those with luxury brand products e.g. I have the desire to own the same products that they have.	2.76			

### 4.3.2 Social Value

The overall average of social value is 2.72, which is in the medium influenced level. Both conspicuous value and prestige value are in the medium level.

**Table 4.19 Social Value**

Questions	Level of opinion	Overall average	
<p style="text-align: center;"><b>Conspicuousness Value</b></p> <p>16. I purchase luxury brand products because I would like others to view me as a person with high social status I consider quality as a priority when purchasing luxury brand products</p> <p>17. I like to know what brands and products make good impressions on others.</p>	<p style="text-align: center;">2.58</p> <p style="text-align: center;">2.88</p>	2.73	<b>2.72</b>
<p style="text-align: center;"><b>Prestige Value</b></p> <p>18. I usually keep up with style changes by watching the fashion trends and what others buy.</p> <p>19. My friends and I tend to buy the same brands</p>	<p style="text-align: center;">3.06</p> <p style="text-align: center;">2.35</p>	2.71	

From the overall results, the influence dimension that lead Korean consumers to purchase luxury brand name products were functional aspect of luxury value with overall average 3.52 out of 5, including quality value and usability value with score 3.75 and 3.85 for the reasons that I consider quality as a priority when purchasing luxury brand products, I buy luxury brand products because they offer better quality and I consider usability as a priority when purchasing luxury brand.

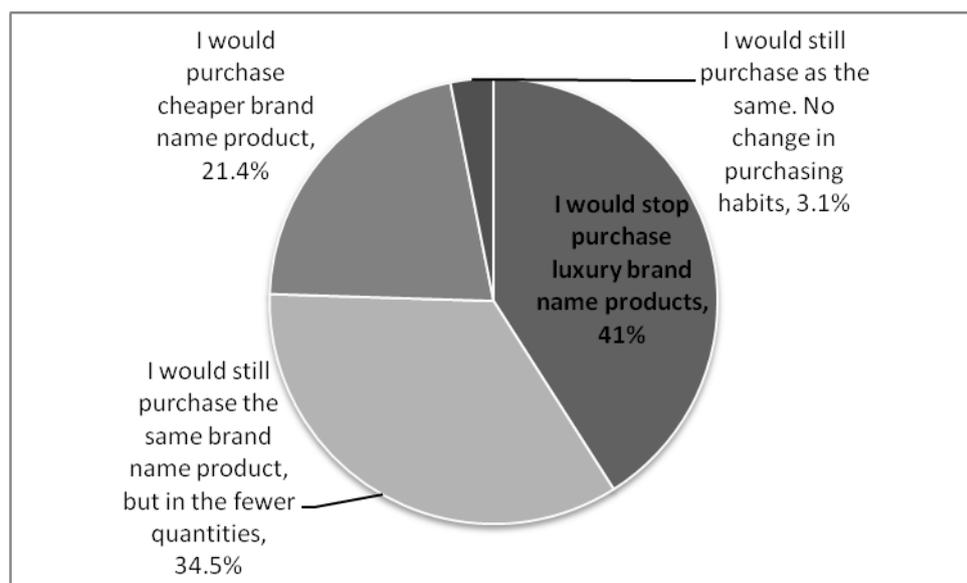
#### **4.4 Future Trend**

This part presents the intention to purchase luxury brand name products in the future in order to prospect the change of the respondents' purchasing habits when their income increases or decreases. Moreover, the study was also intended to find out

whether or not their interest level would increase if the Korean brand is at the same class as the Western brands.

#### 4.4.1 Purchasing Habits When Income Decreased

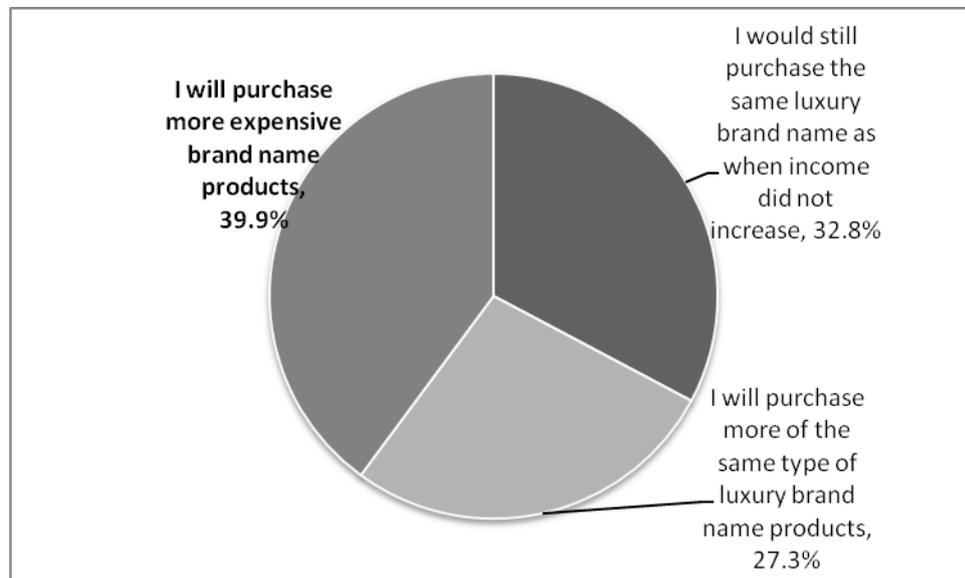
**Figure 4.1 Purchasing Habits When Income Decreased**



From the result, if their income decreases, most of the respondents would stop purchasing luxury brand name products for 41%. While 34.5% of respondents would still purchase the same brand name products, but in the fewer quantities, 21.4% of respondents would purchase cheaper brand name product and 3.1% of respondents would still purchase as the same, without the change in their purchasing habits.

#### 4.4.2 Purchasing Habits When Income Increased

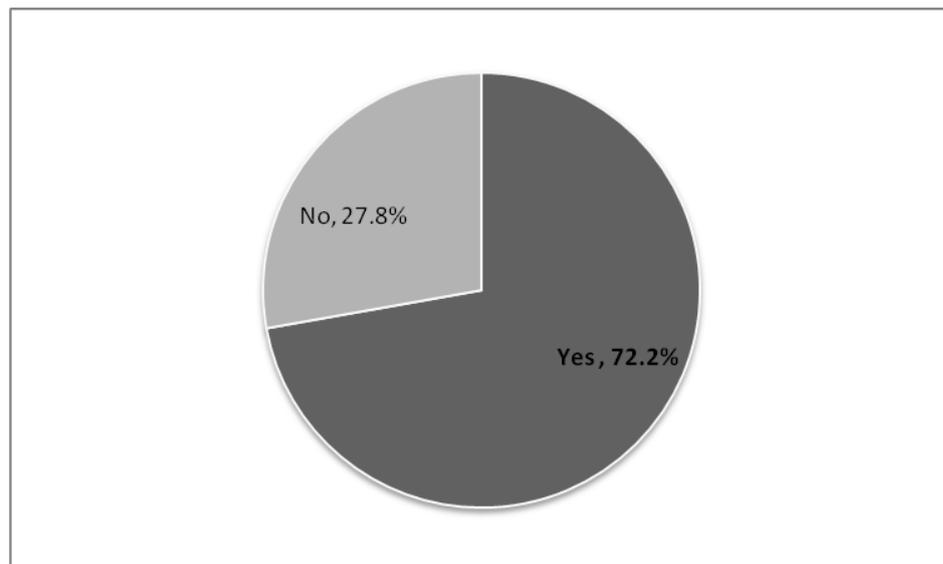
**Figure 4.2 Purchasing Habits When Income Increased**



The figure 4.19 shows that if the respondents have graduated, have a stable job and/or been promoted, most of them would purchase more expensive brand name products for 39.9%. The respondents also give reasons for this answer that because they feel confident and they want to buy a gift for themselves. There are 32.8% of the respondents would still purchase the same luxury brand name when income did not increase with the reasons stating that because they are satisfied with what they have now, and 27.3% of the respondents answered that they will purchase more of the same type of luxury brand name products with a reason that they are brand loyalty so they will buy the same brand more.

#### 4.4.3 Interested in Korean Brand if it Becomes the Same Class as Western Brand

Figure 4.3 Interested in Korean Brand if it Becomes the Same Class as Western Brand



For the question that if there is Korean brand name product that is considered to be in the same level and as luxurious as the Western luxury brand name products, most of the respondents will be interested in this brand for 72.2% with the reason that because they are Korean so they have to support their country's product. However, for 27.8% of the respondents will not interested in this brand comes up with the reason that that brand has no history and they do not think it can be compared.

This result went in the same direction with the results that we got from the brands that they normally purchase. The luxury brand that is related with the Korean company gain so much popularity among Korean consumers, so this also showed Korean's characteristic that Korean people is nationalism. They still prefer supporting their own country products.

## 4.5 Determinants of Luxury Brand Name Purchasing Behavior

This part shows the result from the survey according to the hypotheses. There are three sessions which are first whether the demographic factors have impact on luxury brand name purchasing behavior; second, whether self-identity and materialism are the important determinants of purchasing behavior; and third, whether conspicuous consumption is the most important factor determining luxury purchase.

### 4.5.1. Effects of Demographic Factors on Luxury Brand Name Purchasing Behavior

This study classifies the sample into subgroups according to age, income level, and gender to examine whether Korean consumers in different groups express different determinants of purchase.

**Table 4.20 Results from Comparing Age with the Purchasing Intentions**

Age	How do you get money for shopping	Occasion for purchasing	Influenced persons
20-23	From parents	Birthday	Family members
24-27	From parents	Celebrating season	Friends
28-30	From salary	Celebrating season	Friends

Comparing the purchasing intentions according, the age it shows that the lower age got money for shopping from their parents, and that is why they normally purchase on their birthday and their influencing person in purchasing decision is their family.

**Table 4.21 Results from Comparing Income with the Purchasing Intentions**

<b>Income</b>	<b>How do you get money for shopping</b>	<b>Occasion for purchasing</b>	<b>Influenced persons</b>
Less than 300,000 won (Less than 300 USD)	From parents	Birthday	Friends
300,000 – 599,999 won (300 – 599 USD)	From parents	Celebrating season	Family members
600,000 – 900,000 won (600 – 900 USD)	From part time job	Celebrating season	Friends
More than 900,000 won (More than 900 USD)	From salary	Celebrating season	Friends

There are differences among different age group. The lower income respondents got money for shopping from their parents, so they normally shop on their birthday, but their influencing persons are friends. However, those who got money from 300,000-599,999 won (300 – 599 USD) have family members as their influenced persons. Moreover, it is clearly that their source of money for shopping is depending on their income. That is why those who got income less than 600,000 won (600 USD) got money from their parents, but those who have 600,000 – 900,000 won (600 – 900 UDS) shop by using money from their part time job, and those who have more than 900,000 won (900 USD) are shopping by using money from their salary.

**Table 4.22 Results from Comparing Gender with the Purchasing Intentions**

<b>Gender</b>	<b>Brand that they get</b>	<b>Brand that they normally buy</b>	<b>Item that they normally buy</b>
Male	1. Gucci 2. Bean Pole 3. MCM	1. Daks and Bean Pole 2. Gucci and Marc Jacobs	1. Wallet 2. Bag 3. Glove
Female	1. Coach 2. MCM 3. Gucci	1. MCM 2. Chanel 3. Louis Vuitton	1. Handbag 2. Wallet 3. Sunglasses

The difference between male and female is term of items and brand of the products. The brand that the male and female got when they first received luxury brand name product and that they normally buy are different. Bean Pole and Marc Jacobs seem to be more attractive to male consumers than female consumers. Item that they normally buy is different too because male normally buy wallet, bag and glove, but female consumers prefer handbag, wallet and sunglasses.

**Table 4.23 Results from Comparing Gender with the Future Trend**

<b>Gender</b>	<b>If income decreased</b>	<b>If income increased</b>
Male	I would stop purchase luxury brand name products	I would still purchase the same brand name products
Female	I would still purchase the same brand product, but in a fewer quantities	I will purchase more expensive brand name products

However, when comparing gender with the future trend, it clearly showed that male consumers would stop purchase luxury brand name products if their income decreased, and they would still purchase the same brand name product if their income increased. This is totally different from female consumers that they would still purchase the same brand product, but in a fewer quantities if their income decreased, and they will purchase more expensive brand name products if their income increased. This can be implied that male consumers did not pay attention to the brands of the product much and they will not change their purchasing habit even if they have higher economic status but would change it if there is a risk.

**Table 4.24 Results from Comparing Age and Gender.**

Age	Male	Female
<b>20-23</b>	<ul style="list-style-type: none"> <li>- First brand is Bean Pole</li> <li>- Buy because follow trend</li> <li>- Buy on celebrating season</li> <li>- Top brand is Bean Pole</li> <li>- Influenced persons are celebrities/idol stars</li> <li>- If income decreased, I would stop purchase luxury brand name products</li> <li>- If income increased, I would still purchase the same luxury brand name as when income did not increase.</li> </ul>	<ul style="list-style-type: none"> <li>- First brand is Coach</li> <li>- Buy because it's well-known</li> <li>- Buy on birthday</li> <li>- Top brand is MCM</li> <li>- Influenced persons are family members</li> <li>- If income decreased, I would purchase the same brand name product, but in the fewer quantities</li> <li>- If income increased, I will purchase more expensive brand name products</li> </ul>
<b>24-27</b>	<ul style="list-style-type: none"> <li>- First brand is Gucci</li> <li>- Buy because follow trend</li> <li>- Buy on celebrating season</li> <li>- Top brands are Daks and Bean Pole</li> <li>- Influenced persons are friends</li> <li>- If income decreased, I would stop purchase luxury brand name products</li> <li>- If income increased, I would still purchase the same luxury brand name as when income did not increase.</li> </ul>	<ul style="list-style-type: none"> <li>- First brand is Louis Vuitton</li> <li>- Buy because its well-known</li> <li>- Buy on celebrating season</li> <li>- Top brand is MCM</li> <li>- Influenced persons are friends</li> <li>- If income decreased, I would stop purchase luxury brand name products</li> <li>- If income increased, I will purchase more expensive brand name products</li> </ul>
<b>28-30</b>	<ul style="list-style-type: none"> <li>- First brand is Gucci</li> <li>- Buy because it is well-known</li> <li>- Buy on celebrating season</li> <li>- Top brand is Coach</li> <li>- Influenced persons are friends</li> <li>- If income decreased, I would stop purchase luxury brand name products</li> <li>- If income increased, I will purchase more of the same type of luxury brand name products.</li> </ul>	<ul style="list-style-type: none"> <li>- First brand is Louis Vuitton</li> <li>- Buy because follow trend</li> <li>- Buy on celebrating season</li> <li>- Top brand is Louis Vuitton</li> <li>- Influenced persons are friends</li> <li>- If income decreased, I would purchase the same brand name product, but in the fewer quantities</li> <li>- If income increased, I would still purchase the same luxury brand name as when income did not increase.</li> </ul>

Comparing difference between gender and age, the results shows that the consumers with different ages and genders have influencing factors, purchasing decision, and their intention in purchasing in the future are different.

Male consumer with age between 20-23 years old and female consumer with age between 27-30 years old are brand royalty because their first get brand name product and their normally purchased product are in the same group.

For the influencing person, those who have age between 20-23 years old, male consumers have idol stars or celebrities as their influenced persons and young consumers have family members as their influenced persons, but for those who are 24 – 30 years old, both male and female consumers have friends as their influenced persons.

For the purchasing decision, male consumers aged between 20-27 years old are purchasing by follow trend but for 28-30 years-old consumers are purchasing because the brand is well-known. In contrast, the female consumers aged between 20-27 years old are purchasing by its well-known, but for 28-30 years old consumers are purchasing by follow trend.

For the intention in purchasing in the future, if their income decreased, female consumers age between 20-23 years old and 28-30 years old would purchase the same brand name product, but in the fewer quantities. 24-27 years-old female consumers stop to purchase luxury brand name products as same as male consumers. If income increased, male consumers age between 20-27 years old and female consumers age between 28-30 years old would still purchase the same luxury brand name as when their income did not increase, and those male consumers aged between 28-30 years

old will purchase more of the same type of luxury brand name products, but female consumers aged between 20-27 years old will purchase more expensive brand name products.

As for conclusion, Korean consumers got money from their parents for shopping and the influencing people are their friends. However, the influencing group, source of the money for shopping and occasion for purchasing is varied by age and income. The lower age, lower income respondents got money for shopping from their parents so they normally shop on their birthday and have their influencing persons in purchasing decision as their family members. While, the higher age with higher income respondents, got money from their part time jobs or their salaries, they normally purchase on celebrating season, and have their friends as their influenced person in purchasing decision.

Top brand and items for female and male consumers are different; female consumers are Coach or MCM handbag and wallet, but for male consumers are Gucci or Bean Pole wallet and bag. Moreover, even if the overall results showed that the most respondents would purchase more expensive brand name product when their income increased and would stop purchase luxury brand name product if their income increased. However when comparing between male and female consumers, the trends are different in which female consumers would still purchase the same brand product, but in a fewer quantities, while male consumers would stop purchase luxury brand name products. Moreover, female consumers will purchase more expensive brand name product if they are graduated, have a stable job and/or have been promoted, but male consumers would still purchase the same brand.

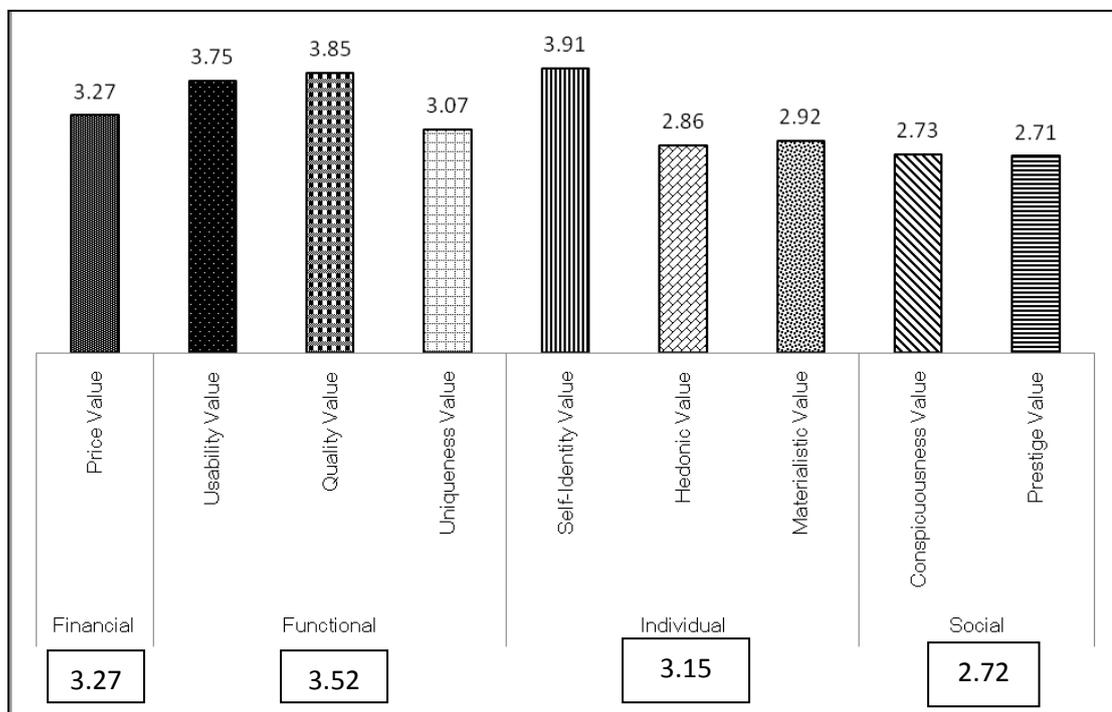
Therefore, the results show that age, income and gender as demographic factors have impact on purchasing luxury brand products.

#### 4.5.2 Self-identity and Materialism as Individual Value is the Important Factors in Purchasing Luxury Brand Name Products.

- Accepted for self-identity value
- Rejected for materialism

The results showed that we can separate the influencing factors into three groups according to influenced level (see Figure 4.1).

**Figure 4.5 Factors in Purchasing Luxury Brand Name Products**



The first group is the high influencing group that has scores more than 3.5 out of 5, which are self-identity value, quality value, usability value.

The second group has the score between 3 – 3.5 or the medium-high influencing group, which are price value and uniqueness value.

The third group is the medium influencing groups that have score less than 3, which are materialistic, hedonic, conspicuousness and prestige value.

#### **4.5.3 Conspicuous Consumption as Social Value has the Most Influencing Factor in Purchasing Luxury Brand Name Products.**

From figure 4.1, the results are different from the hypothesis. Self-identity value is in high influencing group, but materialism and conspicuousness value is in only medium influencing group.

#### **4.5.4 Results and the Stage of Korean Luxe Evolution**

To explain what showed in the result, this study followed the stage of luxe evolution theory by Radha and Husband (2010) in luxury value in Asia.

The results show that Korea's decision factors in purchasing luxury brand name products is changing and this matches with the evolution of luxury brand name purchasing behavior in Asia. There are three main issues that this study can derives.

**(1) Conspicuousness value is in only the medium influenced factor and can indicate that Korean consumers have already passed the show off stage.**

The results show that conspicuousness value is not the most important factors for Korean's consumer which is different from the hypothesis and previous studies, and can indicated that Korean consumers have already passed the show off stage or stage that the consumers show their status through luxury goods.

**(2) Korean is in fit in stage because they are in the collectivism society and they want to be part of the society. However, because they also are individualism, they want to show who they are, so their self-identity value is in high level.**

In the fit in stage, consumers have to do the same as the society prescribed. So, if the society that consumers belong use Gucci bag, consumer must have consumer's own Gucci, if not, consumer will be out of the group or lose face. Korea is collectivism society. If consumers want to get in the society, consumers have to be the same as the others. Therefore, economic status is not important anymore if everyone has luxury brand name products as the same.

However, the Koreans are also individualism. They want to be accepted from other, and they also want to show who they are. Thus they buy luxury brands that suit with their personal character to reflect the way they view themselves and to show their image and style through the possessions. They might use Gucci bag as the same as their friends, but they will use different edition, depending on their own style to show their own identity. This can explain why self-identity value is in the high influencing factor for Korean consumers in purchasing luxury brand name products.

**(3) Quality value and usability value are in the high influencing factors means that Korean is going into the way of life stage.**

In the way of life stage, once consumers get used to the fine quality of luxury brand name product, they will not look for simple brand. This is because they think that the quality is not the same and already seeking for the excellent quality product.

In addition, Korean young consumers normally purchase luxury brand name product once a year especially on the celebrating season, so this can explain why they have to think about usability. The product will last long and can be used as they had expected.

In the same way, because of the limited occasion to purchase luxury brand name product, Korean consumers would not think about the material possessions as a high priority, but they would get the best thing for them.

#### **4.6 Discussion**

Comparing to previous studies, there are both similarity and difference. Like Nutchakrimsri's study on Thai consumers (2004) and Sirichan Sriviroj's study on Thai and Chinese (2007), this study finds that perceived perfectionist or quality value is the important influenced factor and friends are the influenced groups in purchasing luxury brand name products. This is because Thai, Chinese and Korean share the same Eastern culture.

However, the results from the case of South Korea in this study are different from the results from Heinemann's study on Indian consumers (2008). Conspicuous consumption (or status consumption) has high influence on purchasing behavior of Indian consumers because hierarchical society among Indian consumers still has important role in Indian society.

Considering the case of Korea, the results from this study are different from those of Yoon and Seok (1998) and Park, Nancy, Robolt, and Jeon (2008). In Yoon and Seok (1998), Korean society is the most highly value as social status determined by other than economic circumstances. Thus conspicuous consumption is the influenced factor in that period. While in Park, Nancy, Robolt, and Jeon's study (2008), materialism and the need of uniqueness as personal values and social recognition lead Korean consumers to purchase foreign luxury brands.

The results from this study are different from those two Korean previous studies. The important factors determining luxury brand name products are changing from conspicuous consumption in Yoon and Seok (1998) to materialism and the uniqueness in Park, Nancy, Robolt, and Jeon (2008), and then to self-identity, quality and usability values in this study. This difference is the results of the luxe evolution in Korea. It was true before that Korean consumers purchased luxury brand name products because they want to show off. However, once this luxury purchase behavior has become the normal activity of Korean people, the perception of Korean consumers move forward to the fit in stage. This is when consumers decide to buy luxury products because they want to belong in the society.

However, the results come out in the same way with Park study that the larger the pocket money, the higher the purchasing intentions toward luxury brand name products. The results show that even if most of respondents purchasing luxury brand name product with the price less than 400,000 won (400USD) as the same no matter how income they are. But most of them would purchase more expensive brand name product if they graduated, have a stable job, or getting promoted which their income increased.

## **CHAPTERV**

### **CONCLUSION AND RECOMMENDATION**

This chapter presents the conclusion and recommendation that can derive from this study. Moreover, the limitation of this study and suggestion for further study are also presented in the last section.

#### **5.1 Conclusion**

There are two objectives in this study. First is to identify the important factors that lead Korean consumers to purchase luxury brand name product and second is to suggest the strategy for developing campaign on luxury brand products that suit with the consumers.

This study collects data from 359 Korean people, aged between 20-30 years old in Sin-chon neighborhood during March – April, 2012. There are 400 questionnaires that have been distributed to the respondents but only 359 useful questionnaires or 89.75% was received. Descriptive statistics for finding the respondents' demographic information, consumer's behavior, factors in purchasing luxury brand name products, and the intention to purchase luxury brand name products in the future were calculated into percentage and average.

The results show that most of the respondents are female, aged 18-20 years old and receive money for shopping from their parents. They think they purchase luxury

brand products from their personal preference of each item, but without knowing, they are brand loyalty consumers.

The purchase of luxury brand name product in Korea is still increasing, but that does not mean that they will abandon their characteristics that they still have high nationalism. They still support the brand that related to Korean company. Korean young consumers' top item is MCM handbag brand that is an original German luxury brand but later resurrected by the Korean. They will be interested in Korean luxury brand if it became the same class as Western luxury brand.

Korean young consumers did not purchasing luxury brand name products because they want to show off their wealth, but they purchase because of quality, usability and to show their self-identity through the luxury brand name products. They want to show who they are in the collectivism society of Korea, and they also seeking for the product that have an excellent quality, look good and can used last long as they expected.

This study shows that Korean purchasing decision has evolved over time. In the past, luxury purchasing refers to conspicuous consumption or purchasing for keeping up their class. The determinants and luxury value is changed through time, and if it is in the stage of luxury evolution, South Korean luxury purchasing value will be the same as that in Japan.

## **5.2 Recommendation**

The results show that age, income and gender as demographic factors have impact on purchasing luxury brand products. From the results, the strategy for luxury

brand name companies should be adjusted to match with behavior of their target group according to age group, income level and gender aspects. For example, if the company would like to focus on female consumers with age between 24 – 30 years old, the companies should design the campaign that focus on the product that release on the celebrating season and that product is widely used among Korean consumers.

Also, it is quite clear that now Korean's young consumers are seeking for item with good functions meaning that it must come with better quality and high usability. They expected the item they bought to work right, look good, last long-and perform as they expected and as it had been promised. Therefore, even if the luxury brand name product comes with the high quality and high usability that everyone accepted, the luxury brand name companies should still focus on and keep the standard of this high functional of the product.

Moreover, consumers are seeking for items that can show their self-identify or what they really are. The strategy for luxury brand name companies should focus on presenters that can represent their brand image. Therefore, the presenters of the brand should have many characters to match with the consumers' style. With the image of the presenters or idols that have the same characters with them, so they think they are suitable with that brand and can show their own style through that product and want to support that brand.

However, because of the collectivism, it is concerned that if those young consumers want to be in the group but they have limit income. They might try to do everything to get that product such as they might borrow money from someone, or use

credit cards. If they are in debt, it can turn into the problem of the society. So, those related person should concern about this.

### **5.3 Limitation**

This study focuses on the Korean age between 20-30 years old as the sampling group because they are the young consumers, who are the new target group for luxury brand name product market.

The young consumers group is an interesting group because when compared to older consumers, younger ones tend to spend greater portions of their disposable income on high-end clothing and accessories (McKinsey, 2010). Also, they are the future customer, who will continue to support the future growth of luxury brand name.

However, most of the young consumers are still in the studying age or just start working. This leads to limited income and budgets for spending. Thus they have to think carefully before they purchase and can buy only not too expensive brand. So, brand that they can purchase are specific brand.

Therefore, the results from this study are derived from the young consumers group, aged between 20-30 years old. When the sample group is the Korean with age more than 30 years old, the major factors that have influence on luxury brand product purchasing behavior may be different.

### **5.4 Suggestion for Further Study**

This study focuses on Korean young consumers with age between 20 – 30 years old in Sin-Chon neighborhood, Seoul, South Korea. Therefore, the results

represent behavior and characteristics of this group during March – April, 2012. In order to understand more about the transition of consumer's behavior on luxury brand name purchase and to compare the determinants of this behavior across countries, this study has two suggestions for further study

- (1) The future study should extend the scope of study to include broader group of sample such as the group of Korean with age more than 30 years old, and other area in South Korea. To compare the transition of consumers' behavior, the study that collects data from different time period in the future will be useful.
- (2) To compare the consumers' behavior across countries, the comparative study among the countries in region should be conducted.

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## **APPENDICES**

# APPENDIX A

## QUESTIONNAIRE

**Master of Art in Korean Studies,  
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### **Determinants of Korean Consumer's Behavior in Purchasing Luxury Brand Name Products**

This questionnaire is designed to investigate the determinants of Korean Consumer's Behavior in Purchasing Luxury brand name products.

Luxury in this study can be defined as “products and services with the certain brands whose names are associated with high quality or high price in the high-end and premium high-street market.” (*For Example; Prada, Louis Vuitton, Chanel, Gucci, Burberry, MCM, Daks, etc*)

Luxury brand name products in this questionnaire are limited to fashion bags and accessories, *including handbags, wallets, gloves, scarves, hats, belts, sunglasses, key holder, and necktie.*

If you have purchased products that have been included above or similar products please proceed in answering the questionnaire. If not, please ignore this questionnaire.

#### **Part 1 – Personal Details**

**Please complete all sections and tick the appropriate boxes**

1. Age :     20 – 23     24 - 27     28 - 30     more than 30
2. Gender :     Male                       Female
3. Average income per month :
  - Less than 300,000 won (Less than 300 USD)
  - 300,000 – 599,999 won (300 – 599 USD)
  - 600,000 - 900,000won (600 – 900 USD)
  - More than 900,000won (More than 900 USD)

## Part 2 – Consumer’s Behavior

**Please complete all sections and tick the appropriate boxes**

1. How do you get money for shopping? (can choose more than one answer)
  - From my part time job     From my parents     From my salary
2. How did you get your first luxury brand name product?
  - Bought with my own money     Received as a gift from others

What was the item and which brand?  
 .....
3. Why did you purchase foreign luxury brand name product rather than the local Korean brand name product?
  - Well-known brand name (Global brand)
  - Following the current trends and others
  - Other (Please specify).....
4. How often do you purchase luxury brand name products in a year?
  - Once a year                       Once a month
  - Once a season                       Other (Please specify) .....
5. On what occasions do you purchase luxury brand name product?
  - Birthday                               Celebrating season (Ex. New Year, Christmas)
  - New Collection                       Other (Please specify) .....
6. Where do you normally purchase luxury brand name product?
  - From shops in Korea     From shop abroad/overseas
7. How much do you spend on these products each time you shop for them?
  - Less than 400,000 won (Less than 400 USD)
  - 400,000 – 599,999 won (400 – 599 USD)
  - 600,000 – 800,000 won (600 – 800 USD)
  - More than 800,000 won (More than 800 USD)
8. What luxury brand names do you normally purchase?
  - Chanel     Louis Vuitton     Prada                       Gucci                       Fendi
  - Cartier     Bottegaveneta     Marc Jacob     MCM                       Daks
  - Metrocity     Louis Quatorze     Bean Pole     Lovcat                       Coach
  - Other (please specific) .....

9. Which luxury items do you normally purchase?

- Handbag     Wallet     Glove     Scarves     Necktie  
 Hat     Belt     Sunglasses     Key holder  
 Other (please specific) .....

10. How do you decide on which brand of products to purchase?

- From the same brands as I used before  
 From the current fashion trend  
 From my personal preference of each item, no specific brand in mind

11. Who influences your purchasing decision the most?

- Family members     Friends     Designers  
 Celebrities / Idol stars     Other (please specific) .....

### Part 3 – Determinants to purchasing luxury brand name products

Please rank these questions to your opinion.

Determinants to purchasing luxury brand name products	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
	5	4	3	2	1
1. I prefer expensive luxury brands over cheaper brands					
2. In my opinion, luxurious items are not always usable					
3. I consider usability as a priority when purchasing luxury brand					
4. I buy luxury brand products because they offer better quality					
5. I consider quality as a priority when purchasing luxury brand products					
6. I have less desire towards luxury brand products when mass quantities of people consume the same products as me					
7. I purchase luxury brand products to differentiate myself from others					
8. I only buy items from luxury brands that suits my personal character					
9. My choice of luxury brand depends on whether they reflect the way I view myself, not how others view me.					

<b>Determinants to purchasing luxury brand name products</b>	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
	5	4	3	2	1
11. Luxury brands are one of the sources for my own pleasure without regard to the feelings of others.					
12. Purchasing luxury brands provides deeper meaning in my life					
13. I believe my life would be better if I owned certain things I don't have					
14. I would be happier if I could afford to buy more things.					
15. I envy those with luxury brand products e.g. I have the desire to own the same products that they have.					
16. I purchase luxury brand products because I would like others to view me as a person with high social status					
17. I like to know what brands and products make good impressions on others.					
18. I usually keep up with style changes by watching the fashion trends and what others buy.					
19. My friends and I tend to buy the same brands					

#### **Part 4 – Future Trend**

**Please fill out the information in the blank and tick the appropriate boxes**

1. If your income decreased, would you change your purchasing habits?

- I would stop purchase luxury brand name products
- I would still purchase the same brand name product, but in the fewer quantities
- I would purchase cheaper brand name product  
(please specify .....)
- I would still purchase as the same. No change in purchasing habits.

2. If you have graduated, have a stable job and/or been promoted, would you change your purchasing habits?

I would still purchase the same luxury brand name as when income did not increase.

I will purchase more of the same type of luxury brand name products

I will purchase more expensive brand name products

(please specify .....)

What is your reason for this decision? .....

3. If there is Korean brand name product that is considered to have the same class and luxury as the Western luxury brand name product, will you be interested in this brand?

Yes

No

What is your reason for this decision? .....

-----  
**Thank you very much**

## **APPENDIX B**

### **BRAND POSITION**

This study used the brand position and definitions of Hi-End brand name and Hi-Street brand name from the [siambrandname.com](http://siambrandname.com) which is the website about brand name purchasing in Thailand. There are forums for talking about the information and price of brand name, selling and buying luxury brand name product in this website. Also, there are more than 75,000 members and more than 400 members online every day (Siambrandname, 2009; Manager Online, 2008). Therefore, their brand position and definitions of Hi-End and Hi-Street brand name are accepted. There are 112 Hi-End brands and 282 Hi-Street brands are categorized in the brand position on the website, but this appendix will show only 20 brands for each type of brand name from the top brands in Korea (Junghap News, 2011; Chosun, 2012; Asia Kyungjae, 2012) and listed alphabetically. Korean top brand which showed in this appendix are the results from this study for a better understand what rank and what type of brand name that are top brand among Korean young consumers in Sin-chon neighborhood.

#### **Definition of Hi-End and Hi-Street Brand name**

**Hi-End brand name** is global brand, have long history of brand, got accepted, famous and in high-quality grade

**Hi-Street Brand name** is brand that has no history, but it is high standard product with a high quality and on sale in the big department store, including sub-brands from these Hi-end brand which targets to sell in cheaper price (Siambrandname, 2009).

Type of brand name	Brand	Logo	Korean top brand
HI-END	BEAN POLE	 Bean Pole	✓
	BURBERRY	 BURBERRY	
	BVLGARI	BVLGARI	
	BOTTEGA VENETA	BOTTEGA VENETA	✓
	CHANEL	CHANEL 	✓
	CARTIER	<i>Cartier</i>	✓
	DOLCE&GABBANA	<b>D&amp;G</b> DOLCE & GABBANA	
	DUNHILL	 EMPORIO ARMANI	
	EMPORIO ARMANI	 ARMANI	
	FENDI	 <b>FENDI</b>	✓
	FERRAGAMO	<i>Salvatore Ferragamo</i>	
	GUCCI	 GUCCI	✓
	HERMES	 HERMÈS PARIS	
	LOUIS VUITTON		✓
	LOUIS QUATORZE	 Louis Quatorze	✓
	MARC JACOBS	MARC JACOBS	✓
	MULBERRY	 MULBERRY	
	MONTBLANC	<b>MONT BLANC</b> 	
	PRADA	 PRADA MILANO	✓
	VIVIENNE WESTWOOD	 <i>Vivienne Westwood</i>	

Type of brand name	Brand	Logo	Korean top brand
HI-STREET	ADIDAS		
	ARMANI EXCHANGE		
	ANNA SUI		
	COACH		✓
	CHAPS		
	DKNY		
	DAKS		✓
	ELLE		
	GUESS		
	GIORGIO ARMANI		
	GIORDANO		
	HARROD		
	KIPLING		
	LONGCHAMPS		
	LOVCAT		✓
	LACOSTE		
	MCM		✓
	METROCITY		✓
	PAUL FRANK		
	VON DUTCH		

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