

Risk Perception of Luxury Investment and Its Influencing Factors

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Abstract: Nowadays, with the rapid development of economy and the continuous expansion of the market, the devaluation of currency in a short period of time is almost inevitable. Therefore, learning financial management and investment has become an indispensable ability for modern people. However, there are many types of investment. How to choose effective investment types and ways is worth thinking. When the economic conditions are relatively good, luxury investment can be said to be an effective way. In addition, luxury consumption is a new thing after the society has developed to a certain stage. It not only meets people's needs for the improvement of material living standards, but also provides more channels for individuals to accumulate wealth. Therefore, it is favored by more and more people, while there are still many deficiencies in the domestic luxury market, resulting in a lot of confusion and complex phenomena in the market. It is necessary for consumers to distinguish carefully. This paper mainly explains the risk perception of luxury investment, analyzes its influencing factors, and provides some suggestions for luxury investment.

Keywords: Luxuries, Investment risk, Influencing factors, Industry status.

1. Introduction

As a new consumer market, the concept of China has become increasingly popular internationally, making many luxuries manufacturers and traders full of longing for China. China's economic development has entered a new normal, and consumption has been constantly upgraded. High-end consumer goods will become the fastest growing industry in the next few years. At present, China has formed a number of well-known brands with international competitiveness, but there is still a certain distance between domestic brands and foreign well-known enterprises. From the perspective of development history, the domestic famous brand market is still immature, and the market situation is complex and changeable [1]. In the work, it starts with the definition of luxury goods, analyzes the risks and influencing factors of luxury goods, and finally gives suggestions on luxury investment.

2. Definition of Luxuries and Industry Status

2.1. Definition of Luxuries

Luxuries are consumer goods with unique and rare characteristics, also known as non-necessities of life. It doesn't have the common characteristics of general goods, but is also different from the daily necessities of life. From the perspective of sociology, non-necessities of life have their particularity. From an economic point of view, with the continuous increase of national income, the national demand for goods is increasing, but its income is less than the goods themselves.

2.2. Industry Status

The luxury industry is a general term for the organization structure system of institutions or individuals engaged in manufacturing, sales and labor services related to luxuries. The luxury industry is characterized by high investment, high

return, high risk and low return. Its main business models include production and sales, design and R & D, brand management and marketing promotion. At present, the scale of luxury market is expanding all over the world. An in-depth understanding of the definition of the luxury industry is of great significance to predict and guide the prospects of the luxury industry and the investment direction of the industry. China's luxury goods industry has undergone a brief structural adjustment, eliminated backward production capacity, and screened out unqualified enterprises. At the same time, with the change of residents' consumption concept and the rise of consumption demand, China's luxury goods industry will continue its growth trend, and will move towards high quality in the future, showing new trends such as the increase of types and the diversification of consumption. The participants in China's luxury industry chain are constantly enriched, and the industrial ecology is becoming stronger and stronger. The current mainstream sales model is the sales of high-end shopping malls, comprehensive department stores, direct stores and exhibitions. Among them, high-end shopping malls are the most representative as luxury retail terminals. With the upgrading of consumption, consumers' pursuit of luxury goods has developed from the material level to the spiritual level. Luxury consumption also shows the characteristics of personalization, fashion and youth [2].

3. Luxury Investment Risk

There are still many deficiencies in the domestic luxury market, resulting in a lot of chaos and complexity in the market.

3.1. Market Risk

The risks in the international market and the rising level of domestic economic development will impact and supply and demand of luxuries in the upstream and downstream industrial chains, and thus have a certain impact on the market price and fluctuation range of luxuries.

3.2. Value Risk

Luxuries don't have rigid demand and are not necessities of life. The correct judgment of the value of famous brands requires rich and professional investors. If investors do not have sufficient preparatory knowledge, it is easy to make investment mistakes.

3.3. Threat to New Entrants

Existing enterprises are not only facing the pressure of competition, but also facing the threat of new brands. With its low price, strong impact and rapid promotion speed, the new brand makes the original luxury brands suffer in action. Obviously, the profits and competitiveness of emerging brands are getting higher and higher. Although they can't catch up with the first-line brands in the short term, this poses a huge threat to them. In addition, many new entrants have emerged in the luxury industry worldwide. For Chinese local brands, brands that have just entered the market are likely to share a cake with local brands and become direct competitors of them [3].

4. Influencing Factors of Luxury Investment

Against the background of high inflation, although the economies of various countries continue to carry out gradual recovery, the overall pace of economic recovery around the world has not been fully taken yet due to the emergence of the COVID-19. As the epidemic itself is highly contagious and uncertain, people are greatly restricted in overseas consumption, which has a huge negative impact on the economy. Therefore, most countries in the world are in a state of suspension. However, under the effective control of the COVID-19, various industries have warmed up. The sales of the luxury industry have also reached record highs, and luxury investment has become a new choice.

4.1. Influence of Consumer Consumption Concept

Consumers value the brand value to a large extent when purchasing luxuries. Since many ordinary consumers don't want to buy goods that are seriously inconsistent with the price, high-end consumers who can consume luxuries can create a sense of distance, dignity and value at a price that most people can match. Therefore, luxury brands tend to become "a favorite" in the minds of consumers, and even become a symbol of identity. But at the same time, some people believe that the luxury brand itself is a symbol representing nobility. Taking Chinese consumers as an example, the significance of luxury investment stems more from the affirmation of their own efforts [4].

4.2. Affected by Environment, Market and Other Factors

Under the impact of the COVID-19, the operation of luxury online and offline stores has affected the luxury customer experience, especially the younger generation of customers. They are no longer satisfied with going to luxury brand stores just for shopping, but hope to have a richer and more diverse brand experience than simple shopping in their city. Impacted by the COVID-19, the vigorous development of China's e-commerce platforms, the comprehensive promotion of online shopping, and the continuous improvement of China's shopping environment have all enabled luxury brands to have

more opportunities to contact high-end consumers. During the epidemic period, major e-commerce platforms launched online activities to attract consumers to buy. Such as the "Double 11" promotion launched on Taobao, the "Double 12" promotion launched by T-mall and Suning Tesco's online activities, etc. At the same time, with the help of JD's global shopping, overseas shopping, and foreign wharf, it provides more convenience for luxury sales. In China, duty-free shopping in Hainan and other places has become a new growth point for luxury brands that can't be ignored. People's psychology of "indulgence" in shopping after the epidemic has reflected, luxury goods will be easier to meet customers' inner feelings.

4.3. Rapid Growing of The Demand of The Second-Hand Luxury Market

Luxuries are different from other daily consumer goods. One is the product price. The other is that luxury goods can still maintain high value or have a certain value-added space after secondary transactions. It can meet consumers' requirements for famous brands and meet consumers' purchase wishes. With the continuous improvement of people's living standards, more and more people begin to seek high-quality life. Among the first-line luxury brands, the classic model has a good value preservation effect, which is also an important reason why it can sweep the second-hand market. In terms of growth rate, the growth rate of the second-hand luxury market has increased year by year since 2018, indicating that the second-hand market is in a state of rapid growth.

4.4. Affected by the Growth of National Income

According to the demand theory of microeconomics, the change of income can cause the movement of demand curve. For normal goods, if the income rises, the demand curve will move in the upward direction. If income falls, it moves in the downward direction. But luxuries do not belong to daily necessities or low-grade commodities, their sales are more affected by income. High-income families or individuals usually have greater will and ability. The influence of income on luxury consumption behavior has been discussed from both theoretical and empirical aspect, the result shows that income growth makes the luxury demand market expand continuously. However, from the actual situation, people find that income growth and demand growth are not always in direct proportion. Some rich people like luxuries, but their desire for luxury goods is sometimes less than that of white-collar workers and businessmen. Sometimes some rich people consume luxuries more rationally, and their expectation of using such products and services to highlight their identity and social status is not as good as that of ordinary business people [5].

4.5. Price Factors

Luxuries are priced according to their high quality. Due to their expensive materials, refined production, prominent design aesthetics as well as legendary historical and cultural background, the wealth, status, value and lifestyle of customers are reflected. The price of luxuries is often very expensive, even beyond the range that ordinary goods can bear. This price strategy meets the psychological needs of many high-end businessmen. Other consumer groups believe that high prices can ensure high quality, which is particularly

evident when consumers buy luxury goods, because they prefer to choose luxury goods with reasonable prices and high cost-performance as their own consumer goods. This is one of the important reasons for the formation of their brand loyalty. For consumers who really seek quality of life and a high degree of satisfaction, what they care about is not the price, but the comfort and convenience that products and services can bring to them. The high price different from ordinary goods makes consumers think that luxury goods have the same characteristics as ordinary things. Therefore, the price factor is the most important reason for this part of consumer demand.

5. Conclusion

With the transformation and upgrading of consumption, the scale of luxury investment is becoming larger and larger. Consumers in the post epidemic era did not give up the purchase of luxuries, but expected to buy luxuries worth more. Therefore, for luxury brands, the real challenge is how to give more and more smart and rational consumers a reason to buy. Luxuries should find out the needs of consumers. At the same time, consumers should make accurate judgments on risks,

avoid risks in time, and make the luxury consumption market more standardized and orderly.

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