

# **CHAPTER I: INTRODUCTION**

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## 1.1.0 Overview

Luxury is an escape; a statement; it is an aspiration and it has symbolic value. The luxury consumption experience captures the imagination of those that seek it, of those that consume it, and of those that study it. The antecedents of luxury purchase are a vast expanse of inimitable and archetypal behaviours borne out of past and present experiences, cultures and concepts. Luxury is not limited to the affluent and it has the versatility to transcend the barriers of income, class, and caste. The manifestation of luxury is observable not just in products and services but also in experiences and lifestyles.

In a rapidly changing world, it is interesting to compare and contrast the different consumption patterns. There are many influences that mould the worldviews of consumers and their decision-making processes, these may be social, economic, or cultural. In order to understand and predict the antecedents of luxury consumption one has to delve into the differing economic cultures within which they thrive. Technology and digitization are closing the gap between luxury companies and their global consumers. Organizations are relying on a more customer-centric approach powered with strategic brand initiatives that create customer aspirations with a vision to encapsulate market idiosyncrasies.

What distance, metaphorically speaking, does the luxury consumer traverse in order to choose the product that is well-suited for them? The purpose of this study is precisely an answer to that. This research tries to objectively measure the extent of myriad influences during a consumer's lifetime that drive their luxury choices.

## 1.2.0 Luxury Markets: A Perspective

The evolution of luxury conglomerates from their humble beginnings of family-owned small businesses has been remarkable (Kapferer, 2014) and over the past 20 years they have seen tremendous growth (Nueno & Quelch, 1998). Europe and Americas have traditionally been high growth markets for luxury brands owing to their spending economy (Truong et al., 2008) but lately Asia has also emerged as a potential market for new and affordable luxury (Kapferer, 2014; Kim & Ko, 2012). We also see an emergence of mass prestige or masstige brands that

cater to the growing luxury appetite of young and upwardly mobile consumers (Kastanakis & Balabanis, 2014). The luxury market creates large revenues but is controlled by the presence of few luxury organizations. Many companies are trying to push premium products up the luxury ladder with innovative brand strategies and niche segments (Truong et al., 2008). Despite such growth and consumer acceptance, we see limited research on luxury consumption or a comprehensive understanding of luxury (Vickers & Renand, 2003; Kapferer & Bastien, 2009). Prior to 2004 most of the luxury research was based on conceptualizing luxury, luxury products and brands, and exploring the attitudes towards luxury (Ciornea et al., 2012). In that way the scope of research was narrow and limited. It is only after 2005 that a significant number of scientific studies on luxury were conducted and many research organizations also analyzed the luxury market (Ciornea et al., 2012).

The luxury market size was estimated to be about 1.2 trillion euros in 2018 with personal luxury goods as the star performer (D'Arpizio et al., 2019). The Statista Research Department (2020) report shows that the United States was one of the major marketplaces for personal luxury items equalling a revenue of over 84 billion euros in 2019. Globally this value was around 281 billion euros that year (The Kering Financial Document, 2019). The Luxury market in Europe was 88 billion euros with a dampened growth of 1% in 2019 (Bain & Company, 2019). In 2019, China had a 35% volume share of the luxury fashion market, America at 22%, Europe at 17%, and other Asian countries at 11% (Kering Financial Document, 2019). Chinese consumers seem to be driving the growth trajectory for Asia per this report. Factors such as rising middle class, snowballing high net-worth individuals (HNIs), demographic trends, international exposure and mobility seem to be driving the demand for luxury products (Kering Financial Document, 2019).

Luxury can fall in various categories such as luxury homes and décor, luxury cars, personal luxury goods, luxury yachts, wines and spirits, luxury travel, gourmet foods, or for that matter luxury services. The personal luxury goods category has various segments such as shoes, leather goods, cosmetics, fragrances, handbags, clothing, and others.

In terms of the product categories in the personal luxury segment, one can look at Table 1.1 to get an idea on what slice of the pie each enjoys.

**Table 1. 1 Personal Luxury Goods Category-wise share 2019**

Personal Luxury Goods	Market Share	YoY Growth	Market Value (in \$ billions)
Apparels	23%	5%	64
Leather goods	20%	11%	57
Shoes	7%	12%	21
Watches	14%	1%	39
Jewellery	7%	12%	21
Perfumes & Cosmetics	22%	7%	60
Others	7%	NA	19

Source: Kering Financial Document (2019)

Apparels, leather goods take up 43% of the market share with watches and perfumes being another large-scale product category. In terms of market value apparels bring in \$64 billion followed by perfumes and cosmetics at \$60 billion. Leather goods is another large contributor with a market value of \$57 billion. Distribution of luxury goods is varied, for example, 31% of the sales distribution is through mono-brand stores, 20% is through speciality stores, 18% is through department stores and 12% is through the online sales channel (Kering Financial Document, 2019). Online sales channel, in 2018, was worth 27 billion euros, a growth of 22% versus the previous year (D'Arpizio et al., 2019). By 2025, it is estimated that online sales would be 25% of the total sales figures (D'Arpizio et al., 2019).

### 1.3.0 Emerging luxury markets in Asia

When luxury goes global and finds space in the emerging markets of Asia, it is good news for the luxury conglomerates. In 2019, worldwide revenue of the Luxury houses was \$15,383 million of which Asia-Pacific had the largest share of 34% (Kering Financial Document, 2019). These markets embrace luxury consumption in new and different ways (Shukla, 2012) and ascribe different meanings to this consumption and motivations based on their cultural traditions (Chadha & Husband, 2006). Chadha and Husband (2006) noted that major contribution towards consumption of luxury was by Asia at 37%, Europe at 35%, and USA at 4%. Japan is the largest luxury consumer with a 62% share followed by Hongkong at 12% and China next; South Korea at 8%, Taiwan and Singapore at 2-3% each (Chadha & Husband,

2006). Louis Vuitton, Rolex, and Cartier are the top three luxe brands of Asia and Louis Vuitton has been growing at the rate of 50% YoY since it entered China in 1992 (Chadha & Husband, 2006) and China remains one of the most sought-after new luxury markets. In 2019, Mainland China continued to grow at 26% to reach sales of 30 billion euros, 35% of total value of luxury goods and accountable for 90% of growth of the luxury market (Bain & Company, 2019). Japan grew to 24 billion euros at a growth of 4% while Asia reached 42 billion euros clocking a growth of 6% overall in 2019 (Bain & Company, 2019).

Asian studies give insights into the purchase decision process; people in Hong Kong for example are driven by the perception of others about their public persona and this translates into luxury consumption (Tai & Tam, 1996). Luxury marketers cannot use the same go-to-market strategy for their luxury products in different countries. Each Asian country is typical in its own way with its culture, societal structure, and way of life that must be understood for a luxury product to succeed there. Japan for example has an ageing population and women do not enjoy equal rights in a traditional Japanese society and in the workforce they are generally limited to clerical jobs (Chadha & Husband, 2006) and most give up on work post marriage and children. However, a new breed of young single women has emerged who are postponing matrimony; live rent free in their parents' home and spend all their disposable income on luxury purchases (Orenstein, 2001). These women termed as "parasite singles" (a derogatory term coined by Mashahiro Yamada, a Japanese Sociologist) are the driving force behind the booming luxury economy in Japan inspite their meagre earnings of \$27,000 per annum on an average (Orenstein, 2001). Japan is an egalitarian society and the income of the richest 10% is only 4.5 times that of the poorest 10% (Human Development Report 2007/2008, 2007). Luxury consumption enables tangible manifestation of social class differentiation that is otherwise restricted in Japanese egalitarian society (Degen, 2010).

If we look towards China, we may see different trends and lifestyles that augur the growth of luxury. The China luxury story shows stupendous growth with a 33% share in the global luxury spending in 2018 with mainland China showing a luxury sale of 23 billion euros (D'Arpizio et al., 2019). Japan grew at 6%, marginally lower than the rest of Asia which managed a 9% growth in luxury sales, a total of 39 billion euros (D'Arpizio et al., 2019). Chinese customers will capture 46% of the world market by 2025 as per forecasts (D'Arpizio et al., 2019). Chinese customers exhibit significant differences in their consumption choices and decisions compared to consumers in other countries (Atsmon & Dixit, 2009). An example of this would be more

quality consciousness or a keen interest in utilitarian benefits that the Chinese show vis-à-vis other foreign customers (Atsmon & Dixit, 2009). China has a saving economy, consumers tend to save more than they spend, different from America or the United Kingdom (Wang & Lin, 2009). China has a collectivistic culture so they prefer to engage in social conformity and prefer products that tow that line (Kim & Markus, 1999) unlike an individualistic culture where self-expression is the primary motivation for luxury consumption (Wong & Ahuvia, 1998). Modern-day Chinese are also exhibiting individualistic traits (McEwen et al., 2006) due to a growing western influence on the elites. Social symbolism associated with luxury is essential to the Chinese way of life (Wong & Ahuvia, 1998) and this materialism has become a signature of success and a measure of accomplishments (Cavender & Rein, 2009).

#### **1.4.0 Global Luxury Brands**

The spectrum of what encompasses a luxury brand is diverse, it extends from wristwatches and handbags to wines and luxury cars. However, luxury brands began to be recognised an industry segment because of the similarities in brand positioning strategies and its pool of target customers (Okonkwo, 2009). The luxury goods industry saw the emergence of Richemont and Moët Hennessy Louis Vuitton (LVMH) in the '90s as well as the Gucci group in the 2000s, and that led to noticeable shifts in this industry segment (Okonkwo, 2009). There has been a strategic decision to be multi-brand groups, which has been a process of mergers and acquisitions that enable catering to a large audience with varied sensibilities. The luxury goods industry is structured such that there is a dominant presence of four luxury conglomerates namely LVMH, Estee Lauder, Richemont, and Kering SA in terms of their revenue share (Statista research department, 2020). Each of these organizations emphasized different aspects of their products to find a unique position in the minds of the consumers. While some pitched the cultural heritage and country of origin to attract their consumers (Kapferer, 2006) others diversified into newer markets to find access to a larger pool of consumers (Chadha and Husband, 2006). These actions led to the influx of a diverse range of consumers (Jackson, 2002). It is posited that luxury patrons are driven by a want to enhance their self-concept and social status (Nia and Zaichkowsky, 2000) and that reflects in their purchase choices and decisions. Luxury brands that have tried to exploit this need by robust brand building have stayed ahead of competition (Okonkwo, 2009). The brand identity has been the driving force for a products' success and that has led to the birth of the most iconic and influential luxury brands (Kapferer and Bastien, 2009). Berthon et al. (2009) noted that luxury brands have

material, individual, and social components corresponding to functional, symbolic, and experiential dimensions.

Excessive and voyeuristic consumerism has been associated with luxury consumption at times. To counter negative perceptions linked with luxury; organizations get involved in sustainability or environmentally conscious processes and philanthropic initiatives that can bolster their ethical standing. Apart from the usual celebrity endorsements, these organizations participate in projects that hold value in the eyes of their young, affluent, and millennial consumers. Bain & Company (2019) reported that 80% of luxury consumers prefer a brand that considers social responsibility a priority and not limited to sustainability measures and 60% of consumers also expect a larger engagement from these luxury brands.

Many high-end luxury brands destroy unsold products so that they may not be sold at a discount because that depletes the exclusivity and premium pricing of the brand. However, this was looked upon as a wasteful practice with a high carbon footprint. *Burberry*, in 2018 did away with this practice and announced a reduce, reuse, and recycle policy for its unsold products, including donations to charity (Deloitte, 2019). Some organizations such as *Kering* also created non-for-profit foundations in areas of social interest to hold themselves to a higher standard. The diamond industry is sometimes accused of trading in *blood diamonds* or diamonds from conflicted regions with a track record of human rights infringement. Luxury brand *Tiffany* was quick to announce its trading policies, engaging only with responsible mining companies to exhibit its awareness of the issue (Deloitte, 2019). The Richemont group is working towards building a more sustainable brand by including recycling initiatives and reduction in animal-based materials as a part of their brand strategy (Deloitte, 2019). Valentino and Armani fashion houses have a target of reduction in hazardous waste (bring it to a zero) from January 2020; Ralph Lauren has proposed to increase female employees by 25% by 2025; Prada has banned the use of fur for its apparels and Luxottica uses solar panels for its energy needs at its factories as a measure to reduce its carbon footprint (Deloitte, 2020). Such initiatives are not just the need of the hour but also tend to increase the organizations' goodwill in the eyes of consumers.

Luxury conglomerates have an umbrella of brands under their management and each of these have a unique positioning, branding, and go-to-market strategy. Each of these brands are managed by a team of strategists and designers who consider various aspects including the

country of sale to find the ideal promotion roadmap for their products. Table 1.2 gives an overview of the top 10 global luxury groups and their brand revenues.

**Table 1. 2 Top 10 Global Luxury Organizations by sales, FY 2019**

Sr. No.	Name of Company	Country of Origin	of Brands under Umbrella	FY2019 Total Sales (US \$m)	FY2019 Total revenue (US \$m)
1	LVMH Moet Hennessey-Louis Vuitton SE	France	Louis Vuitton, Christian Dior, Fendi, Bvlgari, Loro Piana, Emilio Pucci, Acqua di Parma, Loewe, Marc Jacobs, TAG Heuer, Benefit Cosmetics	37,468	60,069
2	Kering SA	France	Gucci, Bottega Veneta, Saint Laurent, Balenciaga, Brioni, Pomellato, GirardPerregaux, Ulysse Nardin	17,777	17,777
3	The Estee Lauder Companies Inc.	USA	Estée Lauder, Bobbi Brown, La Mer, Jo Malone London, Aveda; Licensed beauty & fragrance brands inc Tom Ford Beauty	14,863	14,863
4	Compagnie Financière Richemont SA	Switzerland	Cartier, Van Cleef & Arpels, Montblanc, Jaeger-LeCoultre, Vacheron Constantin, IWC, Piaget, Chloé, Officine Panerai, YNAP	13,822	16,188
5	Loreal Luxe	France	Lancôme, Kiehl's, Urban Decay, Biotherm, IT Cosmetics; Licensed brands	12,334	12,334
6	Chanel Limited	UK	Chanel	12,273	12,273

7	Essilor Group SA	Luxottica	Italy	Ray-Ban, Oakley, Vogue Eyewear, Persol, Oliver Peoples; Licensed eyewear brands	10,624	19,463
8	Chow Tai Fook Jewellery Limited	Fook Group	HongKong	Chow Tai Fook, CHOW TAI FOOK T MARK, Hearts on Fire, Monologue, Soinlove	8,411	8,500
9	PVH Corp		USA	Calvin Klein, Tommy Hilfiger	8,076	9,657
10	The Swatch Group Limited		Switzerland	Omega, Longines, Breguet, Harry Winston, Rado, Blancpain; Licensed watch brands	8,014	8,294

Source: Deloitte Report (2020)

The LVMH group is one of the largest European brands comprising many iconic brands lead by Bernard Arnault (Jackson, 2004). The *Louis Vuitton* brand of the LVMH group was the most valued brand of 2019 with a brand value of \$47.2 billion (Statista research department, 2020). It is incredible how Louis Vuitton started as a family-owned firm with a sale of \$20 million (Dubois & Duquesne, 1993) and transformed into the mammoth that it is today. In 2018, Gucci had a shown a 36.9% increase in revenue (Kering Intergrated Report, 2019).

The Deloitte report (2019) gives an overview of the top 10 luxury organizations in the world that account for almost half of the luxury goods sales in the world (48.2% FY2019). Each of these organizations have a host of brands under their umbrella with different positioning and branding strategies. They also cater and appeal to different luxury segments. The LVMH group holds the top spot for sales as well as revenue and their leadership position was further bolstered by the acquisition of the Christian Dior Brand (Deloitte, 2019). The report also states that the second position is held by the Estee Lauder Group as we can see in Table 1.2 and they primarily deal with cosmetics and fragrances that includes the licenced brand Tom Ford Beauty. The Richemont group that is in third place also included a watch brand called “Baume”, which is an entry-level luxe watch, meant for youngsters as a part of their online product offering as per the Deloitte report (2019). They also acquired Yoox Net-a-porter and Watchfinder in 2018, and partnered with Alibaba to boost online sales in China through these measures (Deloitte, 2019). As one can see from the table three of the luxury organizations are headquartered in France

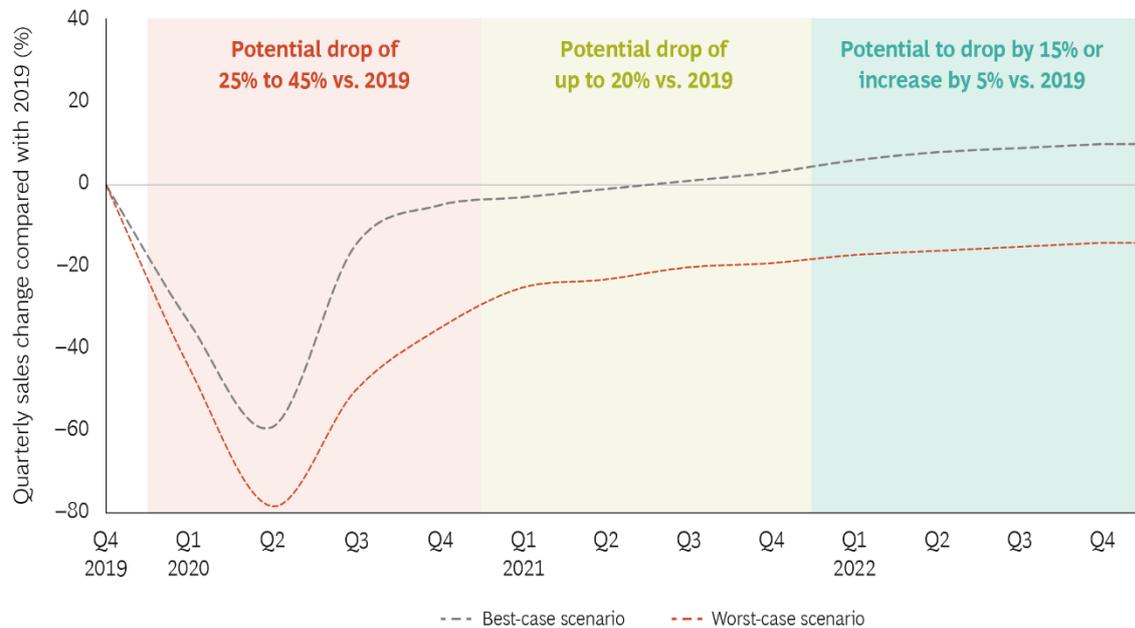
and two each in USA and Switzerland. The country of origin remains of the most valuable and marketable assets for luxury products and holds a significance in the minds of the luxury consumer.

### **1.5.0 The Road Ahead for the Luxury Industry**

The global pandemic has changed peoples' attitudes towards public spaces. This will have an impact on consumer shopping behavior and preferences. The pandemic has brought about a fear of public spaces and how that pans out for new luxury retail stores and existing ones remains to be seen. The way consumers purchase luxury and their expectations from the luxury brand will also see a gradual change. New challenges lie ahead for the retail luxury space and the physical in-store luxury experience associated with it. The juxtaposition of in-person inspection of the high-value luxury product with the new social space norms are a call to paradigm shifts in the way luxury industry operates. The same norms that worked in the pre-pandemic era will not give the desired results now. It also cannot be overlooked that customer needs and expectations are ever-changing and more so today. The pandemic lead economic downturn calls for a hands-on approach to sustainable organization building and product design with a low carbon footprint.

According to the Boston Consulting Group, luxury industry will now face the “Flatten, Fight, and Future” to be on the other side of this global growth recovery (Willersdorf et al., 2020).

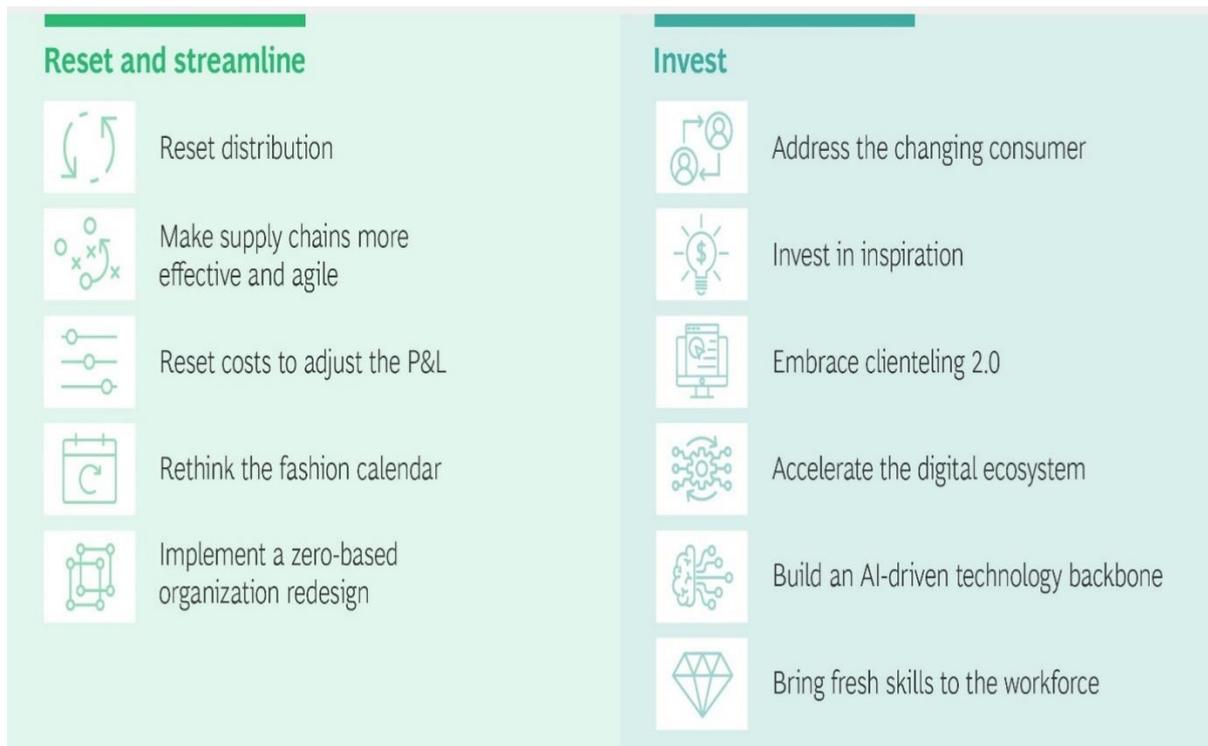
**Figure 1. 1 Recovery of Luxury Sales**



Source: <https://www.bcg.com/publications/2020/new-era-and-new-look-for-luxury>

There was an estimated drop of 25% to 45% in the luxury sales figures in 2020 (Willersdorf et al., 2020). More individuals will move to digital shopping platforms to avoid human contact but for high-priced luxury goods the desire to check the purchase for its quality, texture, technical construct is an activity that requires an in-person experience. The challenge for the luxury industry would be to bring about a synergy between these two aspects while keeping the consumer preferences in mind. Luxury products with small ticket-size that can be purchased without a physical inspection, for example, cosmetics and leather goods will recover more quickly than say watches or jewellery (Willersdorf et al., 2020). The next few years may see more understated forms of luxury consumption in more developed nations; however, the Chinese still show a preference for a more conspicuous form of luxury (Willersdorf et al., 2020). This changing luxury landscape calls for a rethink in the modalities of business, investing in technological changes to address this shift in the luxury Industry.

**Figure 1. 2 The How's and What's of a changing luxury landscape**



Source: <https://www.bcg.com/publications/2020/new-era-and-new-look-for-luxury>

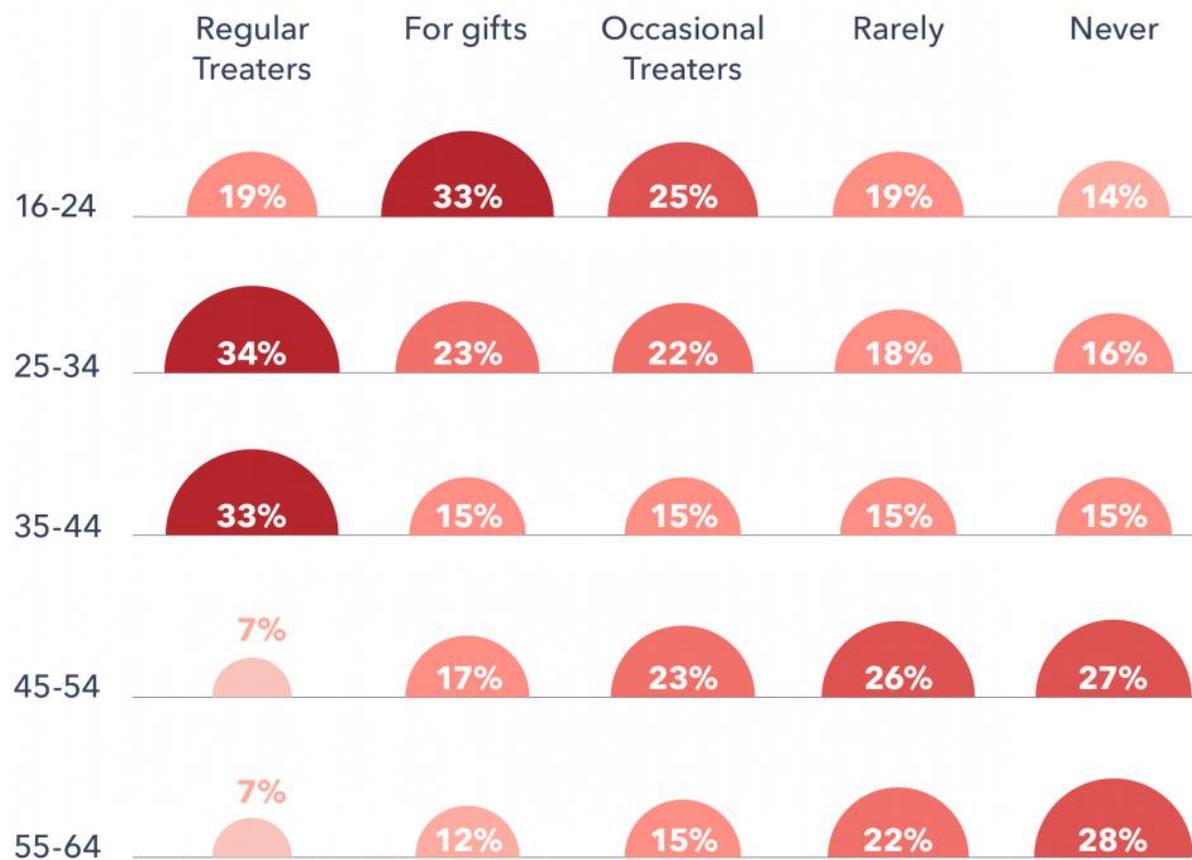
Luxury businesses need to be agile and find newer ways to address distribution needs. The retail space will shrink and more investment in or partnering with existing digital platforms to create an alternate point of sale is the need of the hour. The long wait period to see new designs as the seasons change would no longer be cost effective and the unveiling of new lines would need to accommodate changing expectations of consumers. There needs to be a review in terms of the organizational design, work space, market delivery, supply chain agility to create a more sustainable working mechanism. The most important aspect would be to keep an eye on the consumer preferences and the product design and purchase experience must take into account the altered reality in which it now operates.

Digital platforms may now become more of a necessity but they will have to create a platform that can provide the same physical experience as an in-store visit where the manager knows the consumer's previous purchases or loyalty. The online luxury store, Farfetch is addressing these issues using "Augmented Retail", a digital interface that is more than just an online store (MOF team, 2019). These kind of AI-driven systems and innovative practices would push the luxury industry into the next century.

### 1.6.0 Who is the Luxury Consumer?

Luxury marketers must know who they are catering to in order to achieve the correct product and marketing synergy, and this has to be bolstered with an appropriate positioning strategy. In this regard, the global web index surveyed luxury buyers and non-luxury buyers in the United States (n=928, n<sub>1</sub>=353) and the United Kingdom (n=1,049, n<sub>1</sub>=426). Figure 1.3 reveals that 67% of regular luxury buyers are aged between 25–44 years, and 62% out of these are male, residing in the US and UK (Chase, 2019).

**Figure 1. 3 Age Brackets of the Luxury Buyer**



Source: <https://blog.globalwebindex.com/chart-of-the-week/luxury-market-2019/>

A base of 1,119 (UK) and 1,195 (US) luxury buyers were also surveyed to check which categories of luxury products or items they had purchased in the last 12 months. It was found that new luxury consumers consider leisure travel a part of the luxury experience and they also

spend extensively on various luxury products such as handbags, cosmetics, and clothing (Buckle, 2019).

**Figure 1. 4 Luxury Purchase Categories**

<b>Regular Treaters</b>	
Cars / automotive	<b>26%</b>
Household / furniture items	<b>36%</b>
Travel (e.g. first-class flight tickets, etc.)	<b>36%</b>
<b>For gifts and special occasions</b>	
Experiences (e.g. glamping, exclusive event access, etc.)	<b>25%</b>
Travel (e.g. first-class flight tickets, etc.)	<b>30%</b>
Household / furniture items	<b>25%</b>
<b>Occasional Treaters</b>	
Food ingredients (e.g. truffles, caviar, etc)	<b>34%</b>
Electronics (e.g. premium headphones, smartphones, etc.)	<b>53%</b>
Handbags	<b>26%</b>

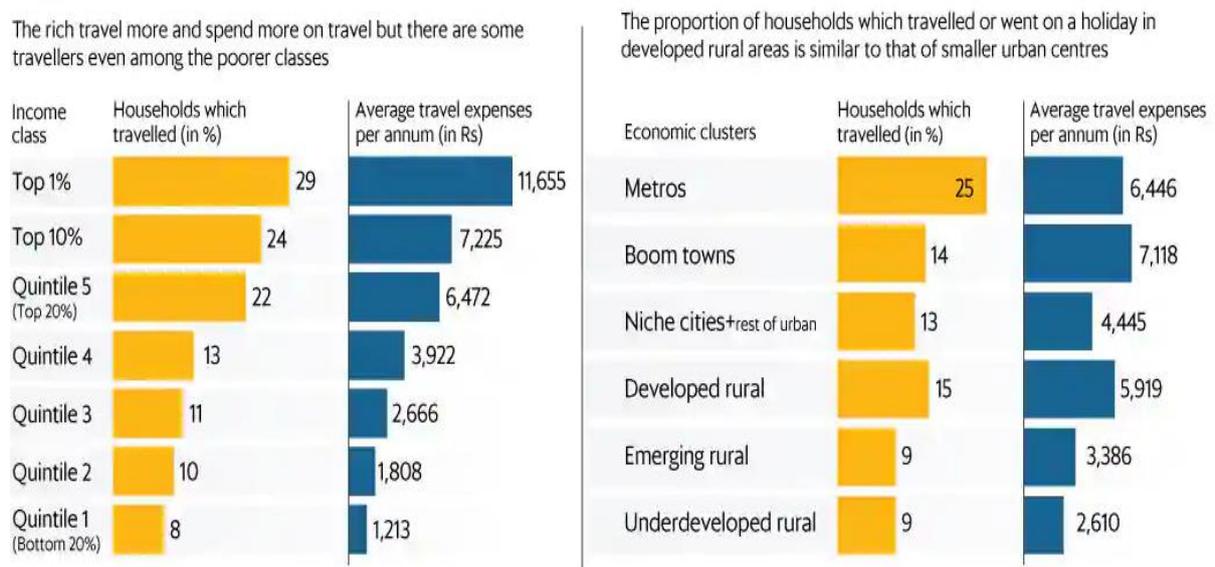
Source: <https://blog.globalwebindex.com/chart-of-the-week/luxury-market-2019/>

Figure 1.4 reveals that 36% of the luxury buyers spend on travel as regular treats and 30% as gifts and special occasions. As a part of their regular luxury spend 36% of the consumers also purchase household items. Experiences such as exclusive events and glamorous camping expeditions also form about 25% of the special occasions' category spend, 34% spend on gourmet food items, and 53% spend on electronic items as a part of occasional luxury purchases. The younger age group values travel experiences as part of their luxury lifestyle and does not shy away from spending on it (Buckle, 2019). Most of these young luxury spenders look for affordable luxury, the entry level brands that blend aspiration and with affordability

and the regular spenders look for the in-store experience for a physical inspection of the high-investment product (Buckle, 2019).

Another study conducted by Household Survey on India's Citizen Environment & Consumer Economy' (ICE 360° survey) in 2016 on Indian Households (n=61,000) revealed that the upper-income and affluent classes outspend the others by over 10 times when it comes to travelling and those living in big cities also travel more than those in rest of India (Bhattacharya, 2016).

**Figure 1.5 Wanderlust of Indian Travellers**

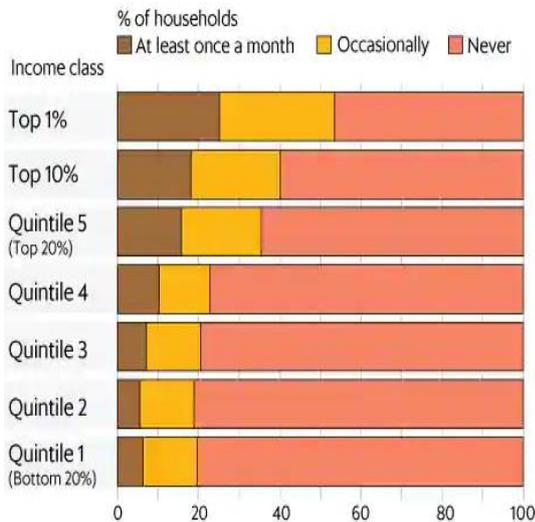


Source: <https://www.livemint.com/Consumer/1oPnkPjZgoHFAhH7lqqPOK/How-many-Indians-travel.html>

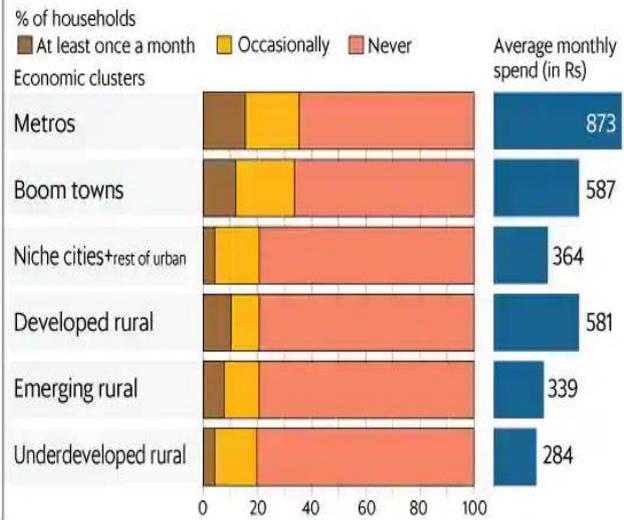
Figure 1.5 shows that 25% households in metro towns took a leisure trip and their average travel expenditure is Rs.6,446 per annum. The households in boom towns (population of 2.5–5 million) spent more on their travel than those in metros to the tune of Rs.7,118 per annum. The emerging rural areas spend about half of their metro counterparts on travel, 20% of the households of the top 1% income class dine out atleast once a month and others in this class eat occasionally. Average monthly spend on dining out in metro towns is Rs.873 per month while consumers in boom towns spend an average of about Rs. 587 per month. One can also notice that the bottom quintiles hardly ever dine out as shown in Figure 1.6.

## Figure 1. 6 Eating Out

Eating out is largely a luxury of the richer classes: a majority of the top 1% reported eating out while 81% of the bottom quintile reported never eating out



Eating out is nearly as frequent in boom towns as in metros, but people in metros spend more on eating out



Source: <https://www.livemint.com/Consumer/1oPnkPjZgoHFAhH7lqqPOK/How-many-Indians-travel.html>

### 1.7.0 India: Present and Future of Luxury

It is estimated that by 2030, 80% of the Indian households would be middle income and would drive the consumption demands (Ojha & Ingilizian, 2019). Upward mobility will be one of the key consumption drivers because 20 million households would move to the high-income bracket by 2030 and would drive approximately 15-20% of durables consumption (Ojha & Ingilizian).

India is an emerging economy and is expected to continue this growth trajectory in the near future. While there is a burgeoning upper class namely the “super-rich”, the income disparity among the people of this nation continues to grow as well. The kind of economic incongruity that exists in India is comparable to no other country in the world. As per the CEO of NITI Aayog, Amitabh Kant, India is beginning to see a great migration of its citizens from rural to urban areas and an estimated 700 million will join the urbanization process (Agrawal, 2016). He also claims that India is likely to reach \$180 billion in luxury sales by 2025 (Agrawal, 2016). In 2015–16, the luxury sales in India grew from \$14.7 billion to \$18.6 billion and this translates to 25% growth yoy (Cyrill, 2017).

The estimated size of India's luxury market is \$30 billion and forecasted to reach \$200 billion by 2030 (Jain, 2019). India is a young country with an average age of 31 and forecasted to have approximately 370 million Gen Z consumers by 2030 (Jain, 2019). It is estimated that millennials (born between 1985–1995) would account for 45% of the luxury consumers by 2025 and generation Z would account for 40% (Bain & Company, 2019). The Statista report (2020) expects the Indian luxury market to grow at 9.7% CAGR (2020–2025) and forecasts the revenue to be to the tune of \$7,130 million in 2020. It also predicts the cosmetics and fragrance luxury segment to have the largest volume of \$2,097 million in 2020. Indian weddings are elaborate affairs and the wedding services industry is worth \$53.8 billion which caters to different segments such as clothing, jewellery, travel, hospitality, cosmetics (Gupta, 2019a) and forms a formidable luxury market.

India saw the formation of its first luxury conglomerate when Reliance Brands acquired Genesis Retail in 2018 (Gupta, 2019b). This development has forged a path for international brands such as Bottega Veneta, Bally, Burberry, Armani Exchange, Jimmy Choo, and others to foray into the Indian market. India is still a new market for high end luxury and as the standard of living improves so do the aspirations of its people. Marketers need to understand the motivations and socio-cultural influences to design the ideal positioning strategy for luxury products in the Indian context. Towards this purpose, it is imperative not only to gather data of consumer demographics but also get a profound understanding of the social fabric, cultural drivers, economic experiences, and future aspirations of the prospective buyer.

### **1.8.0 What do we know about Indian luxury consumer?**

Indian consumers are value-conscious, enjoy a good bargain, and seek information on the brands that they wish to purchase (Mishra & Jain, 2018). Indians also enjoy conspicuous consumption in the form of prominent logo display and this translates into higher sale in the men's shoes segment (Mishra & Jain, 2018). The prestige associated with a brand's ownership and the status that it endows on the owner is an aspect that Indian consumers aspire for (Mishra & Jain, 2018). This dual need of brand consciousness and value consciousness of young consumers is fulfilled by masstige brands such as Micheal Cors, Kate Spade, Coach, and others (Mishra & Jain, 2018). So, the real drivers of luxury in India in terms of volumes are the middle class (Brahma, 2017). The rising aspirations of the upwardly mobile middle-class consumers are met with the purchase of luxury goods (Bhanot, 2013).

The symbolic meanings attached to luxury products are bolstered by the cultural fabric rooted in tradition. The purchase of luxury brands acts a symbolic bridge between the cultural expectations and social roles of Indian consumers (Danzinger, 2005). The Indian Nouveau riche communicate their arrival and social class identity through the purchase of luxury goods (Chadha & Husband, 2006). We also see a greater visibility and placement of these luxury brands in Bollywood movies that have increased their reach and aspirational value. These acts of luxury endorsements by celebrity influencers positively affect the purchase intentions of the Indian consumer (Kripalani, 2007).

Brands that were visible only in lifestyle magazines or in international luxury stores have now become accessible through stand-alone outlets in high-end malls and 5-star hotels (Kapoor, 2010). In terms of demographics, luxury brands are gaining acceptance in the Indian metros and more so in western India (Vahalia, 2007). However, luxury brands need to understand the multifaceted and unstable consumption patterns of the Indian consumer (Gupta & Banerjee, 2019) in order to rework or customize their brand strategies the way Louis Vuitton or Montblanc did for the Indian market (Business of Fashion, 2010).

There are many drivers that push the growth of the luxury industry in India. For example, one sees a greater number of *Dinks* (Double Income No kids) and nuclear families with disposable incomes (Bhattacharya, 2018). There is a market for affordable luxury which is of interest to first time and value-conscious buyers (Afaqs, 2016) and they are looking for brands that act as a bridge to luxury. The new luxury consumer is also invested in the consumption experience and not just the purchase (Afaqs, 2016). The future of luxury will be driven by HENRYs (high earning not rich yet), and this consumer segment takes grooming seriously and consumes luxury keenly (Deloitte, 2019).

### **1.9.0 Background of the study**

Consumer behaviour is a well-researched subject and much has been theorized and debated upon. Extant literature pertaining to luxury consumption and related behaviour is available in research as well, but that is more to do with the developed nations such as those in Europe and Americas. Recently with the economic rise of the Asian countries, research related to the luxury buying behaviours of consumers in China, Thailand, and Singapore can also be found.

However, India is a singular example of cultural and economic diversity where there is scope to study the luxury consumption patterns and behaviours. This study would be significant for the next century as India continues to grow economically and its people foster various ambitions towards a higher standard of living coupled with opportunities of growth. It is only imperative that a nascent luxury market, such as India is researched, to better understand its idiosyncrasies and foster the growth of this industry. In India, there is a small percentage of upper and affluent income-class, however their numbers are large owing to India's population. This becomes a lucrative market for luxury brand marketers and the next luxe destination for the coming century in terms of revenue. The burgeoning Indian middle-class also hold aspirations of social mobility and would hold the key to long-term growth of volumes for luxury conglomerates.

#### **1.10.0 Significance of the study**

To comprehend the antecedents of luxury consumption, it is important to consider not only demographics but also socio-cultural constructs. The aim of this study is multi-pronged in a way that it first tries to extend the construct of luxury value perceptions keeping in mind the changing consumer behaviour as well as the idiosyncratic market that is India. It then endeavours to measure this construct for its robustness and gauge its relationship with social class. Third, this study aspires to understand the implications of social class as a market segmentation driver and its implications on luxury consumption choices. This study posits that a consumer segment based on social class variables can give an in depth understanding about the luxury consumer and their motivations. The information arising through this study can help marketers identify, segment, and target the consumer groups relevant to specific luxury products and brands.

#### **1.11.0 Research Problem**

The research problem encapsulates a comprehensive inquiry in the context of the said research title "Understanding the antecedents to luxury buying among consumers of Gujarat".

While luxury research dwells on topics such as conspicuous consumption, snob value, prestige, and status as antecedents to the purchase motivation, the study of the variables associated with the consumer in terms of class, demographics, value drivers, self-image concepts need an

extensive look with respect to the Indian market domain. There are deficiencies in the evidences in research with regard to the influence of these variables on luxury perceptions and luxury brand choices.

The problem statement of this research is as follows:

“What is the relationship between demographics, socio-cultural factors and values that impact luxury consumption among consumers in Gujarat?”

### **1.12.0 Research Questions**

The following research questions have been framed based on at the problem at hand.

RQ1. Is the economic culture, symbolic, and experiential value valid dimensions of luxury perceptions?

RQ2. How is social class operationalized based on theory and what are the variables considered in it?

RQ3. Is there any relationship between age and luxury value perceptions?

RQ4. Is there any relationship between gender and luxury value perceptions?

RQ5. Is there any relationship between family structure and luxury value perceptions?

RQ6. Are there any similarities or differences in the luxury value perception across social classes in Gujarat?

RQ7. Is there a relationship between age and different luxury brand segments in any product category?

RQ8. Is there a relationship between gender and different luxury brand segments in any product category?

RQ9. Is there a relationship between family structure and different luxury brand segments in any product category?

RQ10. Is there a relationship between education and different luxury brand segments in any product category?

RQ11. Is there a relationship between occupation and different luxury brand segments in any product category?

RQ12. Is there a relationship between annual household income and different luxury brand segments in any product category?

RQ13. Are there different customer segments based on social class?

RQ14. Do the consumer clusters based on social class relate to luxury brand segments of any product?

### **1.13.0 Research Objectives**

The below mentioned research objectives are derived from the problem statement and research questions.

RO1: To test if the economic culture value, symbolic value, and experiential value is a valid dimension of luxury value perceptions.

RO2: To understand the relationship of age with luxury value perceptions.

RO3: To understand the relationship of gender with luxury value perceptions.

RO4: To understand the relationship of family structure with luxury value perceptions.

RO5: To create measurable social classes based on existing theory

RO6: To understand the similarities or differences in the luxury value perceptions of social class (I, II, III)

RO7: To understand the relationship of age with different luxury brand segments (masstige, accessible super-premium, old luxury brand extensions, old luxury) in any product category (clothing, handbags, watch, accessories)

RO8: To understand the relationship of gender with different luxury brand segments (masstige, accessible super-premium, old luxury brand extensions, old luxury) in any product category (clothing, handbags, watch, accessories)

RO9: To understand the relationship of family structure with different luxury brand segments (masstige, accessible super-premium, old luxury brand extensions, old luxury) in any product category (clothing, handbags, watch, accessories)

RO10: To understand the relationship of education with different luxury brand segments (masstige, accessible super-premium, old luxury brand extensions, old luxury) in any product category (clothing, handbags, watch, accessories)

RO11: To understand the relationship of occupation with different luxury brand segments (masstige, accessible super-premium, old luxury brand extensions, old luxury) in any product category (clothing, handbags, watch, accessories)

RO12: To understand the relationship of annual household income with different luxury brand segments (masstige, accessible super-premium, old luxury brand extensions, old luxury) in any product category (clothing, handbags, watch, accessories)

RO13: To create customer segments based on social class.

RO14: To understand the relationship of consumer clusters based on social class with luxury brand segments in any product category.

#### **1.14.0 Null Hypotheses**

Ho1: The economic culture value that deals with the consumer's economic motivators to purchase is not a valid dimension for luxury value perceptions.

Ho2: The symbolic value that deals with conspicuousness and exhibitionism is not a valid dimension for luxury value perceptions.

Ho3: The experiential value that deals with the consumer's pre-purchase experience is not a valid dimension for luxury value perceptions

Ho4: There is no significant difference between age and luxury value perceptions.

Ho5: There is no significant difference between gender and luxury value perceptions.

Ho6: There is no significant difference between family structure and luxury value perceptions.

Ho7: There is no significant difference in the luxury value perceptions across social classes I, II, III

Ho8: There is no significant difference between age and atleast one luxury brand segment of any product category.

Ho9: There is no significant difference between gender and atleast one luxury brand segment of any product category.

Ho10: There is no significant difference between family structure and atleast one luxury brand segment of any product category.

Ho11: There is no significant difference between education and atleast one luxury brand segment of any product category.

Ho12: There is no significant difference between occupation and atleast one luxury brand segment of any product category.

Ho13: There is no significant difference between annual household income and atleast one luxury brand segment of any product category.

Ho14: There does not exist any consumer cluster based on social class

Ho15: There is no significant difference between consumer clusters and atleast one luxury brand segment in any product category

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