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**MARKETING STRATEGY OF
CHINESES DOMESTIC LUXURY
BRAND**

——Case Company: Kweichow Moutai

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Maailmanlaajuiset luksusmarkkinat tekivät tulosta 217 miljardin dollarin läpimurrolla vuonna 2013. Samaan aikaan Kiinan luksustuotteiden kulutus on saavuttanut 102 miljardia dollaria yhteensä tarkoittaen, että kiinalaiset ostivat 47 prosenttia maailman ylellisyystuotteista. Näin ollen Kiinasta tuli maailman suurin luksustuotteiden kuluttajamaa. Kiinan nopean taloudellinen kehitys ja kansallinen kulutustason nousu on saanut kansainväliset luksusmerkit laajentamaan liiketoimintaa Kiinassa. Toistaiseksi lähes kaikilla maailman luksustuotemerkeillä on lippulaivamyymälät Kiinassa.

Kuitenkin Kiinan kansalliset luksustuotemerkit ovat harvinaisia ja rajoittuvat pääasiassa huonekaluihin, vaatteisiin, teehen ja muihin perinteisiin kiinalaisiin teollisuudenaloihin. Koska kotimaiset luksusyritykset ovat vailla itsenäistä innovaatiokapasiteettiä historiallinen kertymistä ja kulttuurista sivumerkityksestä aiheuttaa Kiinan luksusmerkkien kohtaavan kehitykseen liittyviä ongelmia.

Tämä työ analysoi luksustuotteiden ominaisuuksia ja Kiinan luksustuotemarkkinoita, perustuen ajatukseen Kiinan kotimaisten luksustuotteiden kehittämisestä. Tärkeimmät tutkimusmenetelmät tässä työssä ovat kvantitatiivinen menetelmä, analysoimalla 210 kyselylomakkeen vastauksia. Samaan aikaan sovelletaan kahta markkinointianalyysia, jotka sisältävät SWOT-analyysin (vahvuudet, heikkoudet, mahdollisuudet ja uhat) ja 4PS-markkinointiteorian (tuotteet, paikka, hinta ja mainostaminen). Analysoimalla kohdeyritystä Kweichow Moutainia, esitetään joitain liittyviä yhdistettyjä markkinointistrategioita.

Johtopäätös on, että Kiinan luksustuotemerkin merkittävimmät vaiheet on lisätä bränditunnettuutta ja laajentaa luksusmarkkinoita Kiinan toisen ja kolmannen tason kaupungeissa. Toisaalta, yksilöllisiä palveluja ei voida jättää huomiotta.

【 Avainsanat 】 Markkinointi Strategia, Luksustuote, Kotimainen brändi, Kweichow Moutai Co., Ltd

ABSTRACT

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The global luxury market totaled \$217 billion with a breakthrough in 2013. Meanwhile, Chinese luxury consumption has reached \$102 billion in total, which means that the Chinese bought 47% of the world's luxury goods and China became the world's largest luxury consumption country. With the rapid development of China's economy and the increase of the national consumption level, international luxury brands are an expanding business in China. So far, almost all of the world's top luxury brands have flagship stores in China.

However, Chinese domestic luxury brands are rare, and are mostly limited to furniture, clothing, tea and other traditional Chinese industries. Since domestic luxury enterprises lack independent innovation capacity, the historical accumulation and the cultural connotation, Chinese domestic luxury brands are facing some development problems.

This thesis analyzes the features of luxury products and the background of China's luxury market based on the idea of developing Chinese own domestic luxury brands. The main methodology of this thesis is the quantitative method, carried out by analyzing 210 questionnaire responses. Meanwhile, two marketing analysis measures are applied, which include SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) and the 4Ps-marketing-theory (Products, Place, Price, and Promotion). Through analyzing the case company Kweichow Moutai, some related marketing mix strategies are given.

In conclusion, for Chinese domestic luxury brands, the most significant steps are to raise brand awareness and expand luxury market into Chinese second and third-tier cities. At the same time, personalized services should not be ignored.

【Key words】 Marketing Strategy, Luxury Product, Domestic Brand, Kweichow Moutai Co., Ltd

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1. INTRODUCTION

The global luxury market totaled \$217 billion with a breakthrough in 2013. Meanwhile, Chinese luxury consumption has reached \$102 billion in total, which means that the Chinese bought 47% of the world's luxury goods and China became the world's largest luxury consumption country. With the rapid development of China's economy and the increase of the national consumption level, the international luxury brands are expanding business in China. So far, almost all of the world's top luxury brands have flagship stores in China. (Chinese Industry Research, 2013)

However, Chinese domestic luxury brands are rare, and are mostly limited to furniture, clothing, tea and other traditional Chinese industries. Since domestic luxury enterprises lack independent innovation capacity, the historical accumulation and the cultural connotation, Chinese domestic luxury brands are facing some development problems.

1.1 Objective

This thesis analyzes the features of luxury products and the background of China's luxury market, creating an idea about developing Chinese own domestic luxury brands. One of the most famous Chinese companies, Kweichow Moutai, is chosen as the case company. The company is the leader within the Chinese traditional white wine industry. According to the analysis of internal and external conditions of Kweichow Moutai and its consumers' attitudes, this thesis provides some marketing mix strategies about how to create a luxury brand. In conclusion, the main purpose of this thesis is to give some marketing strategy references to the Chinese domestic enterprises who want to enter Chinese luxury market and even global luxury market.

The methodology used in this thesis is the quantitative method. Two marketing analysis measures, SWOT analysis and 4Ps-marketing-theory, are also applied in order to study case company. At first, a questionnaire is applied to investigate the

Kweichow Moutai's consumers' psychology and purchase behaviors. After the customer research, the SWOT method contributes to the analysis of Kweichow Moutai's internal and external environment. Following the four features Strengths, Weaknesses, Opportunities and Threats, the enterprise could find out the development orientation for the next stage. 4Ps theory is also used to project the marketing mix strategies in this case. These four dimensions, (Products, Place, Price, and Promotion), contain almost all marketing mix factors and offer comprehensive analysis point of view for Kweichow Moutai to build luxury brand.

As background and in the theoretical part, there are some questions that will be answered in this thesis:

1. What is the current situation of the global and Chinese luxury market?
2. What is the current situation of the Chinese domestic luxury brand?

In the empirical study part, the main questions are shown below:

1. What are the internal and external conditions of Kweichow Moutai enterprise?
2. What is consumers' psychology and attitude to Kweichow Moutai and luxury products?
3. What kind of marketing mix strategy could be used to build a luxury brand in the case of Kweichow Moutai?

In the conclusion part, the question: "How can all Chinese domestic companies build luxury brands in a general way?" would be answered.

1.2 Limitation of the study

One limitation is that some qualitative interviews are missing which are between Chinese domestic luxury companies and government trade department. In terms of this research, it is better to absorb customers' point of view and the professional ideas from companies and government in order to make the result more reliable and objective.

2. BACKGROUND AND THEORITICAL REVIEW

2.1 Luxury

2.1.1 The definition of luxury

Word “Luxury” is from Latin word “Luxuria” which represents the surplus and the superfluous object in daily life. (Danziger, 2005)

The rationale for luxury was given by Adam Smith (1776) who defined the essential necessity in daily life and also categorized luxury products as goods excepting necessities. Meanwhile he approved luxury was driven by social wealth accumulation.

Virtually, the history of luxury could track back to the earliest human society. When ancient human were aware of the fate of death, everyone was eager to bury with their most precious object. However, in the organized society, only upper group could accompany with “luxury” such as weapons, jewelries even horses, which represent the power of leading class. (Kapferer & Bastien, 2009)

Luxuries derive from daily life such as car, clothing, entertainment etc. However, it has changed from a negative notion, damaging the public virtue, to an essential promotion of consumption. According to analyzing the historical opinion to luxury and political science, luxury also is one of the symbols of social classes and social status. (Berry, 1994; Tsai, 2005; Vickers & Franck, 2003)

Danzier also defines luxury products in the perspective of consumer applied psychology as that luxury is relative to consumers’ desire, wishes and fantasies rather than the physical products. This consumption needs sometimes is superfluous but an intense desire. (Danziger, 2005)

Kapferer and Bastien believe the aim of positive luxury can benefit the country’s peace and the universal pleasure. It can improve one’s social look by increasing own-esteem in others’ sight. Positive luxury should not become a predisposition of addiction but one incentive to realize one’s true self which could reveal on

appearances. It is the key purpose of positive luxury that knowing oneself, choosing suitable luxury products and making oneself happier. (Kapferer & Bastien, 2009)

2.1.2 The characteristics and functions of luxury

One of the characteristics of luxury commodities is that the demand of goods rises faster than the earning increases in percent all the time. On the contrast, the requirement of necessity goods grow more slowly than earning increases. (Tullberg & Chambris, 2008)

At the same time, the price elasticity of demand on luxury products is higher than necessities, which means when the extent of luxury's price change at the same level with necessities', the luxury's demand or support fluctuate more significantly than necessities'. (Kemp, 1998)

In some aspects, Luxury represents higher tangible and intangible value than necessities such as culture, fashion and art etc. Meanwhile, luxury brands have its own unique clients who live in the upper social classes.

One of the fundamental functions of luxury is to recreate social structure, in other words, social stratification. At some point, luxury commodity can bring some extra benefit like the symbol of one stratum therefore even though it is not necessary product for customers, and the high price with the function of filtering social classes acquiesce by clients. (Kapferer & Bastien, 2009)

In addition to the social function, pleasure and the sense of pride are components of luxury function in personal aspect. Luxury cannot consider as snobbery simply but there does being the consumption for luxury symbol. However, no luxury brand can sustain totally relying on customer who only interested in the symbol ignoring the quality and other substance of products. Those customers can easily change their choice from one luxury brand to another brand with the same awareness. (Kapferer, 1997)

Therefore, what other attractions to clients and how many other characteristics of luxury contain? Luxury stands for the qualitative rather than the quantitative. If luxury products are opulent for everyone it cannot be called luxury. In the other word, scarcity is one of the features of luxury commodity. Only the characteristic of scarcity can reveal the precious and special of luxury comedies. Werner believes the consumption of luxury in quality can lead to choosing more satisfactory products. (Sombart, 1967)

Some characteristics of luxury show as follows. (Dubois, Gilles, & Czenllar, 2001; Nueno & Quelch, 1998)

(1) High quality assurance

A luxury brand stands for not only high quality products but also impeccable service. Since luxury products are the signal of fashion with its own brand culture and special aesthetic sensation, it requires combining both modern styles and conventional elegance in products. Thus the workmanship is exquisite especially some products need traditional processes like hand-making to complete.

(2) Expensive price

One reason is the excellent quality coming with high costs. The features of luxury determine the fact, only few people can own it. Therefore, the other reason is related to the luxury market brand strategy.

(3) Scarcity and uniqueness

More insufficient always stand for more precious. Because of the limitation of technology, nature, product design and production etc. luxury can only reveal its unique value.

(4) Timeless

Luxury products include both modern fashion factors and timeless classical element. Some products even increase its value with the time accumulation such

as vintage wine, Louis Vuitton luggage and so on.

(5) Brand heritage and history

Luxury brand's history and story are the intangible wealth of one brand. Profound history and unique brand culture are the symbol of brand which is enhancing the attraction of luxury. The particular operational process, brand management and other historical factors also guarantee the quality of luxury products.

(6) Superfluous products

On the contrary of necessities, luxury is not indispensable in daily life like essential food, clothing etc. The purpose of luxury is to satisfy the mental desire and dream of customers rather than the practical use of substance.

2.1.3 Luxury Categories

Nueno and Quelch classified luxury products into three categories. (Nueno & Quelch. 1998)



Figure 1 Nueno & Quelch's three categories of luxury goods

The first category is luxury product with low brand awareness, but that does not mean that the price is low, an example can be Watch brand Blancpain. The second

category of luxury brands is high brand awareness and high price. One characteristic of this category is that it is impossible to replicate, for example Rolls-Royce who has its unique produce process. The last category has high brand awareness with reasonable price which make it popular in public such as the Ice cream brand ---Hägen-Dazs.

In addition to the classification, Allères (1997) also gave three categories of luxury brand.



Figure 2 Allères’s three categories of luxury goods

Silverstein and Fiske divided luxury goods into new, old and traditional products as below: (Silverstein & Fiske, 2008)

| | | | |
|---|--|--|---|
| <p>Categories Features</p> | <p>New product luxury</p> | <p>Old product luxury</p> | <p>Common luxury product</p> |
| | | | |

| | | | |
|-------------------------|-------------------------------|-------------|--------------------------------|
| Price | Exorbitant | Premium | Low price |
| Quality | Large-scale manual production | Hand-make | Large-scale factory operation. |
| Availability | Affordable | Particular | Pervasive |
| Attraction | Attractive | Indifferent | Moderate |
| Customer segment | Luxury value driven | Elites | Loyal customers |

Table 1 Comparison of the New Luxury, Old Luxury and Common Luxury Products

According to the comparison among three categories luxury products, Silverstein and Fiske indicate that premium price of old luxury guarantee the low purchase rate but elitist consumption. Only 1%-2% consumers have capacity owning them. If old luxury goods carry aristocratic features because of the limited quantities and uniqueness, new luxury goods can be consider as emotion driven items. New luxury products have stronger attraction to other goods. However, the appeal to common or conventional products relies more on price, quality, and functional convenience rather than on impulsion. (Silverstein & Fiske, 2008)

2.1.4 Luxury Brands

According to Radha & Paul (2006), some famous categories of luxury brands and luxury brand groups show as below:

- (1) “High fashion brands”

Brands in this category could be show at four fashion weeks with worldwide

influence (Milan, Paris, London and New York).

(2) “Luxury vehicles”

Luxury vehicles include many automobile brands such as Audi vehicles, BMW vehicles, Cadillac vehicles etc.

(3) “Chanel”

Chanel is a famous brand with a whole one hundred years history. It includes many different kinds of products (clothing, jewelry, accessories, cosmetics, skin-care products, and perfumes). Each of them is famous and favorable, especially the perfume and fashion.

(4) “The leading Hotel of the World”

The luxury hotels include The Landmark London, Imperial Hotel Tokyo, Grand Palace Hotel, Riga, and White Swan Hotel etc.

(5) “Luxottica”

Luxottica is a professional glasses manufacturing, and sales corporation. It has one of the world's largest glasses retail network, spreading all over North America, Australia, Europe, Hong Kong, Malaysia, Singapore and other regions.

(6) “LVMH brands”

It is the world's biggest luxury group with more than 50 brands. The main businesses include the following five areas: wine and Spirits, Fashion and Leather Goods, perfume and Cosmetics, Watches and Jewelry, Selective Retailing.

(7) “Richemont brands”

Richemont is a Swiss luxury goods company, which is made up by South Africa's billionaire Anton Rupert in 1988. Companies involve in four business areas: jewelry, watches, accessories and fashion. Since 2004, according to the turnover

calculation, it is the world's second-largest luxury goods companies, ranked in the Louis Vuitton and Paris Spring

(8) “PPR company brands”

It is a French company, owning a series of international famous brands (including luxury fashion, sports and life supplies, as well as retail brand). Its markets cover more than 120 countries.

(9) “The Swatch Group ”

Swatch group owns many watch brands, including Swatch, Breguet, Pierre Balmain, Glashutte etc.

| | Brand value 2013 \$M | Brand contribution | Brand value % change 2013 vs 2012 |
|-----------------|-------------------------|-----------------------|--------------------------------------|
| 1 Louis Vuitton | 22,719 | 4 | -12% |
| 2 Hermès | 19,129 | 4 | 0% |
| 3 Gucci | 12,735 | 5 | 48% |
| 4 Prada | 9,454 | 4 | 63% |
| 5 Rolex | 7,941 | 4 | 11% |
| 6 Chanel | 7,075 | 4 | 6% |
| 7 Cartier | 6,377 | 4 | 32% |
| 8 Burberry | 4,194 | 4 | 3% |
| 9 Fendi | 3,636 | 4 | New |
| 10 Coach | 3,276 | 2 | New |

Valuations include data from BrandZ™, Kantar Worldpanel, Kantar Retail and Bloomberg.
Brand Contribution measures the influence of brand alone on earnings, on a scale of 1 to 5 (5 highest).



Table 2 The list of top luxury brands and brand values (Millwardbrown, 2013)

Global research agency Millward Brown just published a list of the top ten luxury brands. Number one is Louis Vuitton, with a reported brand value of \$25.9 billion, followed by Hermes, Rolex, Chanel and Gucci. Five of the top ten saw a decline in brand value, while number 2, Hermes showed an increase in brand value by

61%. The activity and performance of luxury brands can be an indicator of HNWIs and how they are spending. (Millwardbrown, 2013)

2.2 Brand

Brand is considered as one significant sustainable asset of an enterprise and it outlasts products, unique service and other asset of the company. (Kotler, Armstrong & Wong et al., 2008)

2.2.1 Brand value

High brand awareness and good reputation contribute to high brand equity. One well-known brand has the positive impact that consumers prefer choosing the products and service whose brand they are familiar with. (Kotler et al., 2008) Brand equity is the added value which comes from the acceptance of company's commodities. The value premium is invisible and reveals on brand awareness and consumers' purchasing behaviors. (Tara & Brian, 2007)

People have more reliability on well-known brand. Long time usage experience on one specific product can lead to the brand loyalty which also is one of the brand added values. (Kotler et al., 2008)

2.2.2 Brand awareness

Brand awareness illustrates how familiar consumers feel with one brand and whether customers can recognize specific brand name and logo within different brands. Brand memory is the core factor of brand awareness. It makes consumers easier to recognize which brand certain commodity belong to and what this brand are selling in various conditions. (Keller, 1993)

The most significant impact of brand awareness is that certain memory of one brand can stimulate purchasing enthusiasm to products and services under this brand. Therefore, advertisement is a crucial approach to open brand awareness and even enhance their memories. (Tara & Brian, 2007)

Li (2007) said the four categories of brand awareness include “Unaware of Brand”, “Aided Awareness”, “Unaided Awareness” and “Top of Mind Awareness”. However, only limited number of company can reach the highest “Top of Mind Awareness”. The second less extent is “Unaided Awareness” which suggests customers can remind certain brand without any logo or language prompt and this brand almost becomes one representative of this category commodity in your mind. “Aided Awareness” means that this brand is not impressive to customers who can remind one brand after some hints giving. On the bottom of awareness pyramid, the “Unaware of Brand” is the situation of most new brands who can improve awareness through advertising, promotion activities and so on to reach the second level “Aided Awareness” or third level “Unaided Awareness”. The top level “Top of Mind Awareness” not only depends on marketing strategies but also the characteristics of products such as high quality, and unique design. (Li, 2007)



Figure 3 Brand awareness pyramid (Li, 2007)

2.3 The process of marketing

Figure 4 shows the five-step model in marketing process. In the first step is to understand the consumers’ demands and wills. Secondly, manager design relevant

marketing strategy based on the need analysis before. And then integrated marketing program is projected. The forth part is to look for cooperation in order to earn profit and create value by sale. (Kotler et al., 2008)

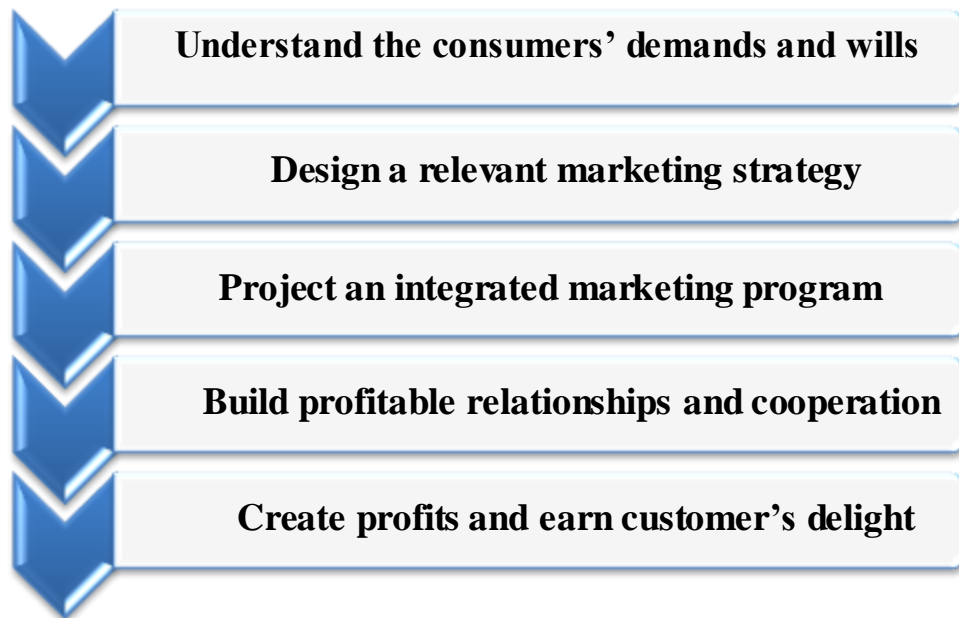


Figure 4 A simple model of the marketing process (Kotler et al., 2008)

2.3.1 Understand the consumer demands and wills

In order to understand the market and customers, enterprise should comprehend the demands and needs, the market offering, the customer value, the customer relationship and marketing system in particular area.



Figure 5 The factors for understanding market and customers (Kotler et al., 2008)

(1) Customer demands and needs

Human’s demand and need is caused by the sense of deprivation. Achieving customers’ desire is the goal of enterprise. Disire is the form of human’s demand created by social cuture or individual. The basic needs of human include food, warm and shelter. This need is inherent. In order to satisfy these demands, commedity and currency come into being. (Kotler et al., 2008)

It is significant to understand customers’ needs, desire and demands as soon as possible, and then provides them the coincident products or services to satisfy their needs. (Kotler et al., 2008)

(2) Products, services and consumption experiences

The Marketing offering is what enterprise offer to satisfy consumers’ demands. It includes products, services, and other consumption experiences coming with commodities purchasing. The product is the one but not the only media to satisfy customers’ desire. Therefore, It is vital that these all factors’ combination and suitable marketing strategy. (Kotler et al., 2008)

(3) Customer value and customer satisfaction

Customer value is the residual that the final satisfaction of customers, after getting and using products, subtracts the costs of purchasing products. (Kotler et al., 2008)

However customer satisfaction is not only coming from product itself but also the perceived experience, such as purchase or usage, on delivering happiness and achieving customer's expectation. In some cases, customers even care more about the subjective experience than objective costs. (Kotler et al., 2008)

Obviously, only high quality products and service can bring high customer satisfaction leading to the creation of added customer value. On the contrary, quality is not the only factor contributing to customer satisfaction. Successful companies deliver customers not only what they promise but many extra positive experiences which fit customers' desire. (Kotler et al., 2008)

2.3.2 Project customers --- driven marketing strategy

After understand customer's demand and will, the driven marketing strategy could be used for selecting and designing customers. The purpose of driven marketing strategy is to stimulate customer's interest on our particular product under company's direction before they know what they desire to buy themselves. (Kotler et al., 2008)

(1) Select serving customers

First of all, enterprise must decide who products will serve in the marketing plan. Before choosing target customers, the market segmentation is significant which means dividing the customer into various groups according to some particular sale factors such as area distinction, customers' age, hobbies and so on. After reasonable marketing segmentation, target group can be chose based on company's strategy and sale mission. (Kotler et al., 2008)

(2) Design the value proposition

Since the cruel competition in market, the similar products probably have the same target customers. Companies must think about how to distinguish them with other similar brands and lead customers to choose their own products loyally in the marketplace. The value proposition is what they should consider. What is the unique sale value which other company cannot imitate? What is the advantage when customers purchase this product? After answering these questions, the value proposition and product competitiveness could be found. (Kotler et al., 2008)

2.3.3 Build positive customer relationships

For one successful enterprise, monitoring customer demand is significant for managing customers. One company's demand comes from two customer categories, the new consumers and the old consumers who have the purchase experience before. New customers can not only be influenced by products, advertising and sales promotion but also influenced by old customers' comments to this product. Beside this, the old customer also is a strong consumption group. Therefore, build a good relationship with old customers is crucial for both attracting new customers and establishing customer loyalty. One lasting relationship with customers could make huge return and benefit the sustainable development of company. (Kotler et al., 2008)

2.4 Market strategy

2.4.1 Segment market groups

Market is composed of various customers and different customers have a range of purchase motivations and various demands. So it is crucial for one company to make market segmentation and find out target sale group. Only after these processes, marketing strategy could more focus on profitable customers. Figure 6 shows the steps on how to create value for target group.

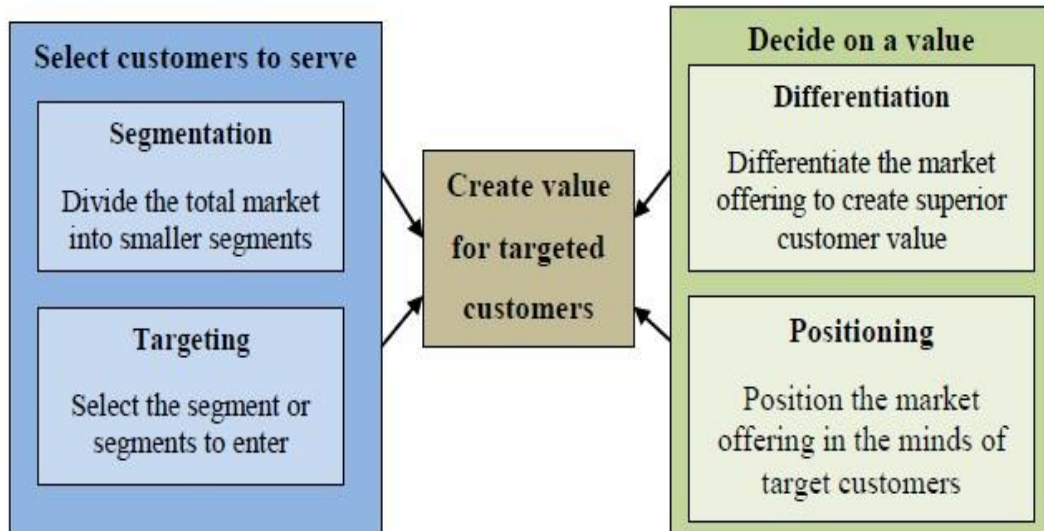


Figure 6 Steps on creating value for target group (Kotler et al., 2008)

The final target of marketing segment is to create value for customer and enterprise. It can be divided into two parts selecting customers and deciding the value to create. In selecting customers step, firstly customers should be divided into different small segments and then deciders select the target group. On the other hand, in deciding consumer value step, it is significant to distinguish the market and make the marketing offering in the minds of target group.

2.4.2 Select target groups

In order to achieve best effect on selecting target groups, there are some requirements for marketing segment:

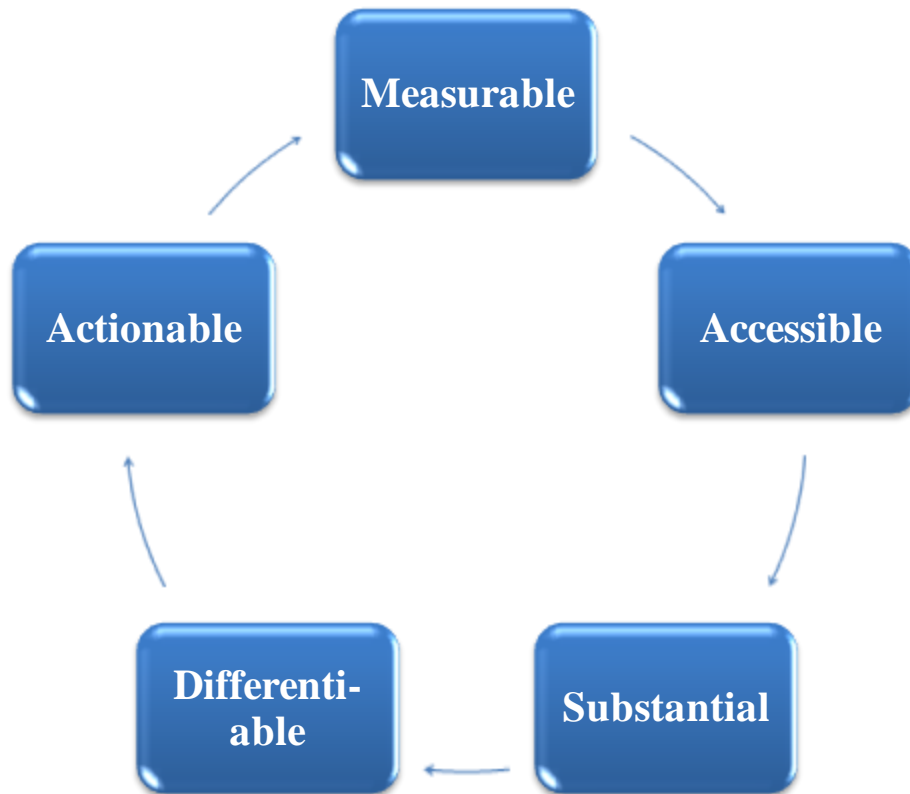


Figure 7 Some requirements for marketing segment (Kotler et al., 2008)

The requirements for marketing segment include the 5 factors. First of all, the data, the market sample in one segment should be measurable and accessible. And then, a mass of customers are required in one market group. Besides, between different segments the characteristics are various. Finally, these market segments are actionable for marketing strategy. Following these 5 requirements, the selected target group would be more reasonable and suitable.

However after the general market segmentation, how to narrow the board market groups into precise and useful groups? The narrowing processes are showed as below:



Figure 8 Target broadly to target narrowly (Kotler et al., 2008)

The target group narrowing processes include undifferentiated marketing, segmented marketing, niche marketing and micromarketing. The undifferentiated marketing is the original mass segment which is waiting for divided.

The differentiated marketing is based on the different customer segmentations. Different segments have different customized marketing strategies which could benefit the sales in some aspects but the costs of business also increase. Thus it is better to weight the income and cost and then decide whether use differentiated marketing strategy. (Kotler et al., 2008)

Niche marketing represents the concentrating segments in target market. It makes marketing strategy more efficient and centralized in one small group.

Micromarketing is based on the niche market segmentation which can be divided from geography, population, psychology and customer behaviors. Micromarketing is the unique marketing program which companies customize to satisfy customers needs. It includes local marketing and individual marketing (Kotler et al., 2008)

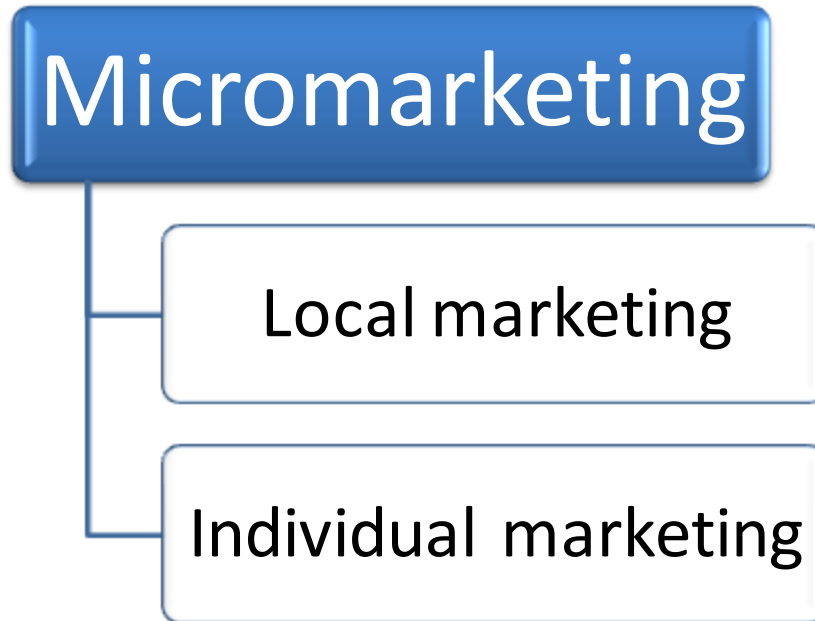


Figure 9 Classification of Micromarketing (Kotler et al., 2008)

The local marketing is to tailor brand strategies and sale promotion activities for local consumer groups. The individual marketing offers a deeper service than general marketing. If companies communicate with individual customers or customize specific products and unique services for personal customers, it can be named as individual marketing. The personal needs even can be delivered directly to manufacturers who produce the customized commodities according to customers' preference. (Kotler et al., 2008)

2.5 Some Related Research Review

According to Ye Hongmei's "Problem of Luxury Consumption in China and The Strategy of Development ", It is said that there is rare Chinese local luxury brands in market. As we known, most of western luxury brands have long history and unique brand cultures, both what are Chinese brands most lack of. As a consequence, customers' loyalty to Chinese brands is weak. Ye also gave some suggestions to develop Chinese domestic luxury brands. The first stage is to understand the local market deeply, and then realize own weaknesses, strengths, opportunities and threats. Besides, it is significant to grasp relevant national policies and to seize the development opportunities in order to boom the Chinese

luxury market and insert some culture connotation to local luxury brands. Of course, a successful brand is also inseparable from the mature marketing strategies and the professional management skills (Ye, 2012)

According to Wang Fei's "Chinese Luxury Market Analysis and Strategies", it is said that China's national conditions and the characteristics of local consumers should be considered when making development strategies of luxury brands in the Chinese market. The special marketing strategies include packaging luxury into gifts to meet the "gift" culture of China. It is also crucial to raise public awareness of brands, which cater to Chinese consumers' psychology of parading through luxury products. According to Wang's research, most of luxury customers are young and in middle social class of china who contribute more to the luxury market than wealthy class. As a result, grasping their needs and tastes is a significant stage. In addition, one vital strategy is to expand the luxury goods market to Chinese second and third-tier cities with perfect sale channels rather than only develop on big cities. (Wang, 2014)

GuanYing's "Theory about Chinese Domestic Luxury Brands' Creation and Marketing under the Condition of Market Economy" also gave a few suggestions for local luxury brand's establishment. It includes classifying customers based on their consumption psychologies and then formulating marketing strategies respectively. It is significant to concentrate on one customer group with customized products. Which cannot be ignored is the expensive price. High price makes luxury goods and normal products distinguished. The personal service, high quality and international products can offer the sense of supreme superiority to customers. As Guan said, the core of creating domestic luxury brand in China is to combine modern fashion style and Chinese traditional culture within local luxury brands. (Guan, 2013)

3. LUXURY MARKET

3.1 Global Luxury Market

Global luxury consumption once concentrated in Europe, the United States and Japan. All kinds of luxury retailers and agents also most located in Japan, the United States, France, Switzerland and the Nordic countries. The world's top ten luxury brands also derive from Europe. However, since the financial crisis broke out, global luxury consumption and trade turn to a downward trend. Related data show that in 2010 the sales of luxury goods fell sharply by 35% in Japan and North American, meanwhile European luxury consumption dropped below 15%. On the other hand, the emerging luxury consumption markets such as China, India, Brazil and Russia began to grow in a rapid speed. These regions have become the most potential consumption area in the world. (Wang, 2008)

The value of luxury goods in global market is more than 200 billion euro. In recent years, this industry have been falling down in the two periods----one was in 2003, based on SARS and the fluctuation of the currency's value; another one was caused by the global financial crisis in 2008 and 2009. (Bain & Company and the Fondazione Altgamma, 2013)

The turnover of global luxury market reached 212 billion euro in 2012, and it is expected to 250 billion euro in 2015. The world's second largest luxury goods group Cie. Financiere Richemont SA announced 2013 fiscal earnings, with only 5% sales growth rate in the first quarter comparing with 46% in the Asia Pacific region in 2012. (Bain & Company and the Fondazione Altgamma, 2013)

According to the report published by Bain & Company and the Fondazione Altgamma (one of Italian Luxury-goods Research Institution), the growth rate of global luxury sales slowed down in 2013. It is expected that the growth rate ranging from 4% to 5% in 2014, which is less than last year 5% and the growth of luxury sales will between 5% and 6% in the next three years. The main reasons

are the European consumption spending weakened and The China's economic growth become slow. (Bain & Company and the Fondazione Altagamma, 2013)

Bain & Company said due to the China's anti-corruption policy, the main consumers of luxury products decrease which leading to luxury watch sales fell down sharply. Therefore, the relative emerging markets like Brazil will become the most potential luxury goods market in 2013, as well as Japan who is in the position of economic revitalization and devaluation. (Bain & Company and the Fondazione Altagamma, 2013)

| Sales growth rate | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-------------------|--------|--------|--------|--------|--------|-------|
| Japan | -7% | -12% | 1% | 1% | 8% | 3% |
| North America | -6% | -19% | 10% | 16% | 10% | 6% |
| Europe | -6% | -8% | 12% | -2% | -5% | -2% |
| China | 20% | 28% | 36% | 30% | 20% | 20% |
| Others | 9% | -12% | 11% | 19% | 16% | 8% |
| Total | -1.80% | -8.40% | 12.10% | 11.40% | 10.40% | 7.90% |
| Mature consumers | -6% | -13% | 7% | 4% | 5% | 2% |
| New consumers | 13% | 5% | 24% | 25% | 8% | 12% |

Resource from Deutsche Bank Analysis

Table 3 World sales growth rate in luxury market from 2008 to 2013

In 2013, despite the luxury market's growth has slowed, the main luxury companies still achieved good average growth level. Since the economic recovery, the luxury sales increase slightly in USA and Japan. European market began to rebound benefiting from foreign visitors. These increase offset the mild slowdown of the luxury sales in Asia Pacific especially in the China.

However, excluding the exchange rate changes, table 3 shows that China has stronger sales growth rate than any other country in recent years.

3.2 China's Economy

According the 2013 China national economy data released by China's National Bureau of Statistics, the GDP totaled 56.8845 trillion Yuan. Calculated at comparable prices, it is an increase of 7.7% over the previous year. But on the

other hand, 7.7% of the GDP growth rate was the lowest growth in 14 years. Analysts said that the Chinese economy transform from "high speed" to "2nd high speed". Marked by 2013, the rate transformation has become a periodic cyclical downturn. (China's National Bureau of Statistics, 2014)

In 2013, China urban resident per capita income reached 29547 Yuan. Among them, urban per capita disposable income achieved 26955 Yuan, and nominal growth by 9.7% over the previous year. The CPI rose by 2.6%, within which, cities rose by 2.5% and a 2.5% increase in rural areas. In terms of goods prices, Chinese food prices increase 4.1%, non-food prices rose by 1.7%, consumer goods prices increased 2.2%, and the service price rose by 3.3% in 2013. (China's National Bureau of Statistics, 2014)

China's annual import and export turnover reached \$4.1603 trillion in all, with an increase of 7.6% than 2012. Among them, the exports took up \$2.21 trillion increasing 7.9% and the import achieved \$1.9503 trillion, with an increase of 7.3%. Balancing the imports and exports, surplus reached \$259.75 billion. From the global point of view, the growth rate of import and export in China still surpassed the world average level. (China's National Bureau of Statistics, 2014)

Economists expect that China's economy growth rate in 2014 will be slightly better than in 2013, with a preliminary estimate at around 7.8%. And CPI is expected to a cyclical upward ranging from 3% to 3.5% in 2014. (China's National Bureau of Statistics, 2014)

For Chinese economy, the growth still relied much on mass investment and the export. Anyway, Chinese government start to implement some economic structural reform aiming to balance the exports and domestic demand and look for one reasonable economic order relying less on the national control but the market force. (Asia News Monitor, 2014)

From the Chinese economic data above we can see even though the growth rate slowed down slightly in 2013, Chinese economy growth still took the first place of world surpassing USA, Europe and Japan. And this trend will continue for

years. In addition, China's GDP has been the second place of world, only after the GDP of USA. As the resident per capita income increase, the CPI also rise up which means the consumption power of Chinese is promoted. As we known, China has the largest population in the world which also indicates one huge consumption market. As the rapid rise of the number of the rich, luxury market is flourishing as never before. After China joined in the WTO in 2002, the foreign trade is booming which can be seen from the export and import data. All of these indexes contribute to a good economy environment of China who offers both challenge and huge chance for luxury consumption.

3.3 Chinese Luxury Market

With the high-speed economic growth and the strong consumption market, many international luxury brands build more confident on Chinese market and continue expand the business in china. So far, almost all of the world's top brands have stores and flagship in China. (Chinese Industry Research, 2013)

According to the Chinese Luxury Report published by Chinese Industry Research Institutions, it is said that the Chinese luxury consumption totaled \$ 102 billion in 2013, and the global market for luxury goods reached a new record of \$217 billion in total which means the Chinese purchased 47% of the world's luxury goods. There is no doubt that Chinese are the biggest customers group in the international luxury market. (Chinese Industry Research, 2013)

According to Quality of wealth's Survey, although in 2013 global luxury goods market was facing a range of pressure, it still showed a trend of rising. There is no doubt that the Chinese people play a significant role for luxury's purchase. China's luxury market can be divided into two large sections-----domestic market and abroad market. The consumption of Chinese domestic luxury market reached \$28 billion in 2013, with a 3% increase. Consumption abroad is further strengthened and achieved \$74 billion. Adding up two sales, the luxury consumption of Chinese reached \$102 billion in 2013. (Quality of wealth, 2013)

The whole market for luxury goods is developing in a high speed, but there still is a huge crisis and hidden dangers in this industry. In the past year, the main reason for the growth of luxury sales is the increase of the new luxury stores and the open of new market which booming the luxury market temporarily. In 2013, Despite many luxury goods group were trying to control the speed of new stores open, in fact, the average growth rate still reached 9%. On the one hand new shops become luxury advertising sign, attracting huge consumers to purchase all around the world. On the other hand, it also raised the luxury price in the area outside of China, such as EU and USA, comparing with mass Chinese customers arrived ago. (Quality of wealth, 2013)

Experts predict that by 2015, the high income family in China will exceed 4.4 million, which means that there will be 300 million Chinese consumers have the ability to buy luxury goods. This is good news for both foreign luxury brands and the domestic luxury brands. Anyway what we cannot ignore is western luxury brands are still in the dominant position of Chinese market at present. (Guan, 2012)

3.4 Chinese Luxury Consumer Categories

Chinese luxury customers can be divided into 4 categories: consumer with the purpose of parade, herding behavior, thoughtful consumer and realistic consumer. (Ye, 2012)

The consumers with the purpose of parade have strong intention to show off. This kind of consumers cares about the others' points of view on them and can get satisfaction from other's envy. Anyway, the attempt of parade is the main driving force of the Chinese luxury consumers at present. For this type of consumer, luxury brands with conspicuous features are popular such as LV, GUCCI, Dior. Therefore, it is a good strategy to enhance brand awareness, and expand the brand identification. (Ye, 2012)

The herding behavior also is one force of luxury consumption in Chinese market. This kind of people has less demand for showing off than the former. But as the

idea of getting others' recognition, they prefer pursuing some fashion products currently. Most of these consumers' consumption is impulsive buying and they do not understand the brand history and luxury's culture totally. The strategy to these consumers is to design fashion products and strive to establish good brand reputation. (Ye, 2012)

Thoughtful Consumers pay more attention to matching their own personality with the characteristics of luxury products. These kind consumer care more about the brand history, brand culture and product quality comparing with product style, color and other factors. For this kind of rational consumers, the design with practical, humanized and classic features is more attractive. (Ye, 2012)

Realistic consumers have no requirement on product's fashion style and the sense of parading to others. They pay more attention to the practicability of the products. Although these consumers agree with luxury product's good quality and unique design concept, they do not want to pay money for anything besides practical function. Marketing strategy for these customers is to combine practical feature with luxury's fashion style. (Ye, 2012)

3.5 The Characteristics of Chinese Luxury Market

(1) The younger trend

The main luxury consumers in China are the young whose income are between 5000 to 50000 monthly, age from 20 to 40. The young consumers who are in middle social class have become the main driver of Chinese luxury market. While in developed countries, the main consumers of luxury goods are rich people whose age are from 40 to 70 years old. (Wang, 2009)

(2) Material

China's luxury consumers pay more attention to the brand's showing off, as well as the psychological satisfaction it brings rather than the product itself. (Ye, 2012)

(3) Low-end products

Most of Chinese luxury consumption focuses on low-end products such as tie, leather bags, shoes and other small accessories and cosmetics. (Wang, 2009)

(4) Weak brand loyalty

Chinese luxury consumers are irrational. They pay more attention to the brand awareness rather than the products and service experience. Most of them do not understand the brand culture connotation, just for the sake of consumption, and brand loyalty is low which means if some other brand is more famous they will change original option. (Ye, 2012)

(5) Gift usage

In the western countries, luxury buyer often is the user of products itself. However, amounts of Chinese consumers use luxury products for gifts to their friends, superiors and relatives on various occasions and holidays. (Yang & Lin, 2007)

(6) Lack of Domestic luxury brand

At present, most luxury products are import in the Chinese market. Most of these brands are from Europe and America with a long history and unique brand culture. There are less species of domestic luxury brand in China, which are lack of history accumulation and marketing management experience. (Guan, 2013)

3.6 Chinese Domestic Luxury Brand Situation

In the Chinese luxury market, most of luxury products rely on imports. At the same time, domestic luxury brands are rare and mostly are limited in Chinese furniture, clothing, Chinese tea and other Chinese traditional products. As less high-technology products, the added value of Chinese brand is very low. (Qin, 2013)

The main problems what Chinese domestic luxury goods are facing show as below: Since domestic luxury enterprises lack of independent innovation capacity, the historical accumulation and the cultural connotation, Chinese domestic luxury

brands are facing some development problems. Some Chinese consumers still contain the consumption concept of “cheap and fine”. Meanwhile Chinese luxury products do not always keep in high quality which makes the customers’ trust losing and the brand loyalty reducing. (Qin, 2013)

3.7 Case Company Introduction

Kweichow Moutai’s factory is located in Moutai town, Kweichow province of China. This white wine is famous since the Chinese Han dynasty 2000 years ago. After creating brand it is almost 100 years in China. Long history comes with numerous awards and brand historical stories. In 1996 Kweichow Moutai won the gold medal in Panama Pacific International Exposition holding by United States. After this international award, it became famous all around the world, and gets the name of the most famous three distillation wine in the world with the French cognac and Scotch whisky. In Millward Brown’s “2013 the Top 100 Most Valuable Brands in the World”, Kweichow Moutai was ranked at 73th with the \$12.193 billion brand value. (KWEICHOW MOUTAI CO., LTD)

Because of the unique "Sauce" smell which also named “Mao”, Kweichow Moutai got the award of Chinese "National White Wine". Kweichow Moutai is in the leading position in Chinese white wine industry currently. It has various standards and three series products including low, mid-range and high-range white wine. (Yang, 2013)

Since 1949, Chinese government gave much support to the development of Kweichow Moutai. From 1953, Kweichow Moutai exported products abroad through Hong Kong and Macao, until now this white wine has been exported to more than 150 countries and regions in the world. This enterprise earned more than 1000 million dollars per year. It leads the most export quantities within national traditional liquor enterprises. (Yang, 2013)

Even in 2013, Kweichow Moutai’s sales reached 25200 tons breaking the sales record when the whole white wine industry stays in a depressed status. In 2013,

Kweichow Moutai' sales reached 40.2 billion Yuan, increasing 13.8% than 2012. Furthermore, the net profit achieved 22.2 billion Yuan, with the 12.75%.growth rate. In 2014, the company's sales target is 45 billion Yuan with 12.5% increase. It can be said that the demand and sales growth of Kweichow Moutai is guaranteed. (KWEICHOW MOUTAI CO., LTD, 2014)

4. EMPIRICAL STUDY

4.1 Methodology and Research Purpose

This thesis use quantitative method and questionnaire is applied to investigate the consumers' psychology and purchase behavior. The purpose of this questionnaire is to find out suitable marketing strategy for Kweichow Moutai, and also make one example for other Chinese enterprises who want to transform their own brand into luxury brand.

The questionnaire includes 20 questions, which contain the personal information of customers, their awareness toward domestic luxury brands, attitude toward Kweichow Moutai, and suggestions for making Kweichow Moutai luxury brand. Before result analysis, I have got 210 questionnaire responses which are from 112 male and 98 female adult respondents in China. Since I put my questionnaire on the internet, the living area and occupation of respondents are not limited. In details, I spread my questionnaire on the forums of 2 biggest luxury sales websites in China from 3.2014 to 4.2014 (Tao Bao & Jing Dong) and then get 112 valid samples. At the same time, I also spread questionnaire on the sales forum of Kweichow Moutai's official website receiving 98 valid samples finally.

As most of people on the former two forums are luxury product fans or luxury customers. In addition, almost all the activists on Kweichow Moutai's website have the experience buying Kweichow Moutai since it is such a famous national wine in China. As a result, I get amounts of ideas focusing on luxury consumers and this is beneficial for luxury marketing strategy analysis. Since my research is related to white wine products and juveniles could not drink alcohol in China, I

get the rid of respondents' answers who are under 18 which make the result more valid. On the other hand, 210 questionnaires also ensure the result's reliability for some extent.

However, one limitation is that some qualitative interview within Chinese domestic luxury companies and the idea of government trade department is missing. For this research, it is better to combine customers' point of view and the professional ideas from companies and government which make the result more reliable and objective.

4.2 Reliability and validity analysis

When a research refers to data collection, the validity and reliability of the measuring process is important. For quantitative research, there are two requirements. Firstly, the result should be repeatable, which stands for the reliability. And then, the approach of measurement is accurate and achieves our research target. (Golafshani, 2003)

(1) Reliability

Joppe (2000) consider reliability as the level in which our results are stable over periods. Besides, the huge samples can contribute to the reliability of our research. If our results can be proved by any other methodology, in the other word it is repeatable, the original research device and approach is reliable. There are three factors of reliability related to quantitative research. The first is the level of result similarity after measuring again and again. The second one is the level of result stability with the time's going. And the last index is the stability of research result in one given timetable. (Kirk and Miller, 1986)

(2) Validity

Joppe (2000) gives the definition of validity as the level in which our data research process or measuring approach truly measures what we want to test and how truthful our collection data are. In general, it also shows whether the research

method and instrument are suitable enough for the research object. Researchers can judge the validity in one research through giving a series relevant questions, and look for the answers from other literature or others research.

In summary, if we are doing a quantitative research, the measurement results should be similar and stable if we repeat the research. We can say the result is then reliable. However, although the research measurement is repeatable and reliable, the test approach may be not valid because validity refers to the usefulness for research target. (Golafshani, 2003)

(3) This thesis analysis

The premise of this research is that the respondents should have luxury consumption experiences. So my questionnaire is distributed on the luxury products web site within luxury consumers. I received 210 valid responses to my questionnaire. The mass samples ensure the reliability of my research result. Besides, I have distributed my questionnaire into different luxury products forums on the internet, which ensures the universality of respondents without the limitation of occupation, age, living area and so on. As a result, my test result will be stable even if choose the new samples for repeating test. So, this quantitative research is reliable.

The objective of this quantitative research is to study the attitude and psychology of luxury consumers especially the customers of Kweichow Moutai. In order to achieve this target, I discarded some respondents' of those who were under 18 years old because only adults are allowed to drink alcohol in China. The useless responses would influence the validity of research. In addition, in order to get relevant information for a consumer psychology analysis, I divided my questionnaire into 6 parts with 20 questions. As every part refers to different research targets and questions are reasonable following a logical order, this questionnaire has strong connection with my research purpose so this quantitative measurement is valid.

(4) Weakness

Anyway, some limitations still exist in this measurement. The first one is related to the online research. Since some luxury consumers do not have the habit of reading resources on the internet, this research did not involve them. It does not make the result reliable enough. The second limitation refers to the gender of the respondents. There are 112 males and 98 females who answered my questionnaire. However, because of the gender difference, the purchase behaviors are different. Thus, it would be better to involve the similar number of both genders and the balanced number contributes to the validity of research. On the other hand, it is a truth that over half of these consumers of Kweichow Moutai or other white wine products are male. Therefore, this result also can be considered reasonable.

5. RESULTS ANALYSIS

Part 1: Personal information (from question 1 to 5)

1. The male respondents account for 53% and the female for 47%.

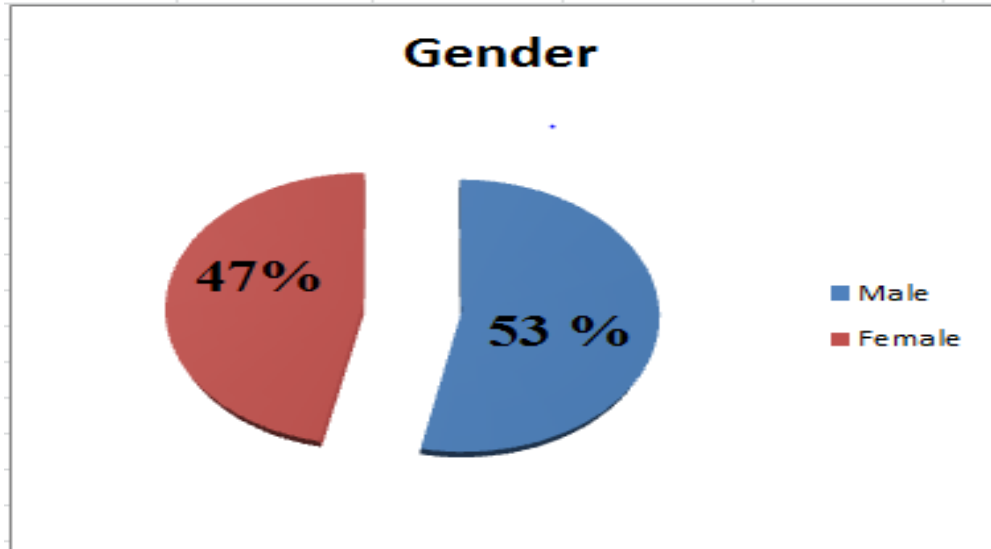


Figure 10 The gender of respondents

2. Excluding the respondents whose age are under 18, the percentage of different ages show as below.

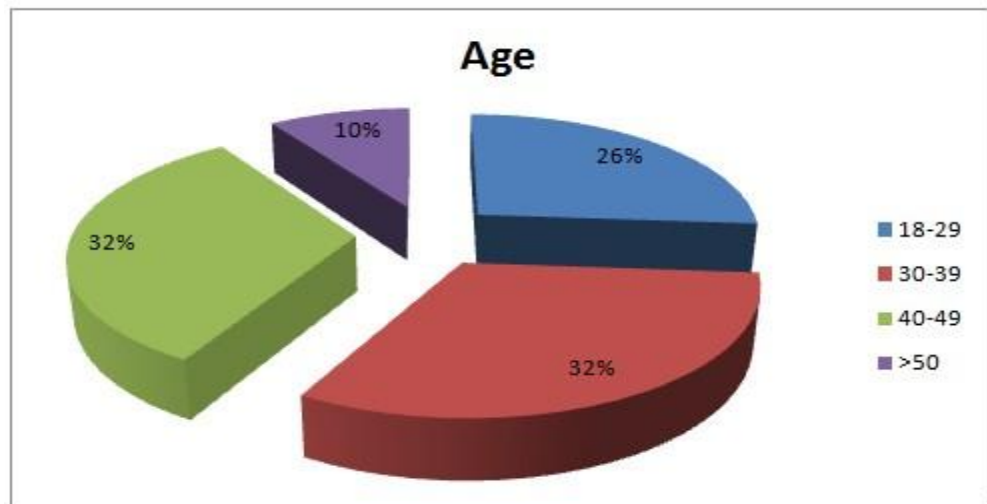


Figure 11 The age distribution of respondents

As the chart shows, most of the consumers are between 30 to 50 years old, accounting for 64% totally. The second age group is from 18 to 29, accounting for 26% and the smallest group 10% is those who are over 50 years old. The chart shows the age distribution of Luxury consumers, especially the customers of Kweichow Moutai, on the internet. The reason is that I distributed my questionnaire on the forum of luxury sales websites particularly on the Kweichow Moutai's sales forum. Therefore, most of the respondents are the consumers of Kweichow Moutai. Taking the underline situation into account, the main customer group of Kweichow Moutai are the middle-aged males who have the wealth to afford luxury consumption.

3. The resident city of respondents.

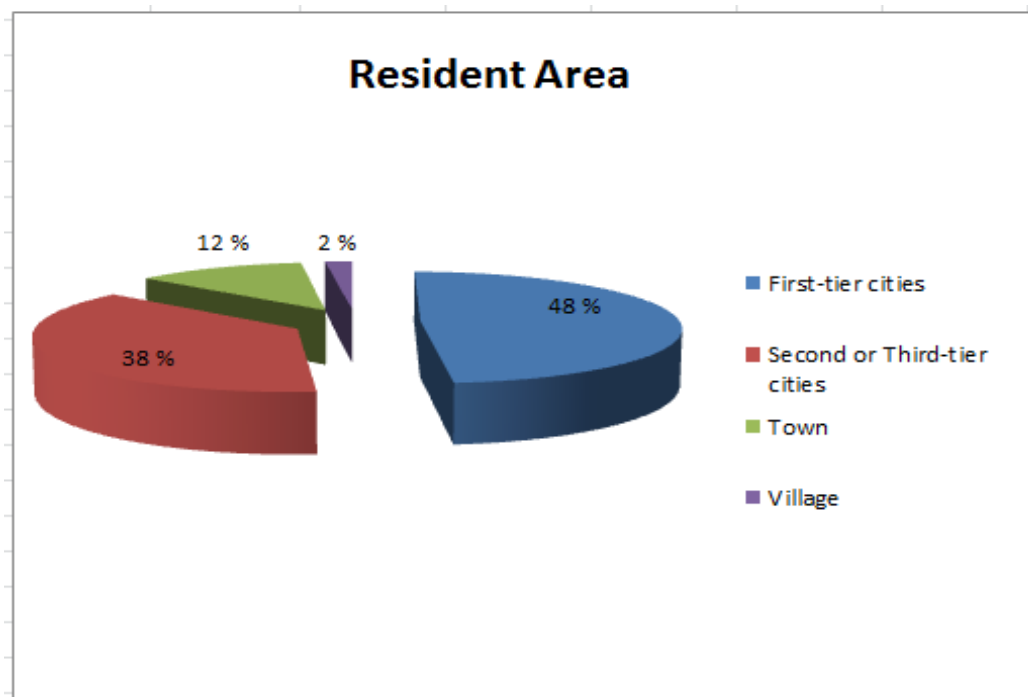


Figure 12 The resident area of respondents

From the background review we can see, that currently most luxury stores still expand their business in Chinese first-tier cities such as Beijing, Shanghai, Guangzhou et. At the same time, the residents in other areas of China still are unfamiliar with numerous luxury brands. However, with the economic increase in

China, the number of the rich increases rapidly. Nowadays, not only in big cities but also in some second and third-tier cities, there are huge number of people can afford the purchase of luxury products. As a result, we can see from this chart, the luxury consumers in first-tier cities accounts for biggest part with 48%, following by the second and third-tier cities with 38%. Consumers in towns and villages are less. This data also give luxury one suggestion on opening the new luxury market in Chinese second and third-tier cities.

4. The income of respondents per month.

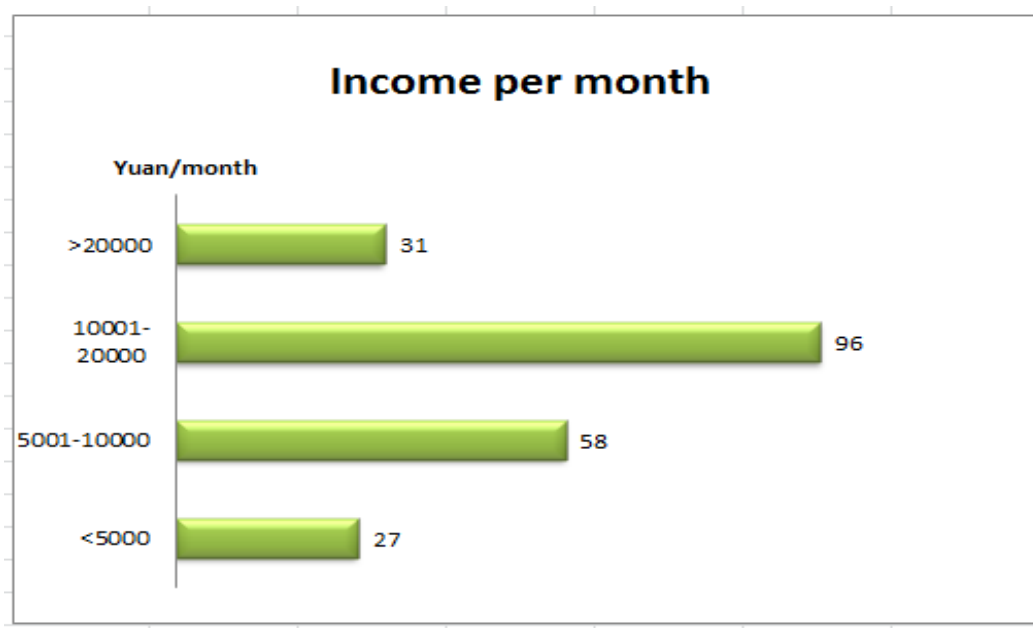


Figure 13 The income of respondents per month

As my research target is the luxury consumers in China, this result does not represent the average income of Chinese but illustrates the luxury consumers' income level on the internet. Nowadays, Chinese luxury consumers most concentrate on the middle class whose income between 10,000 to 20,000 Yuan or more per month and the rich people whose income far surpass 20,000 Yuan per month.

5. The expenditure of respondents on luxury every year.

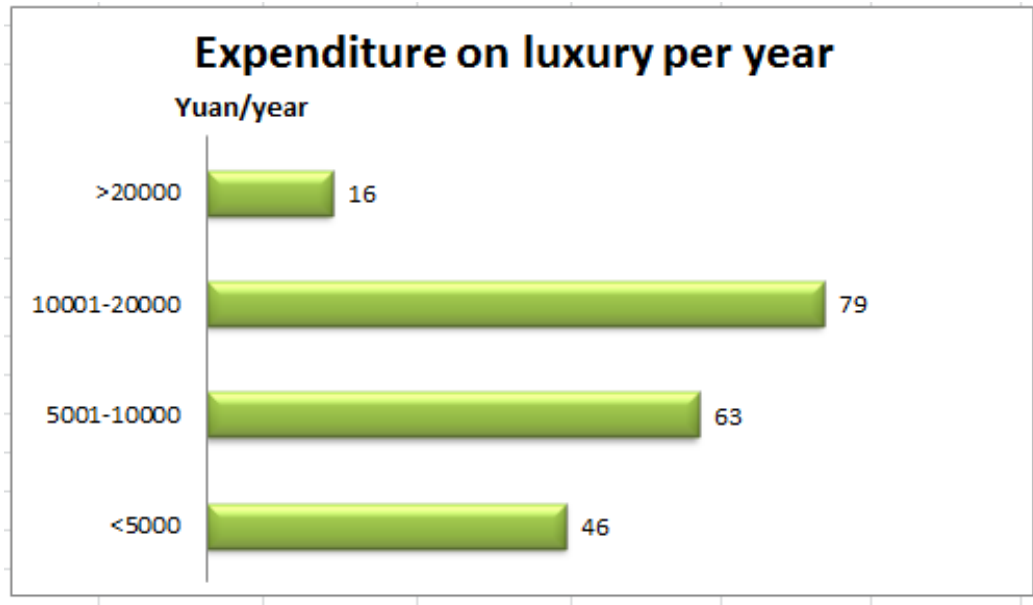


Figure 14 The expenditure of respondents on luxury every year

From Figure 13 and Figure 14, we can see that 96 respondents' incomes are between 10,001 to 20,000 RMB, almost taking up half of all respondents. Approximately 2/3 respondents' incomes surpass 10000. It demonstrates that many of them have the capacity to buy luxury products. With the development of the Chinese economy, the numbers of the middle class and the rich are still increasing and these two classes will become the main customers of Chinese luxury products.

In terms of the expenditure bar, most of consumers still spend less than 20,000 Yuan on luxury goods every year since they only buy some low-end luxury goods such as cosmetics, ties and clothing in China. Only some rich people can afford more for high-end luxury goods like luxury vehicles.

Part 2: Luxury purchasing behavior (question 6 and 7)

6. The luxury products which consumers usually buy. (Multiple Choice)

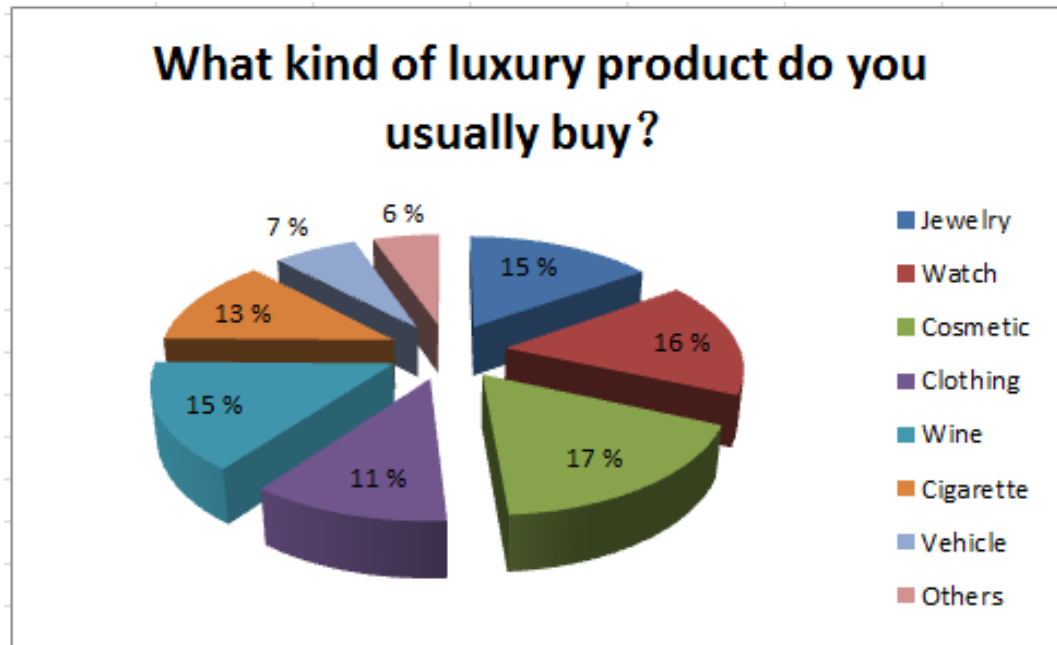


Figure 15 The luxury products which respondents usually buy

This pie indicates that most of the luxury consumption in China focuses on low-end products such as cosmetics, watches and clothing rather than high-end products like transport vehicles. This situation coincides with the luxury expenditure condition in question 5. The majority of consumers, the middle class, prefer purchasing these luxury products whose price they can accept, meanwhile which can bring glory and the sense of satisfaction to them.

The comparative analysis for this question based on different genders shows as below:

| Gender/Category | Jewelry | Watch | Cosmetic | Clothing | Wine | Cigarette | Vehicle | Others |
|-----------------|---------|-------|----------|----------|------|-----------|---------|--------|
| Female | 57 | 25 | 85 | 34 | 36 | 26 | 15 | 22 |
| Male | 39 | 78 | 24 | 37 | 59 | 53 | 28 | 12 |

Table 4 The gender number distribution of different luxury products



Figure 16 The luxury products respondents usually buy (gender difference)

From table 4 and figure 16, we can see that Chinese female consumers have more interest in cosmetics, jewelry and clothing goods. However, male customers prefer purchasing watches, wine and cigarettes. The different distribution is consistent with the different favors and living habits of two genders respectively. In terms of wine products, male consumers show more enthusiasm about it. Since the Chinese love doing business and establishing relationships at the meal table, it contributes to the white wine consumption. At the same time, the majorities of business elites are males in the current Chinese society. As a consequence, the males consume more wine than females.

7. Where do respondents usually purchase luxury products? (Multiple Choice)

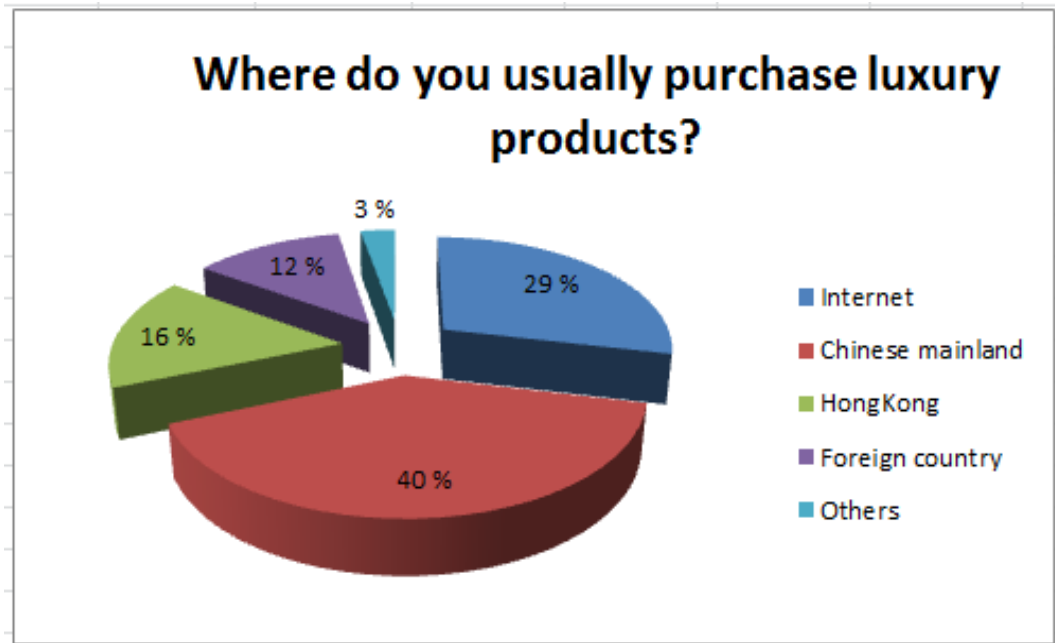


Figure 17 The place respondents purchase luxury products

This pie shows that 40% of the Chinese luxury consumers buy products in mainland China and 29% of them get goods through the internet. The price of luxury products in mainland China is much higher than in Hong Kong or Europe because of the high luxury import tax in mainland China. But many consumers have no time or possibilities to travel abroad for luxury goods purchasing. For the rich people, it is not a problem and their purchasing behavior abroad is extreme. When you enter one luxury store in Paris or outlets in Europe, you can see many Chinese carry not only one luxury product in their hands. With the development of the Chinese tourism industry in Europe route, the Chinese travelers will bring huge profits to the European luxury industry.

The comparative analysis for this question based on different income group are shown below: (figure 18, 19, 20 and 21)



Figure 18 The place respondents purchase luxury products (whose income >2000Yuan/ month)

For the rich people whose income is higher than 20,000 Yuan per month, it is easy to purchase luxury products abroad through personal travel or business trips. 45% of them prefer to buy luxury goods in foreign countries and 23% usually buy luxury products in Hong Kong. It is because the price of luxury products abroad is much lower than in mainland China caused by the import tax, the categories of fashion goods abroad are more than in Chinese local market and the rich people have enough money and time to travel around world.

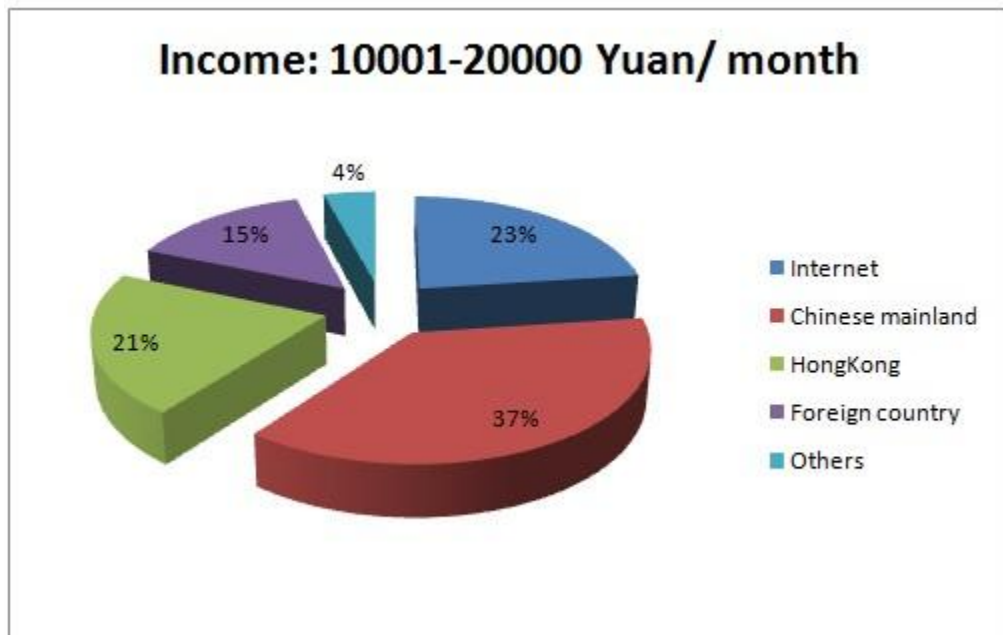


Figure 19 The place respondents purchase luxury products (whose income 10,001-20,000 Yuan/ month)

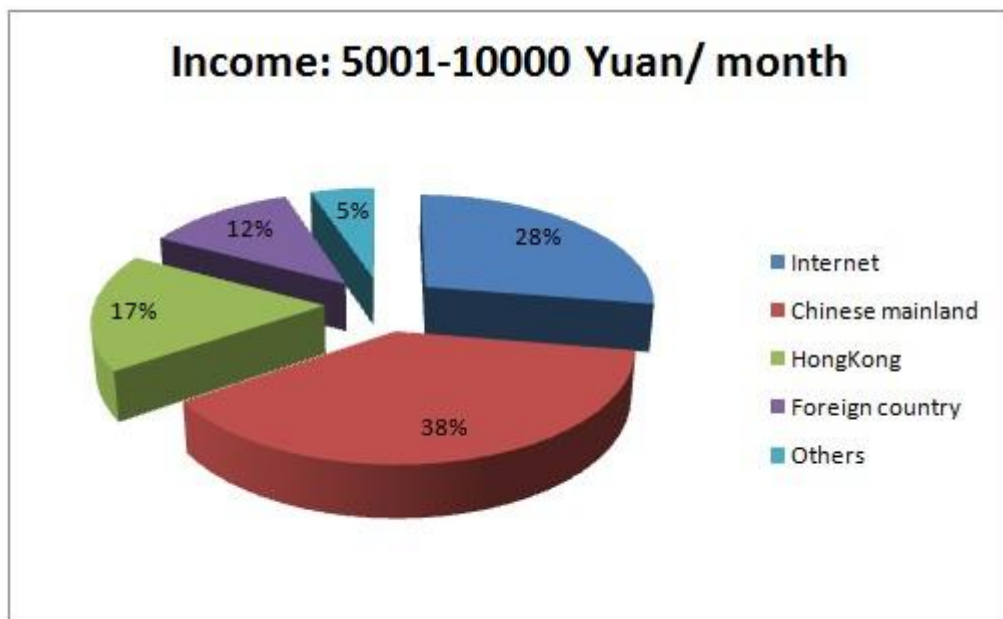


Figure 20 The place respondents purchase luxury products (whose income 5,001-10,000 Yuan/ month)

For the luxury consumers whose income is from 5,000 to 20,000 Yuan, the main purchase place are the flagship stores of luxury brands in mainland China, especially in the big cities such as Beijing, Shanghai, and Guangzhou. 37% and 38% of the luxury consumers whose income are within 10,001-20,000 and 5,001-10,000 Yuan per month buy luxury products in the mainland. Besides, Hong Kong and the Internet have become two good alternative choices for the middle class people to buy luxury products. Comparing with the costs of traveling to Europe and North America, shopping in Hong Kong is a much more economical and convenient approach to get luxury goods.

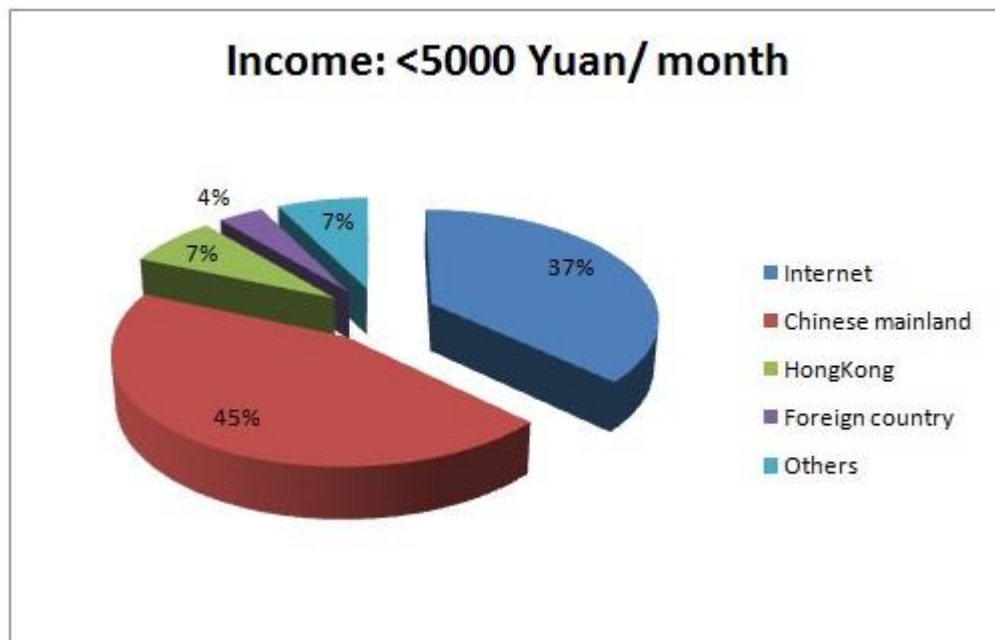


Figure 21 The place respondents purchase luxury products (whose income <5000 Yuan/ month)

For those whose income is less than 5,000 Yuan per month, the consumption in mainland take the dominant place with 45% following by the consumption on the internet with 37%. However, they have no many opportunities to travel abroad even to Hong Kong so the consumption in these two places are much lower than other classes people.

Part 3: consumers' psychology (question 8 and 9)

8. The attractions of luxury brand for respondents. (multiple choice)

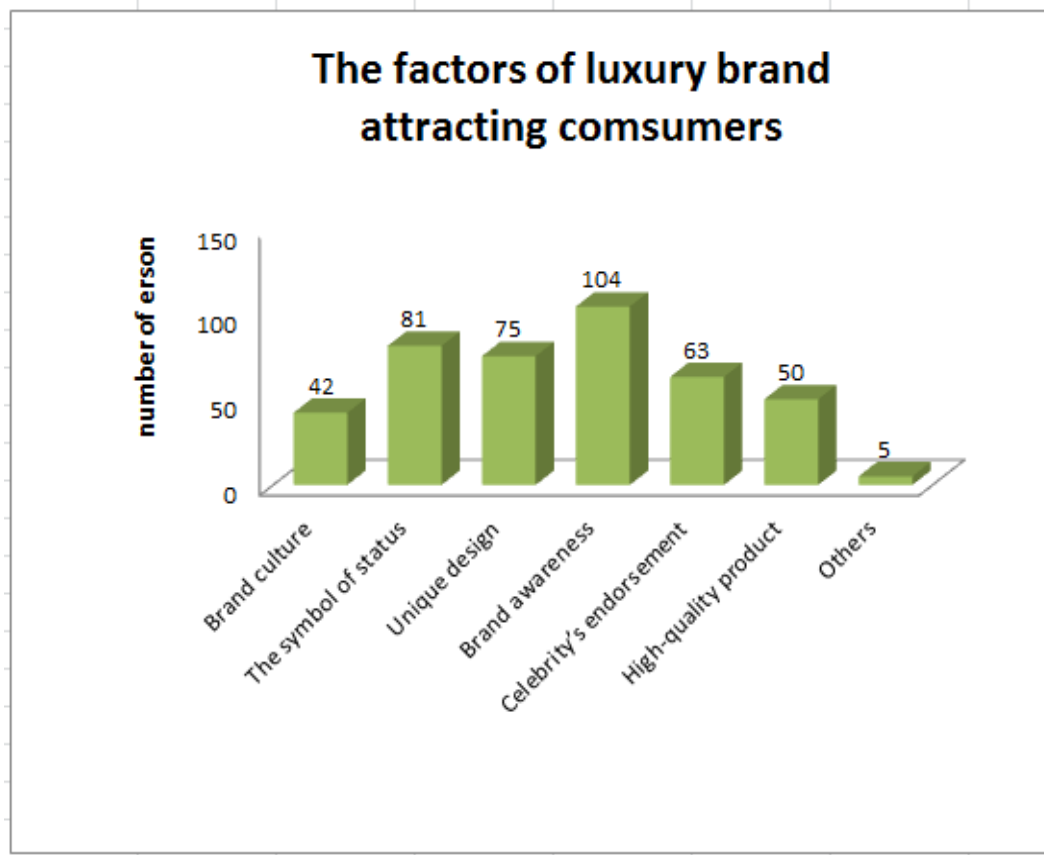


Figure 22 The attractions of luxury brand for consumers

This bar indicates the attractive factors of luxury brand to customers. The factors include brand culture, the symbol of status, unique design, brand awareness, celebrity's endorsement, high-quality product and others. 104 persons, almost half of respondents, are choosing brand awareness and 81 persons consider luxury as the symbol of status. Besides, 75, 63 and 50 consumers will be attracted by unique design, celebrity's endorsement and high-quality product respectively. 42 persons think brand culture is significant to their choice. In conclusion, Chinese consumers think luxury products can bring the sense of satisfaction through showing them off. As a result, they prefer to purchase one brand with high awareness. On the other hand, some young consumers pursue unique design and high-quality products to show their personalities. Besides, what we cannot ignore is the brand culture, 1/5 consumers think it is crucial for luxury brand.

The comparative analysis for this question based on different ages show as below:
(figure 23, 24, 25 and 26)

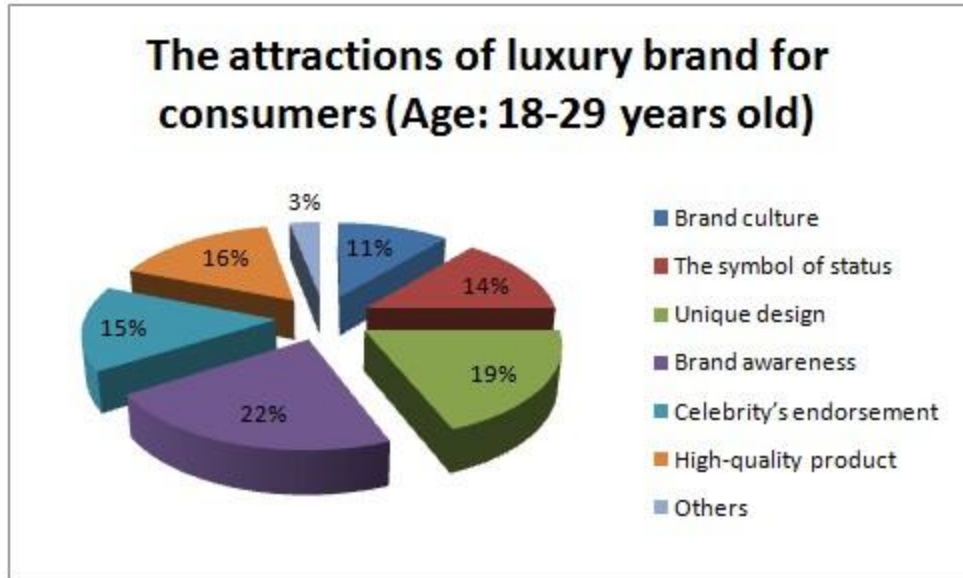


Figure 23 The attractions of luxury brand for consumers (Age: 18-29 years old)

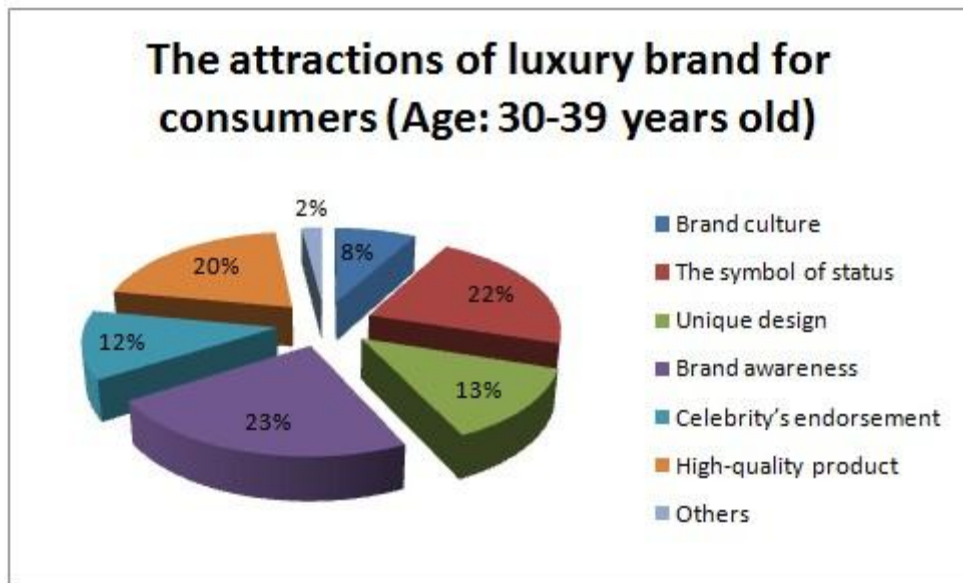


Figure 24 The attractions of luxury brand for consumers (Age: 30-39 years old)

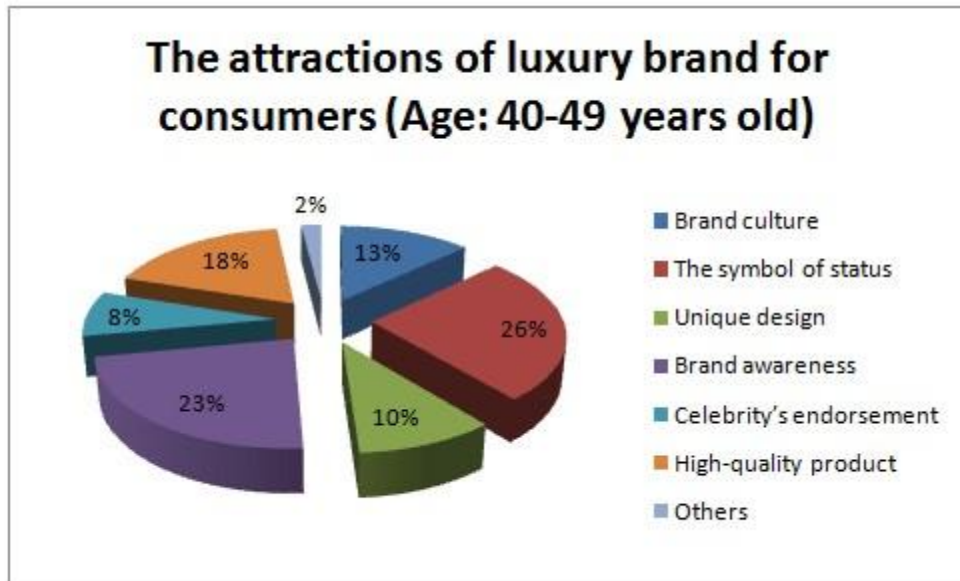


Figure 25 The attractions of luxury brand for consumers (Age: 40-49 years old)

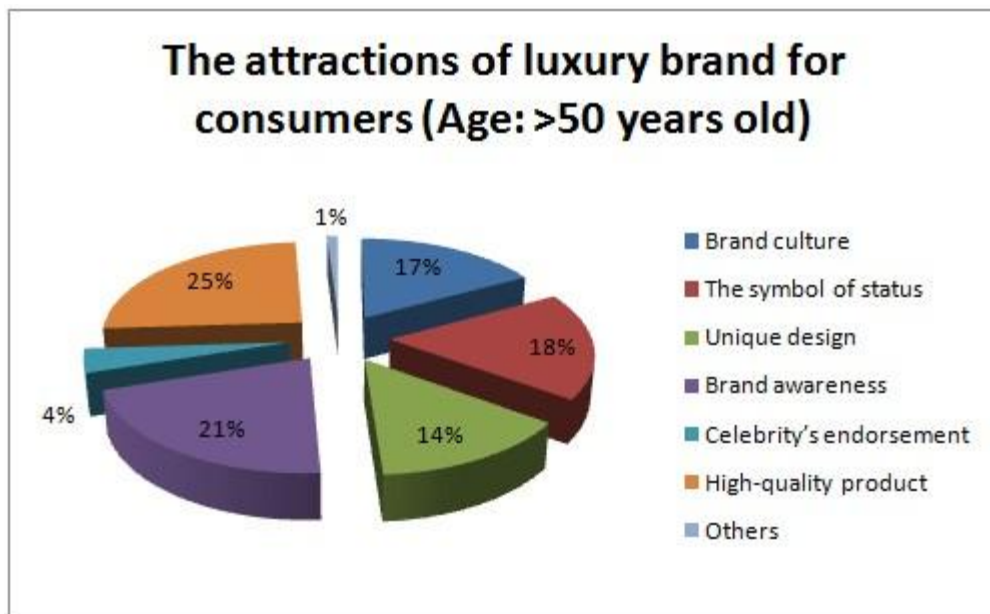


Figure 26 The attractions of luxury brand for consumers (Age: >50 years old)

According to these comparative figures, we can conclude that brand awareness always is the most attractive factor for consumers at all ranges of age. The youngest customers, whose age are range from 18 to 29 years old, care the most about unique design of products and the least about the symbol of social status.

Nevertheless, these percentages of attractive factors are changing with the age accumulation. Almost 26% consumers at the age from 40 to 49 consider the symbol of social status which function luxury could bring as the most significant factor when they select luxury products. The 30-39 years old consumers also care much about, the added value, the symbol of status. The consumers over 50 years old prefer the high-quality products than other age consumers. Celebrity's endorsement only has a little impact on old consumers but the extent of effect increase with the decline of age. Comparing with the unique design of products, the consumers over 50 years old care more about the brand culture.

Why the percentage distribution is different? The reason is young consumers love showing off their personalities through the unique design of luxury products when the middle age consumers need the high-end luxury products to foil their high social status and much fortune so that they can get the respect from others. For this reason, they will prefer choosing luxury products with high brand awareness. However, the old people have much more living experiences and wisdom. They care more about the usage function and the happiness which luxury products can bring so they put the high-quality factor in the first place.

9. What does luxury mean to respondents?

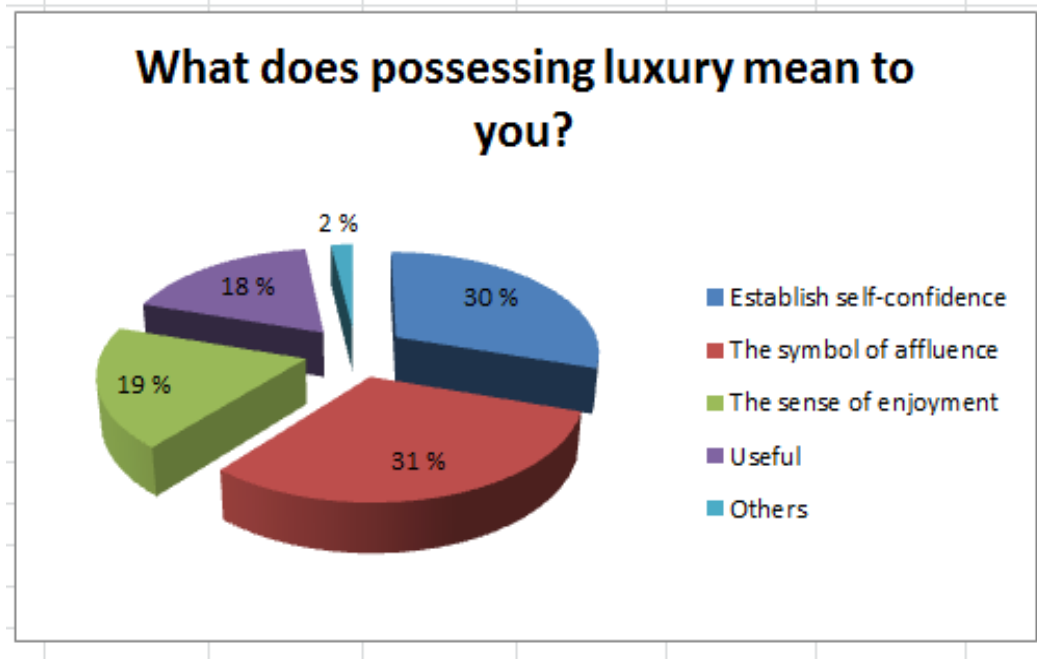


Figure 27 The meaning of luxury to consumers

What is the meaning of luxury to consumers? 31% and 30% of the respondents choose the symbol of affluence and the establishment of self-confidence respectively. Only 19% and 18% consumers consider the meaning as enjoyment function and usage value. The psychology of Chinese consumers is different from European consumers. Chinese luxury consumers care more about the brand awareness and the parading function of luxury among their friends which can stand for the affluence and then establish self-confidence for themselves. But for European consumers, self-enjoyment function and the usage value of luxury products are more significant than others. In summary, if one luxury product plans to enter Chinese luxury market, increasing the brand awareness is the first step.

Part 4: Respondents' awareness with domestic brands. (Question 10 and 11)

10. The familiar extent with Chinese domestic luxury brands.

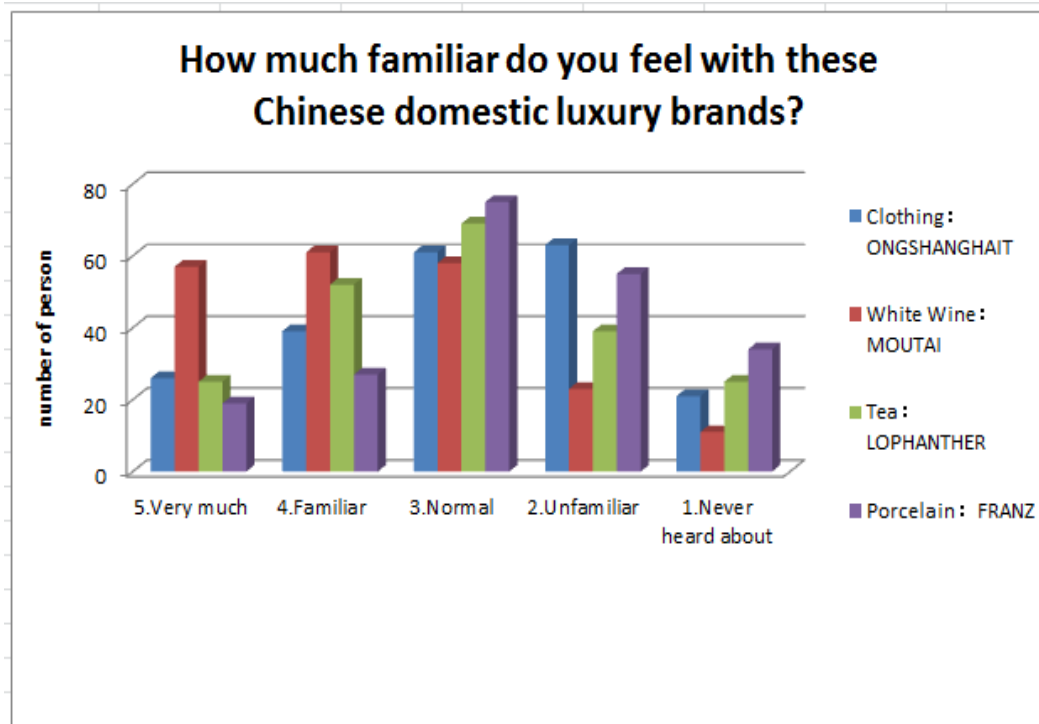


Figure 28 Consumers' familiar extent with Chinese domestic luxury brands

From this bar, we can see that most of the Chinese consumers feel familiar with Kweichow Moutai, the white wine leader in Chinese domestic market. Some people heard about the tea leader brand Lophanther and Porcelain brand Franz. On the other aspect, numerous consumers never heard about the clothing brand Shanghai. From some point of view, Chinese domestic luxury brands are still rare, and are mostly limited to furniture, clothing, tea and other traditional Chinese industries. Among these industries, the white wine and tea industries are most successful so this thesis chose the white wine brand Kweichow Moutai as the case company to explore the domestic luxury marketing strategy.

11. The white wine brand awareness within consumers. (Multiple choice)

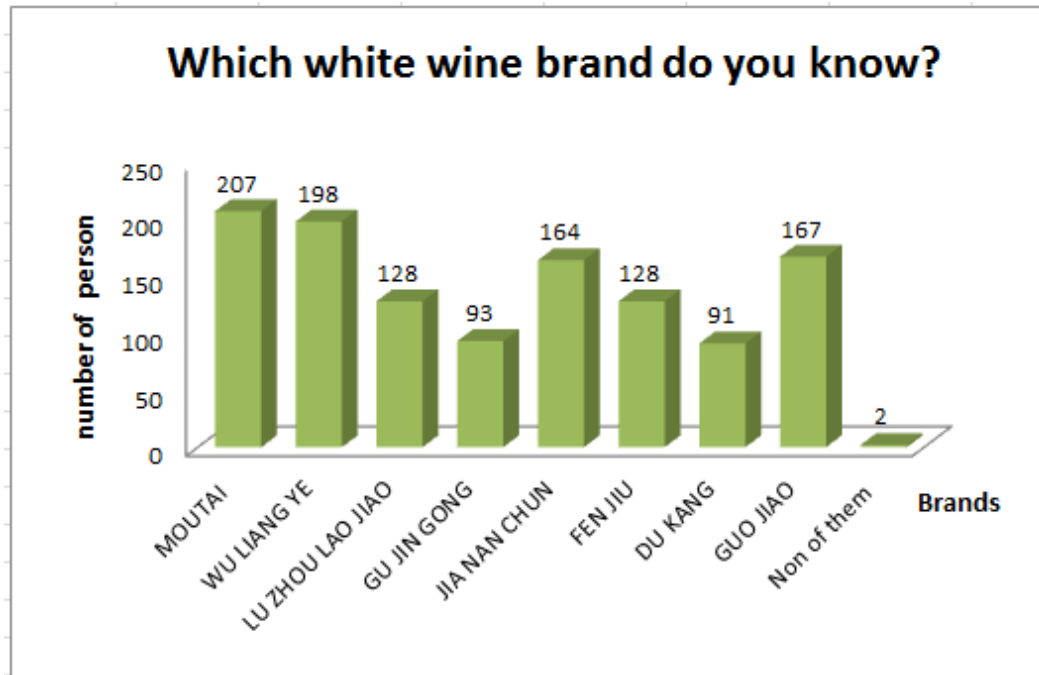


Figure 29 The white wine brand awareness within consumers

According to this bar, the most famous white wine in China is our case company Kweichow Moutai with overwhelming brand awareness. The second and third brands are Wu Liang Ye and Guo Jiao with 198 and 167 persons respectively. Jian Nan Chun also is a famous wine brand with 164 votes. The other brands' situations are not as good as the former ones. Based on this situation, almost all people know Kweichow Moutai, this domestic enterprise could be a typical case company for marketing research and strategy analysis.

Part 5: The research about consumers of Keichow Moutai.(questions from 12 to 16)

Since Kweichow Moutai's long history and its irreplaceable brand awareness in China, most Chinese have experiences of purchasing it, drinking it or hearing discussions about it. What is more, the respondents on Luxury and Kweichow Moutai's forums in my research are more familiar with this brand than general people. As a consequence, these results below are believable.

12. price tolerance to Keichow Moutai

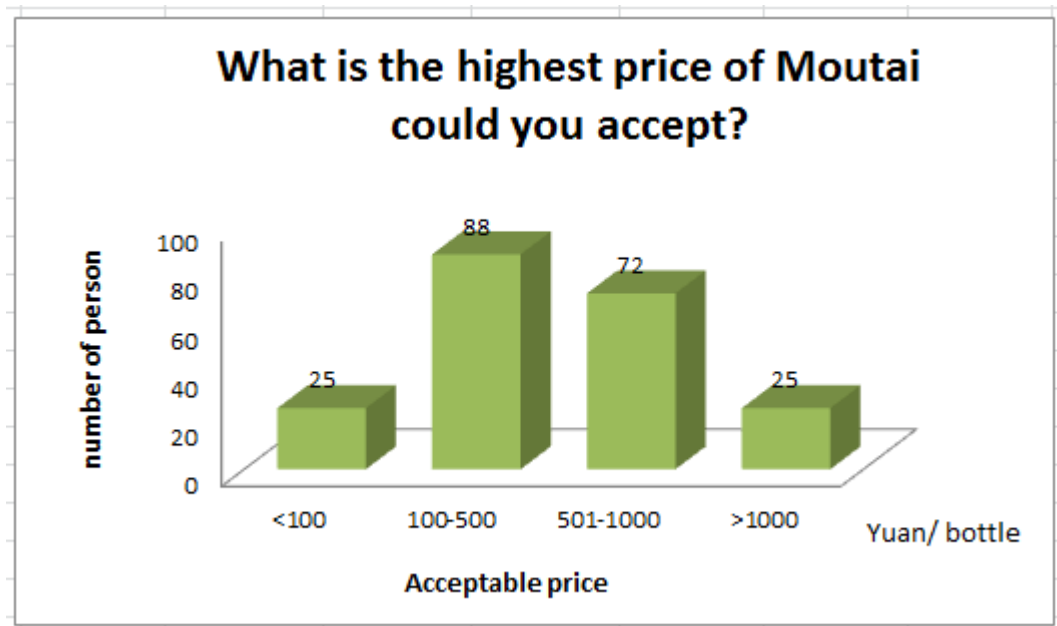


Figure 30 The consumers' price tolerance to Kweichow Moutai

According to this research, the highest acceptable prices of 88 persons are between 100 to 500 Yuan per bottle. And then, 72 persons choose 501 to 1000 Yuan to be their highest acceptable price. Both 25 persons' price tolerance is below 100 Yuan and over 1000 Yuan one bottle of Kweichow Moutai. In terms of luxury brand strategy, high price limit the luxury purchasing numbers. On the other hand, high price brings consumers the sense of unique and honorable and at the same time the added brand value is increased. Therefore, if Kweichow Moutai want to become a luxury brand, it is better to avoid the most acceptable prices.

The comparative analysis for this question based on 2 dimensions, the difference of income and the difference of resident areas, show as below: (Figure 31 and 32)

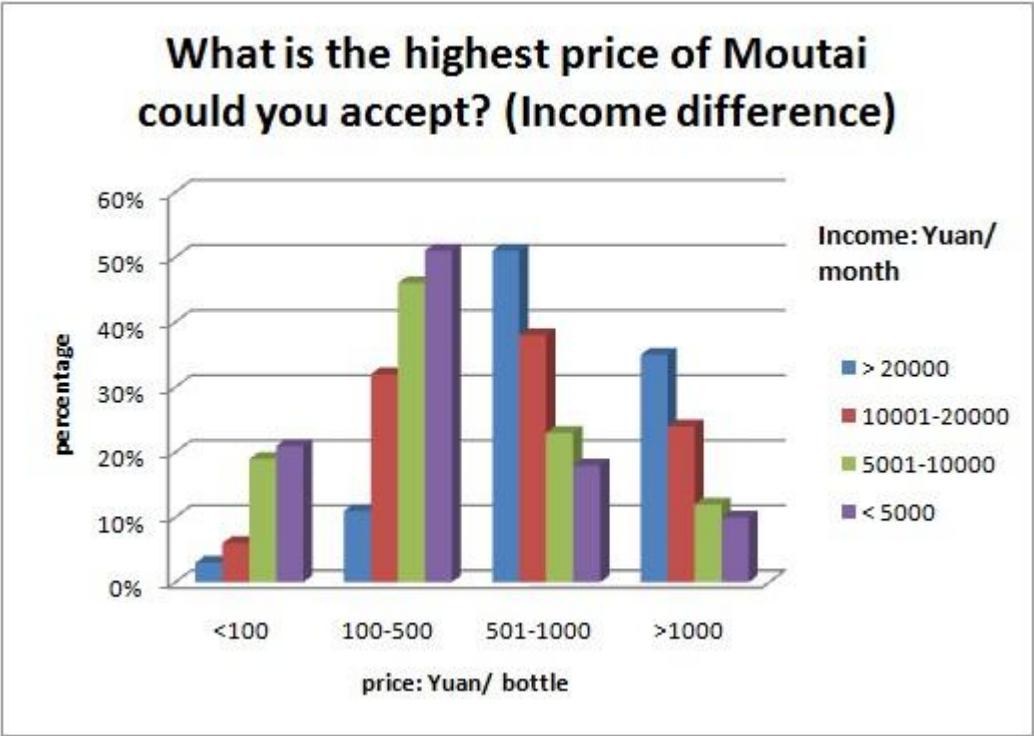


Figure 31 The consumers' price tolerance to Kweichow Moutai (Income difference)

In terms of the people whose income is over 20,000 Yuan per month, almost half of them selected the price between 501 and 1,000 Yuan per bottle as their highest acceptable price of Kweichow Moutai. And then over 30% of them can accept the bottle price over 1,000 Yuan. For the people whose income is between 5,001 and 20,000 Yuan per month, the bottle price between 100 and 1,000 is the highest tolerant price for them with the number percentage over 60%. Half of consumers earning less than 5,000 Yuan per month consider the price range from 100 to 500 Yuan per bottle as their highest acceptable price of Kweichow Moutai.

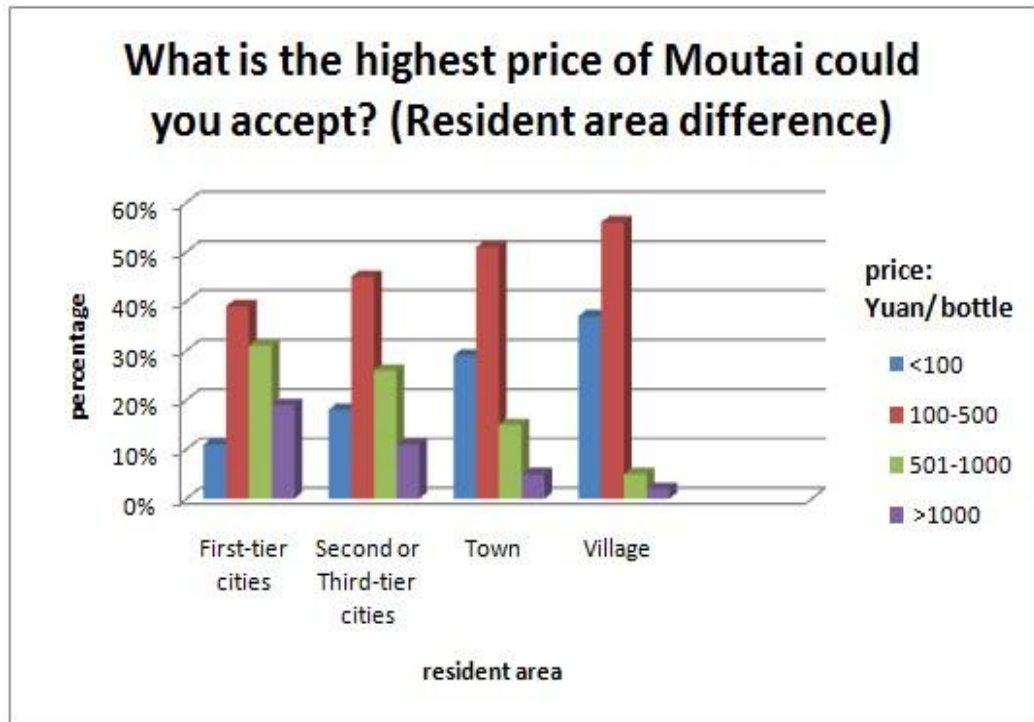


Figure 32 The consumers’ price tolerance to Kweichow Moutai (Resident area difference)

The tolerable price between 100 and 500 take all the most percentage places in four resident areas. The second acceptable prices in the first, second and third-tier cities are between 501 and 1,000 Yuan per bottle. Almost 18% people in first-tier cities can accept the price over 1,000 but only 2% consumers in village can accept it. A mass of consumers who live in town or village can only accept the price below 100 Yuan per bottle of Kweichow Moutai. This tolerance distribution is caused by the differences between consumption capacity and the concept of consumption in different area. People in big cities have more income in average and they are more willing to consume luxury products like Kweichow Moutai than people in town or village.

13. The consumers’ purchasing quantities of Keichow Moutai per year.

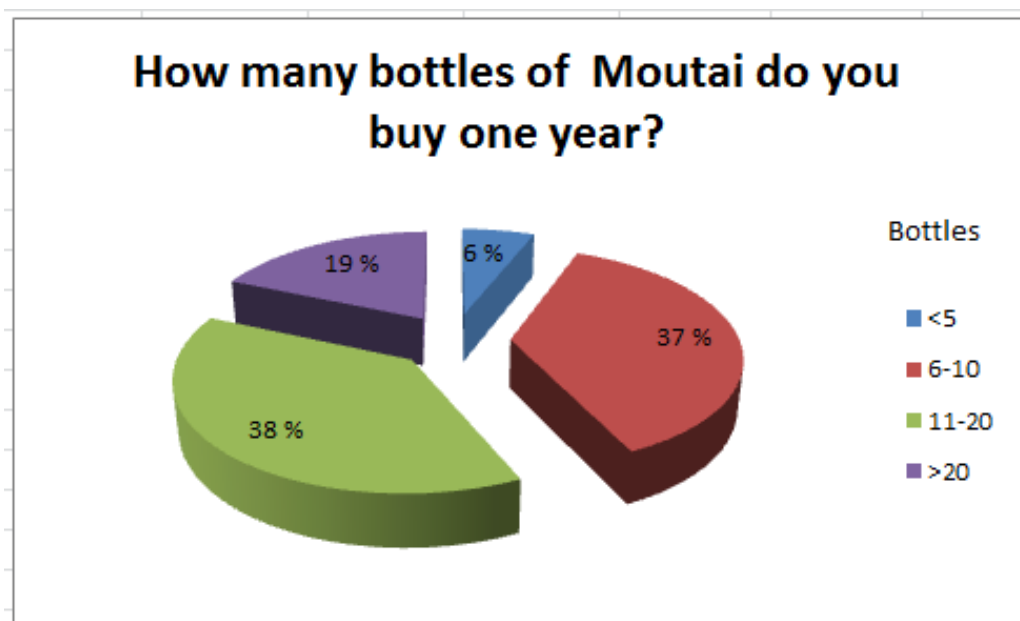


Figure 33 The quantity of Kweichow Moutai bought every year

According to the research of consumers' purchasing quantities per year, 38% consumers purchase 11 to 20 bottles per year which is almost the same with the number between 6 to 10 bottles. 19% persons' quantities surpass 20 bottles every year and the rest 6% consumers buy the bottle numbers less than 5. This pie shows us the main consumption quantity range from 6 to 20 bottles everyone per year.

The comparative analysis for this question based on 2 dimensions, the different income groups and the different ages, show as below: (Figure 34 and 35)

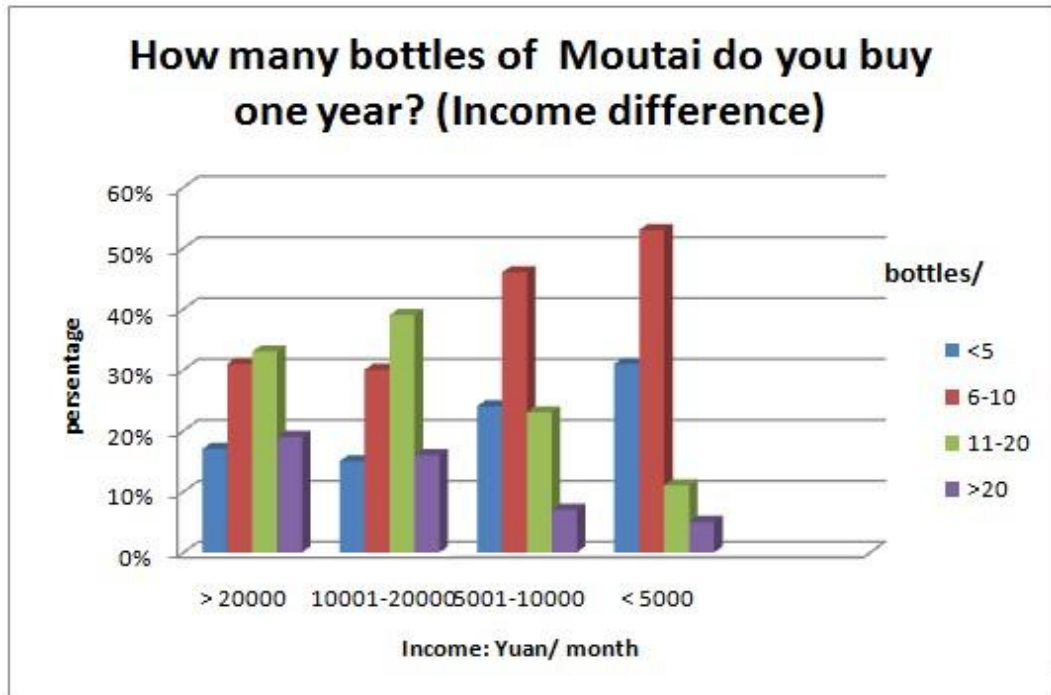


Figure 34 The quantity of Kweichow Moutai bought every year (Income difference)

Most of the consumers whose income is higher than 10,000 Yuan per month buy 11 to 20 bottles of Kweichow Moutai every year. And most of the consumers whose income is less than 10,000 Yuan per month buy 6 to 10 bottles of Kweichow Moutai every year.

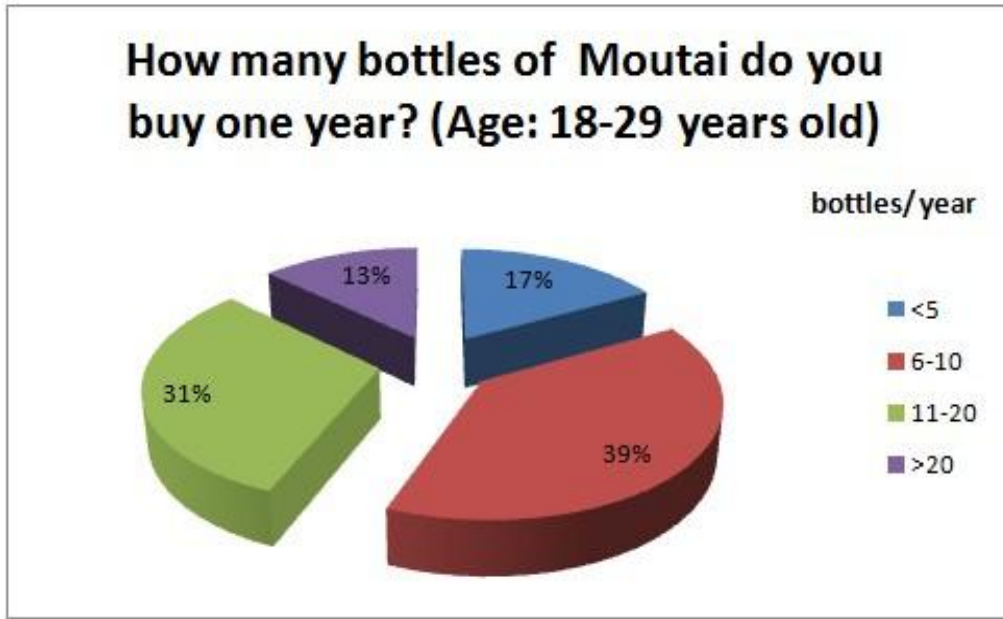


Figure 35 The quantity of Kweichow Moutai bought every year (age: 18-29)

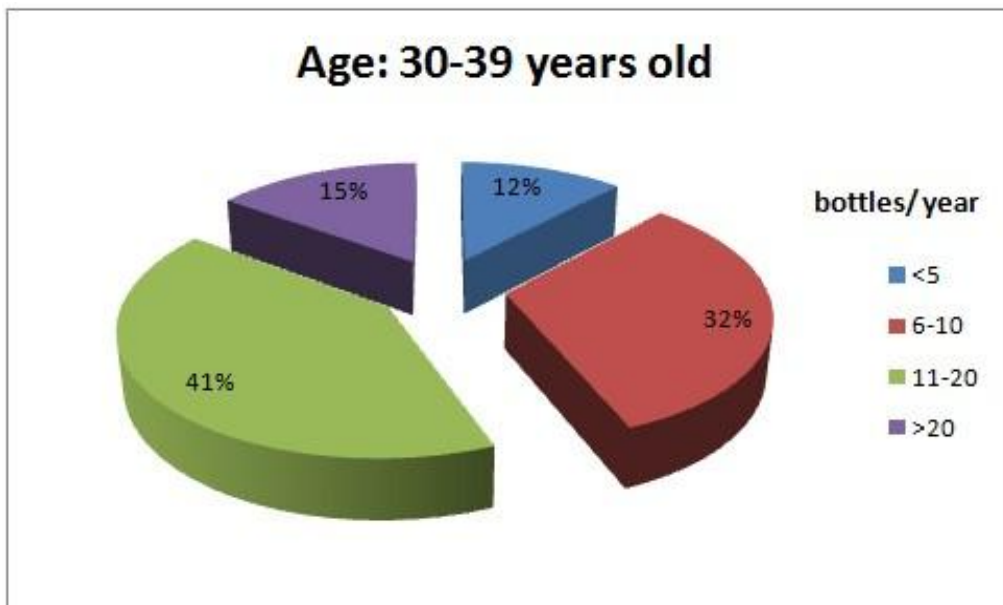


Figure 36 The quantity of Kweichow Moutai bought every year (age: 30-39)

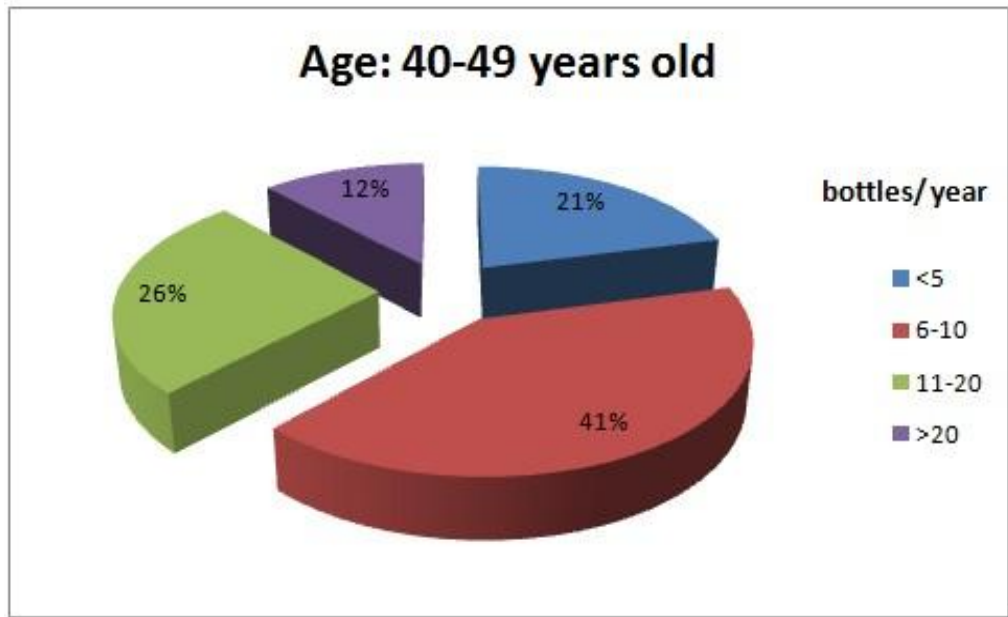


Figure 37 The quantity of Kweichow Moutai bought every year (age:40-49)

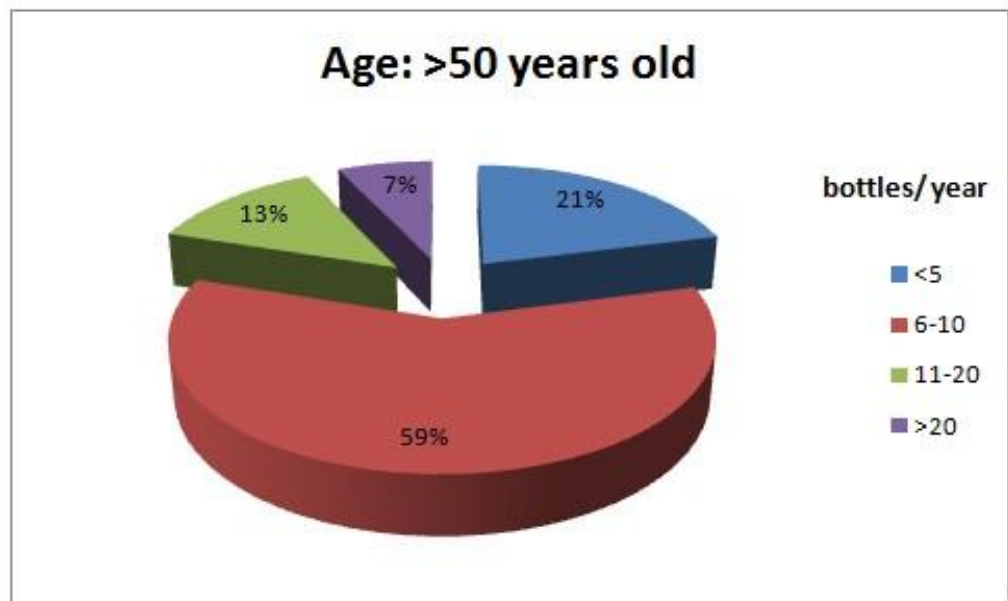


Figure 38 The quantity of Kweichow Moutai bought every year (age>50)

Among the consumers who are between 18 and 29 years old, 39% purchase 6 to 10 bottles of Kweichow Moutai every year. This percentage of 6 to 10 bottles are 32%, 41% and 59% ranging from 30-39, 40-49 to over 50 years old respectively. The people in the age between 30 and 39 have the biggest percentage 56% on the

option over 11 bottles per year. It also illustrates the consumers whose ages are from 30 to 39 years old should get enough attention on planning marketing strategy.

14. The place to drink Kweichow Moutai.

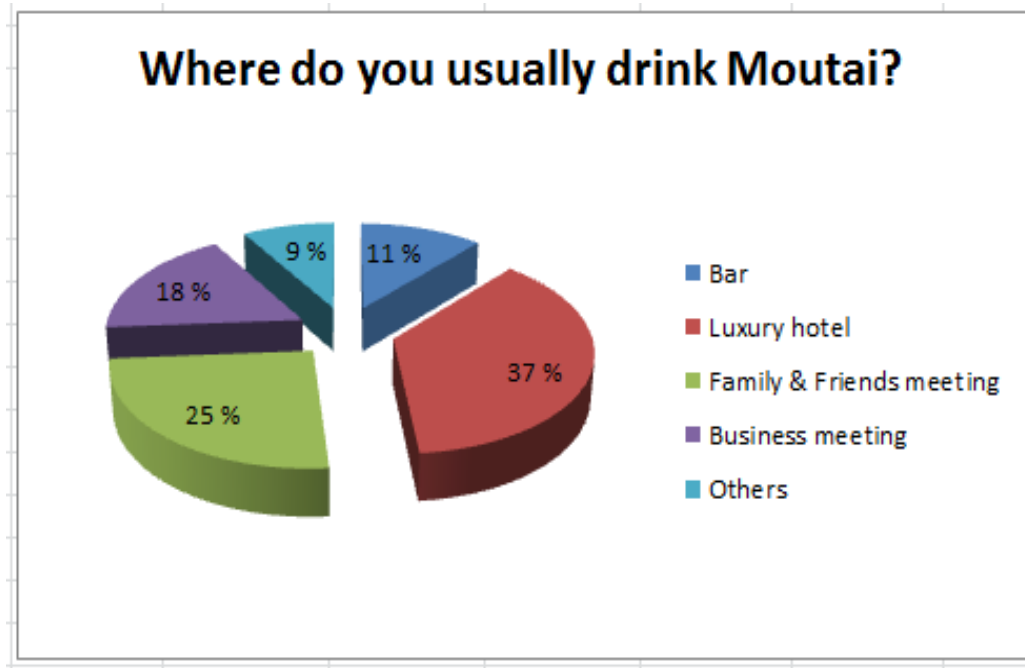


Figure 39 The place to drink Kweichow Moutai

From Figure 39, we can see that almost 2/5 persons drink Moutai in luxury hotels, and 1/4 consumers drink it with family and friends. The rest 18% occur in business meetings, 11% in bars and 9% in other places. As we know that, Chinese prefer business meetings at the dining table, which is also used for enhancing connections within family members and friends. What comes with the dining culture is Chinese wine culture. It leads to a high consumption of Chinese white wine. From the other point of view, Kweichow Moutai could consider cooperation with luxury hotels in order to achieve a win-win profit.

15. The usages of Kweichow Moutai for consumers.

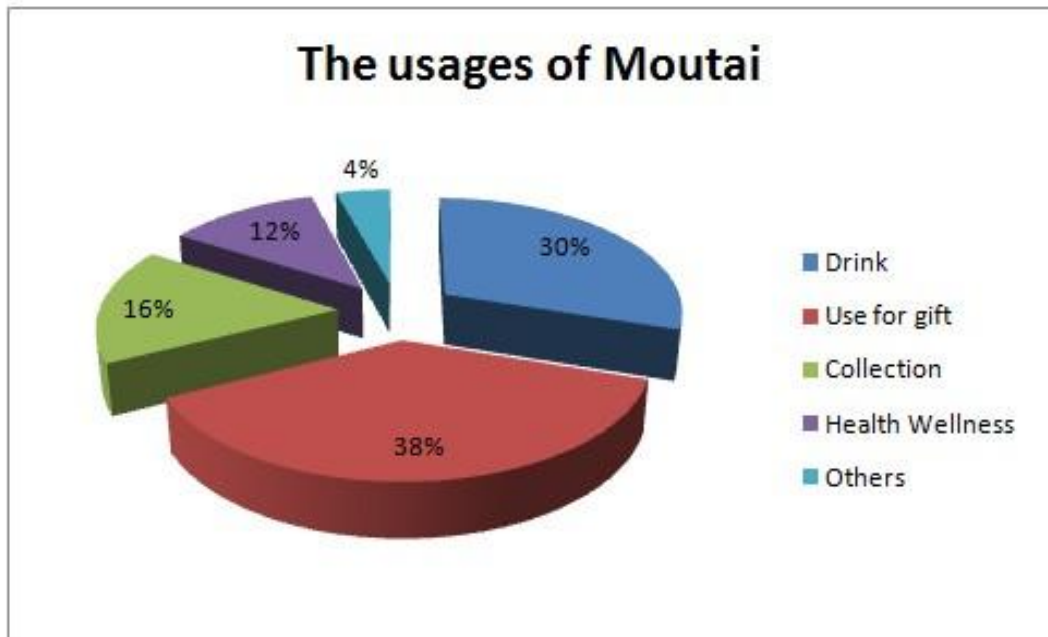


Figure 40 The usages of Kweichow Moutai for consumers

This pie indicates the percentage of various usages of Kweichow Moutai. It is remarkable that 38% consumers use Moutai for gift to friends and colleagues in various holidays rather than for drink themselves like European consumers. The reason is the Chinese special “gift” culture which is considered that more valuable gifts stand for more respect to your gift receiver. Definitely, the Chinese white wine leader Kweichow Moutai is a good gift choice. Beside this, there are 30%, 16% and 12% consumers using Moutai for drink, collection and health wellness respectively. One value of luxury products is collection so some consumers purchase Moutai as a value adding collection. In conclusion, Moutai enterprise should grasp consumers’ gift giving behaviors to open consumer market.

The comparative analysis for this question based on 2 dimensions, the income difference and the age difference, show as below: (Figure 41 and 42)

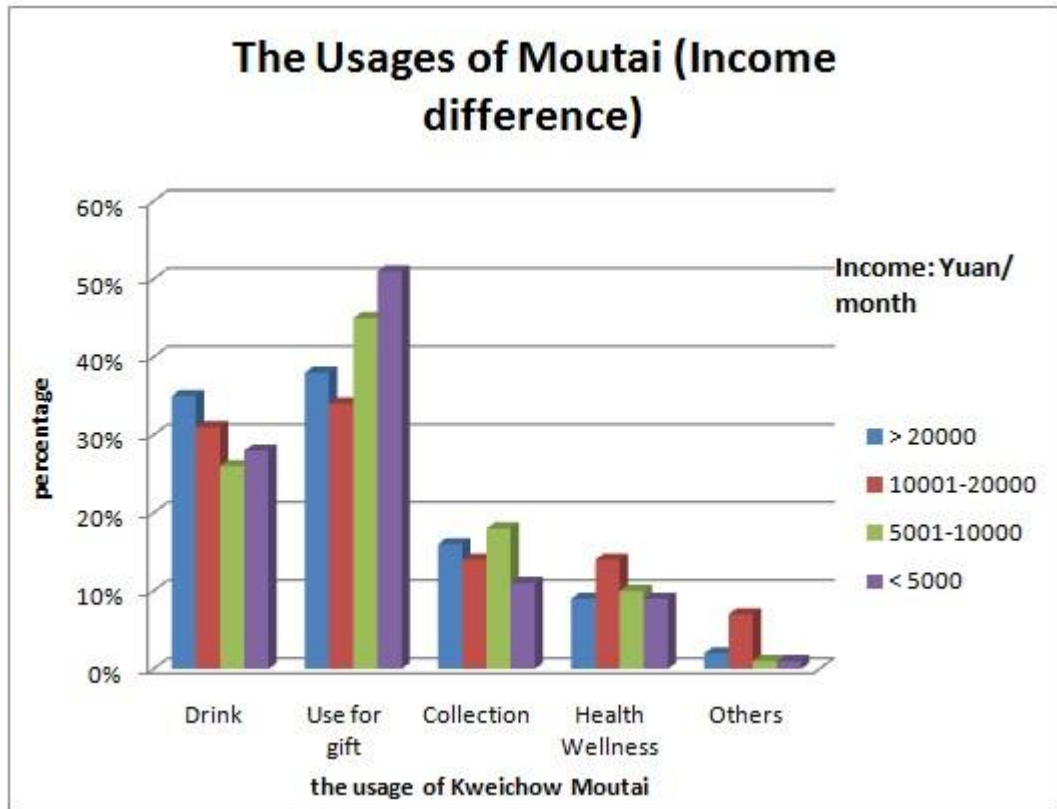


Figure 41 The usages of Kweichow Moutai for consumers (Income difference)

These two usages of drinking and using for gifts take the first and second dominant place within all usages of Kweichow Moutai. The general trend is that the higher income comes with the higher percentage of drinking usage and less proportion on gift usage. The proportions on functions of collection and health wellness appear no distinct difference among various income levels.

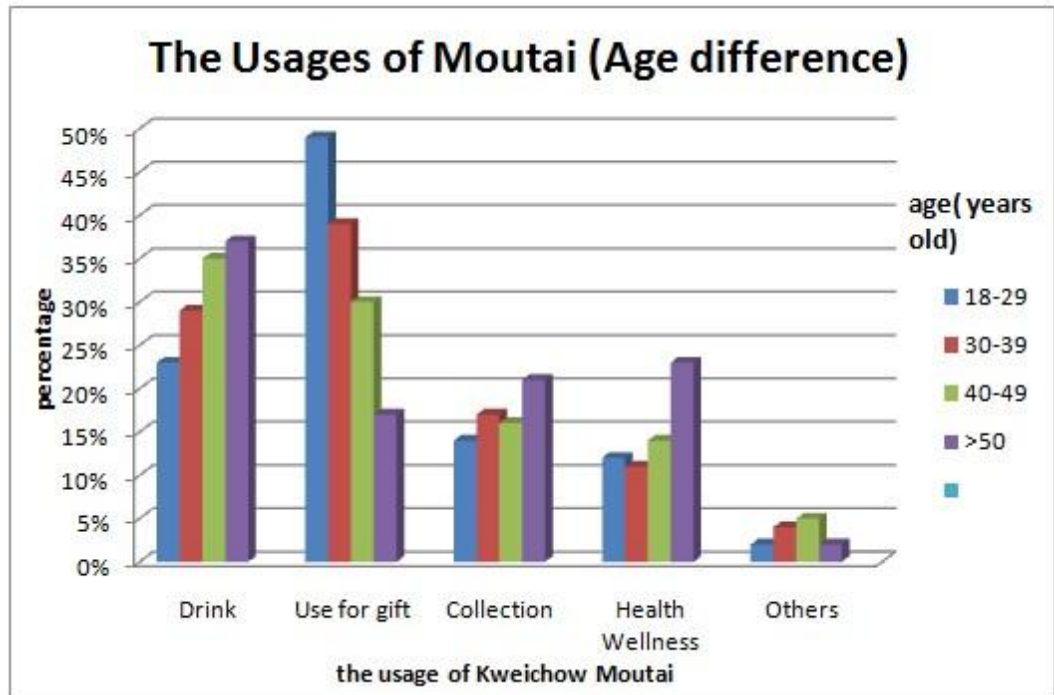


Figure 42 The usages of Kweichow Moutai for consumers (Age difference)

Two obvious trends are that the older consumers use Kweichow Moutai more for drinking it themselves and use it less for the gift function. Besides, the old consumers pay more attention to the collection and health wellness functions of Kweichow Moutai than the middle age and young age consumers.

16. The criteria which are significant for Kweichow Moutai to become luxury brand.

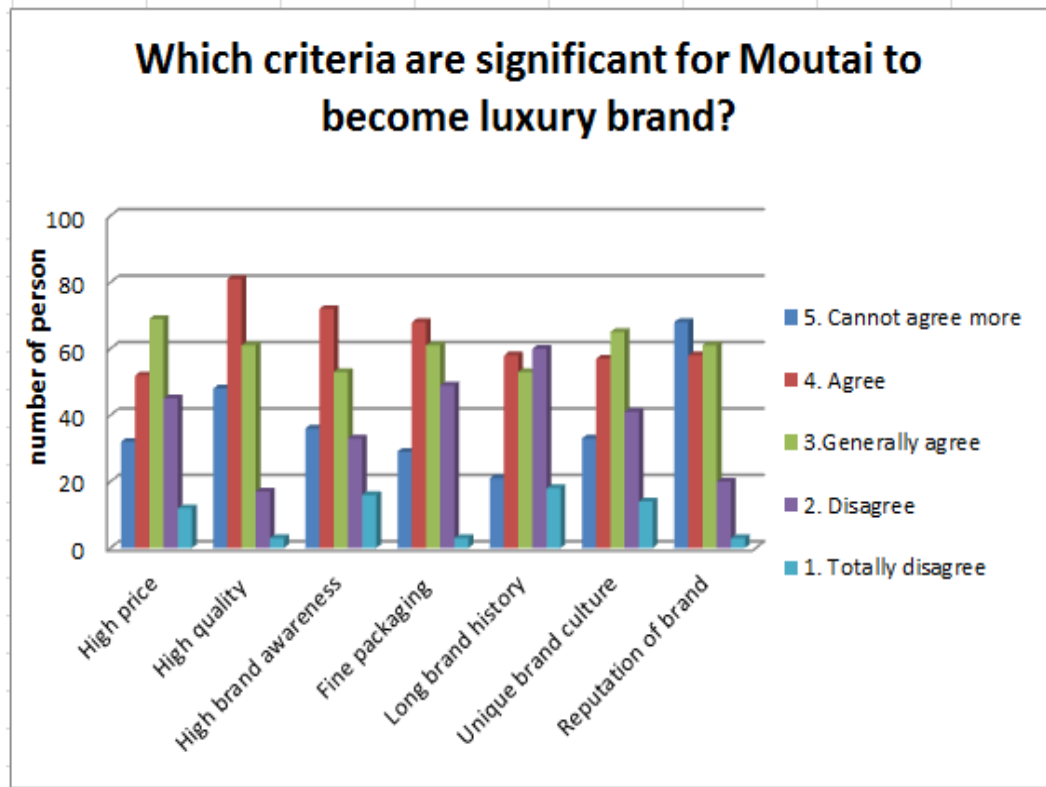


Figure 43 The criteria which are significant for Kweichow Moutai to become a luxury brand

This is one research on consumers about the development factors of Kweichow Moutai whose aim is to transform into luxury brand. In terms of the criterion high price, over half of the people consider it as a significant factor of luxury, but it does not mean that every respondent can afford this price. Comparing with high price, more consumers agree with the high quality of products and high brand awareness. Some people also consider fine packaging and reputation of brand as crucial factors on the way to luxury. In addition, most people keep the neutrality point of view with long brand history and unique brand culture. In a summary, Kweichow Moutai enterprise should pay more attention to improve the product quality and the brand awareness, and meanwhile fine packaging cannot be ignored.

Part 6: Marketing promotion of Kweichow Moutai. (Question 17 and 18)

17. The channel to know Kweichow Moutai.

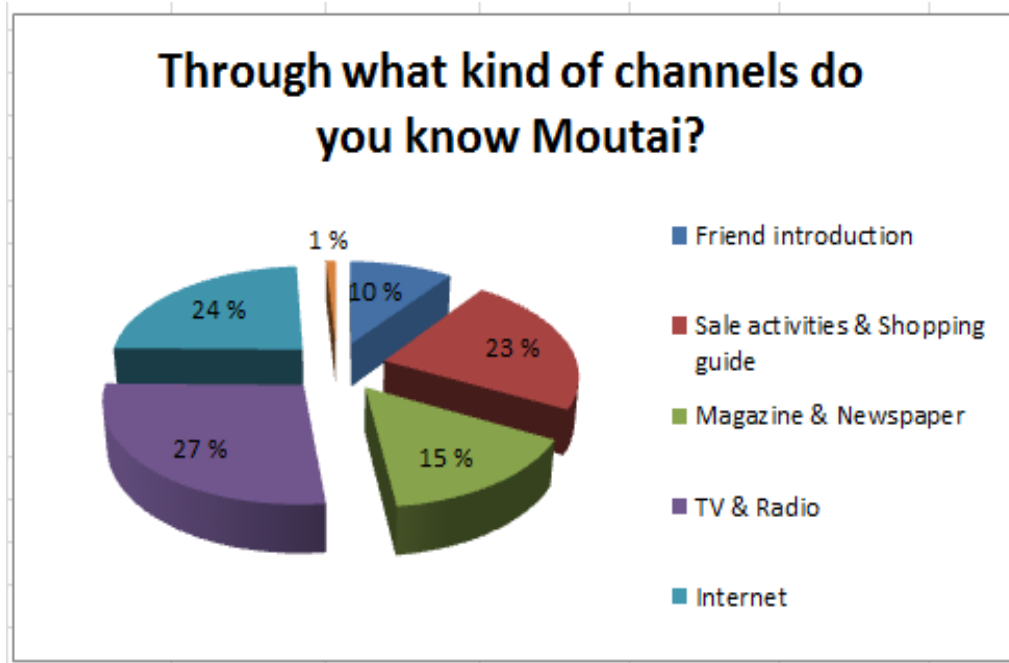


Figure 44 The channel to know Kweichow Moutai

According to this pie, the top three channels to know Kweichow Moutai are TV & radio with 27%, internet with 24% and sales activities & shopping guide with 23%. In addition to the formers, magazine & newspaper take up 15% and friend introduction occupy 10%. In general, if Kweichow Moutai spend more money on TV advertising, internet promotion and sales exhibition, it is more likely to get mass return on sales, brand awareness and profit.

18. The promotion activities which affect consumers' purchasing choice.

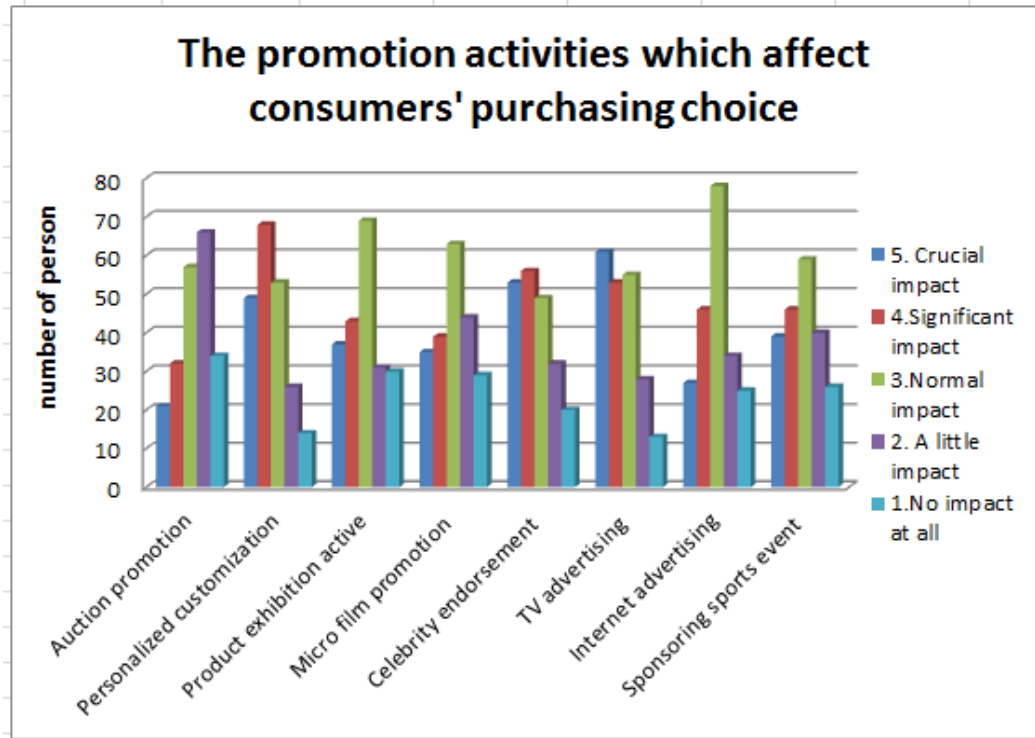


Figure 45 The promotion activities which affect consumers’ purchasing choice

The number 5 to 1 stand for “Crucial impact”, “Significant impact”, “Normal impact”, “A little impact”, and “No impact at all” respectively. From the first bar, it is obvious that most people consider auction promotion as normal impact and no impact factors. Furthermore, it is remarkable that personalized customization is very popular within consumers which also lead the competition trend of luxury industry in the future. The product exhibition active, micro film promotion ,internet advertising and sponsoring sports event have some impact but not vital influence on consumers’ purchasing. In addition, celebrity endorsement and TV advertising can attract numerous consumers’ eyes. In a summary, these data give luxury enterprise some suggestion like enhancing the impact of celebrity endorsement, TV advertising and increasing the number of personalized customization business to meet the customers’ demand.

The comparative analysis for this question based on the income difference show as below:

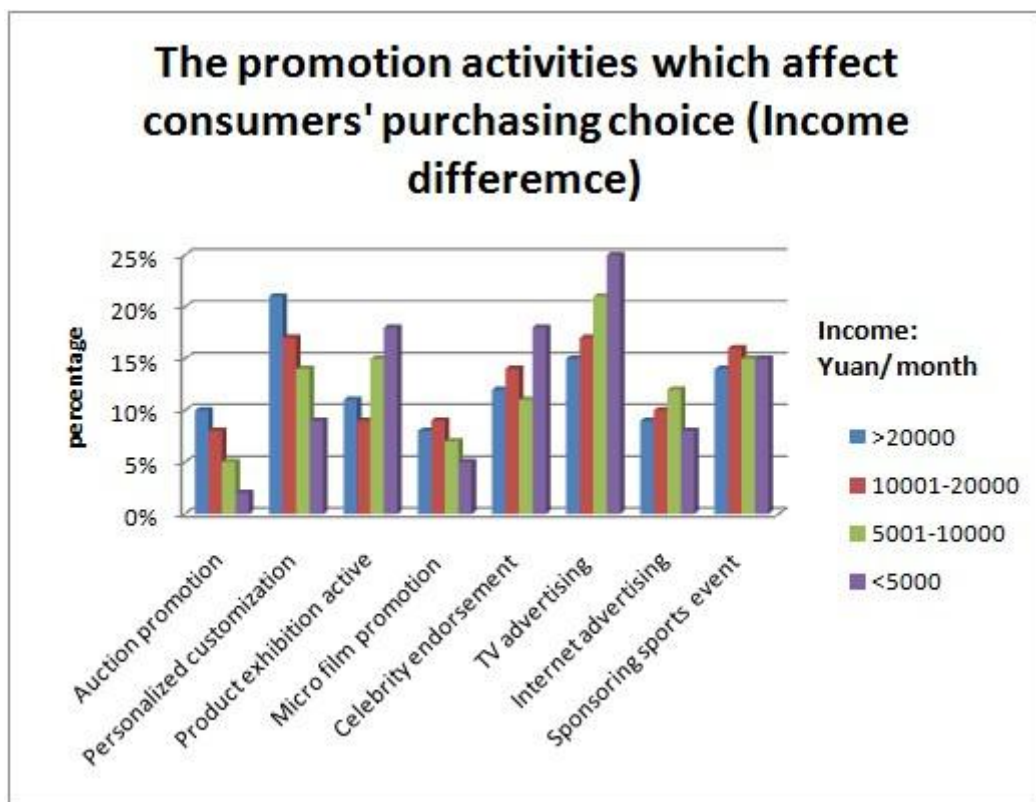


Figure 46 The promotion activities which affect consumers' purchasing choice (Income difference)

Combining the number of consumers who choose the option of “Crucial impact” and the option of “Significant impact”, we can calculate the effect percentage of all promotion activities. For those consumers with over 20,000 Yuan income per month, personalized customization is the most attractive promotion activity reaching 20% of all options and the impact percentage drops out with the income’s decline. In terms of the auction promotion, although the total percentage of all incomes is small, the trend is the richer consumers will be affected more by this activity. TV advertising and sports event sponsorship also play significant roles when it comes to affecting consumers’ choices. As many male respondents in this research and the hobbies to sports event are almost not affected by income levels, so the percentages of sports-event-sponsorship have no distinct differences among different groups.

Part 7: Advice from respondents.

19. The factors Kweichow Moutai should improve.

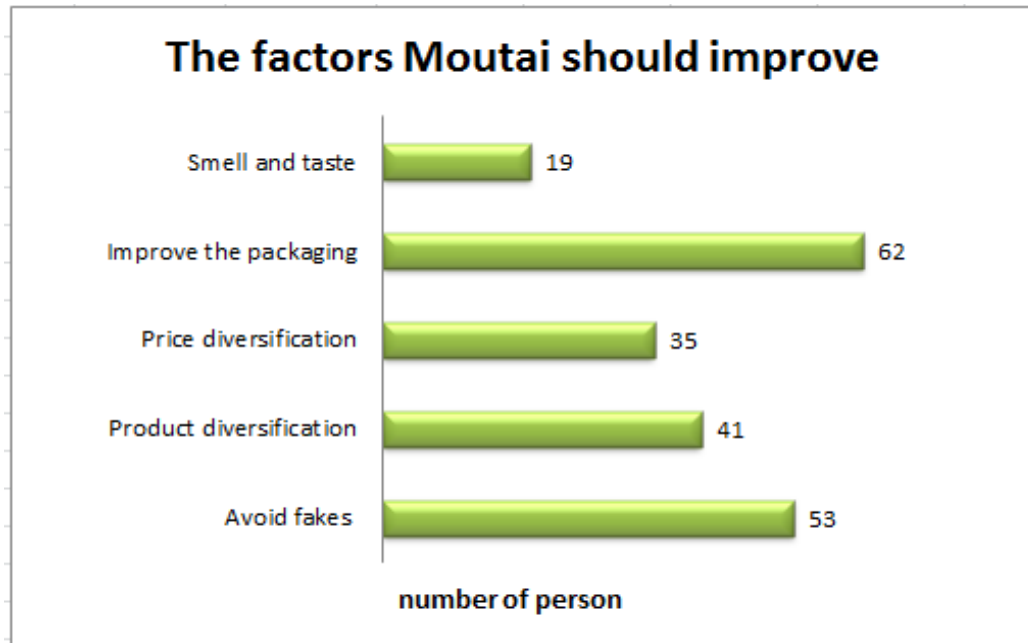


Figure 47 The improving factors of Kweichow Moutai

20. What are your comments and suggestions for building Kweichow Moutai to luxury brand?

From question 19 and 20, we get some advice from consumers for improving the situation of Kweichow Moutai. Only a small number of consumers believe the smell and taste should be improved which prove the high quality of original products, but it is still a good idea to innovate various taste for different customers. Furthermore, a number of consumers think the price diversification and the products diversification should be improved. The most number of consumers choose the packing improvement and the fakes avoiding which means these two factors are most cared about. Therefore, packaging innovation and blowing fake have no time to delay.

6. COMPANY ANALYSIS AND MARKETING STRATEGY

According to the result of consumer research and other literature sources, this thesis presents the company's SWOT (Strength, Weakness, Opportunity, Threat) analysis in order to help Kweichow Moutai finding out the development orientation on next stage. After that, the 4Ps theory (Products, Place, Price, and Promotion) is also used to project the marketing mix strategies for Kweichow Moutai.

6.1 SWOT Analysis of Kweichow Moutai

The SWOT Analysis is an efficient measure for strategy maker to understand the internal situation and the external environment of company which include Strength, Weakness, Opportunity and Treat. These 4 dimensions analysis are based on both questionnaire results in my consumer research and some other resources from literature review and internet. After thus essential information collection and background review, I will present the SWOT Analysis which corresponds to my questionnaire of Kweichow Moutai Company.

6.1.1 Strength

(1) Good reputation

According to question 10, 11 and 16 in questionnaire, the brand awareness of Kweichow Moutai is on the top of Chinese white wine industry. The awareness comes from both the long history and the good reputation of Kweichow Moutai. After thousands years of tradition inheritance, Kweichow Moutai is worth with the title of "National White Wine". Besides, it also won the general consumers' love even Chinese state leaders. It appears on almost every high-end banquet in the business circles and political circles of China as a symbol of courtesy. (Kweichow Moutai co., LTD, 2014)

(2) Exclusive manufacture process

According to question 16, we know the high quality and unique characteristics of

products are crucial in today's business competition. The high quality and unique feature of Moutai is from its exclusive manufacturing process. The formula of Kweichow Moutai is inherited from 2000 years ago. Through the processing of traditional brewing craft with thousands of years of history, the white wine has a special smell and taste which is difficult to surpass by other products. On the other hand the access to raw materials and special brewing process is also hard to copy by other company the exclusive manufacture process has become the competitive factors of Kweichow Moutai. (Kweichow Moutai co., LTD, 2014)

(3) Unique product features

Kweichow Moutai's smell and taste is unique. This white wine is the ancestor of Chinese moutai-flavor daqu liquor, who's "Mao" smell is irreplaceable with high recognizable identification. (Kweichow Moutai co., LTD, 2014)

(4) Specialized enterprise management

Kweichow Moutai enterprise is a public company. Its operating experience is abundant but lacks the luxury brand experience. The enterprise system is relatively standardized and the quality of employees is in a high level. (Yang, 2013)

6.1.2 Weakness

(1) Lack of experience as a luxury brand

One of the lacks of Chinese luxury brands, Chinese local enterprises have no experience of building luxury brands. That means that Kweichow Moutai needs to make marketing strategy based on the local market conditions in the process of being domestic luxury brand.

(2) Packaging is monotonous

According to question 16, 19 and 20, a fine packaging plays a significant role when it comes to attracting customers. However, many respondents in my

questionnaire present their dissatisfaction with Kweichow Moutai's products packaging. Although Kweichow Moutai's product quality is good, single product packages lead to the attraction missing. If enterprises want to build world famous luxury products, it is indispensable to use a variety of fine packaging which can reveal a unique brand culture and product features.

(3) Complicated brewing process

Kweichow Moutai uses an ancient brewing craft to ensure the quality of products. While, the disadvantages of this approach include long time, low productivity and complicated operating process. The excellent smell and taste come with the time cost and labor cost. However, an excellent luxury brand not only needs high quality but also advance with the times of science and technology. For example, Chanel perfume, a hundred years history luxury brand, on the one hand inherits the brand essence, and on the other hand continues to do innovative research for products' progress. (Kweichow Moutai co., LTD, 2014)

6.1.3 Opportunity

(1) Huge consumer groups

According to the question 6, 10 and 11, the consumption of wine in China still has a good future. Besides, the high brand awareness also contributes to the boom of Kweichow Moutai. Chinese consumers love to drink white wine and Kweichow Moutai has a good reputation within Chinese. These two factors indicate the numerous mass base of Moutai. With this advantage, Moutai need to increase brand culture value and awareness unceasingly. On the one hand, it transforms itself into domestic luxury brand, on the other hand expanding luxury market abroad eventually.

(2) The improvement of national income

With the rapid development of Chinese economy, the level of national income has seen a substantial increase. As the accumulation of middle and upper classes, the

luxury market reveals good development possibilities in recent years. While in 2013, since the implementation of China's anti-corruption policy and the increasing rationality of Chinese luxury consumers, luxury product market has a slow growth rate both in China and the European market. But the annual sales volume is still maintained as a growth trend. With the increase of national disposable income and the change of consumers' consumption concept, Kweichow Motuai must still have a broad market when succeed changing into luxury brand. (Ye, 2012)

(3) Government support

As a manufacturing country, China is trying changing the label from "made in China" to "Created in China". The government encourages brand innovation and plans to strengthen the international impact of local brands. In order to push the local products with Chinese characteristics into international, the government gives much support for Kweichow Moutai. (Ye, 2012)

6.1.4 Threat

(1) Competition within domestic white wine industry

The competition within Chinese white wine industry is fierce, especially within high-end brand such as classic Yanghe, Wuliang Ye etc. Many brands have strong competitiveness. (Yang, 2013)

(2) Competition with foreign brands

If Moutai enters the international luxury market, it cannot avoid facing the competition with global famous wine brands, such as the XO, French high-end wine and so on who are the original monopolist in wine market. (Yang, 2013)

(3) Chinese government's anti-corruption policy

In recent years, the Chinese government promulgated the "prohibition" and "limit the abuse of public funds" policies. These anti-corruption policies make a

remarkable impact on Chinese white wine industry, especially the high-end wine. Since missing the official privilege, Kweichow Moutai's advantages are weakening increasingly. As a consequence, Kweichow Moutai should project some changes on marketing strategy. (Ye, 2012)

After the SWOT Analysis, luxury marketing strategies of Kweichow Moutai could be projected more specially.

6.2 Marketing Strategy Innovation

According to the Chinese domestic luxury market analysis, consumer research of Kweichow Moutai and the company's SWOT-Analysis, this thesis presents the overall marketing strategies and the 4Ps marketing mix strategies of Kweichow Moutai enterprise in order to build a reference for other domestic luxury companies in China.

These strategies are totally new for Kweichow Moutai. One reason is that this consumer research and the marketing strategies' presentation are based on the purpose of building one normal famous wine brand into high-awareness luxury brand. In the past, Kweichow Moutai did not consider itself a luxury brand so it is a new concept for the enterprise. The second reason is that as the rapid changing of Chinese luxury market situation and the depression of the white wine industry in 2013, the old strategies should adjust to the new market environment. Therefore, these new marketing strategies appearing on this thesis are based on the latest market fluctuations in China and are different from the old strategies in 2012 or even earlier.

6.2.1 Overall marketing strategy of Kweichow Moutai

(1) Corporate culture marketing

According to question 8, 16 and 20, we know that the brand culture also is a vital factor which helps a company keep the competitive advantages and attract loyal customers. From the perspective of modern marketing strategy, a third-rate

salesman sells products, second-rate salesman sells services, and top salesman sells brand culture. In terms of the real sense of luxury companies, most of them have a long history and a unique brand culture. Furthermore, brand culture is used as a symbol into the design of the luxury product. What the local Chinese luxury enterprises' lack is not a long history, but the refining of brand culture, and the management experience as a luxury brand. Kweichow Moutai can use its long history and the corresponding historical stories as a marketing point. At the same time it is also significant to dig up Moutai's own brand culture and unique brand value.

(2) Product refinement

According to questions 8, 16 and 19, high quality is the essential factor of luxury products. It not only requires an exclusive manufacturing process but also a strict quality control of products in order to avoid the fakes. From design, processing, sales to after-sales service all processes of luxury products are required delicate and perfect. Only a high quality can match luxury's expensive price, and meet the psychological needs of consumers. Therefore, each big luxury brand has various corresponding detail requirements with every process in production and sales. Even sometimes numerous requirements are demanding, such as the standards for Swiss watches. What Kweichow Moutai needs to do is to refine the brewing craft with high-technology so that the high quality products can be guaranteed. On the other hand, the long history and unique smell called "Mao Xiang" can used as a marketing point.

(3) Focus market on business circle

Because the Chinese government issued a serious of anti-corruption policies such as the "prohibition" and "limit the abuse of public funds" policies, high-end wine industry suffer some blow. After Kweichow Moutai loose the official advantage from government, it should keep pace with times to take refuge in the chamber of commerce. Most members of the chamber of commerce are elites in one industry, who has the ability to purchase high-end luxury wine. At the same time, the

symbol of status function and lavish quality of luxury goods also meet the psychological needs of elites. Therefore, grasping the elite market is Moutai's first key access to luxury goods market. (Yang, 2013)

6.2.2 4Ps marketing mix analysis

6.2.2.1 Product

(1) High quality assurance

According to question 8, 16 and 19, if Kweichow Moutai wants to be a luxury brand, the first criterion is high product quality. On the one hand, Moutai's strict manufacturing processes provide a good guarantee for the product quality. On the other hand, the company is required to comply with professional ethics and should not produce adulteration under the driving of interests to guarantee the reputation of brand.

(2) Extract the marketing points

According to the question 9, 14 and 15, we know the motivation of most luxury consumers, the drinking places of consumers and the purpose of purchase. Based on this information, there are numerous marketing points that can be extracted, for instance doing the promotion activities in the drinking places of consumers. Anyway, as a luxury brand the biggest characteristic of Kweichow Moutai is its own unique smell. "MaoXiang" is unable to substitute by other products in the same industry, so this is also the biggest selling point of Kweichow Moutai.

(3) Packaging refinement

To build a luxury brand Kweichow Moutai should pay attention to inner quality and at the same time fine packaging should not be neglected which bring people the intuitive visual perception. Delicate outer packaging, not only foil, affects the high quality of products indirectly, but also can be an intuitive medium conveying the brand's cultural philosophy and history effectively. For example, it is profound to combine classical Chinese Blue and White Porcelain with white

wine's packaging, which not only show the long history of product, spread the Chinese traditional culture, but also add the sense of classical elegance to Moutai. The best added value of Kweichow Moutai is to offer extra cultural and aesthetic enjoyment to consumers. (Yang, 2013)

(4) Using more packaging specification

In question 19 and 20, we get some suggestions to use more packaging specifications for Kweichow Moutai. From the perspective of consumer experience, as the volatile liquor, Kweichow Moutai enterprise can produce a variety of packaging specifications based on the different drinking volume to guarantee that consumers open and then drink the whole bottle once. This not only ensures the taste of Moutai, and also gives consumers the best product enjoyment experience, which guarantees the brand reputation. Various packaging specifications can also meet the national policies of green production and green consumption. It is beneficial for Kweichow Moutai to become a green and environment-friendly company.

(5) Abandon the low-end products

If Kweichow Moutai wants to become high-end luxury brand, it has to make all their products exquisite, which means that they should abandon some products such as 33 °43 °, 38 °, Prince, Moutai Yingbin wine etc. Only excellent high-end products can be called luxury. Thereby, Kweichow Moutai enterprises could truly become a luxury company. (Wang, 2009)

6.2.2.2 Price

(1) Exorbitant pricing setting

According to the question 16, a high price is an essential factor of luxury products and a high price also contributes to a high profit return. However, high price always comes with a high value product. High price helps to filter customers among high-end customers. It meets the psychological needs of consumers to

show off taste and identity. As a result, exorbitant price setting could gain greater brand added value for Kweichow Moutai. (Wang, 2009)

(2) Differential pricing setting

According to the question 19, some customers think Kweichow Moutai's prices should vary depending on the product. Under the premise of exorbitant pricing setting of Kweichow Moutai, it can be divided into the collection pricing and business pricing according to different buying motivations. Since the value of wine grows with the accumulation of years, collection pricing is for wine collector and the loyal consumers of Kweichow Moutai. Because wine price will increase over time, slightly higher pricing can also be accepted by collectors. The products with business pricing are designed with obvious business style. (Yang, 2013)

(3) Relative stable pricing setting

High-end luxury products' pricing should not be controlled by the market. No matter how the situation of supply and demands, Kweichow Moutai insists on its own high pricing without fluctuating with the changes of wine price in the market. Stable pricing setting not only maintains a high profit from a luxury product, but also forms a fixed luxury impression in the consumers' mind. Furthermore, it satisfies the psychological demands of the buyer to show off and is conducive to enhance the brand loyalty of customers. (Wang, 2009)

6.2.2.3 Place

(1) Strict agent screening

Kweichow Moutai needs strict control on the sales channels, selecting agents that have strength, good reputation, abandoning some weak, small agents. It also requires avoiding things which could hurt Moutai's reputation, such as doping the wine. (Yang, 2013)

(2) Cooperation with hotels

Based on the research of question 14, high-end luxury wine could choose star or luxury hotel as a partner. On the one hand, these top luxury hotels' luxurious style is consistent with a high quality of Moutai which brings customers a good taste and enjoyment. On the other hand, it stabilizes the impression of luxury in consumers' mind.

(3) Expand abroad

The Chinese government is willing to provide support for local brands into overseas markets to enhance the influence of the Chinese products abroad. In terms of Kweichow Moutai, it could open flagship stores all over the world, and connect with some international agents broadening the sales channels overseas. (Ye, 2012)

(4) Cooperation with agents

A good luxury brand could not only do business alone. It is beneficial to find a mutually profitable and win-win cooperation partners. Kweichow Moutai can choose some local reputable agents for cooperation based on the regional segment. (Ye, 2012)

(5) Direct-selling

Direct-selling can always bring a lower price than other channels since it avoids the retailers' and agents' costs and sell luxury products from factory directly to customers. Internet is a good medium for this kind of selling. (Yang & Lin, 2007)

6.2.2.4 Promotion

According to the research on question 18, there are 6 main promotion suggestions given as below.

(1) Auction sales promotion

The Kweichow Moutai enterprise can select some high-level wine or long history wine for auction. Through the approach of participating in domestic or

international famous auction, it can successfully attract the collectors' eyes that are interest in art or wine collection and the auction advertising also enhance brand awareness in public.

(2) Hunger marketing

Kweichow Moutai can learn Apple's "hungry marketing" strategy. For instance, if one bottle of Moutai need brewing over 5 years, before the formal sales some processing and products videos can be revealed at regular time intervals, furthermore some interviews could be done with professional wine tasters. Experts give some evaluation of the product in different processing stages, as well as the assessment about the appreciation space of Kweichow Moutai. The purpose of hunger marketing is to attract consumers' sights, and then stimulate the purchasing desire of consumers.

(3) Sponsorship marketing

Promoting a brand can be done through the approach of sponsoring of some sport events or business activities, such as Open Tennis Championships, Open Snooker Championship, and some other high-end events. It is also useful to sponsor some television programs and business activities to increase public awareness.

(4) Media marketing

Nowadays using only traditional media such as TV, newspaper and magazine for marketing is not sufficient. With the development of society, new media such as twitter, facebook, micro movie, are playing significant roles on marketing. Moutai can select high-end fashion magazines for advertising, the elites will look through these magazines to get brand information. Definitely, it is also useful to advertise on low-cost social media combining with cultural marketing or event marketing to achieve the purpose of promotion.

(5) Celebrity and Event marketing

The birth of luxury brand is inseparable with its famous consumers or

stakeholders. Through celebrity endorsements, combining the celebrity's traits with noble attribute of luxury products can contribute to the sales of products. In addition, because Moutai has over 2,000 years of history and various stories related to many historical celebrities, these historical figures can also be used as a marketing point for building positive image of brand.

(6) Customization marketing

The luxury custom-made service is the highest treatment in the market, and it is also the development direction of luxury industry on the next stage. Personalized product can bring consumers more unique experience. In order to adjust to the new situation of Chinese white wine market, Kweichow Moutai offers more products and personalized service to the general consumers. With custom-made service, consumers can choose certain image to print on the wine packaging, which make the product more unique and valuable for collection or gifts.

7. CONCLUSION

(1) Literature and Background review

What is luxury?

The rationale for luxury was given by Adam Smith (1776) who defined the essential necessity in daily life and also categorized luxury products as goods excepting necessities. Meanwhile he approved luxury was driven by social wealth accumulation.

What are the characteristics of luxury?

The significant characteristics of luxury include high quality assurance, Expensive price, Scarcity and uniqueness, Brand heritage and history. (Dubois, Gilles, & Czenllar, 2001; Nueno & Quelch, 1998)

(2) The luxury market situation in China

According to the Chinese Luxury Report published by Chinese Industry Research Institutions, it is said that the Chinese luxury consumption totaled \$ 102 billion in 2013 and Chinese become the biggest customers group in the international luxury market. (Chinese Industry Research, 2013)

At resent most luxury stores still expand their business in Chinese first-tier cities such as Beijing, Shanghai, and Guangzhou. At the same time, the residents in other area of China still are unfamiliar with numerous luxury brands. One suggestion is to open the new luxury market in Chinese second and third-tier cities.

However, Chinese domestic luxury brands are rare and mostly are limited in furniture, clothing, Chinese tea and other Chinese traditional products. Meanwhile Chinese luxury products do not always keep with high quality which makes the customers' trust losing and the brand loyalty reducing. (Qin, 2013)

(3) Some results of questionnaire

- The main customer group of Kweichow Moutai is middle-age males who have the wealth to afford luxury consumption.
- The most of luxury consumption in China focuses on low-end products such as cosmetics, watches and clothing rather than high-end products like transport vehicles.
- Chinese consumers think luxury products can bring a sense of satisfaction through showing them off, and as a result they prefer purchase one brand with high awareness.
- On the other hand, some young consumers pursue unique design and high-quality products to showing their personalities.
- The criteria for Kweichow Moutai to become luxury brand include high price, high quality, high brand awareness, fine packaging.
- Some crucial promotion activities which influence consumers' purchase choice include personalized customization, TV advertising, sponsorship on sports event, celebrity endorsement and product exhibition activity.

(4) Marketing strategy

The French writer Hugo said "To create a noble need three generations' efforts". It is the same as the inheritance of luxury brand. Time accumulation and persistent efforts are indispensable.

Although most of Chinese domestic luxury enterprises lack a long history and unique brand culture compared with western luxury brands, it is not an impossible idea to improve customers' enthusiasm and loyalty to Chinese domestic brands and then build international popular luxury brands.

To achieve this mission, local companies should understand Chinese market deeply and realize their own disadvantages, advantages, opportunities and threats in competition environment. However, it is essential to organize a good management team and project professional brand marketing strategy.

Chinese domestic luxury brands' development need to combine with the characteristics of consumers and national policy conditions.

- Project special marketing strategies, for example package luxury goods as gifts to catering the "gift" culture of Chinese
- Raise public awareness of brands to catering to Chinese consumers' parading psychology
- Categorize Chinese consumers based on consumers' consumption psychology in order to produce corresponding products
- Make young Chinese middle class as the main target customers and provide unique customized products to satisfy their demands
- Keep expensive price setting in order to make a distinction between luxury and mass consumer goods which give customers the sense of superiority
- Personalized services can provide more enjoyment and satisfaction for customers
- Combine fashion and traditional style into new product design
- Form their own sales channels to expand luxury market into Chinese second and third-tier cities

In conclusion, for a Chinese domestic luxury brand, the most significant steps are to raise the brand awareness and expand the luxury market into Chinese second and third-tier cities. At the same time, personalized services could not be ignored.

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9. APPENDIX: CONSUMER RESEARCH ON KWEICHOW MOUTAI

1. Gender:

- (1) Male (2) Female

2. Age:

- (1) 18-29 (2) 30-39 (3) 40-49 (4) >50

3. Resident area:

- (1) First-tier cities (2) Second or Third-tier cities (3) Town (4) Village

4. Income per month (RMB)

- (1) <5000 (2) 5001-10000 (3) 10001-20000 (4) >20000

5. How much do you usually spend on luxury purchase one year?

- (1) <5000 (2) 5001-10000 (3) 10001-20000 (4) >20000

6. What kind of luxury product do you usually buy? (3 of them)

- (1) Jewelry (2) Watch (3) Cosmetic (4) Clothing (5) Wine (6) Cigarette (7) Vehicle (8) Others

7. Where do you usually purchase luxury products? (2 of them)

- (1) Internet (2) Chinese mainland (3) HongKong (4) Foreign country (5) Others

8. What of luxury brand do attract you mostly? (2 of them)

- (1) Brand culture (2) The symbol of status (3) Unique design (4) Brand awareness (5) Celebrity's endorsement (6) High-quality product (7) Others

9. What does possessing luxury mean to you?

- (1) Establish self-confidence (2) The symbol of affluence (3) The sense of enjoyment (4) Useful (5) Others

10. How much familiar do you feel with these Chinese domestic luxury brands below: 5.Very much 4.Familiar 3.Normal 2.Unfamiliar 1.Never heard about

- (1) Clothing: SHANG HAI TONG

5 4 3 2 1

(2) White Wine: MOUTAI

5 4 3 2 1

(3) Tea: LOPHANTHER

5 4 3 2 1

(4) Porcelain: FRANZ

5 4 3 2 1

11. Which white wine brand do you know? (Multiple Choice)

(1) MOUTAI (2) WU LIANG YE (3) LU ZHOU LAO JIAO (4) GU
JIN GONG (5) JIA NAN CHUN (6) FEN JIU (7) DU KANG (8)
GUO JIAO (9) None of them

12. What is the highest price of Moutai could you accept? (Yuan / bottle)

(1) <100 (2) 100-500 (3) 501-1000 (4) >1000

13. How many bottles of Moutai do you buy one year?

(1) <5 (2) 6-10 (3) 11-20 (4) >20

14. Where do you usually drink Moutai?

(1) Bar (2) Luxury hotel (3) Family & Friends meeting (4) Business
meeting (7) Others

15. What is the purpose you buy Moutai?

(1) Drink (2) Use for gift (3) Collection (4) Health Wellness (5)
Others

16. Which criteria are significant for Moutai to become luxury brand?

5. Cannot agree more 4. Agree 3. Generally agree 2. Disagree 1. Totally
disagree

(1) High price

5 4 3 2 1

(2) High quality

5 4 3 2 1

(3) High brand awareness

5 4 3 2 1

(4) Fine packaging

| | | | | |
|--------------------------|---|---|---|---|
| 5 | 4 | 3 | 2 | 1 |
| (5) Long brand history | | | | |
| 5 | 4 | 3 | 2 | 1 |
| (6) Unique brand culture | | | | |
| 5 | 4 | 3 | 2 | 1 |
| (7) Reputation of brand | | | | |
| 5 | 4 | 3 | 2 | 1 |

17. Through what kind of channels do you know Moutai?

(1) Friend introduction (2) Sale activities & Shopping guide (3) Magazine & Newspaper (4) TV & Radio (5) Internet (6) Others

18. Which kind of promotion activity can affect your purchasing choice?

5. Crucial impact 4. Significant impact 3. Normal impact 2. A little impact 1. No impact at all

| | | | | |
|---------------------------------|---|---|---|---|
| (1) Auction promotion | | | | |
| 5 | 4 | 3 | 2 | 1 |
| (2) Personalized customization | | | | |
| 5 | 4 | 3 | 2 | 1 |
| (3) Product exhibition activity | | | | |
| 5 | 4 | 3 | 2 | 1 |
| (4) Micro film promotion | | | | |
| 5 | 4 | 3 | 2 | 1 |
| (5) Celebrity endorsement | | | | |
| 5 | 4 | 3 | 2 | 1 |
| (6) TV advertising | | | | |
| 5 | 4 | 3 | 2 | 1 |
| (7) Internet advertising | | | | |
| 5 | 4 | 3 | 2 | 1 |
| (8) Sponsoring sports event | | | | |
| 5 | 4 | 3 | 2 | 1 |

19. What do you think Moutai should improve?

(1) Avoid fakes (2) Product diversification (3) Price diversification (4)

Improve the packaging (5) Smell and taste

20. What are your comments and suggestions for building Kweichow Moutai to luxury brand?

10. APPENDIX: CONSUMER RESEARCH ON KWEICHOW MOUTAI (CHINESE VERSION)

茅台酒消费者问卷调查

1. 您的性别
 - (1) 男
 - (2) 女
2. 您的年龄
 - (1) >18
 - (2) 18-29
 - (3) 30-39
 - (4) 40-49
 - (5) <50
3. 您的居住地区
 - (1) 一线城市
 - (2) 二线城市
 - (3) 三线城市
 - (4) 城镇
 - (5) 乡村
4. 您的月收入(RMB)
 - (1) <5000
 - (2) 5001-10000
 - (3) 10001-20000
 - (4) >20000
5. 您一年花费在奢侈品上的金额是多少?
 - (1) <5000
 - (2) 5001-10000
 - (3) 10001-20000
 - (4) >20000
6. 您经常购买哪类奢侈品? (选出3项)
 - (1) 珠宝/手表
 - (2) 化妆品
 - (3) 皮具
 - (4) 服装类
 - (5) 酒类
 - (6) 香烟
 - (7) 交通工具
 - (8) 其他
7. 您购买奢侈品的地点是? (多选)
 - (1) 网络
 - (2) 中国大陆专卖店
 - (3) 香港
 - (4) 海外
 - (5) 其他
7. 奢侈品品牌产品吸引您的是 (多选)
 - (1) 品牌文化
 - (2) 身份象征
 - (3) 独特的设计
 - (4) 品牌知名度
 - (5) 明星代言
 - (6) 高质量的产品
 - (7) 其他
8. 拥有奢侈品对您来说意味着什么?
 - (1) 建立自信
 - (2) 身份地位的象征
 - (3) 高品质的享受感
 - (4) 实用性
 - (5) 其他
9. 您对以下中国本土奢侈品品牌的熟悉度: 5. 非常熟悉 4. 熟悉 3. 普通 2. 不常见 1. 没听过

| | | | | | |
|------------------|---|---|---|---|---|
| (1) 服装类: 上海滩、东北虎 | 5 | 4 | 3 | 2 | 1 |
| (2) 酒类: 茅台、五粮液 | 5 | 4 | 3 | 2 | 1 |
| (3) 茶叶: 竹叶青 | 5 | 4 | 3 | 2 | 1 |
| (4) 瓷器: 法蓝瓷 | 5 | 4 | 3 | 2 | 1 |
10. 您知道的白酒品牌?

(1) 茅台 (2) 五粮液 (3) 泸州老窖 (4) 古井贡 (5) 剑南春 (6) 汾酒 (7) 杜康 (8) 国窖 (9) 其他

12. 您可以接受的白酒价位? (瓶/元)

(1) <100 (2) 100-500 (3) 501-1000 (4) >1000

13. 您一年个人购买白酒的数量 (瓶)

(1) <5 (2) 6-10 (3) 11-20 (4) >20

11. 您会考虑下列哪些因素作为您的选酒标准?

(1) 价位 (2) 年份 (3) 香味和口感 (4) 包装精美 (5) 品牌知名度 (6) 产品口碑 (10) 其他

14. 您购买茅台的目的:

(1) 自己喝 (2) 送人 (3) 收藏 (4) 健康养生 (5) 其他

17. 请问您一般在何地饮用茅台酒?

(1) 酒吧 (2) 高级餐厅 (3) 家庭朋友聚会 (4) 商务洽谈时 (7) 其他

15. 您觉得茅台成为奢侈品需要的条件有: 5. 非常同意 4. 同意 3. 无意见 2. 不同意 1. 完全不同意

| | | | | | |
|-------------|---|---|---|---|---|
| (1) 高昂定价 | 5 | 4 | 3 | 2 | 1 |
| (2) 产品质量高 | 5 | 4 | 3 | 2 | 1 |
| (3) 品牌知名度高 | 5 | 4 | 3 | 2 | 1 |
| (4) 包装精美 | 5 | 4 | 3 | 2 | 1 |
| (5) 悠久的历史 | 5 | 4 | 3 | 2 | 1 |
| (6) 独特的品牌文化 | 5 | 4 | 3 | 2 | 1 |

18. 您通过哪些渠道了解到茅台酒?

(1) 朋友介绍 (2) 销售导购 (3) 报刊杂志 (4) 广播电视 (5) 网络 (6) 饭桌上 (7) 品牌展览活动 (8) 其他

以下促销活动对你的购买欲望的影响程度: 5. 影响非常大 4. 影响比较大 3. 影响程度一般 2. 没什么影响 1. 完全没有影响

| | | | | | |
|----------------|---|---|---|---|---|
| (1) 拍卖促销 | 5 | 4 | 3 | 2 | 1 |
| (2) 产品个性化定制 | 5 | 4 | 3 | 2 | 1 |
| (3) 产品展览活动 | 5 | 4 | 3 | 2 | 1 |
| (4) 品牌冠名的微电影宣传 | 5 | 4 | 3 | 2 | 1 |
| (5) 明星代言 | 5 | 4 | 3 | 2 | 1 |
| (6) 电视广告 | 5 | 4 | 3 | 2 | 1 |
| (7) 网络广告 | 5 | 4 | 3 | 2 | 1 |
| (8) 品牌赞助各大赛事 | 5 | 4 | 3 | 2 | 1 |

19. 您觉得茅台在哪些地方需要改进？

- (1) 保持高品质，杜绝假货 (2) 产品多样化 (3) 改进包装 (4) 加大宣传力度
(5) 其他

20. 您对茅台酒的评价：