FACTORS AFFECTING LUXURY PURCHASE INTENTION IN INDIA: A CONCEPTUAL FRAMEWORK

Sheetal Jain  
PhD Research Scholar, Aligarh Muslim University, India

Dr. Mohammed Naved Khan  
Associate Professor, Department of Business Administration, Faculty of Management Studies & Research, Aligarh Muslim University, Aligarh

Dr. Sita Mishra  
Associate Professor- Marketing, Institute of Management Technology, Ghaziabad

Abstract: Inspite of the fact that India is seen as one of the most lucrative markets for global luxury fashion brands, limited research has been conducted in this domain. So far, there has been no research conducted to understand consumer behavior in India regarding luxury fashion goods using an established consumer behavior model. Therefore, based on review of extant literature on the subject, this paper aims to fulfill this gap. The paper primarily serves two objectives. Firstly, to understand the key determinants that influence Indian consumers’ purchase intention regarding luxury fashion goods based on previous extant research and secondly, to build a specific behavioral framework to assist both academicians and marketers to better understand, analyze and explain consumer behavior for luxury fashion goods in India. In this study, Theory of Planned Behavior (Ajzen, 1991) serves as the theoretical basis of the research to explain luxury consumer behavior. This paper will enable the global luxury companies to understand the Indian consumers’ psychology and accordingly equip themselves with better marketing and communication strategies to win Indians.

Keywords: Ajzen Theory of Planned Behavior, Consumer behavior, Luxury goods consumption, Luxury fashion brands, Purchase intention, India

Introduction

Luxury has been the aspiration of people since long time. Historically, it was destiny of ‘happy- few’ but now with the humongous growth and democratization of luxury industry, luxury consumers are no longer restricted to the traditional well-off elite but has also become part of the lives of masses (Nueno & Quelch, 1998 and Silverstein & Fiske, 2003). Today, luxury is affordable by the younger generation with new money. Emerging markets such as China, India, Russia, Brazil, Malaysia, Egypt, Thailand and Turkey are seen to have great potential for luxury goods. The reason behind the sudden increase in the demand of luxury goods is the drastic change in social, political and
economic conditions of these economies. Researchers have found that nouveau riche consumers in emerging markets like India, China, Malaysia and Korea are one of the most important target markets for luxury firms across the world (Shukla, 2011).

Understanding the Indian Luxury Market

India has a history of being a rich country. Brands such as Cartier and LV were patronized by Maharajas and royals families. Now, with growth and industrialization, there has been an emergence of new elite class of luxury owners. The last couple of years have seen lot of luxury brands entering into Indian markets from stand alone stores in five star hotels to luxury malls. These brands which were earlier seen only in international magazines and high streets, are now easily accessible to Indian markets. Consumers in India are becoming wealthier and better informed. India has witnessed spectacular growth in the luxury sector over the past few years. Various factors contributing to the increase in demand for global brands include globalization, technological advances in communication and information diffusion, seamless global markets, rise in per capita income and increase in the number of upper and middle class sections of the society. Exhibit 1 reveals that the estimated demand for luxury goods and services is expected to grow invariably in various countries between 2006 and 2016. Young premium consumers in India are predicted to almost double from $3.2 billion in 2006 to $6.6 billion in 2016.

Exhibit 1: Estimated Demand for luxury goods and services

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>3.2</td>
<td>6.2</td>
</tr>
<tr>
<td>Japan</td>
<td>21.4</td>
<td>35.2</td>
</tr>
<tr>
<td>Korea</td>
<td>5.3</td>
<td>8.0</td>
</tr>
<tr>
<td>China</td>
<td>10.4</td>
<td>26.4</td>
</tr>
<tr>
<td>Taiwan</td>
<td>3.0</td>
<td>4.5</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>1.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Singapore</td>
<td>0.5</td>
<td>1.1</td>
</tr>
<tr>
<td>Thailand</td>
<td>0.9</td>
<td>1.6</td>
</tr>
<tr>
<td>Malaysia</td>
<td>0.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0.6</td>
<td>1.1</td>
</tr>
<tr>
<td>India</td>
<td><strong>3.2</strong></td>
<td><strong>6.6</strong></td>
</tr>
</tbody>
</table>

Source: Adapted from MasterCard Worldwide (2007)

Indian market has become one of the fastest growing destinations for luxury goods due to the growing number of high net worth individuals. India is ranked among the top 15 countries with the maximum number of high net worth individuals and it is predicted to be the fifth-largest consumer market after the USA, Japan, China and the UK by 2025.
(McKinsey Global Institute, 2007). In 2012, India was ranked 5th among the top 10 countries with 122 billionaires (Babar, 2013). Exhibit 2 displays that the size of the Indian luxury market which was Rs.43000 crores is projected to grow to Rs. 79000 crores in 2015. The Indian luxury market is rapidly growing at the rate of 20% per annum.

**Exhibit 2: Facts about the Indian Luxury Market**

Source: Yes Bank report, India Luxury Top Management Survey 2012; CII- AT Kearney report; Industry estimates

Although, Indian market seems to be very lucrative for luxury goods companies but to be successful in India, these companies need to understand the psychology of Indians. Indian beliefs and values are different from Western countries. A clear understanding of the factors that influence consumers to purchase luxury brands is important to formulate marketing strategies for global luxury brands. Wong and Ahuvia (1998) emphasized, that individuals in Asian and Western societies may buy the same goods but for varied reasons. Therefore, it is difficult to generalize the findings from the research conducted in Western markets to understand the Indian consumer behavior.

India is expected to grow like China over the coming years, still there has been limited research conducted in this area in Indian context. So far, there has been no research which has been performed to study the factors affecting Indian consumer’s purchase intention for luxury fashion goods using an established consumer behavior model. Thus, this paper has mainly two objectives, firstly, to investigate and analyze the key determinants that influence Indian consumers’ purchase intention regarding luxury fashion goods based on previous extant research and secondly, to build a specific behavioral framework to assist both academicians and marketers to better understand, analyze and explain consumer purchasing behavior for luxury goods. This study aims provide valuable information to global retailers. It will help them to analyze potential for their brands in India and develop suitable strategies to penetrate and expand in Indian market. Further, this study is an attempt to understand Indian consumer’s purchasing behavior for luxury fashion goods using the framework of Theory of Planned Behavior.

**Literature Review**
Luxury is evidently not a new concept, previously it was studied by Rae (1834), Veblen (1899) and Keasbey (1903) and recently several researchers across different disciplines have underlined the historical and conceptual developments in the field of luxury (Leibenstein, 1950; Vigneron and Johnson, 2004; Wiedmann et al., 2007). Smith (1776), divided consumption into four categories: necessary (to sustain life), basic (for normal growth and well-being of individuals), affluence (goods that are not necessary for growth and prosperity), and luxury (goods that are scarce, difficult to attain and/or very expensive). Luxuries are nonessential goods or services that provide pleasure. These items lead to luxurious living by providing an indulgence or convenience beyond the indispensable minimum (Wiedman, Hennigs, & Siebels, 2007). In the literature, researchers have often used “luxury” to illustrate the top category of prestigious brands (Vigneron & Johnson, 2004). Acquisition of luxury goods brings prestige to its consumers and this concept is termed as “conspicuous consumption” (O’Cass & McEwen, 2004). Luxury goods have been frequently linked with wealth, exclusivity and power. They have also been associated with the satisfaction of nonessential wants (Brun et al., 2008). Luxury brand is defined as a high quality, scarce, high-priced or rare brand (Kapferer, 1998). Nuño and Quelch (1998) defined luxury brands as “those whose ratio of functional utility to price is low while the ratio of intangible and situational utility to price is high”. This means that price is not the primary consideration for status consumers rather it is the symbolic value which matters most to them. Luxury brands bestow esteem upon their owner and satisfy psychological and functional needs. Luxury fashion goods consist of apparel, accessories, handbags, shoes, watches, jewelry and perfume for which the mere use of a particular branded product brings prestige to owners, apart from any functional utility (Vigneron and Johnson, 2004).

Luxury Goods Consumption

Traditionally, the key motivation behind purchasing luxury brands was ‘buying to impress others’ and it still serves as a primary principle for the marketing management of luxury brands (Berry 1994; Corneo & Jeanne 1997; Vigneron & Johnson 1999; O’Cass & Frost 2002). Various researchers including Berthon et al. (2009), Tsai (2005), and Vigneron and Johnson (2004) have worked on antecedents of luxury brand purchase intention and it has been revealed that both social orientation and personal orientation leads to the consumption of luxury goods (Vigneron & Johnson, 1999, 2004; Wong & Ahuvia, 1998). Exhibit 3 depicts luxury goods consumption is motivated by social and personal influences (Vigneron & Johnson, 1999). Previous research on luxury consumer behavior broadly categorizes consumer motives for luxury consumption as either intrinsic or extrinsic. Intrinsic purchase motivations reflect internal self-fulfillment goals, that is, self-satisfaction, enjoyment or personal meaning(Tsai, 2005) where as extrinsic purchase motivations reflect the importance of perception of significant others’ on the individual’s purchase decision. Thus, extrinsic motivations come under the theory of conspicuous consumption, according to which customers purchase luxury goods primarily to display their wealth and status (Veblen, 1899).
Exhibit 3: Social and Personal Influences in Luxury Consumption

![Diagram showing the relationships between social and personal influences in luxury consumption.]

Source: Vigneron & Johnson, 1999

Theory of Planned Behavior

In order to understand the factors pertaining to Indian consumers’ luxury goods consumption, this study is based upon social psychological theories, theory of reasoned action (Ajzen & Fishbein, 1980; Fishbein & Ajzen, 1975) and theory of planned behavior (Ajzen, 1991), as the theoretical basis of the research. Theory of planned behavior suggests, more positive the attitude toward a behavior and subjective norm, and greater the perceived behavioral control, the stronger will be an individual’s intention to perform the behavior of interest (Ajzen, 2002). From the review of literature, it is absolutely clear that luxury goods consumption is the function of both social and personal orientation. These theories have found to play an important role in understanding both individual value and social value when they have been applied to a numerous empirical studies on varied social behavior, including consumer behavior.

Factors Affecting Luxury Purchase Intention In India

The following section discusses the factors affecting luxury purchase intention in India which include Culture, Attitude, Subjective norm and Perceived Behavioral Control.

1. Culture

Individual’s purchase decisions are strongly influenced by their culture (Blackwell, Miniard, & Engel, 2001). Consumer’s purchase is governed by their attitudes, beliefs, values and norms which are the shaped by their culture. Luxury differs from one culture to another (Yeoman & McMahon-Beattie, 2006), and different cultures can lead to different attitudes toward products (Latter et al., 2010) since products may play varied social roles (Wong & Ahuvia, 1998).

Research on luxury goods consumption in different cultural contexts shows that Western consumer’s attitude towards luxury goods differ from Asian consumers (Phau & Prendergast, 2000). In individualist society consumers purchase luxury goods for self-directed benefits: affective (e.g. hedonic pleasure), symbolic (e.g. self-expression), and utilitarian (e.g. taste for quality) (Tsai, 2005) whereas in collectivist society, interpersonal factors are the main reason for purchase and display of luxury goods (Wong and Ahuvia, 1998).

Previous research has revealed that collectivists put greater emphasis on perception of significant others regarding their behavior, that is, subjective norm in comparison to expressing their true-self, that is, their own personal attitudes and beliefs. Lee and Green (1991) in their study observed that differences exist between American and Confucian cultures regarding the eminence of the personal attitude and subjective norm variables in the TRA model. In a collectivist culture, subjective norms had comparatively high influence on individual’s behavioral intentions. Chan and Lau (1998) study on Chinese consumers’ intentions to purchase gold rings using TRA model revealed that subjective norm exerts high influence on behavior intention in relation to attitude. The growing popularity of luxury goods in Asia has been partially due to considerations of “face”, the importance of regard of others (Li and Su, 2007). Doctoroff (2005) argued Asian consumers purchase luxury goods for social display because their culture emphasizes on status consumption. Schiitte & Ciarlante (1998) found that the Asian consumers are motivated to purchase public luxury goods to get socially recognized and acceptable by the society. They added that status seeking consumption among Asian consumers laid stress on social meaning conveyed by the product while purchasing public luxuries. The social meanings are communicated through price, brand name and packaging rather than inherent product qualities.

Many researchers such as Hofstede (1980), Sinha and Verma (1987) and Triandis (1995) in their studies have revealed that Indian culture is collectivistic in nature. Indians strongly believe in group conformity and approval of significant others while performing an act (Sinha, 1990). Therefore, it can be proposed that:

P1: Culture has a significant impact on Indian consumer’s purchase intention of luxury fashion goods.

P2: Impact of Subjective norm is higher than attitude in Indian consumers' purchase intention of luxury goods.

2. Attitude
Attitude toward behavior is defined as “an individual’s positive or negative feeling regarding performing the target behavior” (Fishbein and Ajzen, 1975, p. 216). Attitudes are the function of beliefs. The beliefs underlying attitude toward the behavior are termed as attitudinal beliefs. Attitude takes into consideration the beliefs about the consequences of performing the behavior and of the evaluation of these consequences.

Silverstein and Fiske (2003, 2005) argue that large proportion of consumers buy luxury for self-directed motivations rather than to show off. Tsai (2005) study underlines that personal orientation plays a significant role in luxury brand consumption. Jin and Kang (2011) revealed that attitude toward the US brand apparel was the key factor in understanding contemporary Chinese consumers’ purchase intentions. Ling (2009) posits that Chinese consumers' purchase intention of luxury fashion goods can be significantly predicted by the attitude. This study indicates that attitude towards the behavior is a crucial factor in determining luxury purchase intention. The attitude acts as an important antecedent to the behavioral intention. Several studies have established the significant influence of attitude towards intention (Taylor and Todd, 1995; Teo & Pok, 2003; Shih and Fang, 2004; May, 2005). Based on the findings from the above studies we can propose that:

P3: Attitude toward purchasing luxury fashion goods has a positive effect on Indian consumers' purchase intention of luxury fashion goods.

P4: Attitudinal beliefs about purchasing luxury fashion goods have a positive effect on consumers' attitude toward purchasing luxury fashion goods in India.

3. Subjective norm

Subjective norm is an individual’s perception regarding approval or disapproval of his behavior by significant others (Fieshebein and Ajzen, 1975; Ajzen, 1991). Subjective norms (SN) are also a function of beliefs. The beliefs underlying subjective norms are known as normative beliefs. Subjective norms may exert pressure on an individual to perform or not perform behavior, irrespective of the individual's own attitude towards the behavior. The different influencers involved in the subjective norms may be family, friends, colleagues etc. Subjective norms are determined by normative beliefs and motivation to comply with the beliefs.

Many studies have observed that consumers purchase luxury fashion brands to acquire the attention of significant others (Potts, 2007). Luxury fashion brands are publicly consumed luxury products that enable the consumers to signal wealth (Vigneron & Johnson, 2004). Consumption of luxury goods elevates the perceived impression of the users in their own eyes as well as in the eyes of the significant others (Wiedmann, Hennigs, & Siebels, 2009). Various studies found that status seeking consumers, who are more likely to purchase luxury goods (Vigneron & Johnson, 2004), are also more concerned with the reference groups and consume luxury brands as symbolic representation of belonging (O’Cass & Frost, 2002, Silverstein & Fiske, 2008 and Phau & Prendergast, 2000). Eastman et al. (1999) and O’Cass and Frost (2002) found that
status-oriented consumers purchase only those products that add their social standing in front of significant others.

Prendergast and Wong (2003) found that Asians indulge in ostentatious consumption due to a strong desire and pressure for maintaining face. They often spend money on luxury goods to maintain and improve public appearance (Abe et al., 1996). Shukla (2011) found that although normative interpersonal influence was significant across cultures it was observed that Indian consumers were more susceptible to normative interpersonal influences than British consumers. Okonkwo (2007) observed that one of the important characteristics of luxury fashion in many Asian countries like India is that consumers purchase luxury goods to show off their wealth unlike the United States and Europe where the luxury market is mature and luxury has become part of people’s lifestyle. According to AT Kearney research analysis, peer group puts maximum influence on luxury consumers. They are strongly influenced by ‘peer feedback’ and positive ‘word of mouth’ reviews (Hudekari, 2009). Kim and Karpova (2010) in their study to understand consumers’ attitude towards fashion counterfeits also revealed subjective norm to be an important predictor of purchase intention. Several studies have revealed significant relationship between subjective norm and intention (Fishbein & Ajzen, 1975; Ajzen, 1991; Taylor & Todd, 1995; Teo & Pok, 2003; May, 2005). Thus, it can be proposed that:

**P5:** Subjective norm in relation to purchasing luxury fashion goods has a positive effect on Indian consumers' purchase intention for luxury fashion goods.

**P6:** Normative beliefs about purchasing luxury fashion goods have a positive effect on Indian consumers' subjective norm in relation to purchasing luxury fashion goods.

### 4. Perceived Behavioral Control

Perceived behavioral control refers to an individual’s perception of the ease or difficulty in performing the behavior of interest, given the presence or absence of requisite resources and opportunities (Ajzen, 1991). Increase in the resources (time, money) will result in greater perceived control of the particular behavior. Perceived behavioral control is evaluated by total set of control beliefs (Ajzen, 1991).

Previous studies have witnessed the strong positive correlation of income with luxury goods consumption. Dubois and Duquesne (1993) in their study proved that income of an individual has an important influence on luxury goods consumption. Luxury is a rare commodity so it can be afforded by only few. Even though people have willingness to buy they cannot purchase it till they have sufficient resources. High price is assumed to be an important dimension for luxury goods (Kapferer & Bastien, 2009). Although, everyone may aspire to buy it but the ones with requisite resources are only able to acquire it. Therefore, it can be underlined that PBC is an important factor leading to luxury purchase intention.
Positive relationship between Perceived behavioral control and intention has been indicated in various studies (Taylor and Todd, 1995; Lee and Ho, 2002; Teo and Pok, 2003; Shih and Fang, 2004; May, 2005). Therefore, it can be proposed that:

**P7:** Perceived behavioral control in relation to purchasing luxury fashion goods has a positive effect on Indian consumers’ intention to purchase luxury fashion goods.

**P8:** Control beliefs about purchasing luxury fashion goods have a positive effect on Indian consumers’ perceived behavioral control towards purchasing luxury fashion goods.

Behavioral intention refers to the perception of an individual towards performance of a particular behavior (Fishbein and Ajzen, 1975). Number of studies in the past have found that behavior is strongly correlated to intention (Chapman-Novakofski et al., 2004; Pickett et al., 2012). Intention can assess behavior with high degree of accuracy. Intentions have deep impact on behavior and it depicts the amount of effort and willingness an individual puts to perform the behavior (Ajzen, 1991). Therefore, previous studies indicate that positive intention to purchase luxury goods would strongly affect the behavior in question. Based on this we propose that:

**P9:** Purchase intention regarding luxury fashion goods will have a positive effect on Indian consumers’ actual purchase of luxury fashion goods.

**Conceptual Framework Based On Extended Theory of Planned Behavior**

Based on review of extant literature on the subject, this paper proposes a conceptual framework that integrates various factors affecting luxury consumer behavior in India. These factors include culture, attitude, subjective norm and perceived behavioral control. Exhibit 4 depicts that an individual’s luxury purchase behavior is affected by the individual’s luxury purchase intention to perform that behavior. Luxury purchase intention, in turn, is affected by the individual’s culture, attitude toward the behavior, subjective norm and perceived behavioral control. Further, attitude towards the behavior is determined by the attitudinal beliefs, subjective norm is determined by normative beliefs and perceived behavioral control is determined by the control beliefs.

**Exhibit 4: Integrated Conceptual Framework of factors affecting Indian consumers’ purchase intention of luxury fashion goods**
Source: Adapted from Ajzen, (1991)

**Discussions and Implications**

This study is performed to understand the determinants of luxury purchase intention in India. Theory of Planned Behavior (Ajzen, 1991) lays down the theoretical foundation of this research. Work done by several researchers in the past reflected that attitude, subjective norm and perceived behavioral control are positively related to purchase intention which in turn can predict the actual purchase behavior with considerable accuracy.

Following are the implications of this research. Firstly, it provides deep insights on factors pertaining to luxury purchase intention. Secondly, this study presents a conceptual framework using a well established theory of consumer behavior. It tries to analyze and explain consumer purchasing behavior for luxury goods in a better way. Thirdly, implications of this study are of great significance to marketers of India. It will definitely assist the marketers to formulate suitable marketing strategies by understanding consumer’s psychology. Lastly, this study will provide valuable knowledge to the academicians on the key motivators behind luxury goods consumption.

**Limitations and Direction For Future Research**

This research is based upon extensive review of extant literature. It takes into account culture as well as all the constructs that are explained by Theory of Planned Behavior which include attitude, subjective norm and perceived behavioral control to explain luxury consumer behavior. In future, researchers may investigate the role of many other.
constructs like demographic variables, country of origin, vanity, brand equity etc. which may directly impact luxury purchase intention or might act as moderator to the various constructs in the model. This research also restricts the scope of the study to only luxury fashion goods and therefore, further studies can be conducted related to luxury areas like automobiles, hospitality etc which are not fashion specific. Although, some of the findings may be common to other luxury categories but all the findings cannot be generalized to other categories of luxury goods. Hence, research may be performed on other categories of luxury goods.

In this study we have not performed any primary research and therefore, the conceptual model that has been presented in this paper further need to be tested. This study is mainly based upon literature review and consequent analysis of extant studies in the luxury domain; thus there is further scope for quantitative research in the area wherein the suggested hypotheses need to be empirically tested so as to validate the proposed conceptual model.

References


