



To what extent are economic and cultural factors contributing to the growth of the luxury market in India and how are international brands leveraging this?

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Abstract

Luxury has existed as a concept for a very long time. The roots of the luxury market can be found in the West and this is majorly explained by the influence that industrialization, urbanization and colonization had on the wealth of the population in that part of the world. That being said, as per economic principles, as a country develops, one may expect that the disposable income of individuals would also increase and as a result, so would their willingness and ability to purchase luxury. Aside from the economic influence, even cultural factors can have a great influence on the willingness to purchase luxury goods in a market. Taking the aforementioned into consideration, this research paper analyses the growth of the luxury market in India, a developing country, and then conducts a thorough case study to understand how international luxury brands are leveraging this. The paper also evaluates the socio-economic impacts of the growth of the luxury market in India.

Introduction

Has Luxury Escaped the Borders of the Elite?

In order to understand the subtle but evident interplay between economic and cultural factors shaping the success of the luxury brand segment in developing countries, it is crucial to understand the historical emergence of luxury. Luxury, as a concept, started in Ancient Egypt between 3,000 B.C. and 800 B.C. and was entwined with traditional and cultural norms (Sup de Luxe, 2022). From the very get-go go luxury goods were seen as objects for the very elite and served as a symbol of power and success. Whilst luxury, its definition and what it entails, has evolved drastically over the years, at today's date,

it is still an extremely dominant force, influencing and being influenced by societal norms, economic structures, and cultural and traditional shifts.

Focusing on the economic influence on luxury, specifically, economic theory suggests that luxury goods and services are incredibly elastic products, both from a price and income perspective. The aforementioned can be used to explain how the success of a luxury industry in a country may be heavily influenced by the level of development in the country i.e. as an economy develops and more disposable income becomes available to the population, it is more likely for the luxury sector to thrive. However, that being said, economic factors do not alone influence luxury purchases but the culture and norms embedded in a country can also have a great influence. In line with this, this research paper aims to answer the question ***“To what extent are economic and cultural factors contributing to the growth of the luxury market in India and how are international brands leveraging this?”***

This paper aims to analyse the economic and cultural factors influencing the growth of the luxury market in India and further evaluate the implications of the same for the stakeholders involved

Literature Review

The concept of luxury is tied to economic concepts, such as disposable income. Disposable income is the amount of money individuals have available to spend post the savings after taxes. When disposable income increases, individuals tend to allocate more of their funds to luxury items, as they have more funds left even after expenditure on necessary items. Luxury consumption is influenced by factors such as income levels, economic stability and consumer confidence. In rising economies, individuals tend to indulge in luxury purchases more, thus contributing to a vicious cycle between economic well-being and the luxury market.

The historical evolution of luxury consumption has been predominately concentrated in the West as a result of industrialization, urbanization, and colonization. Focusing on industrialisation specifically (the process of developing industries, by the widespread adoption of mechanized production methods), the Industrial Revolution, spanning from 1760 to 1840, started in Great Britain prior to making its way to other Western countries. The Industrial Revolution had a great impact on society whereby it created a prominent shift from an agrarian economy to a manufacturing economy wherein products were no longer made solely by hand but by machines (Chen, 2023). The aforementioned led to a great increase in production and efficiency which resulted in lower prices, more goods, improved wages, as well as urbanization i.e., the shift of population from rural to urban. Looking at urbanization, particularly the link between urbanization and economic growth has been well documented. In fact, “there are many examples — across broad areas of development — which suggest that, on average, living standards are higher in urban populations than in rural” (Ritchie, Roser and Samborska, 2018). Lastly, shifting the focus to colonization, this too was mobilized by the Western powers whereby such economizers benefited multifold and thrived both economically as well in the exertion of power. Exploited, colonized nations were left behind obscured as the West developed. The core connection between industrialisation, urbanization and colonization and the luxury world is therefore clearly evident as the consequent economic growth, disposable income and higher standards of

living are what enable luxury purchases. With the majority of wealth lying in the hands of the populations of the industrialised nations, it also makes sense as to why some of the biggest names in the luxury world including Hermes, Louis Vuitton and Chanel were founded in this part of the world.

The economic roots of luxury consumption aside, it is also essential to add nuance to this economically driven narrative, which is of cultural factors. Simply put, economic factors are not the sole influencers of luxury purchase patterns in a country. Instead, even cultural factors play an essential role. The aforementioned may be better understood within Hofstede's cultural dimensions framework. The Hofstede Framework is a model that helps understand the culture of a country based on its values and the deep influence these cultural and traditional factors have (The Culture Factor, 2022).

Paradigm	Brief explanation
Power distance	This refers to the extent to which, less powerful members of the society within a culture expect and accept the fact that the power is distributed unequally. Similarly, in societies with high power distance, there is a greater acceptance of basic hierarchal order and expectations. On the contrary, cultures with low or negligible power distance, support a more equal distribution of power and expect the people to contribute and bring forward their perspectives, and question those in power.
Masculinity vs femininity	This refers to the extent to which a culture emphasizes traditional gender roles. Cultures that are fixated towards masculinity, tend to value assertiveness and success, on the other hand, cultures that believe in feminism, prioritise collaboration and the quality of life.
Individualism vs Collectivism	This refers to the various existing cultures and their view on relationships. For instance, Individualistic cultures prioritise solitude and individual goals and achievements. On the contrary, collectivist cultures believe in collaboration, harmony, interdependence, and fostering strong and meaningful connections with the community.
Motivation towards Achievement	This refers to the extent to which a community values assertiveness, competitiveness and pursuit of success. For

	instance, cultures with high motivation towards achievement value individual accomplishments, personal growth, and material success. In contrast, cultures with low motivation towards achievement, tend to prioritise collaboration, quality of life, and a more easygoing approach to life.
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These traditional and cultural factors are underscored and act as influential factors of consideration, while shaping the perspective of consumers in their luxury consumption, as seen in the patterns of emerging and developing countries like India. The remainder of this paper conducts a thorough analysis of luxury consumption in the Indian market.

India - An Emerging Market for Luxury

As evident throughout the years, the Indian luxury market has experienced significant growth, with a flourishing consumer base that is progressively drawn to the luxury brand, creating an overwhelming response. This drift can also mainly be analyzed through the perspective of Hofstede's cultural dimensions theory (as explained in the earlier sections of this paper), which provides insights into societal norms and values (Wale, 2024). Furthermore, amalgamating Hofstede's framework with the specific cultural extents of power distance, motivation towards achievement, and collectivism provides a thorough understanding of the journey of India, becoming a profitable market for the luxury brand segment.

Below is a table containing the scores given to India based on 3 of Hofstede's paradigms:

Power Distance	Individualism	Motivation towards Achievement and Success
77	24	56

India has always maintained a relatively high power distance and has accepted hierarchical order and respect for authority. The country encompasses a variety of affluent such as maharajs and royalty, alongside the working and lower castes - a clear distinction between the privileged and the masses. The aforementioned contributes to the enticement of luxury purchases - in a culture like that of Indias, where a status distinction is valued, luxury brand purchases and products function as symbols of success, power and elevated social standing. Veblen's Theory of conspicuous consumption orients seamlessly, with this phenomenon, explaining that luxury items indeed serve as symbols of success and high social standing (Bagwell and Bernheim, 1996). In a society that not only supports but endorses the concept of hierarchical status, luxury brands become highly desirable and alluring. Hence, this cultural context creates a perfect market, where these luxury products act as symbols to resonate deeply with the population, majorly influencing the consumers' preferences and purchasing power.

India's cultural values and inclination, towards embracing personal success and accomplishments, as supported and indicated by a high score on the motivation towards achievement, further act as fuel to the combustion, behind the thriving luxury market, and success of the same. These luxury purchases are not seen as just simple economic transactions, however, they are perceived as representations of personal achievement and success. Maslow's hierarchy of needs further sheds light on this perspective, stating that luxury consumption satisfies higher-level "needs" such as self-esteem and self-placement (McLeod, 2024). The 'dream' bubble that is created around these luxury products, creates a sense of aspiration among the consumers, making them more motivated and increasingly indulgent in the same. The alignment of the desire for personal accomplishment with the motivation to purchase luxury goods establishes a mutually beneficial relationship, where cultural values seamlessly and intricately intertwine with consumer behaviour. Hence, this alignment and relationship further, provide support to the association, between luxury items and individual purchasing success in the Indian market.

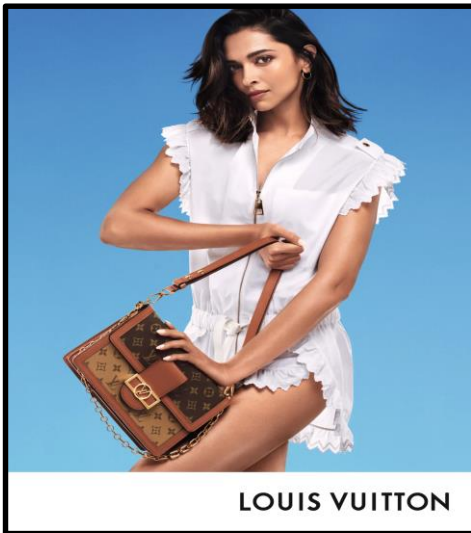
Additionally, India is classified as a Collectivist Society (collectivist culture is one that's based on valuing the needs of a group or a community over the individual), where the actions of the individuals are mainly influenced, by the social networks and in-groups, which significantly shapes the dynamics of the luxury market. The luxury purchases go beyond individual satisfaction and expression, representing a larger meaning in society (Shammout et al., 2022). Additionally, consumer behaviour theories, for instance, the Social Comparison theory, reinforce how luxury products in a developing nation like India become a medium through which social comparison is conducted (Cherry, 2022). These luxury items, serve as benchmarks for social comparison in developing countries like in this case India. Individuals measure their success, against other fellow citizens, friends and acquaintances, mainly their own social circles, making luxury goods a medium for reflection of both personal achievement and also of their social status in a societal community. Thus, the communal aspect of luxury consumption, where shared values and motivations are symbolized through these purchases, further acts as a driving force for the role of luxury brands in a developing country like India.

Thus, in conclusion, the major success of luxury brands, in developing countries like that of the Indian Market, can be accredited to a combination of many cultural factors as per Hofstede Framework. The relatively high power distance, in Indian Society, enhances and endures the allure of luxury items, as symbols of status, success and power. Additionally, motivation towards achievement aligns seamlessly with the cultural inclination to view luxury products and purchases as perfect symbols and benchmarks of personal accomplishment and success. Furthermore, India's collectivist society and culture amalgamates luxury goods into the major feeling of social belonging (Desbonnet, 2015). The junction of these cultural values sheds light on the factors contributing to India (a developing country), all these factors add to being a thriving market for luxury brands, with an increasing consumer base.

Case Study of the Luxury Market in India

As discussed in previous sections, the landscape of luxury brands in developing countries especially India, has seen remarkable growth and advancement. With fashion houses like Gucci and LVMH integrating and navigating the market. For instance, in the fiscal year of 2020, Louis Vuitton in India announced a whopping 57% surge in net profits, highlighting the luxury brand's strong performance and success in the Indian market, among Indian consumers (Khosla, 2021). More

than just financial facts, however, the success of international luxury brands requires a lot of strategic planning in order to resonate with the Indian clientele and to capture the broader essence of the Indian consumer market.



LVMH (French multinational luxury goods conglomerate), which encompasses iconic brands such as Louis Vuitton, and Christian Dior, has strategically expanded its clientele in India (Inside Retail Asia, 2020). Recent reports indicate a 6% rise in EBIDTA (Earnings before Interests, Taxes, Depreciation, and Amortization), for the French fashion conglomerate LVMH India, showcasing the brand's reach and popularity in the region (Bhuyan, 2023). This has been a result of the adaptiveness of LVMH to satisfy the Indian consumer desires and needs. Additionally, one significant strategic move in the realm of brand ambassadorship was Louis Vuitton's selection of Indian celebrity Deepika Padukone, as their ambassador (as seen in the image to the left). This move not only put up with Deepika's global appeal but also showcased the commitment Louis Vuitton has towards India and its culture (Togher, 2022). It happened to be a coincidental win for both parties, as Louis Vuitton managed to integrate and resonate with Indian Consumers while elevating Deepika's position as a global fashion Icon. Gucci (an Italian luxury fashion house), took a similar step by choosing Indian Celebrity Alia Bhatt, as their first Indian ambassador (Zamindar, 2023). This not only achieved a significant milestone but also showcased Gucci's recognition of the commitment and Influence Indian celebrities have on fashion trends.



On the far side of just Individual brand strategies, the broader trend of luxury brands integrating the Indian Market is also quite evident. Social collaborations with Indian influencers, for instance, the partnership of Tiffany and Co. (American Luxury jewellery house) and royal Indian weddings, reemphasise the brands' desire to integrate and resonate with the Indian consumer market (Jain, 2019). This strategic step with cultural events like weddings, enhances the brands' aura and importance, making luxury an indispensable part of India's celebrations and consumption habits.

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Additionally not to forget to mention, Christian Dior, held a spectacular runway show in Bombay (pictured on the left), that brilliantly amalgamated, its Western essence, with the Indian heritage. The event showed a seamless vibrant fusion of traditional textiles influenced by Indian culture and contemporary designs, celebrating and embracing the rich Indian culture. The brand showed an extreme commitment to encompassing and embracing the Indian significance and elements, creating a mesmerizing experience that went beyond just fabric, with the setting, choice of music, and overall ambience. This move helped captivate the attention of Indian

consumers and fashion enthusiasts, in a way like no other and also solidified Christian Diors; brand image as an epicure of cultural nuances (Mower, 2023).

Moreover, the enticement of Indian craftsmanship has not been overlooked, and its significance has been regarded by global brands. There is a growing emphasis and endorsement of collaborating with Indian artisans, which not only supports additional craftsmanship and economy but also adds a traditional aspect to the products, which helps Indian consumers resonate and appreciate the perfect blend of contemporary with traditional luxury products (Schultz, Beniwal and Rascouet, 2023).

Hence, as India emerges as a potential global hub for Luxury, the partnership between luxury brands and Indian culture becomes crucial. The strategic brand ambassador choices, incorporation of Indian artistry and culture, and appreciation for local craftsmanship and artistry have given a competitive edge and success to big fashion houses such as LVMH, Gucci and many others in the Indian market.

An Evaluation of the Growing Luxury Market in India

As evident and discussed in the prior sections of the paper, the growing luxury market and its influence in India showcases a complicated intertwinement of economic, cultural and social factors, that have both positive as well as negative consequences (Jain, 2023). For instance, on one side, the flourishing luxury market in India is a symbol of the country's surge in economic growth. The increasing purchasing power of Indian consumers, due to the rise in disposable income, has resulted in increased luxury purchases, highlighting a rising wealth among purchasers. Moreover, this economic growth is not only restricted to individual consumers but rather has a direct effect on the nation's economic health itself.

As suggested, one of the main positive effects of increased luxury consumption and growth is its contribution to economic development. The luxury sector attracts foreign investment, injecting more capital into the country which results in the creation of jobs (employment opportunities). The economic impact is not only restricted to the creation of jobs, however it also leads to an increase in government revenue through taxation and luxury goods, providing additional funds to the

government for the betterment of the nation (Mankiran, 2023). Additionally, the luxury market has the potential to even uplift the tourism industry. Tourists with high disposable incomes are attracted by the premium experiences luxury brands have, to offer, which contributes majorly to the economy. An increase in tourists, not only restricts its benefits to generating revenue but also creates a ripple effect by supporting various sectors such as hospitality, transportation and local businesses. This also uplifts the image of India on a global level, by promoting itself as a desirable destination for those seeking high-end experiences. Furthermore, the existence of various international brands in India fosters cultural exchange and exposure to contemporary fashion trends. As these global fashion houses, collaborate with Indian artisans and take inspiration from the rich heritage of India, there is an amalgamation of traditional and contemporary styles. This type of amalgamation creates a platform for cross-cultural collaboration and helps promote the amalgamation of global and local influences.

However, on the other side, the flourishing luxury market in India is accompanied by a set of challenges and criticisms. Primarily, the increase in the power distance between the affluent and the non-affluent. The widening gap between the two distinct segments of the society leads to excludability. This artificially created disparity raises questions about the equitable distribution of income and economic benefits (Singh, 2023). Secondly, the negative impact of the luxury market on cultural values. Increase consumption of luxury products, injects the concepts of 'superiority', and 'materialism', which contributes to a shift in societal priorities. The chase behind such materialistic products can result in overlooking traditional societal aspects, and harmonious living, endorsing a culture that encourages individualistic achievements and materialistic possessions over collective well-being and unity. This change in the mindset of consumers can lead to major negative implications for society on a broader level (Dubois, 2021).

Hence, in conclusion, the thriving luxury market in India is complicated, with both its negative and positive set of accompanies aspects. On one hand, it influences and boosts economic growth, attracts tourism and foreign investment, and promotes cultural exchange, it also on the other hand threatens collective well-being in a society and increases the gap between the affluent and non-affluent segments of society. Thus, maintaining a balance between economic growth and societal well-being is crucial, and a holistic approach is essential to maximise its benefits and minimise the potential negative repercussions.

Conclusion

This research paper aimed to analyse the intricate relationship between economic and cultural factors that drive the growth of the luxury market in India while exploring how the aforementioned has been leveraged by global fashion houses prior to evaluating the socio-economic implications of this.

As analysed in the literature review, the interconnection of industrialization, urbanization and colonisation with relevance to luxury emerged as a very crucial link - explaining the long-lasting dominance of luxury markets and brands in the West. However, whilst economic factors prove to be an essential enabler of the presence and growth of the luxury market in a country, cultural dimensions, supported by Hofstede's Framework, and their role in shaping consumer preferences and luxury consumption can not be ignored.

In the context of India's emerging luxury market, the research showcased how both economic and cultural aspects, such as a high power distance, motivation towards achievement and a collectivist society, fuel the growth of the luxury market in the country to a great extent. Keeping this in mind, it is evident how international fashion houses have recognized India's potential and strategically adapted and mixed to the local cultural nuances. Some ways in which this has been done are through strategic brand ambassador choices, cultural collaborations, and appreciation for Indian craftsmanship. Ultimately, the success of fashion houses like Gucci and Louis Vuitton, as well as other brands that collaborated or appreciated Indian local culture, underscores the intricate and direct relationship between global brands and the local culture.

All in all, the growth of the luxury market in India can be expected to continue into the future. Whilst some challenges may exist in the form of widened societal disparities and threats to traditional values, the benefits to be enjoyed in the form of economic development, job creation, and cultural amalgamation are far greater.



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