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- International Business -

What are the differences of International Luxury brands' operations in China and India?

A Multiple Case Study

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Executive summary

Emerging markets have changed the way international firms are doing business and have the potential to become the leading economies in the global landscape. This trend has in the last years reached the luxury industry where international luxury firms have established businesses in emerging markets in order to embrace the fast growing population and wealth, and to exploit the highly growing luxury market in these countries. The markets that were of particular interest for the luxury industry are China and India. This thesis therefore aims to answer: "*What are the differences of international luxury brands' operations in China and India in terms of market presence, market knowledge, development of operation modes and marketing mix?*" Based on the findings and the discussion of them, implications for international luxury firms and research are made.

The Uppsala internationalization model by Johanson and Vahlne (1977) and the 4P framework by McCarthy (1960) lay the foundation of the underlying analysis in order to answer the research question. Within the analysis, 5 international luxury case brands are studied in regards to their operations in China and India. The aggregation of the findings for each country has revealed patterns and thereby differences of the operations in each market.

In regards to the market presence, the luxury firms were identified to have multiple times more stores in China than in India. Furthermore, the stores in China are spread throughout the country whereas in India only big metropoles are covered. All luxury brands have further entered China at least 10 years earlier and have operated in the country through a more direct operation mode than in India and thereby have accumulated a higher knowledge about the Chinese than about the Indian market. In China, most of the luxury firms have either entered the country through a wholly owned subsidiary or have within the time changed to this operation mode. In India contrary, licensing models were used from the market entry until today as a means of operation mode. In regards to the marketing mix, only slight differences of the variables *product* and *price* between both markets have been found. The variable *place* differs in the way that in China the luxury firms plan to increase customer access through expanding their e-commerce network whereas in India the focus lies on opening new stores in the country. Lastly, the case brands' *promotion* activities in China are focused on digital marketing whereas in India traditional offline marketing is adopted.

The findings were identified to have implications for international luxury firms that plan to enter China and/or India and those already present in both markets. Further, the Uppsala model was identified to not be completely suitable for internationalization patterns of luxury brands in emerging markets. According to the findings, a model is proposed that could be appropriate for luxury firms operating in emerging markets. By answering the research question and challenging the applicability of the Uppsala model, this thesis lays the foundation for future research from which international luxury firms and academia can benefit.

EXECUTIVE SUMMARY 2

INTRODUCTION 5

RELEVANCE 5
RESEARCH GAP 6
RESEARCH QUESTION 7
THESIS DELIMITATION 7
THESIS STRUCTURE 8

THEORETICAL BACKGROUND 8

LUXURY 9
EMERGING MARKETS 11
THE INTERNATIONALIZATION PROCESS: MODES OF ENTRY AND OPERATION MODES 14
JOINT VENTURE 15
WHOLLY-OWNED SUBSIDIARY 16
EXPORTING 17
LICENSING 18
FRANCHISING 18
THE INTERNATIONALIZATION PROCESS: THE RIGHT MARKETING STRATEGY 19

CONCEPTUAL FRAMEWORKS 22

THE UPPSALA MODEL 23
MARKET COMMITMENT 24
MARKET KNOWLEDGE 25
COMMITMENT DECISIONS 25
CURRENT ACTIVITIES 26
THE 4P MODEL 26
APPLICATION OF THE FRAMEWORKS 27

METHODOLOGY 30

RESEARCH PHILOSOPHY 30
RESEARCH APPROACH 32
RESEARCH DESIGN 33
RESEARCH STRATEGY 33
RESEARCH CHOICE 34
TIME HORIZON 34
DATA COLLECTION AND ANALYSIS 35
SAMPLING OF CASES 35
ANALYSIS AND CROSS CASE ANALYSIS 36

FINDINGS 37

CASE BURBERRY **37**
COMPANY PROFILE 37
OPERATIONS IN CHINA 38
OPERATIONS IN INDIA 40
CASE HERMÈS **42**
COMPANY PROFILE 42
OPERATIONS IN CHINA 43
OPERATIONS IN INDIA 45
CASE LOUIS VUITTON **47**
COMPANY PROFILE 47
OPERATIONS IN CHINA 47
OPERATIONS IN INDIA 49
CASE ARMANI **51**
COMPANY PROFILE 51
OPERATIONS IN CHINA 52
OPERATIONS IN INDIA 54
CASE GUCCI **55**
COMPANY PROFILE 55
OPERATIONS IN CHINA 55
OPERATIONS IN INDIA 57
CROSS CASE ANALYSIS **59**
CHINA 59
INDIA 61
OPERATIONS IN CHINA VERSUS INDIA 63

DISCUSSION 67

MARKET PRESENCE **67**
MARKET KNOWLEDGE **68**
DEVELOPMENT OF OPERATION MODES **69**
MARKETING MIX **70**
IMPLICATIONS **73**

LIMITATIONS 75

FUTURE RESEARCH 77

CONCLUSION 77

BIBLIOGRAPHY 80

APPENDIX 97

APPENDIX A: FINDINGS TABLE **97**
APPENDIX B: INTERVIEW 1 **100**

Introduction

Relevance

Price Waterhouse Coopers evaluated emerging markets to dominate the world's top 10 economies by 2050[1] (PwC 2017). In particular, the importance of China and India that are forecasted to rank 1st and 2nd in the global GDP ranking by 2050 is emphasized. The World Economic Forum further underlines the relevance of China and India by presenting the advantages specific to both markets. In India, a young population, skilled workforce, favorable policies and a large population base are highlighted (Anil 2017). In China, factors such as agility, favorable policies for renewables, economies of scale, and a fast establishing of global presence are pointed out as major advantages (Anil 2017).

Due to the promising status and forecast of the Chinese and Indian economy, it is no surprise that both countries increasingly attract international companies. One of the industries that gains highly attention is the luxury industry in China and India where international luxury brands generate a considerable share of their global revenues (Deloitte 2017). McKinsey&Company emphasize in their report about the role of Chinese in the global luxury industry the importance of this market. Chinese luxury consumers not only represent with $ 7.4 billion in annual spending almost one third of the global luxury market, China is also expected to have the most affluent households in the world by 2021 (Bu et al. 2017). India on the other side, is currently in the early stage of its development as a luxury retail market, but forecasts promise the country to become globally a crucial market for the luxury industry (Mishra & Jain 2018; Deloitte 2017). In the last few years, India was coined by a continuing rise in wealth and by high growth in luxury spending (Bhattacharya 2015). In 2014, the luxury-goods sales in the country grew with remarkable 25% stronger than in China where only a 7% rise was observed (Bhattacharya 2015). Deloitte (2017) concludes in its report about the global luxury industry that emerging economies will continue to drive growth in the global luxury market and will thereby become even more attractive for international luxury firms that want to make business in these markets.

The development and increasing importance of emerging markets and their role in the global luxury industry lay the foundation for this research. The topicality of this area and its

[1] GDP at PPP's

International Business context make this topic interesting and appropriate to research within a master thesis. Due to the importance of China and India within all emerging markets and their role and potential in the global luxury industry, this thesis will in particular focus on these both markets. It is interesting to investigate how international luxury firms operate in China and India as both markets seem to stand at different development stages in the luxury market. Therefore, the focus of this thesis will be given to investigate the differences of international luxury brands' operations in China and India.

Research Gap

In general, luxury brands that operate in emerging markets is not a novel phenomenon itself. There is nevertheless very little research investigating this topic. One reason can be seen in the luxury industry itself, that is considered as very competitive and is generally not willing to reveal insights about their business and strategies to the public. The other reason lies probably in the nature of emerging markets where information about industries and market sizes are more difficult to obtain than in developed economies. Most of the studies about internationalization in emerging markets were not focused specifically on the luxury industry. Companies operating in the luxury industry have distinct characteristics compared to other industries what might have an impact on the way they entry into a market and on how they align they general strategy to that market. Furthermore, there is neither literature focusing on explicitly how operations of foreign firms differ between China and India, nor how this is specific in the case of luxury firms.

Due to the lack of research in this area, this thesis aims to provide useful insights about luxury firms' operations in China and India and specifically examine the differences between both markets. This research therefore shows a broad approach, by exploring several elements of the luxury brands' operations in China and India. This research decides to follow a broad approach in order to get a holistic understanding and view on the so far undiscovered research topic. Thereby, it will be possible to get insights about this topic and to identify the major differences between international luxury brands' operations in China and India.

Research Question

The previous sections have outlined the relevance of the topic and the researcher's motivation to investigate this specific research field. This thesis aims to identify the differences of international luxury brands' operations in emerging markets, specifically in China and India. According to this, the underlying research aims to answer the following research question:

What are the differences of international luxury brands' operations in China and India in terms of market presence, market knowledge, development of operation modes and marketing mix?

In order to answer the research question, the Uppsala internationalization model by Johanson and Vahlne (1977) will be applied on each case brand in regards to their operations in China and India. Within the Uppsala model, the 4P model by McCarthy (1960) will be integrated. The usage of the Uppsala framework combined with the 4P model will reveal the market presence, market knowledge, development of operation modes and marketing mix the case brands show in each market. A cross-case analysis afterwards will help to reveal the different patterns of the case brands' operations in China and India and will thereby enable to answer the research question.

Thesis Delimitation

In the following, the scope of the underlying research will be outlined. This thesis aims to identify the differences of international luxury brands' operations in China and India. For this purpose, only luxury brands that operate in both, China and India were taken into consideration. Furthermore, the examined luxury firms need to originate from outside China and India as this thesis researches internationalization patterns. Lastly, a particular focus was given to the most successful international luxury brands and only firms that belong to the best performing luxury firms in terms of sales were considered. In regards to the scope of the luxury industry, only firms operating in the retail sector and are specialized in apparel and accessories were examined.

The finding of this thesis will firstly be useful for luxury brands that operate in either China or India and plan to expand to the other market. The findings can be used as a guidance and help to better understand the new market compared to the market they already operate in. Furthermore, the findings can provide valuable insights to luxury brands that already operate in China and India and help them to reflect on their business in the markets. Lastly, the findings can add valuable insights in the internationalization research regarding luxury brands in emerging markets.

Thesis Structure

In the following, the structure of the thesis will be briefly outlined. Chapter 2 introduces the relevant theoretical background to the underlying research. Afterwards, the conceptual frameworks that will be used throughout the thesis will be outlined in chapter 3. Chapter 4 introduces the methodological foundations that are applied in the underlying research. In Chapter 5, the findings of the analysis are presented. The analysis examines five cases of international luxury brands that operate in China and India. The analysis helps to identify the case brands' market presence, market knowledge, development of operations, and marketing mix in China and India. Afterwards, the chapter presents a cross case analysis that helps to reveal the specific patterns of the case brands' operations for each market. In chapter 6, the findings will be discussed and implications outlined. Chapter 7 and 8 cover the limitations of the underlying research and outline potential for future research. In chapter 9, the conclusion will be presented.

Theoretical background

This thesis examines the internationalization of luxury brands into emerging markets in terms of market presence, market knowledge, development of operation modes, and marketing mix. As in the current state of research there is no research specific to this topic, this chapter will consecutively introduce the single elements of the thesis topic. Firstly, the term luxury and its classifications are presented. Secondly, emerging markets are defined and their specific characteristics and implications are introduced. In the next step, relevant literature regarding entry modes companies can adopt in the internationalization process are presented. Lastly, marketing strategy considerations that companies need to take into account in a foreign market

are illustrated. By providing a literature overview of the different elements, the state of this research area can be outlined and enables the thesis topic to become more comprehensible.

Luxury

Luxury is a term most people associate specific characteristic with, such as superior quality, prestige, wealth, or uniqueness. Cambridge Dictionary describes luxury as a *"great comfort"* that is created by *"expensive and beautiful things"*, *"something expensive that is pleasant to have but is not necessary"*, and as something that is giving people *"a lot of pleasure but cannot be done often"* (Cambridge Dictionary 2018b). Vogue Italia highlights the fact that luxury has changed its "richness symbol" over the time. Today, people wear luxury symbols that do not stand out as luxurious (Sozzani 2011). Instead, luxury is now more associated with exclusiveness and uniqueness in the sense that it represents something special, not because it is intended to only few people (Sozzani 2011).

Godey et al (2013) analyze in their study the perception of luxury from six countries and found out that differences exist, independent of whether these countries are developed or emerging economies. Especially the "status" and the "emotional" dimensions of luxury play a big role in the variations (Godey et al. 2013). The characteristics that were common to all countries are "exclusivity" and "prestige" (Godey et al. 2013). The fact that luxury is perceived differently trough countries and that goods cannot be simply classified as luxury or non-luxury goods by appearance or intrinsic value is also supported by research (Vickers & Renand 2003). Instead, the socio-economic context should be taken into account that needs to be defined within the context of every country (Vickers & Renand 2003).

Alleres (1990) sorts socio-economic class in the context of luxury goods and considers it as a hierarchy of three levels based on the extent of accessibility (Alleres 1990). In level 1, luxury is considerate as *inaccessible* and refers to an elite-economic class (Vickers & Renand 2003). The products at this level stand out with absolute distinctiveness, are very high-priced, and give the owner an exceptional social prestige (Vickers & Renand 2003). In level 2, the *intermediate* luxury level, luxury products are attainable by the "professional" socio-economic class (Vickers & Renand 2003). *Accessible* luxury that is considered in level 3, is accessible by the middle

socio-economic class that is perceived to have the desire to achieve a higher social status by their purchase behavior (Vickers & Renand 2003).

Kun Ouyang, who is the chief representative of the world luxury association in Greater China classifies luxury goods into three categories according to the *stratification* of consumers (Sun 2018). He defines luxury private jets, yachts and luxury cars as *class A* as these goods represent the highest level of luxury consumption. Well-known brand watches and jewelry represent an intermediate level, and high-fashion products and cosmetics a basic level of luxury consumption, both categorized in *class B* and *C* respectively (Sun 2018).

Psychology is another perspective that can give an approach to define luxury (Vickers & Renand 2003). To amplify this, two persons that dispose an equal level of intelligence and equal frames of reference can still have different views on the meaning of luxury (Vickers & Renand 2003). The degree of convenience of a good that is given to a user may define his perception whether the good is a luxury good or not (Vickers & Renand 2003).

Although the before examined perspectives of luxury allow researchers and practitioners to better understand the meaning of the term luxury, these definitions might be considered as insufficient as they lack some form of quantitative fundament (Vickers & Renand 2003). From an economic perspective, luxury goods are characterized by a high income elasticity of demand (Bishop 2004). This implies, as people become wealthier they spend more on luxury goods. A decline in income will in turn decrease the demand for luxury. Therefore, luxury products can be categorized as normal goods, opposed to inferior goods that decline in demand after a rise in income (Bishop 2004). To amplify the economic perspective, one should further consider *Engel curves* that are used to illustrate the relationship between total expenditures and the quantity of a good purchased (Vickers & Renand 2003). Necessity products show a downward sloping Engel curve because the proportion spent on them decreases as income increases (Vickers & Renand 2003). Luxury goods are considered to have an *upward* sloping Engel curve illustrating that a greater proportion on luxury is spent as income increases (Vickers & Renand 2003).

Emerging Markets

Over the last decades there has been a significant increase of companies entering into emerging markets as many of them offer a huge market size, high economic growth, and markets that are not saturated. The membership in the Organization for Economic Co-operation and Development (OECD) is often the indicator if a country can be classified as an emerging market (Rottig 2016). The OECD is a group of 35 countries including the most developed economies such as France, Denmark, and Spain (OECD 2018b). Countries that are not members are often categorized as being emerging (Rottig 2016).

Some executives consider countries that can become emerging competitors as emerging countries (Khanna & Palepu 2010a). During the next 40 years, the economic size of the BRIC countries is expected to be collectively larger than the one of the G6 economies (Deloitte 2011). For this reason, Brazil, Russia, India, and China are often referred to as the largest emerging markets. Further characteristics that are associated with emerging markets are fast-growing economies, a low-income level, and the use of liberalization as the main instrument for growth (Rottig 2016).

One of the major distinctions between emerging and developed economies is their institutional environment. One aspect emerging economies usually face are institutional voids (Rottig 2016). These are characterized by the underdevelopment or the absence of certain institutions. This circumstance implies a higher uncertainty for businesses and can result in increased transaction costs for foreign firms (Rottig 2016). One further aspect that is associated with emerging markets is the relative importance of informal institutions (Rottig 2016). It is often inevitable for foreign businesses to act according to the social contracts and rules of informal institutions in order to operate successfully (Rottig 2016). Furthermore, foreign firms can expect to face institutional pressures by local governments where they can be discriminated compared to domestic firms (Rottig 2016). This phenomenon is especially common in the BRIC countries that follow a so-called guarded globalization concept (Rottig 2016). Firms that originate from developed economies usually have mature and stable institutions in their home market. The pace of institutional changes and transitions in emerging markets is usually more rapid, sudden, and unpredictable (Rottig 2016). For MNEs this implies that they need to adjust faster according to the new institutional changes (Meyer & Tran 2006).

Most of the literature about emerging economies considers the institutional environment of these countries as a potential risk for foreign firms. Khanna and Palepu (2010b) instead argue that the lack of institutional infrastructure is the primary exploitable characteristic of emerging markets. According to this, even if institutional voids can provide obstacles, they can also create opportunities for international businesses (Khanna & Palepu 2010b).

Howell (2015) who researches the macro-investment risk that multinational firms face in emerging markets concludes that the dynamics of risk of these markets are different to developed economies. According to him, emerging markets are more aligned to the Chinese monetary and risk cycles rather than to the ones of developed countries (Howell 2015). The OECD has introduced the so-called *FDI restrictiveness index* that measures the restrictiveness of a country's FDI rules and can take values between 0 and 1, representing an unrestricted and restricted FDI policy, respectively (OECD 2018a). Two of the most recognized emerging economies, China and India, adopt with the values 0.316 and 0.212 a rather restrictive FDI policy compared to the OECD average of 0.066 (OECD 2018a).

Since *China* has for the first time opened its market to multinational corporations in the 1980's, the country has continued to attract foreign investors so that in 2017, China has received a total of 877.6 billion yuan of FDI in non-financial sectors of which wholesale and retail trade has contributed to 101.11 billion yuan (Statista 2018e; Bosshart et al. 2010). Joint Ventures were for international firms the common mode to enter China because wholly-owned subsidiaries were only permitted if the foreign firm would either transfer advanced technology or if it would export a majority of its products (Long 2005). The Joint Venture partnerships in China were however associated with problems such as divergent strategic and commercial interests between the parties that resulted in a lack of cooperation and in different priorities for investments (Bosshart et al. 2010; Shenkar 1990). Since China has joined the WTO in 2001, the country has removed some of the restrictions so that wholly-owned subsidiaries have replaced JV's and become the most popular means of FDI in China (Long 2005). Foreign firms however continue to face problems in China. They report about a nontransparent business environment where policies unfairly favor domestic competitors over foreign firms, and intellectual property that is not sufficiently protected (Reuters 2017).

The European Union, that is the biggest export destination for China developed in collaboration with China an Investment Agreement that is part of the *"EU-China 2020 Strategic Agenda for Cooperation"* (European Commission 2018a). The Agreement aims to improve business transparency in China, to provide a high level of protection for investors, and to guarantee non-discrimination amongst other objectives (EEAS 2013). The current efforts between China and the EU will improve the market access for foreign firms, and facilitate future investments in China (European Commission 2016).

In the fiscal year 2013, *India* has received a FDI inflow of $ 22.42 billion and has since then continued to attract foreign direct investments so that in 2017, the country has accumulated an inflow of $ 43.48 billion (Statista 2018a). The major reason for the strong increase is the relaxation of FDI policy in several sectors undertaken by the government during the last few years (Ministry of Commerce and Industry 2018). In 2018, the government has announced to further liberalize FDI policy in key sectors (Ministry of Commerce and Industry 2018). One of the affected sectors is single brand retail trading (SBRT) where until 2017, foreign firms where only allowed to have a 49% stake under automatic route and FDI with a stake between 50-100% was only possible through governmental approval (Kumar Gunjan 2018; Ministry of Commerce and Industry 2016). Now, the Union Cabinet has announced that it has given approval for foreign firms to make investments with a 100% stake under automatic route for SBRT in order to facilitate investments (Ministry of Commerce and Industry 2018).

Similar to China, India has strong ties to the European Union that is the number one trading partner for the country (European Commission 2018b). Both parties started Free Trade Agreement negotiations in 2007 that aim to increase the bilateral trade and investment (European Commission 2018b). Further central objectives of the negotiations are the strengthening of intellectual property and investment protection in India (European Commission 2018b). The both parties were however until now not able to find a consensus due to substantial different views on crucial issues (The Economic Times 2018). Suresh Prabhu, the Indian Minister of Commerce and Industry, looks in March 2018 optimistically towards the Free Trade Agreement and expects the negotiations between India and the EU to resume soon (The Economic Times 2018). Even until today no agreement has been signed, the efforts

between the two parties indicate the willingness to facilitate market access in India and to increase future investment.

China and India are large countries and represent with over one billion residents the 1st and 2nd most populated states worldwide. What both countries have in common is the geographical disparity they face within their states. China's coastal provinces that are considered as rich show a five times higher GDP compared to poor inland regions (Babones 2018a). McKinsey considers China as one country with many markets and sees segmentation by city cluster as an appropriate method to define China's many discrete markets (Atsmon & Magni 2012).
In India, an even stronger geographical disparity can be observed. Delhi's GDP per capita is eight times higher than of the state Bihar (Babones 2018b). The high variance in GDP within the countries is also reflected in the infrastructure conditions of the states, even to a different extent.
China has in the last decades focused its investments into the arterial networks to connect the 100 largest cities in the country (Kim & Nangia 2010). Nowadays, especially the country's big metropoles have a solid infrastructure allowing continuous economic growth (Kim & Nangia 2010). Disparities still exist between well-developed coastal regions and inner provinces, and between urban and rural areas (Kim & Nangia 2010). Governmental plans however focus on reducing these disparities and boost the Chinese road network infrastructure (Kim & Nangia 2010). In India on the other side, the country's general and especially the poorer rural transportation system remains in bad condition (Kim & Nangia 2010). The under-sized and over-crowded road system is viewed as a major threat to the continued growth of the Indian economy (Kim & Nangia 2010).

The Internationalization Process: Modes of Entry and Operation Modes

The mode of entry is a critical decision for companies that want to internationalize as it can have a major impact on the business success in a market (Lin 2000). According to Lin (2000), the four most common modes of foreign market entry are *exporting*, *licensing*, *equity joint venture* (EJV), and *wholly owned subsidiary* (WOS). One further operation mode that has experienced high usage during the last two decades is *franchising* (Baena 2009). In the following, WOS is considered as an equity entry mode. JV, licensing and franchising are seen

as low-equity modes, and exporting as a non – equity entry mode. The different modes involve different levels of ownership and control (Baena 2009). Companies choosing full-equity entry modes are more sensitive towards environmental uncertainty, and are more likely to be affected by political and economic risk (Baena 2009). They further show a higher resource commitment that makes it difficult to remove or reallocate assets and often involves high costs (Baena 2009).

Joint Venture

The term Join Venture is in Kaufman and O'Neill's (2007) study considered as *"a separate organizational entity with two or more businesses as parents"* that enables shared control and ownership structures (Baena 2009). In the last years, the number of joint ventures as a mean of market entry has increased due to the globalization of markets and firms who identified a lack of resources in order to compete in this markets (Kaufmann & O'Neill 2007).

According to Schillaci (1987), companies build joint ventures *"in order to raise complementary resources and attain attributes available from the potential partner"*. She identifies the following resources that are most likely transferable through joint ventures: marketing, technology, raw materials and components, financial resources, managerial capabilities, and political commitment (Schillaci 1987). Schillaci (1987) views JV as a potential source for a company's growth that can be used to implement one of the three growth strategy options: a *capacity expansion strategy,* a *vertical integration,* or a *diversification*. In the first option, the parent firm and the JV operate in the same business (Schillaci 1987). In a JV agreement for vertical integration, the parent firm and the JV are vertically integrated in the production or distribution chain (Schillaci 1987). In the third option, the JV for diversification, the JV and the parent firm operate in different businesses (Schillaci 1987).

Problems that companies might face in a Joint Venture setting are the management of the partner whose interest might be different or change with the time (Baena 2009). Luo (1996) has analyzed the relationship between local partner selection criteria and the performance of international joint ventures in the context of emerging markets. He found out that the dimensions critical for a JV's success are the local partner's market share, foreign experience, and past collaboration with the local partner (Luo 1996).

Wholly-owned subsidiary

A wholly-owned subsidiary refers to *"a company that is completely owned by another company"*, (Bloomsbury Business Library 2007). The company that is in the role of the owner is called parent company. In the international context, wholly owned foreign subsidiary (WOFS) is a means to enter a foreign market, that offers diversification in geographical scope and market, while allowing wholly owned control (Matolcsy & Wakefield 2017). According to Matolcsy & Wakefield (2017), the parent company can choose between different types to control a foreign subsidiary. In the case of *Arm's length control*, the subsidiary has a high relative autonomy in management, and the parent only intervenes during unsatisfactory performance (Matolcsy & Wakefield 2017). *Results oriented machine control* provides high relative subsidiary autonomy that is in line with internally developed performance targets (Matolcsy & Wakefield 2017). Parent companies using *Action oriented machine control*, provide only low relative autonomy to the subsidiary management that has to follow a standardized behavior monitored by the parent (Matolcsy & Wakefield 2017). *Exploratory control* grants high relative autonomy to subsidiary management (Matolcsy & Wakefield 2017). The subsidiary follows performance targets that get established as information emerges and thereby serves as a basis of monitoring and evaluation of the subsidiary management (Matolcsy & Wakefield 2017). The *Boundary control* provides high relative autonomy while setting behavioral boundaries to the subsidiary that is closely monitored by the parent (Matolcsy & Wakefield 2017).

As companies accumulate experience in foreign markets, they face less uncertainty and therefore tend to favor wholly owned subsidiaries over other contractual or partial ownership modes such as Joint Venture (Vahlne & Johanson 2017). Chang et al (2013) who examine when WOS perform better than joint ventures found out that WOS outperform in industries that are characterized by high levels of intangible resources. They further highlight that companies that converted from a JV into a WOS were enabled to bring in more sophisticated technology and brands than joint ventures (Chang et al. 2013). López-Duarte and Vidal-Suárez (2013) explored the influence of factors associated with cultural distance on the choice between WOS and JV. They found out that when language diversity exists between two countries, foreign companies prefer to invest through WOS over JV and thereby avoid cooperation with a local partner (López-Duarte & Vidal-Suárez 2013). Further, political risk is identified to have a moderating

effect on the entry mode choice. When political risk is high and thereby the cultural distance between two countries increases, foreign firms tend to prefer JV as a means to enter (López-Duarte & Vidal-Suárez 2013).

Exporting

The term export means that a company produces goods in one country and afterwards transports them to another country in order to sell the products (Cambridge Dictionary 2018a). Exporting has been widely discussed in the academic world in the context of international trade as it is the driver for its growth that strengthens the domestic economy by enabling employment, production, and revenues in a given country (Chabowski et al. 2018; Investopedia 2018). Literature about exporting has examined a variety of facets of the process that companies go through when starting exporting their products to other markets. The major theoretical perspectives on this topic include internationalization, the resource-based view, the knowledge-based view, transaction cost economics, institutional theory, and relationship marketing (Chabowski et al. 2018). In the following, exporting will be viewed from the internationalization perspective in order to meet the thesis's focus, namely the internationalization of luxury brands into emerging markets.

In reviewing the role of exporting in the internationalization process of firms one should consider the "Uppsala Internationalization Model" by Johanson and Vahlne (1977) (Chabowski et al. 2018). This model views exporting as a crucial contribution to the internationalization of firms and considers exporting as a stage of this process (Chabowski et al. 2018). Johanson and Vahlne (1977) assume that firms increase their commitment to international businesses on the basis of value of investments made and their degree on inflexibility (Chabowski et al. 2018). According to this, companies initially operate thanks to exporting with a low commitment mode and with increased knowledge and experience over the time, the commitment gets gradually increased what is displayed in the transition to other operation modes in the foreign market (Vahlne & Johanson 2017; Chabowski et al. 2018). Vahlne and Johanson (2017) view exporting as the initial step of the "establishment chain" that companies follow when going international.

Licensing

Licensing can in its broader meaning be described as *"the sale of a firm's technology and/or managerial skills in return for payments from the foreign party"*, or in its narrow meaning as the *"permission given to another firm to engage in an activity otherwise legally forbidden to it"* (Mottner & Johnson 2000). Licensing allows companies to exploit its mobile assets in oversea markets without facing the risks of foreign direct investment (Mottner & Johnson 2000).

Companies that wish to penetrate emerging economies choose licensing as a mode of entry in order to get access to high growth markets, to gain a first mover advantage, and to minimize risks (Mottner & Johnson 2000). The main advantage of licensing over other FDI options is that it is usually faster to execute and in some cases even faster to implement than exporting (Mottner & Johnson 2000). Kim (2013) who analyzes the choice of foreign licensees in the information and technology industry states that choosing a licensee in a similar industry and business line will make it easier to implement the transferred know-how. He further found out that transaction cost considerations are an crucial indicator whether two firms will make a licensing agreement (Kim 2013).

Franchising

One of the most considered modes of foreign market entry that has experienced high usage during the last two decades is *franchising* (Baena 2009). This business model involves franchisors who grant franchisees the right to operate a specific business unit at a location (Baena 2009). The franchisor invests own funds into the business and the franchisee in return pays the franchisor a value that is based on gross sales as a compensation (Baena 2009). The franchisor usually provides the foreign franchisee with assets, some investment into the franchising infrastructure, a knowledge base, trademarks, and other intellectual property (Alon 2004). Baena (2009) who analyzed a sample of businesses that entered emerging markets though franchising found out that factors that affect the expansion of global franchising into emerging markets are geographical distance, uncertainty avoidance, per capita income,

unemployment rate, political stability, and the franchise contract enforcement in the emerging host market.

Companies who penetrate the global market with franchising usually follow one of the three generic franchising options: direct franchising, master franchising, or area franchising (Preble & Hoffman 2006). *Direct franchising* involves selling a specific business on an individual basis to a franchisee in the foreign market (Baena 2009). This mode of entry requires a low level of resource commitment and is only feasible when a small number of franchisees are involved, if they can be trained easily, and when little assistance by franchisors is needed (Baena 2009). In *Master Franchising*, franchisors use an intermediary called "master franchisor" who purchases the right to expand his own network of outlets in the foreign market (Baena 2009). Within this agreement, the master franchisor takes over the role of the franchisor and gets the right to sub-franchise and to manage the network of sub-franchises (Baena 2009; Preble & Hoffman 2006). Lastly, *Area franchising* gives the franchisee the obligation to build, develop, and manage a business only in an assigned area defined in the franchising contract (Preble & Hoffman 2006).

The internationalization process: The right Marketing strategy

This section will firstly introduce aspects firms that want to internationalize should consider when designing a marketing strategy. In order to cover marketing strategy considerations specific to luxury brands, subsequent literature will focus on research specific to luxury brands. This scope is necessary because luxury brand communication strategies differ from conventional brands as they not only aim to sell a product, but also "create a dream" and "reinforce brand values" (Liu et al. 2016). The main objective of marketing in the luxury industry is to create a strong *brand equity* what differs from other good categories where advertising decisions tend to be based on cost efficiency aspects (Liu et al. 2016). As this thesis aims to analyze the differences in marketing strategies adopted by luxury brands in China and India, literature presenting findings specific to both countries will be introduced.

Douglas and Craig (2011) have examined the implications of the changes in the global marketplace that MNE's from developed markets are facing when designing a global marketing

strategy. According to them, there is a need to reassess the changes in order to adjust to the emerged sources of market growth and to a new set of competition (Douglas & Craig 2011). Douglas and Craig (2011) view the development of a semiglobal marketing strategy as a phase of global market expansion and argue that MNE's must be able to focus on various goals simultaneously in different markets in order to keep a competitive position and market share in developed markets while focusing on developing a presence in emerging markets. The assumption that emerging markets require a distinct marketing strategy is also supported by Arslan et al (2016). According to this, marketing strategies in emerging markets are distinct to developed markets, because different dynamics and actors create different conditions (Arslan et al. 2016).

In order to identify and embrace the characteristics of different markets, Douglas and Craig (2011) group markets into five major spheres: (1) developed countries, (2) global urban/regional market segments, (3) large emerging-market countries, (4) second-tier emerging-market cluster, and (5) large rural markets or the urban poor. The researchers illustrate the challenges and elaborate on strategic imperatives for each market sphere and conclude that MNE's who want to increase sales need to operate in all five spheres, create a marketing strategy for each of them, and utilize efficiencies and synergies between the spheres whenever possible (Douglas & Craig 2011).

Cavender and Kincade (2014) are taking a step forward and analyze variables instrumental for brand management success in the luxury industry by focusing on the conglomerate LVMH (Moet Hennessy Louis Vuitton SE) as a sample company. In their study, special attention is given to Louis Vuitton, the star brand of LVMH that is a financial and marketing leader in the luxury industry and globally established (Cavender & H. Kincade 2014). The identified variables that are instrumental for the brand management success of LVMH are brand identity, marketing vision, brand equity, brand architecture, brand sustainability, and effective response (Cavender & H. Kincade 2014). Although the study is focused on variables critical for the general brand management success of LVMH, it can be argued that these variables are also critical for the international brand management success when considering that LVMH made 90% of its revenues in the fiscal year 2017 outside of its home market France (LVMH 2017).

Ngai and Cho (2012) approach in their study the radical social and economic changes China has experienced in its recent history and investigate the patterns of young luxury consumers in China that have grown up during this period. They found out that Chinese consumer values are very heterogeneous across different generations (Ngai & Cho 2012). Based on key values, motivations, and behavior patterns regarding luxury consumption, the researchers have determined four different segments of young luxury consumers: the overseas pack, the self-established cool, the luxury followers, and the spirituals (Ngai & Cho 2012). Ngai and Cho (2012) conclude that the classification of distinct groups can help luxury brands to better understand the complexity of the young generation of Chinese consumers and be instrumental in creating marketing strategies that will result in better performance.

Liu et al (2016) analyze brand communication strategies based on standardization and localization considerations that luxury fashion retailers face in China. They identified a lack of cross-generational luxury experience and consider it as a barrier to brand awareness and loyalty (Liu et al. 2016). They conclude that the key to success in China is to adapt to challenging market conditions and at the same time facilitate a standardized luxury image (Liu et al. 2016). This can be achieved through two areas of strategic adaptation: (1) Use of Hong Kong as a strategic hub to enter mainland China, (2) Select a highly adaptive and enterprising brand communication in order to generate brand awareness and loyalty (Liu et al. 2016). Luxury brands need to consider that the key aspects of their marketing communication should be globally standardized, and over-localization could result in a compromised brand image (Liu et al. 2016).

Sharda and Bhat (2018) have researched the role of materialism and brand consciousness on the luxury consumption of young Indian consumers. They found out that materialism and brand consciousness are positively related to the luxury consumption in India (Sharda & Bhat 2018). Eng and Bogaert (2010) further contribute that perceived quality has not been identified to have a major impact on luxury consumption in India. In addition, it was investigated that young Indian luxury consumers tend to purchase brands that are most advertised and that creative advertising that emphasizes the symbolic and social value of the luxury brand can be effective (Sharda & Bhat 2018). These findings are in line with the post-materialism theory which

implies that poorer societies can be more materialistic because of their recent exposure to wealth (Sharda & Bhat 2018).

Eng and Bogaert (2010) further add valuable findings in this research area by investigating the purchase intention of Indian luxury consumers, their idea of luxury, and how their perception of luxury affects buying behavior in India. According to their study, luxury brands that integrate cultural and psychological factors are more likely to satisfy Indian purchasers by addressing their collective cultural traits and psychological motivations with luxury good characteristics and communication messages (Eng & Bogaert 2010). By differentiating and integrating foreign brands with local images or perceptions of luxury, foreign luxury brands become more in line with Indian values what can help them to satisfy Indian purchasers (Eng & Bogaert 2010).

Singh (2017) addresses the differences in language, culture, infrastructure, and wealth within India and considers the country as heterogenous and difficult for international firms to operate in. Furthermore, complex and unpredictable regulations can change between states and hinder firms to maintain successful businesses. Singh (2017) therefore suggests to consider the states in India as individual countries. For this purpose, a 4-step framework is introduced that can help firms to prioritize markets in India. Concretely, the framework includes the following stages: 1. Measure risk-adjusted opportunity, 2. Measure operating environment, 3. Evaluate results, and 4. Prioritize states (Singh 2017). Thereby, the country's individual states and their business environment can be better understood and international firms can align their India strategy to meet the individual states' needs (Singh 2017).

Conceptual Frameworks

After reviewing the literature of theories relevant for luxury brands that want to internationalize into emerging markets, the following chapter is going to present the frameworks applied throughout the analysis. Firstly, the Uppsala internationalization model by Johanson and Vahlne (1977) will be outlined that is used to identify the market presence, market knowledge, and development of operation modes of the case brands in China and India. The second framework, the 4P model by McCarthy (1960), will be integrated into the Uppsala model in order to identify the differences in the marketing mix the luxury brands adopt in China and

India. These frameworks build the foundation of the analysis and are appropriate instruments to answer the research question.

The Uppsala model

Johanson and Vahlne (1977) investigated international businesses at the University of Uppsala with a particular focus on Swedish firms that develop their international businesses. The researchers observed that firms typically internationalize their operations in small steps instead of making large foreign production investments at single points in time (Johanson & Vahlne 1977). A common pattern was thereby identified where firms start internationalization by receiving orders from foreign markets, then as exports grow they build a relationship with a distributor or agent in the foreign market; later establish own sales subsidiaries; and afterwards in some cases establish local manufacturing (Vahlne & Johanson 2017). The transition of operation modes that firms adopt throughout their international process is referred to as "the establishment chain" within the Uppsala model (Vahlne & Johanson 2017). International firms thereby progress from low commitment modes to gradually higher commitment modes in a foreign market and the internationalization process is seen as the sum of a sequence of incremental decisions (Vahlne & Johanson 2017; Johanson & Vahlne 1977).

According to this observations, Johanson and Vahlne (1977) developed a model of the internationalization process of firms. The key assumption of the model is that firms lack knowledge about a foreign market what represents a barrier to the development of international operations and that the essential knowledge can be acquired mostly through operations abroad (Johanson & Vahlne 1977). They further emphasize the relationship between the psychic distance that describes the distance between the home and foreign market, and the time order of the establishment of operations in a foreign market (Johanson & Vahlne 1977). Johanson and Vahlne (1977) consider thereby psychic distance as the accumulation of factors that prevent the information flow from and to the market and can include differences in language, culture, industrial development amongst others. According to this, firms expand first into markets which are psychically close, and as they develop knowledge, they will start expand into more distant markets (Whitelock 2002). The researchers developed according to this requirements a dynamic model (see Figure 1) that can explain all steps in the internationalization process of a firm (Johanson & Vahlne 2016).

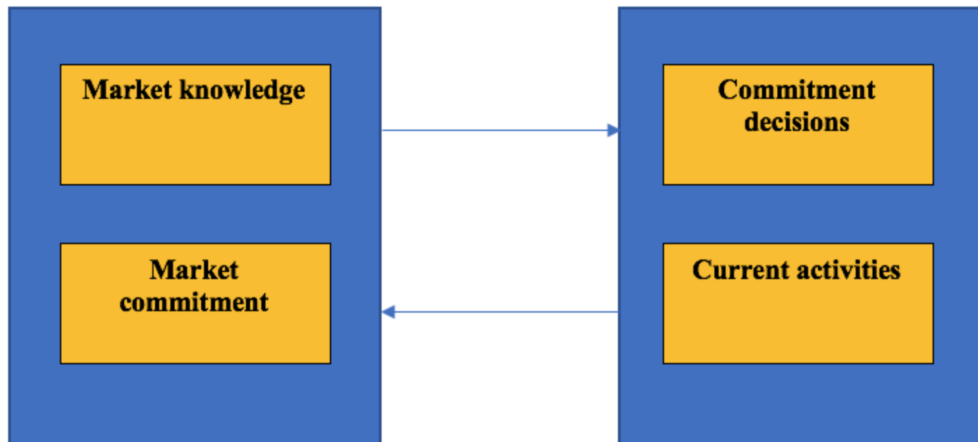

Figure 1: The Basic Mechanism of Internationalization by Johanson and Vahlne (1977)

The basic structure of the model is built by the distinction of state and change variables (Johanson & Vahlne 2016). It is thereby assumed that the present state of internationalization is an essential factor that explains the course of the following internationalization steps (Johanson & Vahlne 2016). *Market commitment* and *Market knowledge* represent the state aspects and illustrate the resources committed to a foreign market (Johanson & Vahlne 2016). *Commitment decisions* and *currents activities* are considered as change aspects and represent the decisions and current activities to commit resources to a foreign market (Johanson & Vahlne 2016).

Market commitment

The market commitment of a firm can be determined by considered two factors, namely the *amount* of resources committed, and the *degree* of the commitment (Johanson & Vahlne 1977). The first one refers to the amount of resources a firm commits to a foreign market and can be assessed on the basis of the size of investments in the market in a broader sense, including investments in areas such as marketing or organization (Johanson & Vahlne 2016). The latter considers the degree of resource commitment a firm adopts in a foreign market and captures the difficulty to find an alternative use for the deployed resources (Johanson & Vahlne 2016). It is thereby assumed that the more specialized resources are to a particular market, the greater is the degree of their commitment (Johanson & Vahlne 2016).

Market knowledge

The Uppsala model assumes that commitment decisions are based on various kinds of knowledge and that knowledge about opportunities or problems activates decisions (Johanson & Vahlne 2016). Within the Uppsala framework, there are two main distinctions of knowledge (Johanson & Vahlne 2016). The first one distinguishes *objective* from *experiential* knowledge (Johanson & Vahlne 2016). Objective knowledge can be taught, whereas experiential knowledge can only be learnt through personal experience by successively gaining experience in a market and is therefore considered as crucial in foreign operations (Johanson & Vahlne 2016). Experiential knowledge is of high importance for firms as it provides the foundation for perceiving concrete opportunities in a market (Johanson & Vahlne 2016).

The second categorization of knowledge distinguishes *general* and *market-specific* knowledge (Johanson & Vahlne 1977). The first one refers to knowledge about marketing methods and common characteristics of certain kinds of customers, independent of their geographical location (Johanson & Vahlne 2016). Market-specific knowledge on the other hand, gives firms knowledge about the characteristics of a particular national market and is considered as critical in regards to foreign operations (Johanson & Vahlne 1977). General knowledge can usually be transferred from one country to another country whereas market-specific knowledge can mostly be accumulated through experience in the market (Johanson & Vahlne 2016). The Uppsala model assumes a direct relationship between market knowledge and market commitment in the sense that knowledge can be considered as a resource (Vahlne & Johanson 2017). According to this, the better the knowledge about a foreign market, the more valuable the resources, and consequently the stronger is the commitment to the market (Johanson & Vahlne 2016).

Commitment decisions

Commitment decisions that firms take in a foreign market are dependent on their experience and current operations in that market, they are therefore dependent on the market knowledge and market commitment (Johanson & Vahlne 2016). In turn, the commitment decisions influence the development of the market knowledge and affect future market commitment (Johanson & Vahlne 1977). The Uppsala model assumes an economic effect and an uncertainty effect of each additional commitment decision (Johanson & Vahlne 1977). The economic effect mainly refers to the increase in scale of operations in a market, and the uncertainty effect concerns the market uncertainty that is considered as the firm's lack of ability to estimate the

present and future market conditions (Johanson & Vahlne 1977). It is claimed that a scale-increasing commitment decision is made when the existing market risk is smaller than the maximum tolerable market risk of the firm (Johanson & Vahlne 1977). According to this, a firm will incrementally increase its scale of operations in a foreign market until the maximum tolerable risk is met (Vahlne & Johanson 2017).

Current activities

The current activities of a company are the main source of their experience in a foreign market (Johanson & Vahlne 2016). For a firm that implies that all current activities they have made at any stage of their operations in a foreign market were the main source of their experience in that market. The gained experiences have consequently influenced the commitment decisions that have been made as a consequence (Johanson & Vahlne 1977).

The 4P model

The following paragraph will briefly introduce the 4P model that will be used within the Uppsala model in order to identify the differences of marketing mix the case brands adopt in China and India.

The 4P framework by McCarthy (1960) is a marketing mix classification and today a widely accepted tool in the marketing literature and in marketing practice (van Waterschoot & van den Bulte 1992). The model consists of four elements, namely *product*, *price*, *place*, and *promotion* of which the latter is further split into advertising, personal selling, publicity, and sales promotion (McCarthy 1960; van Waterschoot & van den Bulte 1992). This model has become the most cited and most often used classification framework for the marketing mix mainly because of its easy-to-remember structure and hands-on application possibility (van Waterschoot & van den Bulte 1992). The 4P model relates to policy decisions taken by the company and therefore considers the "controllable" variables of the Marketing Mix (Robins 1994). The "uncontrollable" factors on the other side, such as customers and competition are not taken into account (Robins 1994). The approach of the 4P model is however intended as this thesis has its scope in identifying the differences of marketing mix the case brands consciously adopt in China and India.

Application of the frameworks

The Uppsala framework is applied throughout the whole analysis. This thesis aims to identify the differences of internationalization patterns of luxury brands in China and India. Therefore, it was necessary to find an internationalization framework for conducting the analysis. Several frameworks have been critically reviewed to test them for appropriateness for the analysis. Most of them however did not provide the appropriate framework to explore the internationalization patterns of luxury brands that show the specificity not to disclose much information about their operations to the public. Other internationalization frameworks appeared to be too narrow or too broad in their scope. They consider factors such as transaction cost, interaction, or market opportunity as key variables that impact a firm's market entry and market entry mode in a foreign market (Whitelock 2002). These factors however are difficult to measure for firms in the luxury industry that do not publish relevant information about their operations. The Uppsala framework on the other side is unique as it considers information, and specifically experiential knowledge as the critical indicator of market entry and operation mode selection (Whitelock 2002). The four variables of the Uppsala model are used throughout the analysis to assess the case brands' *market presence*, *market knowledge*, *development of operation modes*, and *marketing mix* in China and in India in order to afterwards identify the differences between both markets (see Figure 2). In the following, the factors that were taken into consideration to assess the four variables for the luxury firms are outlined.

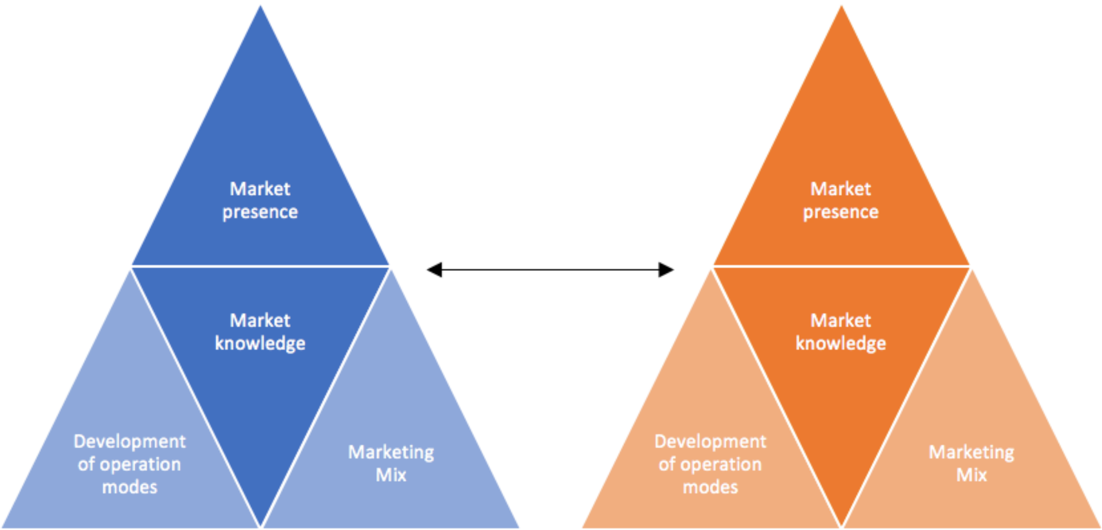

Figure 2: Conceptualization of the applied framework, self-provided, based on Johanson and Vahlne (1977) and McCarthy (1960)

Market commitment:

In this section, the *amount* of resources committed to the foreign market and the *degree* of the commitment are identified. The amount of resources has been assessed according to the number of stores a luxury firm has today in a particular market. The degree of the commitment has been identified by considering how standardized or how exclusive a luxury firm's store concept in the foreign market is. If the firm follows a standardized store concept, then the degree of commitment is defined as low as this store concept can be easily transferred to another country due to its standardized character. When local adaptations are made or a concept is exclusively created for one market, then the degree of commitment is considered as intermediate or high. The amount and the degree of resource commitment are used to identify the ***market presence*** of the case brands in a particular market.

Market knowledge:

The market knowledge is identified by considering the two crucial types of knowledge within the Uppsala model, *experiential knowledge* and *market-specific knowledge*. The level of experiential knowledge of a firm has been identified by considering how many years of experience it has in a particular market. The degree of market-specific knowledge was determined by considering the operation modes a firm was adopting in a market throughout its whole presence in the country. A firm that was operating in a market through franchising since it's entry is defined to have a lower degree of market-specific knowledge than a firm that has always operated in the market through self-operated stores. This can be assumed due to the fact that operation modes differ in terms of their equity and imply different balances between ownership and control (Baena 2009). The level of experiential and market-specific knowledge are used to determine the level of ***market knowledge*** the case brands today have developed in a particular market.

Commitment decisions:

In this section, the current operation mode of a firm in a particular market is examined and categorized within the establishment chain of the Uppsala model (see Figure 3). This approach on the one side helps the reader to directly identify a luxury firm's operation mode in a

particular market, and on the other side allows to later easily compare the current operation modes of the case brands between China and India.

Figure 3: The establishment chain, self-provided, based on Johanson and Vahlne (2017)

Within this section, the transition of the luxury firm's operation modes from market entry until today is further examined. This proceeding enables to identify the ***development of the case brands' operation modes*** within a market what can help to identify patterns that would have otherwise been overseen. Lastly, the economic and uncertainty effect is taken into consideration in regards to the commitment decisions that have been made.

Current activities:

The current activities are according to the Uppsala model a firm's main source of their experience in a foreign market. In this section, each case brand is firstly analyzed towards its perception and future plans in a particular market by taking into account the firms' outlook for the market. In the next step, the 4P model by McCarthy (1960) is used to identify the ***marketing mix*** the case brands are currently adopting in a particular market. Within the element *product,* the analysis focuses on whether the luxury firms offer their international collection in that market, the full product range is offered, and whether collections exclusive for one market are created. The variable *price* will focus on what kind of price policy the luxury firms are adopting in a particular market. Hereby, it is considered whether they follow an exclusive or low-price policy by taking the prices in Western countries as a reference. The element *place* further focuses on the ways the luxury brands provide customer access other than through their physical stores and takes into account the case brand's plans for expanding customer access. Lastly, the element *promotion* mainly captures weather the case brands are using online or offline channels as marketing platforms.

Methodology

The following chapter lays the foundations for the analysis and aims to provide the reader with an understanding of the adopted methodology in this thesis. For this purpose, the research onion by Saunders et al. (2009) (see Figure 4) is used throughout this section to explain the different layers of the applied research methodology.

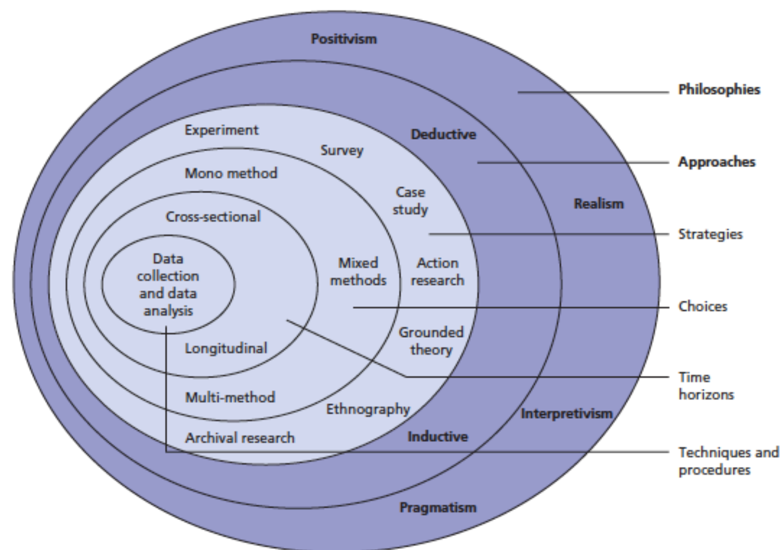

Figure 4: The research onion by Saunders et al. (2009)

The purpose of the research is to investigate the differences of luxury brands' operations in China and India. Primary and secondary data are used in order to answer the research question. The interview with Christina Fabritius Eskebaek, Senior Manager at Burberry, is used as triangulation to the findings, as well as to get a deeper understanding of the underlying differences between luxury brand's operations in China and India and the factors that might have shaped these differences.

Research Philosophy

It is necessary to highlight the researcher's philosophical research approach. In regards to *ontology*, *epistemology* and *axiology*, the following section will outline how the researcher views the world.

Ontology is according to Saunders et al. (2009) concerned with the nature of reality and is important to outline as it has implications in regards to how the researcher views the world. Ontology consists of two main aspects, objectivism and subjectivism (Saunders et al. 2009). Objectivism on the one side represents the position that *"social entities exist in reality external to social actors concerned with their existence"* (Saunders et al. 2009 p. 110). Subjectivism on the other side portrays the position that *"social phenomena are created from the perceptions and consequent actions of those social actors concerned with their existence"* (Saunders et al. 2009 p. 110). Within this thesis, *subjectivism* is applied what is mostly the case for case study approaches that have a qualitative nature (Saunders et al. 2009). This thesis investigates a so far widely undiscovered research field and it is necessary to understand the nature of the data. The data needs to be interpreted in order to investigate the differences of luxury brand's operations in China and India and the subjective factors behind the identified differences. This approach implies an *interpretivist philosophy* (Saunders et al. 2009). The collected data for this thesis needs to be interpreted in order to *"explore the subjective meanings motivating the actions of social actors in order for the researcher to be able to understand these actions* " (Saunders et al. 2009 p. 111). The interpretivist philosophy further implies that the collected data will be interpreted according to the researcher's own view of the world in order to *"make sense of and understand"* the actors *"motives, actions, and intentions in a way that is meaningful"* (Saunders et al. 2009 p. 111).

According to Saunders et al. (2009 p. 112), epistemology deals with *"what constitutes acceptable knowledge in a field of study"*. The interpretivist approach of this thesis fits to the identified research question within the business and management world as this area is *"too complex to lend itself to theorising by definite 'laws' in the same way as the physical sciences"* (Saunders et al. 2009 p. 115-116). Business situations are not only complex and unique, they are *"a function of a particular set of circumstances and individuals coming together at a specific time"* (Saunders et al. 2009 p. 116). This thesis investigates a so far not well researched study field in an industry that doesn't disclose much information about their strategies to the public. It is not clear how the operations of luxury brands differ between China and India and what might be the reasons behind this. This lays the foundation for this thesis to investigate

how luxury brands have developed their business in emerging markets and how they might continue their operations in these countries.

Axiology lastly is a *"branch of philosophy that studies judgements about value"* (Saunders et al. 2009 p. 116). In regards to the relevance of research topic selection, one can say that *"choosing one topic rather than another suggests that you think one of the topics is more important"* (Saunders et al. 2009 p. 116). This specific thesis topic was chosen because findings in this so far undiscovered research area could be relevant for international businesses and could provide valuable insights for international luxury firms.

Research Approach

There are two main approaches in research, namely *deduction* and *induction*. Both approaches are not mutually exclusive and it is important to be aware of which approach to use for a specific research question (Saunders et al. 2009).

In the deductive approach, firstly a theory and hypotheses are developed and afterwards a research strategy is designed according to the theory to test the hypothesis (Saunders et al. 2009). In the inductive approach on the other hand, data is firstly collected and a theory will be developed as a result of the data analysis (Saunders et al. 2009 p. 124). Induction owes more to *interpretivism* and is concerned with the context in which events take place (Saunders et al. 2009). In the case of induction, studying qualitative data of a small sample of subjects might be more appropriate than a large number like with the deductive approach (Saunders et al. 2009 p. 126). In the underlying research of this thesis, a small sample of luxury brands is studied what is in line with the *induction* approach.

There are further indications that the research in this thesis follows an induction approach. For this thesis, qualitative data is collected what allows changes within the research progress (Saunders et al. 2009). In the underlying research, it is necessary to understand the wider context of luxury brands operating in emerging markets. Primary data extracted from an interview and secondary data that is gained through desktop research needs to be interpreted what is in line with the interpretivist view. It can be further added, that the collected data is

specific to luxury brands operating in emerging markets so that there is less risk to generalize the findings. Before the data was collected specific to this research, relevant already existing theories were examined in order to get a better comprehension of the underlying research. These different theories that imply a highly structured methodology may however indicate a deduction approach (Saunders et al. 2009). As there were no previous theories in this study field so far, it was not possible to test existing hypothesis what would be in line with the deductive approach. This thesis instead adopts an inductive approach that fits to the small sample of case studies and a so far little discovered research field.

Research Design

Within the following section, the three layers *research strategy*, *research choice*, and *time horizons* will be uncovered. These layers can be thought of as *"focusing on the process of research design"*, meaning *"turning your research question into a research project"* (Saunders et al. 2009 p. 136).

Research Strategy

Every strategy can be used for an exploratory, descriptive, and explanatory research purpose even some of them clearly belong to the deductive, and others to the inductive approach (Saunders et al. 2009 p. 141). It is necessary to define the research strategy as it facilitates the researcher to answer the particular research question and to meet the objectives (Saunders et al. 2009). In the previous sections, it was identified that this research follows the induction approach. In the following, the choices for the research strategies underlying this thesis will be outlined.

For this thesis, a multiple case study approach is used. A case study is defined as a *"strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence"* and is of interest if *"you wish to gain a rich understanding of the context of the research and the processes being enacted"* (Saunders et al. 2009 p. 145-146). This thesis aims to get an understanding of the context in which luxury brands operate in emerging markets and therefore a case study approach is appropriate. As there is currently no research specific to the internationalization of

luxury brands in emerging markets, the case study approach will enable to find valuable insights in this real-life context. The case study approach can further help to challenge existing theories of related topics and can raise new research questions (Saunders et al. 2009) The case study approach requires to triangulate multiple sources of data (Saunders et al. 2009). This means that different data collections are applied in one study in order to *"ensure that the data are telling you what you think they are telling you"* (Saunders et al. 2009 p. 146). The research of this thesis exactly follows this strategy as multiple sources are used to ensure the correctness of the data and additionally primary data was collected to ensure the triangulation.

Research Choice

The research choice refers to *"the way in which you choose to combine quantitative and qualitative techniques and procedures as your 'research choice' "* (Saunders et al. 2009 p. 151). The underlying research of this thesis adopts a mixed-model research approach. The mixed-methods approach generally describes the case when *"both quantitative and qualitative data collection techniques and analysis procedures are used in a research design"* (Saunders et al. 2009 p. 152). The mixed-model research that is one of two branches within the mixed-methods research, *"combines quantitative and qualitative data collection techniques"* as well as *"quantitative and qualitative approaches at other phases of the research"* (Saunders et al. 2009 p. 153). This implies that quantitative data can be "qualitized" meaning that it can be converted into a narrative and analyzed qualitatively (Saunders et al. 2009). This is what has been done within the underlying research of this thesis. Within the desktop research, secondary data in the form of qualitative data as well as quantitative data extracted from statistics has been collected. The collected quantitative data within the desktop research was thereby interpreted in a qualitative way. Additionally, qualitative data in the form of primary data has been collected through an interview. This procedure indicates the usage of the mixed-model research approach. There can be different reasons for using mixed-method designs. The major reasons to use this approach in the underlying research are triangulation, facilitation, and complementarity (Saunders et al. 2009).

Time Horizon

The time horizon addresses the question whether you want your research to be a 'snapshot' taken at a given point of time or whether you want it to be akin to a series of 'snapshots'

representing events over a given period (Saunders et al. 2009). Hereby, a cross-sectional and a longitudinal time horizon can be differentiated. The cross-sectional time horizon captures the *"incidence of a phenomenon"* at a given point of time (Saunders et al. 2009 p. 155). Longitudinal studies on the other side have the strength to allow studying the change and development of phenomenon (Saunders et al. 2009). It can further be added that *"in observing people or events over time the researcher is able to exercise a measure of control over variables being studied, provided that they are not affected by the research process itself"* (Saunders et al. 2009 p. 155). The underlying research adopts a cross-sectional horizon as the data for this thesis was collected almost simultaneously. The phenomenon of luxury brands' operations in emerging markets is studied at a given point of time. In order to identify changes of the luxury brand's operation mode in a market, the development of the case brand's operations was additionally investigated throughout their operations in a particular market. Therefore, the time horizon of their operation is regarded from the moment the case brands have entered a particular market until today.

Data Collection and Analysis

Sampling of cases

This thesis uses a multiple case study approach to answer the research question. In order to identify the case brands and make a purposeful selection, it was considered that the selected cases are based on information richness (Saunders et al. 2009). The case brands were chosen based on the following criteria that are illustrated in Figure 5. Firstly, the case brands need to operate in both markets, China and India. This criterion is essential in order to compare the operations between both markets. Secondly, the case brands need to originate from outside China and India. This research focuses on internationalization patterns of luxury brands and therefore it is necessary that the examined luxury brands have its origin outside of China and India. Thirdly, focus was given to highly successful luxury brands and their operations in emerging markets. This was necessary in order to ensure a relevant representation of the luxury industry. For this purpose, it was ensured that the case brands belong to the top 100 luxury goods companies in terms of sales (Deloitte 2017).

Figure 5: Selection criteria

After the five case brands were identified, the data collection was conducted. The secondary data was collected through desktop research. It was firstly looked for information on the case brand's websites as the main source. These information however were not sufficient as luxury brands generally do not disclose much information to the public in order to protect themselves from the high competition in the luxury industry. Additionally, secondary data was obtained through websites, books, academic papers, statistics and index ratings in order to get a deep understanding of the case brands' operations in China and India.

According to Saunders et al. (2009), within secondary data research it is probable that the data was originally collected for a different purpose. This implies, that the perception and world view of the author has influenced the data to some degree. The underlying research follows the interpretivism philosophy that allows freedom for interpretations. It is however necessary to be aware of the limitations of secondary data and triangulate it. The triangulation is made by using multiple sources of secondary data and by incorporating primary data that was obtained through an interview.

Analysis and Cross Case Analysis

Within the analysis, the five case brands are firstly analyzed separately in regards to their operations in China and India. In the next step, a cross-case analysis will be executed for the

brand's operations in both markets. For this purpose, the findings for China and India will be individually summarized in order to create an accumulative picture of each market. This step is necessary in order to extract the patterns of the brands' operations in the respective markets. In the final step, the luxury brands' operations in China and India will be directly compared in order to identify the noticeable differences between both markets. The interview with Christina Fabritius Eskebaek is used throughout the final section. Her valuable input and statements are used as reference and as triangulations to confirm some findings, and to support the executed analysis as a whole.

Findings

The following chapter is going to analyze the five case brands identified from the sample size. For this purpose, the Uppsala internationalization model by Johanson and Vahlne (2016) and the 4P framework that is integrated within the model, will be applied on each case. Firstly, findings for each case will be presented individually. In **Appendix A** you can find a table summarizing the findings for each case. Afterwards, a cross-case analysis will be conducted in order to find the differences of the case brands' operations in China and India.

Case Burberry

Company profile

Burberry is a British luxury house and was established in year 1856 by Thomas Burberry in London (Burberry 2018a). Burberry has invented the material *gabardine*, a special material that is a breathable, weatherproof and hardwearing fabric that was mainly used for trench coats - the product that has made Burberry to an iconic brand today (Burberry 2018a). Over the time, Burberry has expanded its portfolio and sells apparel, accessories, fragrances, and cosmetics around the globe and was ranked the 18th most powerful luxury brand in terms of sales in 2015 (Deloitte 2017). In fiscal year 2017/2018, the luxury company made £2,733 million in revenues with the Asia-pacific market contributing to 41% of sales and representing the most relevant market for the company (Burbbery 2017).

Operations in China

Market commitment

In the fiscal year 2017/18, Burberry generated 16,23 % of its revenue in China, making the Chinese market more relevant that the domestic British market where 11,16% of the company's revenue was generated (Burbbery 2017). In 2018, Burberry holds 58 stores in China that are directly operated by the company (Burberry 2018b). Within the flagship stores, the company implements a company-wide service model in order to guarantee that all staff meets the high standards of service (Trotter 2018). The high number of flagship stores that is directly operated by Burberry indicates a *high amount of resources committed* in the Chinese market. The degree of the resource commitment in China can be identified when considering how specific they are to this market and how difficult it is to find an alternative use for them (Johanson & Vahlne 2016). The company-wide service model that trains staff is country-specific in order to satisfy Chinese customer that have a different understanding of service than customers in other countries (Interview 1, Appendix B). This specific training cannot be easily transferred to a different market. Therefore, it can be assumed that the *degree of resource commitment* in China is *high*.

Market knowledge

In 1990, Burberry has entered China through a partnership with franchisee Kwok Hang Holdings (El Habashy & LaCalle 2011). The luxury company chose to enter China through franchising due the lack of experience in that country (Spiezio 2017). In 2006, sixteen years after entering China, Burberry had 33 stores and continued to expand so that in 2010, the company was present in 50 stores throughout China (Spiezio 2017). In 2010, Burberry has strengthen its presence in the Chinese luxury market by buying back licenses of 50 stores for £70 million that were operated by franchisees (El Habashy & LaCalle 2011). Thereby, Burberry wanted to ensure a consistent global image of the brand (El Habashy & LaCalle 2011). Since Burberry has entered China, it has accumulated knowledge about the foreign country's characteristics. For many years, Burberry has operated in China through franchising and in the meantime has accumulated insights about the market. After Burberry has gained enough knowledge to start its own operations in China, the company switched to leading directly

operated stores. Since then, Burberry has continued to grow its knowledge asset through direct experiences in the Chinese market. Due to its now 28 years of experience in China, it is argued that Burberry nowadays has a *high level of experiential knowledge* of the Chinese market. Due to the transformation from franchising to the now long lasting model of directly operated stores, Burberry can be considered to have an *intermediate level of market-specific knowledge* in the Chinese market.

Figure 6: Classification of Burberry's operation mode in China within the establishment chain, self-provided, based on Johanson and Vahlne (2017)

Commitment decisions

In 1990, when Burberry has entered China, the company has decided to first embed a low level of commitment. At that time, the firm's operations in China can be classified as *"Operating in a foreign market through a partner"* within the establishment chain of the Uppsala model. Since 2010, when the company switched all its franchising commitments in China into own operated stores, Burberry's operations developed to the advanced stage *"Own sales subsidiaries*" (see Figure 6). Within the Uppsala model, each commitment decision is related to an economic effect and an uncertainty effect (Johanson & Vahlne 2016). This implies that at the time when Burberry has decided to operate in China through directly operated stores, the existing market risk in China was considered smaller than the maximum tolerable risk of Burberry.

Current activities

Marco Gobbetti, the CEO of Burberry decided to start investing £ 50 million a year into the brand in order to further strengthen and reinventing Burberry's image as a global "super-luxury" brand (Butler 2018). This current activities by Burberry are made in order to create a long-term sustainable brand value and to enable new commitments in the Chinese market where the brand has experiences a growth in demand in the last few years (Butler 2018). Burberry currently offers its full range of products in the Chinese stores, but CFO Carol

Fairweather reveals plans to reduce the product assortment by 15-20 % (Internet Retailer 2016). No product category will be exited, but Burberry will according to Fairweather move from breadth to depth and focus on increasing marketing of Burberry bags before introducing new products (Internet Retailer 2016). Regarding the price policy of Burberry in China, the brand's products are on average 37% higher in China than the global average price of Burberry products due to high import tariffs in the country (Flora 2016). In 2013, Burberry has launched the service to make instant orders on WeChat, a Chinese platform that combines social media and shopping services (Burberry 2018c; Spiezio 2017). The luxury company started to invest into WeChat as a complement to its physical stores in China (Spiezio 2017). In 2017, Burberry decided to launch a campaign on WeChat in order to increase advertising through the platform and thereby has gained a four-percent increase in overall sales in the 2nd quarter of 2017 (Spiezio 2017). In general, Burberry exposes Chinese customers to its promotion campaigns on social media platforms or in strategic locations like airports or famous shopping places (Marketing to China 2014).

Operations in India

Market commitment

In the fiscal year 2017/18, Burberry has made 34,32% of its sales in the EMEIA[2] market making it the 2nd biggest market segment for the company (Burbbery 2017). Different to China, Burberry does not highlight the revenues specific made in India. It can be assumed, that the Indian market contributes a lower share towards revenues than China does.

In 2018, Burberry operates in 7 stores throughout India including locations in New Delhi, Mumbai, Bangalore, Chennai, Hyderabad, and Kolkata (Burberry 2018b). Burberry directs in India in the way that it has formed an own company in India that is connected to a local entity in order to operate directly in the Indian market (Petcu 2011). The company however does not reveal how the operations autonomy is split between the own built company and the local entity. It can be assumed that Burberry's model gives the company freedom to directly operate in India combined with the advantages of franchising where a local entity helps to give access to the market. The small number of stores in India and the operation mode that implies a smaller level of commitment compered to directly-operated stores indicates an *intermediate amount of*

[2] Europe, Middle East, India and Africa

resources committed to the Indian market. As in China, Burberry implements a company-wide service model in Indian stores to ensure high service standards. These need to be adapted to the specific characteristics of Indian customers and cannot be easily transferred to a different country. It can therefore be concluded, that the *degree of resource commitment* in India is *intermediate to high*.

Market knowledge

Burberry has opened its first store in India in 2006 in New Delhi (Vogue India 2013). The company has entered India through a Joint Venture with a local company in order to overcome the challenges of India's legislation that limits foreign direct investment (Petcu 2011). In 2011, five years after entering the Indian market, Burberry has terminated the JV agreement due to an unsatisfactory performance and switched its operation model in the way that it has formed a company with a local entity (Petcu 2011). Due to its more recent entry into India compared to China, it is assumed that Burberry has a *low to intermediate level of experiential knowledge*. In the first five years of its operations in India, Burberry has accumulated market-specific knowledge about the Indian market in the context of a JV. Since Burberry has changed its operation model, the luxury firm was able to operate more direct than before. It can therefore be claimed that today Burberry has developed an *intermediate level of market-specific knowledge*.

Figure 7: Classification of Burberry's operation mode in India within the establishment chain, self-provided, based on Johanson and Vahlne (2017)

Commitment decisions

In 1996, when Burberry has entered India through a JV, the company has decided to first embed a rather low level of resource commitment. At that time, the firm's operations in India can be classified as *"Operating in a foreign market through a partner"* within the establishment chain of the Uppsala model. In 2011, when Burberry has decided to form an own company combined with a local entity in India, it decided to shift to a more direct operation model and has thereby increased its commitment. The level of commitment can however be classified as lower than

within operations through own sales subsidiaries, and therefore an additional stage *"Own company with a local entity"* has been added into the establishment chain (See Figure 7). Burberry has decided to change its operation model and thereby increased its resource commitment in India mainly due to an unsatisfactory performance in that market. This implies that with this decision, Burberry has expected to achieve an economic effect in the form of a better performance.

Current activities

Angela Ahrendts, former CEO of Burberry considers India as one of the fastest growing and promising markets where Burberry needs to intensify its operations (The Economic Times 2011). In the last few years, Burberry has continuously improved in terms of sales in the EMEIA region with India as a strategic market. It can be expected that India will continue to be of particular interest for Burberry compared to other countries within the EMEIA zone (Deloitte 2017). In India, Burberry offers its international collections to prices that are higher than in Western countries due to import duties (Interview 1, Appendix B). Regarding its promotional activities in India, Burberry focuses not only on global, but also local campaigns. The luxury firm has hosted the *Art of the Trench* in Gurgaon, an exhibition showing street style images of Indian people wearing Burberry trench coats (The Economic Times 2012).

Case Hermès

Company profile

Hermès is a French luxury goods manufacturer and was established in 1837 by Thierry Hermès in Paris (Hermès 2017). The Hermès product portfolio includes apparel, leather goods, jewelry, watches, fragrance, and shoes. The company got especially famous for its leather goods and silk scarfs and was ranked the 12th most powerful luxury brand in terms of sales in 2015 (Deloitte 2017). In fiscal year 2017, the luxury company made € 5,549 million in revenues with the domestic French market contributing to 14% of sales (Hermès 2017). The most relevant markets for Hermès are Asia-Pacific (excl. Japan) and Europe (excl. France) accounting for 35% and 19% of sales in 2017, respectively (Hermès 2017).

Operations in China

Market commitment

In 2017, Hermès directs 24 point of sales in China of which 23 are branches that are directly operated by the company and one POS that is operated by a concessionaire (Hermès 2017). Hermès is known for creating exclusive interior design in its stores and extensively invests in trainings of employees in order to ensure a consistent brand philosophy throughout the stores (Martin Roll 2018). This strategy goes in line with the more standardized store concept where Hermès rather focuses on maintaining a consistent brand image instead on focusing to offer a concept more adapted to China (Martin Roll 2018). The *amount of resources* that Hermès commits to China can be considered as rather *high* due to 23 directly operated stores and the accompanied investments into them. The *degree of commitment* however can be classified as *low* as Hermès does not focus on providing a store concept specific to China.

Market knowledge

In 1996, Hermès has entered China with an exclusive store in Beijing (Peng Cui et al. 2015). Afterwards, Hermès has operated in China both, through directly operated branches and through concessions (Hermès 2017). Between 2013 - 2017, the company has continued to reduce the number of concessions by either taking them over in-house or closing them down and instead has focused on increasing the number of own branches within China (Hermès 2017).

For many years, Hermès has operated in China through a combination of own branches and concessions and in the meantime has accumulated insights about the market. After Hermès has gained enough knowledge and confidence in the Chinese market, the company has continuously focused on opening own branches instead of arranging new concession agreements. Since then, Hermès has continued to grow its knowledge asset through direct experiences in the Chinese market. Due to the transformation from a business model that combines own branches and concessions towards a model where the company operates in China almost entirely through branches, it can be said that Hermès nowadays has both, a *high level of experiential and market-specific knowledge* of the Chinese market.

Figure 8: Classification of Hermès' operation mode in China within the establishment chain, self-provided, based on Johanson and Vahlne (2017)

Commitment decisions

In 1996, when Hermès has entered China through a directly operated branch, the company has decided to already embed an advanced level of commitment. At that time, the firm's operations in China can be classified as *"Own sales subsidiaries*" within the establishment chain of the Uppsala model. When Hermès entered China through a self-operated branch it assessed the existing market risk in China smaller as the own maximal tolerable risk. Besides its own branches, Hermès has started to create concession agreements what can be categorized as *"Operating in a foreign market through a partner"*. In the last few years, the company has however continued to reduce its number of concessions so that today Hermès directs 23 branches and only one concession in China. The current operations of Hermès in China can therefore be classified as *"Own sales subsidiaries*" within the establishment chain of the Uppsala model (see Figure 8).

Current activities

Hermès sees a positive outlook for mainland China in the next years and designs its current activities according to that (Hermès 2017). Hermès offers its international collection in China, but gives its local store managers a high degree of autonomy regarding the product assortment (Le Fort 2014). This implies, that customers visiting a store in Shanghai and Beijing, will find a different product range (Le Fort 2014). Hermès is following an exclusive price strategy in China where prices are higher than in other Western countries. The luxury firm however plans to close the price gap between China and foreign countries in order to maintain a solid consumption in China (Sun & Lau 2015). Regarding its promotional activities, Hermès has started a worldwide cycle of exhibitions dedicated to the heritage of the brand, *Hermès Heritage*. For the first exhibition, China was selected as a location in order to celebrate the 20th anniversary of Hermès' operations in China and to highlight the importance and commitment to the country (Hermès 2017). Hermès currently goes towards a digital transformation where it

plans to launch the new e-commerce website for China in the second half of 2018 (Hermès 2017). The luxury company has further emphasized its digital strategy in China by opening its first WeChat pop-up store in October 2017 and using the platform for promotional activities (Zheng 2017).

Operations in India

Market commitment

In 2018, Hermès directs 3 stores in India with two stores located in New Delhi and one in Mumbai. Hermès India operates as a 51:49 Joint Venture with Ashok and Neelam Khanna who own the Ista range of business hotels (Tandon 2013). Similar to China, Hermès equips its stores in India with exclusive interior (Tandon 2013) and trains staff in line with the brand philosophy of Hermès. The *amount of resources* that Hermès commits to India can however be considered as rather *low* due to the small number of stores in the market. The *degree of resource commitment* can be classified as *low* due to the more standardized store concept in India.

Market knowledge

In 2008, Hermès has opened its first store in India in the Oberoi Hotel in New Delhi (Vishal 2013). The company has entered India through an Joint Venture and continues this business model until today. Compared to China, Hermès has entered India just recently and is in the process to learn about the characteristics of the Indian market what is also confirmed by Luc Hennard, managing director of Hermès in the Middle East South Asia region (Tandon 2013). Due to the recent entry and operations through a Joint Venture, the *level of experiential knowledge* can be considered as *low to intermediate*. When Hermès opened its store in Mumbai in 2011, it was however one of the first brands that opened a store on a street instead of in luxury malls or hotels where international luxury brands usually position their stores in India (Tandon 2013). The company thereby wanted to firstly increase the awareness for Hermès and secondly change the luxury retail culture in India by creating a luxury street like in Paris, London, or Milan (Tandon 2013). With this strategic move, Hermès was able to gain knowledge about the Indian market that goes beyond the knowledge they have accumulated through directing stores in shopping malls or hotels. The *degree of market-specific knowledge* in India can be therefore considered as *intermediate to high*.

Figure 9: Classification of Hermès' operation mode in India within the establishment chain, self-provided, based on Johanson and Vahlne (2017)

Commitment decisions

Since Hermès has opened its first store in New Delhi, the company has always operated through a Joint Venture in the Indian market. The luxury firm has decided to select an operation mode with a rather low resource commitment in order to gain experience in India and to overcome barriers such as high import duties and bureaucracy (Chakravorty 2011) The firm's business model in India can therefore be classified as *"Operating in a foreign market through a partner"* within the establishment chain of the Uppsala model (See Figure 9). Considering the economic and uncertainty effect that every commitment decision implies, it can be concluded that until now the existing risk in the Indian market was higher than the maximum tolerable risk of Hermès in order to switch to an operation mode with a higher commitment.

Current activities

Luc Hennard, managing director of Hermès in the Middle East South Asia region considers India as a highly promising market for the future (Tandon 2013). In terms of operation strategy in the Indian market, he further adds that Hermès plans to open new stores but time is needed to be sure about the future and at the same the company needs to further accumulate knowledge and experience about the Indian market (Tandon 2013). Regarding the product range offered in India, Hermès sells its international collections as well as collections exclusively created for the Indian market. The luxury firm for instance sells Saris, a traditional Indian garment in its Indian stores (Tulshyan 2011). Similar to China, Hermès prices its products in India higher than in Western countries in order to absorb high import duties (CPP Luxury 2011). Bertrand Michaud, Hermès regional Managing Director in India however is optimistic that the Indian legislation will with the time relax its import duties (CPP Luxury 2011).

Case Louis Vuitton

Company profile

Louis Vuitton is a French luxury Fashion house that was established in 1854 by Louis Vuitton in Paris. The company has operated individually until 1987 when it became part of LVMH group, a luxury goods conglomerate consisting of the merged brands Louis Vuitton, *Moet et Chandon* and *Hennessy* that are manufacturers of champagne and cognac (LVMH 2017). Since then, LVMH has continued to grow its brand portfolio and was ranked as the most powerful luxury brand with $ 22,431 million revenues in luxury goods sales in 2015 (Deloitte 2017). LVMH does not disclose the break out of the earnings for its brands, but analysts estimate that Louis Vuitton has contributed at least € 8,000 million to the conglomerate's overall revenue in 2017 (White & Denis 2018). The conglomerate has made 10% of its revenues in 2017 in its domestic market France, and 28% and 25% of its revenues in its two most important markets, Asia (excl. Japan) and US, respectively (LVMH 2017). Louis Vuitton's products portfolio includes apparel, leather goods, jewelry, watches, fragrance, shoes, and travel bags. The luxury brand got famous in particular for its leather bags and travel bags that are printed with the pattern of the Louis Vuitton brand logo.

Operations in China

Market commitment

In June 2018, Louis Vuitton holds 41 stores in China that are directly operated by the company (Louis Vuitton 2018). Within the flagship stores, the company follows an exclusive but rather standardized interior design that is in line with the brand image and not adapted to the respective country. Louis Vuitton however invests in his stand alone stores into exclusive and eccentric architecture when building the stores. The high number of flagship stores that is directly operated by Louis Vuitton indicates a rather *high amount of resources committed* in the Chinese market. It can be assumed that the exclusive stand-alone stores in China cannot be transferred to other countries and therefore constitute a high degree of commitment. The stores that are located in Chinese shopping malls however constitute a rather low degree of resource commitment. Therefore, it can be concluded that the *degree of resource commitment* in China is *intermediate*.

Market knowledge

In 1992, Louis Vuitton has entered China and opened its first store in the Peninsula hotel in Beijing (Plummer 2017). Since Louis Vuitton started its operations in China, it follows the model of directly operated stores and today has 41 branches throughout the country. Due to its early entry into China, the company has accumulated knowledge about the foreign country's characteristics for over 26 years. It can therefore be claimed that Louis Vuitton nowadays has a *high level of experiential knowledge* of the Chinese market. Considering that Louis Vuitton not only has many years of experience in China, but also has always operated through directly operated stores in that market, it can further be concluded that the company has also a *high level of market-specific knowledge* about the Chinese market.

Figure 10: Classification of Louis Vuitton's operation mode in China within the establishment chain, self-provided, based on Johanson and Vahlne (2017)

Commitment decisions

In 1992, when Louis Vuitton has entered China, the company has decided to already embed an advanced level of commitment. At that time, the firm's operations in China can be categorized as *"Own sales subsidiaries*" within the establishment chain of the Uppsala model. As Louis Vuitton has until today continued to follow the same business model in the Chinese market, the classification within the establishment chain stays the same (see Figure 10). Within the Uppsala model it is assumed that with the time companies will increase the level of commitment in a foreign market and the next step for Louis Vuitton would therefore to establish own manufacturing workshops in China. The luxury company however does not have any manufacturing hubs in China and no plans about this undertaking are known (White & Denis 2018).

Current activities

Michael Burke, CEO of Louis Vuitton since 2012, sees a positive outlook for the Chinese market (Zhang 2017). He states, that the luxury company has decided to not open new stores in China and instead to embrace the digital transformation of the Chinese luxury consumers and to focus on implementing a digital strategy in the country (Pery 2016). Louis Vuitton thereby wants to facilitate purchases through mobile devices what has become an increasingly popular method for purchasing in China (Pery 2016). Regarding the product range offered in China, Louis Vuitton generally offers its international product selection at all locations, only the quantities stocked are adjusted for the Chinese markets (Fung et al. 2013). Louis Vuitton is following an exclusive pricing strategy in China where products offered in China are more expensive than in Western countries. The luxury firm however has announced to lower its retail prices in China in order to support the Chinese government's efforts to lower costs for luxury goods sold in China (Adegeest 2018).

Operations in India

Market commitment

Today, Louis Vuitton holds 3 stores in India that are operated as a 51:49 Joint Venture with a Indian local partner (Sharma 2011). Similar to China, the company follows an exclusive but rather standardized interior design that is not adapted to the respective market. Different to China, the Indian stores are located only in shopping malls or exclusive hotels and Louis Vuitton doesn't have any stand-alone stores in the country. The low number of stores that is also partly managed through a Joint Venture partner reveals a rather *low amount of resources committed* in the Indian market. As Louis Vuitton doesn't have stand-alone stores in India but only holds shops in already established facilities, the *degree of resources committed* in India can be considered as *low*.

Market knowledge

In 2003, Louis Vuitton has opened its first store in India in the Oberoi Hotel in New Delhi (Voight 2007). According to Yves Carcelle, former chief executive of Louis Vuitton, the company has planned to enter the Indian market after they have entered China in 1992, but leather importation in India was too restricted in that time (Voight 2007). The company has entered India through a Joint Venture and continues this business model until today (Sharma 2011). Within this time, Louis Vuitton has opened three more stores throughout India and in 2010 has closed down the shop in the Oberoi Hotel because most customers have shifted to the Emporio mall in Delhi where the company has opened a larger store in 2008 (Retail Angle 2010). Due to the recent entry into India, the *level of experiential knowledge* in the Indian market can be considered as *low to intermediate*. The long lasting operations through a Joint Venture further indicate a *low to intermediate degree of market-specific knowledge* in India.

Figure 11: Classification of Louis Vuitton's operation mode in India within the establishment chain, self-provided, based on Johanson and Vahlne (2017)

Commitment decisions

Since Louis Vuitton has entered India with a first store in New Delhi, the company has continued to operate through a 51:49 Joint Venture in the country. The luxury firm has decided to select an operation mode with a rather low resource commitment in order to gain experience in India and to overcome high import taxes and lack of infrastructure (Voight 2007). The firm's business model in India today can therefore be classified as *"Operating in a foreign market through a partner"* within the establishment chain of the Uppsala model (see Figure 11). Considering the economic and uncertainty effect that every commitment decision implies, it can be concluded that until now the existing risk in the Indian market was higher than the maximum tolerable risk of Louis Vuitton in order to switch to an operation mode with a higher commitment. This is also confirmed by Damien Vernet, general manager of Louis Vuitton

Middle East and India, who assesses the current conditions of the Indian market as not favorable enough to scale up the 51% stake that the company has today in India (Sharma 2011).

Current activities

Tikka Shatrujit Singh, head representative of LVMH in Asia, sees a positive outlook for the Indian luxury market (Sharma 2011). He refers to the recent relaxation in foreign direct investment rules in single-brand retail in India and expects that the desire for Louis Vuitton and other global luxury brands to invest into India will grow (Sharma 2011). Damien Vernet, general manager of Louis Vuitton Middle East and India further adds that Louis Vuitton is waiting for the conditions in the Indian market to become favorable enough in order to scale up the stake from 51% to 100% in the existing Indian stores (Sharma 2011). Similar to China, Louis Vuitton offers its international product assortment in India (Fung et al. 2013). The luxury firm however also creates collections exclusive to India. Louis Vuitton has for instance successfully launched the *Diwali Collection*, a collaboration with the Indian designer Rajeev Sethi (Ansari 2011). The collection was launched to celebrate *Diwali*, the Hindu festival of lights and aimed to emphasize the connection between Louis Vuitton and the Indian craftmanship (Sunadh 2010). The promotional activities of the luxury firm in India are focused on traditional offline marketing is strategic locations.

Case Armani

Company profile

Armani is an Italian luxury house and was established in year 1975 by Giorgio Armani in Milan. The brand is operating under multiple brand names[3] whereat the brand's Giorgio Armani Prive´ and Giorgio Armani represent the most expensive lines within the Armani portfolio (Martin Roll 2016). Armani was ranked the 21st most powerful luxury brand in terms of sales in 2015 (Deloitte 2017) and made € 2,700 million revenues in year 2016 (Statista 2018c). Italy as the domestic market contributes to 18% of revenues in 2009 and Europe (excl. Italy) represents the most relevant market with 33% of revenue share (Statista 2018b). The Far East region that also

[3] Giorgio Armani Prive, Giorgio Armani, Emporio Armani, Armani Collezioni, AJ Armani Jeans, A/X Armani Exchange, Armani Junior, Armani Teen, Armani Baby, Armani Casa

includes China and India only contributes to 15% of Armani's total revenues in 2009 (Statista 2018b). These numbers are from 2009 and since then Armani that is a privately owned company did not published any updated data. It can be assumed, that the revenue shares might have changed, especially in the Far East region due to the growing markets China and India.

Operations in China

Market commitment

In 2018, Armani has 506 point of sales in China of which 154 are directly operated stores and 352 locations are operated by third-party sellers (Armani 2018; Bonetti 2014; Statista 2018d). Within the flagship stores, Armani implements an exclusive but standardized design concept that is not adapted to the respective country (Berghaus et al. 2018). Even most of the locations of Armani are operated by third-seller parties, the high number of flagship stores indicates a *high amount of resources committed* in the Chinese market. The degree of resource commitment in China can be identified when considering how specific the resources are to this market and how difficult it is for Armani to find an alternative use for them. It can be assumed that the store equipment in the Chinese stores can be transferred to other locations and an alternative usage can be found due to its standardized character. The *degree of resources committed* to China can therefore be considered as rather *low*.

Market knowledge

In 1998, the Armani group has entered China and opened its first Giorgio Armani boutique at the Palace Hotel in Beijing (Vmsd 2004). Since Armani has started its operations in China, it continued to expand its presence in the country and today has 154 self-operated stores. Due to its early entry into China, the luxury brand has accumulated knowledge about the foreign characteristics for over 20 years. It can therefore be claimed that Armani today has a *high level of experiential knowledge* about the Chinese market. Considering that Armani not only has many years of experience in China, but also has always operated through directly operated stores in that market, it can further be concluded that the company has also a *high level of market-specific knowledge* about the Chinese market.

Figure 12: Classification of Armani's operation mode in China within the establishment chain, self-provided, based on Johanson and Vahlne (2017)

Commitment decisions

In 1998, when Armani has entered China through a directly operated boutique, the company has decided to already embed an advanced level of commitment in the market and assessed the existing market risk in China as smaller as the own maximal tolerable risk. At that time, the firm's operations in China can be classified as *"Own sales subsidiaries*" within the establishment chain of the Uppsala model. Besides its own branches, Armani has started to sell its products in China through third-party sellers what can be categorized as *"Operating in a foreign market through an partner"*. Today, Armani holds 154 self-directed stores and has 352 locations that are managed by third-party sellers. The current operations of Armani in China can therefore be classified in both categories, *"Own sales subsidiaries*" and *"Operating in a foreign market through a partner"* within the establishment chain (see Figure 12).

Current activities

Armani is able to offer a major part of its international product collections in China due to big flagship stores that offer much space (WWD 2004). As the luxury firm operates under various brands such as *Emporio Armani* or *Giorgio Armani*, the products offered in these stores are solely from the respective brand. Armani follows in its Chinese stores an exclusive pricing strategy where products are 15% more expensive than in Hong Kong due to import tariffs and luxury taxes (WWD 2004). In 2010, Emporio Armani has launched its e-commerce website in China and was thereby the first of the major luxury brands to embrace the digital business in the country (Lei 2018). Today, the Armani group continues to focus on implementing a strong digital strategy in China and uses social media platforms for its promotion campaigns. This is also in line with the current activities of Armani where the brand has opened its 5th flagship store on Alibaba's Tmall shopping platform in December 2017 (Lei 2018).

Operations in India

Market commitment

Today, Armani has 15 stores in India that are managed through the franchising partner Genesis Luxury (Armani 2018; Sharma 2012). Similar to China, Armani follows an internationally standardized design concept in its Indian stores. The rather low number of stores that is also managed through a local franchisee indicates a *low amount of resources committed* in the Indian market. It can be further assumed that the store equipment in the Indian boutiques can be transferred to other locations and an alternative usage can be found due to its standardized character. The *degree of resources committed* to India can therefore be considered as *low*.

Market knowledge

In 2008, Armani has entered India and opened its first Giorgio Armani store in New Delhi (DNA 2008). The store was managed by a 51:49 Joint Venture agreement between the Armani Group and DLF Brands (Reuters 2008). In 2012, Armani has terminated the Joint Venture agreement and instead signed a franchising deal with Genesis Luxury that is in effect until today (Sharma 2012). Due to its recent entry into India, it can be claimed that Armani today has a rather *low degree of experiential knowledge* about the India market. Considering that Armani has always operated in India through a partner, it can further be concluded that the luxury company has a *low to intermediate market-specific knowledge* about the Indian market.

Figure 13: Classification of Armani's operation mode in India within the establishment chain, self-provided, based on Johanson and Vahlne (2017)

Commitment decisions

When Armani has entered India with its first store in New Delhi, the company has operated through a 51:49 Joint Venture in the country. Armani's operations at that time can be classified as *"Operating in a foreign market through a partner"* within the establishment chain of the

Uppsala model. Since 2012, Armani has terminated the Joint Venture partnership and has instead signed a franchising agreement (Sharma 2012). Thereby, the luxury firm has decreased its level of commitment in the Indian market. The current operations of Armani in India can still be classified in the same category within the establishment chain (see Figure 13).

Current activities

Similar to China, Armani operates under its different brands in the Indian market and offers in its stores the international product collections from the respective brand. When in 2012 Armani has signed a franchising agreement for its operations in India, the luxury firm revealed to expand its retail network in India during the next years by opening new stores (CPP Luxury 2012a). The promotional activities of Armani in India follow a traditional approach with the focus on offline marketing.

Case Gucci

Company profile

Gucci is an Italian luxury fashion house that was established in 1921 by Guccio Gucci in Florence (Kering 2017). The company has operated individually until 1999 when it was acquired by Kering, an international luxury group based in Paris (Kering 2018). Gucci's product portfolio comprises apparel, shoes, leather goods, accessories, watches, eyewear, fragrance, and skincare whereat the luxury brand got worldwide famous in particular for its extravagant haute couture. The Kering group was ranked as the 5th most powerful luxury brand in 2015 (Deloitte 2017) with Gucci contributing € 6,211 million to the overall revenue in 2017 (Kering 2017). Gucci made 30 % of its revenues in 2017 in Western Europe including its home market Italy, and 34% in Asia-Pacific (excl. Japan) representing the most important market for the luxury brand (Kering 2017).

Operations in China

Market commitment

In 2018, Gucci holds 51 stores in China that are directly operated by the company (Gucci 2018). Within the flagship stores, the company has created with the help of Alessandro Michele, creative director at Gucci a new store design that will be rolled out to all stores worldwide

(Ellison 2015). Thereby, Gucci implements an exclusive but rather standardized store design that is not specifically adapted to the respective country. The high number of flagship stores that is directly operated by Gucci indicates a rather *high amount of resources committed* in the Chinese market. It can be assumed that the store design and interior equipment in the Chinese stores can be transferred to other locations and an alternative usage can be found due to its standardized character. Therefore, it can be concluded that the *degree of resource commitment* of Gucci in China is rather *low*.

Market knowledge

In 1997, Gucci has entered China and opened its first two stores in Beijing and Shanghai (CPP Luxury 2012b). Since Gucci has started its business in mainland China, it follows the model of directly operated stores and today has 51 establishments throughout the country. Due to its early entry into China, the company has accumulated knowledge about the foreign country's characteristics for over 21 years so far. It can therefore be argued that Gucci has a *high degree of experiential knowledge* in the Chinese market. Considering that Gucci has always operated in China through directly operated stores, it can further be concluded that the luxury company has also a *high level of market-specific knowledge* about the Chinese market.

Figure 14: Classification of Gucci's operation mode in China within the establishment chain, self-provided, based on Johanson and Vahlne (2017)

Commitment decisions

In 1997, when Gucci has entered China, the luxury company has decided to already embed an advanced degree of commitment to the market. At that time, the firm's operations in China can be categorized as *"Own sales subsidiaries*" within the establishment chain of the Uppsala model. As Gucci has until today continued to follow the same operation mode in China, the classification within the establishment chain stays the same (see Figure 14). Within the Uppsala model it is assumed that with the time companies will increase the level of commitment in a

foreign market and the next step for Gucci would be therefore to establish own manufacturing ateliers in China. The company however claims it generally only produces in Italy and no plans about the opening of manufacturing facilities in China are known (Clean Clothes 2014).

Current activities

Jean-Francois Palus, the group managing director of Kering, sees a positive outlook for the Chinese market (Agnew 2017). He reveals that Gucci will focus on implementing a digital strategy in China so that the brand becomes less product-centric and instead more customer-centric (Agnew 2017). This plan is also in line with the current activities of the luxury brand where Gucci invests into the Chinese e-commerce market and has in 2017 for the first time launched a collection on its official WeChat account (Deng 2017; Agnew 2017). The luxury firm thereby gives its Chinese consumers access to Gucci's full range of fashion, handbags, accessories, and jewelry (Rapp 2017). Gucci follows an exclusive pricing strategy in the Chinese market where prices are higher than in Western countries. The Italian luxury firm however revealed it will soon decrease its prices by an average of 5 percent in the market's direct-to-consumer retail stores after the Chinese government has recently relaxed import duties (Pan 2018).

Operations in India

Market commitment

In June 2018, Gucci holds 4 stores in India that are operated through a 51:49 Joint Venture with the holding company of Reena and Ashok Wadhwa (Kering 2009). Similar to China, Gucci implements a rather standardized store concept that is not specifically adapted to India. The low number of stores that is also partly managed through a Joint Venture partner reveals a rather *low amount of resources committed* in the Indian market. As in China, it can be assumed that the store design and interior equipment in the Indian stores can be transferred to other locations and an alternative usage can be found due to its standardized character. Therefore, it can be concluded that the *degree of resource commitment* of Gucci in India is *low*.

Market knowledge

In 2007, Gucci has entered India through a partnership with franchisee Murjani (Kering 2009). Two years later, in 2009, Gucci has terminated the franchising relationship and instead has signed a Joint Venture agreement with the holding company Reena and Ashok Wadhwa for which Gucci holds a 51% controlling stake until today (Kering 2009). Gucci has operated in its first two years in India through a franchising agreement and in the meantime has accumulated insights about the market. After the luxury firm has gained enough knowledge, Gucci has replaced its franchising agreements with a Joint venture where the firm could have more decision power. Due to its recent entry into India, the *level of experiential* knowledge can be considered as *low to intermediate*. Due to the transformation from franchising to a Joint Venture partnership, the *market-specific knowledge* of Gucci in India can be classified as *intermediate*.

Figure 15: Classification of Gucci's operation mode in India within the establishment chain, self-provided, based on Johanson and Vahlne (2017)

Commitment decisions

In 2007, when Gucci has entered India through a franchising partnership, the company has decided to embed a low degree of commitment in the market. At that time, the firm's operations in India can be classified as *"Operating in a foreign market through a partner"* within the establishment chain of the Uppsala model. When in 2009 Gucci has terminated the franchising agreements and instead decided to operate in India through a Joint Venture it has developed a higher commitment to the Indian market. The current operations of Gucci in India can still be classified in the same category within the establishment chain (see Figure 15). In 2009, Gucci has gained enough experience in the Indian market and the existing risk of switching to a JV agreement was considered as smaller than the maximum tolerable risk of the firm.

Current activities

In its financial documents 2017, Kering evaluates India as the key to the growth in the global luxury market and thereby sees a positive outlook for its operations in the country (Kering 2017). Pinault, chairman and chief executive of Kering, states that Gucci wants to become more established in the Indian market and will now selectively open new stores instead of focusing on acquisitions (Reuters 2018). The luxury firm offers in its big Indian stores like Mumbai the full product collection, in its smaller stores a limited selection due to the lack of space (Indian Retailer 2008). Gucci follows a traditional promotion approach in India with the focus on offline marketing. Regarding the pricing policy, Gucci includes all expenses and tax duties it faces in India so that the prices are high compared to Western countries (Haseeb 2016).

Cross Case Analysis

In total, the analysis includes five case brands: Burberry, Hermès, Louis Vuitton, Armani, and Gucci. In the following, a cross-case analysis will be executed for the brand's operations in China and India. For this purpose, the findings for China and India will be individually summarized for the case brands. This step is necessary in order to extract the patterns of the brands' operations in the respective markets. Afterwards, China and India will be compared in order to identify the significant differences between the brand's operations in both markets.

China

Market commitment

With regards to the resources committed to the Chinese market, all luxury brands today have a *high amount of resources committed* in China. This is mainly due to the high number of stores in the country that are self-operated by the luxury brands. Even the companies are similar in terms of the amount of resources they commit in China, they differ in regards of the *degree of commitment.* Burberry is the only brand committing a high degree of commitment due to its country-specific service model that trains staff in order to meet the service standards of Chinese luxury shoppers. Louis Vuitton commits an intermediate degree of resources in China due to the mix of exclusive stand-alone stores that are built specifically for China and standardized stores that are located in shopping malls. Hermès, Armani, and Gucci finally show a low degree

of resource commitment in the country. This is mainly due the standardized store design concepts the brands follow in China.

Market knowledge

All of the selected case brands were identified to have a high *level of experiential knowledge*. The luxury brands have entered the Chinese market in the 1990's and until now have 20 – 28 years[4] of experience in the country. Due to the long lasting operations in the China, all brands have been able to develop a high level of experiential knowledge. Four of the five case brands further have developed a high *degree of market-specific knowledge* due to their long lasting direct operation modes in China. Hermès, Louis Vuitton, Armani and Gucci have all entered China through self-operated stores. Burberry however was the only brand entering China through a franchising partnership due to a lack of experience in that country. As the luxury brand has been able to gain experience with self-operated stores since 2010, Burberry has an intermediate level of market-specific knowledge.

Commitment decisions

The operations of Burberry, Hermès, Louis Vuitton and Gucci in China can today be classified as *"Own sales subsidiaries"* within the establishment chain of the Uppsala model. Armani is the only case brand who's current operations in China can be classified in two categories, namely *"Operating in a foreign market through a partner"* and *"Own sales subsidiaries"*. Hermès, Louis Vuitton and Gucci have since they entered into China stayed within the same category and commit since then a high level of commitment in the market according to the Uppsala model. Burberry has started its business in China trough a franchising agreement and has thereby decided to firstly embed a low level of commitment to the market. After twenty years in the country, the luxury firm switched in 2010 to entirely self-operated stores until today. The case of Burberry is in line with the Uppsala model that assumes that companies initially operate in a foreign market with a low commitment mode and with increased knowledge and experience gradually increase their commitment what will be reflected in the transition to other operation modes.

[4] Number of years of operations in China: Burberry 28, Hermes 22, Louis Vuitton 26, Armani 20, Gucci 21

Current activities

All of the selected case brands consider China as a strategic market and see a positive outlook for their operations in the country. This is mostly confirmed by official statements of the brand representatives, and is reflected in the luxury firm's efforts within the marketing mix framework. All of the brands have either recently launched an own Chinese e-commerce website or/and used WeChat as a complement to their physical stores. Furthermore, WeChat has been increasingly used as a means of advertising in China. This approach exemplifies that all case brands have already embraced the digital business in China and plan to further implement a strong digital strategy in the country. The luxury brands further show similar patterns in their product strategy in China as all of them offer their full range of international collection in the country. Only Hermès gives its local store managers the autonomy to select the product assortment in a particular store. In regards to the pricing strategy in China, all luxury firms follow an exclusive pricing strategy where prices are higher than in Western countries. The major reason for this policy are high import tariffs that the luxury brands include into their price calculations. Hermès, Louis Vuitton, and Gucci have however announced to soon reduce their prices for different reasons. Hermès wants to maintain a solid consumption in China, Louis Vuitton intends to support the Chinese government's effort to lower prices for luxury goods, and Gucci will decrease its prices as a reaction to the Chinese government's recent relaxation of import duties.

India

Market commitment

With regards to the resources committed to the Indian market, the case brands today have a *low to intermediate amount of resources committed* in India. This is mainly due to the low number of stores the luxury firms have in India and to the low-commitment operation mode in the country. Hermès, Louis Vuitton, and Gucci today operate in India through Joint Ventures and have 3, 3, and 4 stores respectively in the country, showing a low amount of resources committed. Armani has with 14 stores the highest number of point of sales in India between the case brands. The luxury firm however operates in the country through a franchising partnership what is a low-commitment operation mode compared to a JV. Armani therefore shows a low amount of resources committed to the Indian market. Burberry today has 7 stores in India and

is the only case brand with an intermediate amount of resources committed in the market. This is due to Burberry's more direct operation mode in India where the luxury firm has formed an own company that is connected to a local entity in order to operate more directly in the market. The case brands are not only similar in terms of the amount of resource commitment, they also show similar patterns in the *degree of resource commitment*. Hermès, Louis Vuitton, Armani, and Gucci show a low degree of commitment due to standardized store concepts or the absence of stand-alone stores that would imply a higher commitment than stores in shopping malls. Burberry is the only case brand showing an intermediate to high degree of resource commitment due to the company-wide service model that is adapted to the Indian market.

Market knowledge

All of the selected case brands were identified to have a *low* or *low to intermediate level of experiential knowledge*. The luxury brands have entered the Indian market in the 2000's and until now have only 10 – 15 years of experience in India[5]. Due to the more recent entry and only few years of experience in India, all brands have been able to develop a solid but limited experiential knowledge. In regards to the knowledge specific to the Indian market, the five case brands show on average an *intermediate degree of market-specific knowledge*. This is due to operation modes such as franchising or Joint Ventures that don't enable foreign firms to gain as much market-specific knowledge as with direct operated stores.

Commitment decisions

The operations of Hermès, Louis Vuitton, Armani, and Gucci in India can today be classified as *"Operating in a foreign market through a partner"* within the establishment chain of the Uppsala model. Only Burberry operates differently, namely as *"Own company with a local entity",* an operation mode that is between *"Operating in a foreign market through a partner"* and *"Own sales subsidiaries".* Hermès and Louis Vuitton have always operated in India through a Joint Venture and show thereby an intermediate level of commitment in the market. Burberry and Gucci have changed their operation mode in India in the way that today, they have a higher commitment in the Indian market than at the beginning of their operations. This

[5] Number of years of operations in India: Burberry 12, Hermes 10, Louis Vuitton 15, Armani 10, Gucci 11

is in line with the Uppsala model that assumes companies to continuously increase their resource commitment in a foreign country. Armani on the other hand , shows a transition of operation mode contrary to the Uppsala framework. The luxury brand has first entered India through a Joint Venture with a 51% stake and has later changed to franchising partnerships. Armani has thereby decreased its level of commitment in India.

Current activities

All of the selected case brands expect India to become a strategic market and see a positive outlook for their operations in the country. This is confirmed by statements given by brand representatives in interviews or by official publications of brand documents. All of the luxury firms generally offer the international brand collection in India. Hermès and Louis Vuitton have however also launched collections exclusively for the Indian market. All of the case brands follow an exclusive pricing strategy in India. Hermès and Gucci have further stated that their prices in India are higher than abroad due to high import duties and taxes imposed by the Indian legislation. Within the marketing mix framework, the luxury firms show similar patterns in regards to the development of providing customer access in India. Armani and Hermès plan to expand their retail network by opening new stores in India. Gucci further emphasizes the importance to selectively open new stores in order to improve the brand's performance instead of focusing on acquisitions. Louis Vuitton on the other hand, waits for the conditions in the Indian market to become favorable enough in order to scale up the company's stake from 51% to 100% in the existing Indian stores. All of the case brands rather focus on traditional offline marketing in order to reach the Indian luxury purchasers.

Operations in China versus India

In the following, the luxury brands' operations in China and India will be directly compared in order to identify the noticeable differences between the brand's operations in both markets. The interview with Christina Fabritius Eskebaek is used throughout the section. Her valuable input and statements are used as reference and as triangulations to confirm some findings in this section, and to support the executed analysis as a whole.

Market commitment

The selected case brands clearly differ in terms of market commitment in the Chinese and Indian market. In China, the luxury firms show a high amount of resources committed, whereas in India only a low to intermediate *amount of resource commitment* can be observed. This is based on the differences in the number of stores and operation mode the luxury brands adopt in the markets. It is hereby noticeable, that all firms possess multiple times more stores in China than in India[6]. In the case of India, the infrastructure in the country was identified to be a challenge for luxury brands to open stores outside 1st-tier cities such as Mumbai, Delhi or Bangalore (Interview 1 Appendix B). In some 2nd-tier cities in India even basic roads are not necessary given what makes it difficult for luxury brands to relocate there (Interview 1 Appendix B).

The luxury firms further differ in their business strategy in the way that today they operate in China in a more direct operation set-up while in India they are mostly present through Joint Ventures and franchising that represent low-commitment operation modes. In regards to the *degree of resource commitment*, the case brands consistently show a low degree of resources committed to the Indian market. In China, no specific pattern has been identified as the luxury firms differ in terms of degree of resource commitment in the country.

Market knowledge

In regards to the Market knowledge the luxury firms have in China and India, clear differences have been identified between both markets. In China, most of the luxury brands have been able to develop a high level of *experiential knowledge*, whereas in India only a low or low to intermediate level of experiential knowledge has been observed. The consistently higher experiential knowledge in China is based on the fact that the luxury brands have entered the country in the 1990's and thereby have been able to gain at least 10 years more of experience in this market than in India.

[6] Number of POS in China vs. India in 2018: Burberry 58:7; Hermes 24:3; Louis Vuitton 41:3; Armani 506:15; Gucci 51:4

The *market-specific knowledge* of the luxury brands further shows differences between both markets. Due to the more direct operation modes in China, most of the case brands have been able to accumulate a high degree of market-specific knowledge. In India on the other hand, only an intermediate degree of knowledge specific to the Indian market has been identified. In regards to the more direct operation modes in China, Christina Fabritius Eskebaek explains that in the end of the 1990's global luxury brands where faced with many fake products in China (Interview 1 Appendix B). It became clear they will need to either tightly control their licensing partners or to increase their ownership stake by changing to more direct operation set-up's in the country (Interview 1 Appendix B). At this point it was realized that China would become a growth market and taking control to protect the brand equity is a necessary step (Interview 1 Appendix B).

Commitment decisions

The luxury firms' operation mode in China and India today differs in regards to the commitment it implies to the market. In China, most of the firms can be classified as *"Own sales subsidiaries"* within the establishment chain of the Uppsala model. In India, *"Operating in a foreign market through a partner"* is the prevalent operation mode and implies a lower resource commitment compared to own sales subsidiaries. In regards to the more recent entry of the luxury brands into India, it is common that luxury firms entering a new country start with low-commitment operation modes (Interview 1 Appendix B). On the other side, the regulations in India have in the past allowed foreign firms to only have a low ownership stake in the country (Interview 1 Appendix B). According to the Uppsala model, firms continuously increase their resource commitment in a foreign market. In China, only Burberry has developed its business in line with the Uppsala model. In India, Burberry and Gucci have followed this approach and changed their operation mode to a more advanced commitment level.

Current activities

In regards to the Marketing Mix of the luxury brands in China and India, differences and similarities can be observed between both markets. The selected case brands see in general a positive outlook for both markets, even for different reasons. In China, the brands expect the demand in the luxury market to increase due to the decrease of prices as a consequence of the

Chinese government's relaxation of import duties in the country. In India on the other hand, the luxury firms hope the Indian legislation to soon allow a higher FDI stake in the country and additionally expect the Indian luxury market to grow due to many institutions forecasting this trend.

In regards to the *product* strategy of the case brands, both in China and India the full international collections are offered in the stores. In India however, Hermès and Louis Vuitton have additionally offered collections exclusively for the Indian market, showing at least a tendency towards a more local orientation in India than in China. Christina Fabritius Eskebaek comments hereby that India has a great sense of pride in their own cultural identity, but global brands will still focus on keeping a global brand identity (Interview 1 Appendix B). In both markets, the brands follow an exclusive *pricing* strategy where prices are higher than in Western countries due to import tariffs and taxes imposed by the respective governments. In China however, some of the case brands plan to soon reduce their prices in the market.

Within the marketing mix framework, the elements *place* and *promotion* differ the most between the luxury brands' operations in China and India. In China, the luxury brands have embraced the digital business in the country by implementing a strong digital strategy. WeChat and recently launched e-commerce websites for the Chinese market represent a complement to physical stores and thereby increase customer access in the country. WeChat has further been increasingly used as a platform for promotion in China. Christina Fabritius Eskebaek confirms the importance of WeChat as the platform is one of the most-used social platforms in China and it is an important tool because it helps to serve the customers better (Interview 1 Appendix B). In India on the other side, the case brands focus on expanding their retail network through physical stores and use offline Marketing in strategic locations instead of online Marketing on social media platforms.

Discussion

The following chapter is going to discuss the findings that were made throughout the analysis. This thesis examines the differences between the operations of luxury brands in China and India. In order to answer the research question, the focus in the following discussion will be given to the identified distinctive patterns in regards to the market presence, market knowledge, development of operation modes, and marketing mix the case brands adopt in China and India. Figure 16 illustrates the structure of this chapter. Afterwards, the implications of the findings will be discussed.

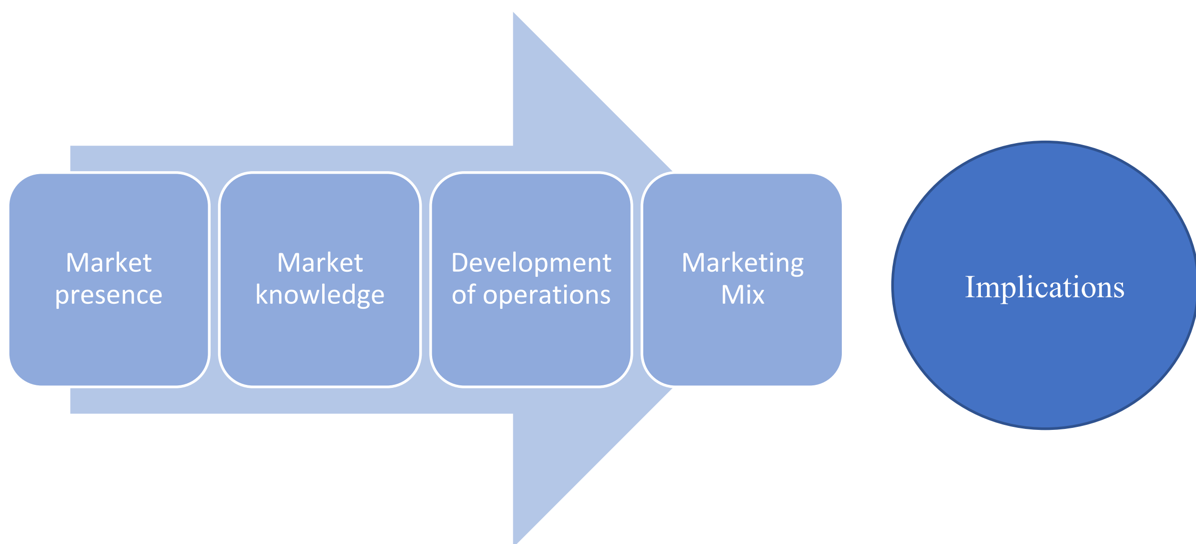

Figure 16: Discussion overview, self-provided

Market presence

The market presence that the case brands today hold in China and India differs highly between both markets. It was identified that the luxury brands have multiple times more stores in China than in India. Furthermore, in China the stores are usually spread throughout the country covering most provinces, as well as 1st and 2nd-tier cities. In India on the other side, only the biggest metropoles such as New Delhi, Mumbai or Bangalore are covered. The first factor that has influenced the difference in number of stores is the time of operation. All brands have entered China at least 10 years earlier than they did in India. As it takes time and resources to set up stores it is naturally that today there are less stores located in India. The second factor that has been identified within the analysis and was emphasized in the interview with Burberry,

is the lack of infrastructure in India. The first reason why luxury brands in India have difficulties to expand to 2nd-tier cities is the fact that proper streets in this cities are not necessarily given. This represents problems in the supply and delivery systems of the luxury brands. The second reason implies that luxury brands usually have specific criteria how to position themselves (Interview 1 Appendix B). The location selection outside the metropolis has until now been difficult as 2nd-tier cities usually don't have a natural location for luxury firms to cluster (Interview 1 Appendix B). Christina Fabritius Eskebaek calls the infrastructure besides the general development of the Indian economy as a crucial factor that could make India as a market as strategic as China (Interview 1 Appendix B).

Market knowledge

The examined case brands were identified to show differences in regards to the market knowledge specific to China and India. Today, the luxury firms hold a higher knowledge about the Chinese market compared to the Indian market. This is firstly due to the longer operations in China caused by the early entry into the country. Another factor that has influenced the higher level of knowledge is the operation mode the firms were adopting throughout their presence in the respective country.

In China most of the case brands have entered the country with a high-commitment operation mode or have with the time switched to a high commitment operation mode. In India on the other side, the case brands have until now only been involved in licensing or franchising agreements in the country. There are several factors that have to some extent shaped the identified differences.

In China, there are mainly two factors that have influenced the more-direct operation set-up compared to India. Firstly, the Chinese legislation has for a long time permitted foreign firms to enter the country through wholly owned subsidiaries only when advanced technology was transferred or if the majority of the products was exported (Long 2005). Since China has joined the WTO in 2001, the country has removed major restrictions so that wholly-owned subsidiaries have become the most popular operation mode for foreign firms (Long 2005). The second factor that has influenced luxury brands to a probably large extent was the growing number of fake products in China. In the late 1990's, luxury brands have been increasingly faced with fake

products in the country (Interview 1 Appendix B). It has become clear to them that it will be necessary to maintain their brand equity and that licensing models would need to be tightly controlled (Interview 1 Appendix B). As a consequence, many luxury brands have decided to switch to a more direct operation mode in the country in order to keep control over their brand.

In India on the other side, the restrictions by the legislation required foreign firms to choose a low-commitment operation mode in the country. Different sectors in India underlie different FDI rules. The relevant sector for luxury brands hereby to consider is single brand retail trading (SBRT). In this sector, foreign firms where until 2017 only allowed to have a 49% stake under automatic route and FDI with a stake between 50-100% was only possible through governmental approval (Kumar Gunjan 2018; Ministry of Commerce and Industry 2016). The Union Cabinet has recently announced that it has given approval for foreign firms to make investments with a 100% stake under automatic route for SBRT in order to facilitate investments (Ministry of Commerce and Industry 2018). This recent change in legislation will make it possible for the case brands to soon switch to a high-commitment operation mode and allows other luxury firms to directly enter the country through wholly-owned subsidiaries. This is in line with Chang et al (2013) who found out that WOS outperform JV in industries that are characterized by high levels of intangible resources like the luxury industry where brand equity represents a crucial resource (Liu et al. 2016).

Development of operation modes

In order to examine the development of the case brand's operations in China and India, the establishment chain within the Uppsala model was used as a means of categorization. Thereby, focus was given to identify if there was a transition of operation mode since the case brands entered a particular market until today. It was identified that in China, only Burberry has developed its business in line with the Uppsala model. In India, Burberry and Gucci have followed this approach and changed their operation mode to a more advanced commitment level.

In the previous section, the differences in operation modes between China and India were already discussed and possible reasons specified. According to the Uppsala model, firms continuously increase their resource commitment in a foreign market. In regards to the operation mode in India, it can be expected that the case brands will in the future consecutively switch to the more advanced level *"Own sales subsidiaries"* within the establishment chain of the Uppsala model. In the case of China it is however questionable if the case brands will develop to the next stage within the establishment chain what would be *"Local manufacturing"*. The examined case brands emphasize on their websites or official documents that their products are either entirely produced in the domestic market or in other highly skilled manufacturing countries such as Portugal or Spain. The craftsmanship and traditions in manufacturing regarding the country of origin are hereby usually used as distinctiveness factors to justify the exclusivity of the luxury brands. The importance of the place of manufacturing is also emphasized by Häubl and Elrod (1999) who observed that the qualitative perception of a product gets more positive when the unity between brand and the country of production is recognized (Häubl & Elrod 1999). Aiello et al. (2009) further add that the perceived place of origin is more than a geographical variable. The perceived place of origin also *"contributes to the shaping of the brand personality"* (Aiello et al. 2009). In reflecting the usability of the establishment chain as a means of categorization, it can be argued that the final step *"Local manufacturing"* is not as applicable to luxury brands as to firms operating in other industries.

Marketing Mix

Within the marketing mix framework, the case brands adopt similar strategies within the variables *product* and *price* in China and India. Different to China, some of the case brands have in the past created collections exclusive to the Indian market additionally to the international collection. It can be observed, that India has a great sense of pride in its own cultural heritage (Interview 1 Appendix B) and at least Hermès and Louis Vuitton have tried to meet this needs by offering local collections. The observed tendency to adaptation in India is in line with Eng and Bogaert's (2010) observation that luxury brands who integrate cultural factors in India are more likely to satisfy luxury purchasers in the country. Godey et al. (2013) who studied the perception of luxury from six different countries identified "exclusivity" and "prestige" as characteristics that were common to all countries. Christina Fabritius Eskebaek further adds that international luxury brands don't have the choice whether to adapt to local

needs as they live from their global brand image (Interview 1 Appendix B). It can therefore be concluded that global luxury brands will continue to offer their international collections independent of the market and only slight adaptations to local preferences like in the case of India will be made.

In regards to the *price* policy the case brands adopt in China and India, no noticeable differences were identified. In both countries prices are higher than in Western countries as they absorb the import duties and taxes imposed by the respective governments. Due to recent relaxation of import duties by the Chinese legislation, some of the case brands however plan to soon reduce their prices in the market. Due to the reduction in prices, the demand in China is expected to rise and people who have until now purchased their luxury products in other countries are expected to partly switch to their home market.

In the past, Chinese customers have preferred to buy luxury brands abroad mainly due to three reasons. Firstly, the tariffs and import duties imposed by the Chinese legislations have boosted the prices for luxury in China to considerably higher levels than in Western countries (Interview 1 Appendix B). Secondly, Chinese purchasers have for a long time not trusted their home market because of the high exposure of fake products in the country (Interview 1 Appendix B). Lastly, Chinese customers had the perception that the widest product range was offered abroad what has driven them to instead make purchases abroad (Interview 1 Appendix B). With continuously new store openings in China throughout the last years, more Chinese got access to flagship stores in their country and could be convinced that in their country they can buy the same international collection like abroad (Interview 1 Appendix B).

In regards to the variable *place*, the examined case brands differ in the way they plan to increase customer access in China and India. In China, the brands focus on expanding their online retail network instead of opening new stores in the country. Most of the case brands have launched an e-commerce website exclusive for the Chinese market and introduced the function on WeChat that allows to make instant orders. In India on the other side, no specific focus towards a digital strategy could be observed. As already outlined before, the case brands only have few stores in India that are mostly located in 1st-tier cities. Different to China, the case brands seem to rather plan to expand their presence by opening new stores in the country.

In examining the *promotional* activities the case brands adopt in China and India, clear patterns could be observed. In China, the case brands mostly adopt an omni-channel approach where focus is especially given to online marketing. WeChat seems hereby to be the pre-dominant promotional channel to reach luxury shoppers in the country. In India on the other side, the case brands mostly use offline marketing in strategic locations as a means of promotion.

In regards to the market presence, market knowledge, development of operation modes and marketing mix the case brands adopt in China and India, clear differences between both markets have been identified. It is however questionable how luxury firms' strategies within each market need to be adapted in order to meet regional needs. China and India are countries with a large size and population. Even China shows a cultural, geographical, and linguistic diversity, the country's population is however considered as widely homogenous.

India on the other side is known to be a more fragmented country. Differences in language, culture, infrastructure, and wealth make the states in India heterogenous and difficult for multinational firms to operate in (Singh 2017). For international luxury firms that want to expand to locations outside the metropolis regions it appears a time-and cost-intensive process to create strategies for each state in India. The luxury firms could however as exemplified by Singh (2017) make a kind of selection of states they first want to expand to. This approach could help to determine which states are currently most worth to expand to and could help to better allocate a firm's resources. Luxury firms could for instance combine this prioritization approach with company-specific considerations such as demographic or infrastructure variables in order to create a suitable India strategy.

Implications

The findings of the underlying research and discussion were identified to have a threefold implication. They concretely can contribute in the following areas:

(I)

The findings can firstly impact *luxury brands that plan to enter into China and/or India*. This thesis has examined the operations of the most successful luxury brands in order to find out their specific patterns in China and India.

The findings could be applicable for luxury brands that are currently only present in the Chinese market and want to expand to India. If Prada and Chloé would plan to establish their business in India, the findings could help them to adjust their India strategy. They could consider to not only offer their international collection in the country, but occasionally also create collections exclusively to the Indian market. They could further become aware of that in India a traditional offline promotional strategy might be more appropriate than a digital marketing approach. In regards to the mode of entry, they could enter the country through a franchising or JV agreement and with increased experience change into wholly owned subsidiaries what has recently been allowed.

Luxury brands who plan to enter China can use the findings as a guideline for their operations in the country. They could use the insights about the experiences the case brands have made in China in regards to the severe fake products problem and consider this information when selecting an entry mode in the country. Here, a direct operation mode can be recommended where luxury firms have full control about their brand equity. Furthermore, they could similar to the case brands follow a digital strategy and launch e-commerce and WeChat stores as a complement to physical stores in order to meet the Chinese luxury shoppers' needs.

For luxury firms that plan to enter into both, China and India, the findings of this thesis can provide the considerable differences and insights about both markets and can lay the foundation for an expansion plan. Especially the selection of the cities and regions where to establish their business is of particular interest for luxury brands entering both markets. Firstly, the cities where the case brands are present can give an indication where to open stores. Secondly, the disparity in GDP and in infrastructure within China and India that was outlined in the literature

review, plays an important role for the selection of suitable locations. In China, a cluster approach as exemplified by Atsmon and Magni (2012) can be recommended. In this case, luxury firms could focus on opening stores in the most wealthy metropolis and provinces covering 1st and 2nd tier cities. In India, due to the bad infrastructure conditions especially in the 2nd tier cities, a hub-and-spoke approach could be appropriate where a central hub located in a strategic place would be connected to 1st and 2nd tier cities and thereby fewer routes would be required.

(II)

The findings can further impact *luxury brands that already operate in China and India* as the case brands do. In China, most of the case brands have announced to soon reduce their price level in the country. This information can be important for other luxury brands that might decide to adapt their prices in order to compete in the competitive luxury market.

In India, the case brands could become more aware about the infrastructure problem that luxury firms generally face in the country. As already outlined, luxury firms usually position themselves at locations where other luxury firms are already present. As a consequence, luxury firms that operate in India could firstly use the prioritization approach suggested by Singh (2017) and secondly collaborate with other luxury brands in order to create an expansion plan. This could benefit luxury brands as they would have certainty about which location will be worthwhile to enter and decision cost could be split between the parties.

(III)

The findings have lastly an implication for the research as they contribute insights to a so far widely undiscovered research field. Firstly, the findings include patterns of luxury brands' operations in emerging markets that until now have not been analyzed in this way. Secondly, this thesis contributes to the research about internationalization. With the usage of the Uppsala model it was identified that this framework is not completely applicable for luxury brands, especially for luxury brands operating in emerging markets. Until now, no internationalization framework that completely suits the patterns of luxury brands seem to exist.

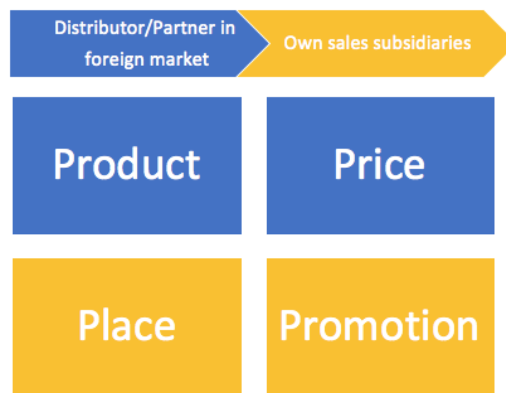

Figure 17: Proposed framework for international luxury firms entering an emerging market

Figure 17 illustrates a model that considering the findings could be appropriate for luxury firms entering an emerging market. According to that, for luxury firms, only *"Operating in a foreign market through a partner"* and *"Own sales subsidiaries"* are appropriate operation /entry modes in an emerging market. When a firm firstly enters an emerging market through a JV or franchising it can gain experience and knowledge about the market. Afterwards the emphasis should lie on increasing the commitment in the country by switching to *"Own sales subsidiaries"*. This operation mode ensures a high control over the *brand equity* that was identified to be crucial for luxury firms operating in emerging markets. The establishing of manufacturing facilities in an emerging market is within this model not considered as desirable as international luxury firms could lose brand equity when focusing on cost efficiency aspects (Liu et al. 2016).

The 4P model should after selecting the operation mode be the second central aspect. Here, a focus lies on the variables *"place"* and *"promotion"* that were identified to highly differ between China and India. The findings and the proposed framework lay the foundations to develop internationalization frameworks specific for the luxury industry.

Limitations

This Master thesis was limited in regards to the scope as it is not possible to cover and elaborate on all possible aspects related to the thesis topic. The scope has been outlined in the chapter *Thesis Delimitation*. As it is the case for most researches, also this research was not executed

under perfect conditions. This has led to certain limitations of the underlying research what will be outlined below.

Even it is not a new phenomenon that luxury brands operate in emerging markets itself, due to the limited availability of public information and the thesis' focus on China and India, the sample size was limited to 5 cases. The case brands were analyzed thoroughly in order to answer the underlying research question. Even the sample size appears to be small, it depicts a good representation of international luxury brands. The range of case brands was selected with the help of reasonable criterions that are outlined in the chapter *Data Collection and Analysis*. Due to the small sample size, it is possible that the findings do not represent the complete truth. They do however provide valuable insights about the different patterns of luxury brands' operations in China and India.

Furthermore, the 4P framework has been used within the Uppsala model under the section "Current activities" to identify marketing mix patterns of the case brands. The focus of this thesis was given to identify the major differences between luxury brands' operations in China and India with the marketing mix as a part of it. In general, the rather broad character of the 4P framework could have made the analysis of the marketing mix more in-depth. The way the 4P framework was used in this thesis has however provide valuable insights about the general differences of the marketing mix the case brands adopt in China and India.

Finally, even being aware of a possible researcher bias and continuously focusing to prevent it, it cannot be certainly said that there is no lack of researcher bias in this thesis. As already outlined in the methodology chapter, the underlying research follows an interpretivist research philosophy that implies that the research is to some extent influenced by personal interpretations of the researcher. In order to avoid any form of misinterpretation, the data was triangulated by using primary and secondary data and combining various sources. This approach has minimized the risk to misinterpret the findings.

Future Research

This master thesis uses a case study approach in order to generalize the findings and make them applicable for other luxury brands. A purposeful selection of case brands has helped to gain valuable insights about the operations of international luxury brands in China and India what helped to increase the generalizability of the underlying research's findings. For future research, a more broad and in-depth analysis can be recommendable. In order to further increase the validity and representativeness of the findings, a larger sample of case brands could be analyzed. Furthermore, the case brands could be analyzed in more depth regarding the identified differences between the case brands' operations in China and India. A further aspect worth to investigate could be other emerging markets that can be included into the analysis. This could for instance reveal some specific pattern for luxury brands' operations in emerging markets that are located in Asia or in South America. Even the underlying research includes primary data and it is difficult to get interviews in the competitive luxury industry, future research could however try to collect more primary data. Lastly, future research could try to create a model specific for luxury brands that internationalize in emerging markets.

Conclusion

The focus of this thesis has been to identify the differences of international luxury brands' operations in China and India. The research question concretely was:

What are the differences of international luxury brands' operations in China and India in terms of market presence, market knowledge, development of operation modes and marketing mix?

In order to identify the differences in the areas of interest, the Uppsala internationalization model was used. Within the framework, the individual elements, namely *market commitment*, *market knowledge*, *commitment decisions*, and *current activities* were used to identify the luxury brand's differences in regards to their market presence, market knowledge, development of operation modes, and marketing mix in China and India. The 4P model was adopted within

the element *current activities* to investigate the differences in marketing mix between both markets.

In regards to the analyzed areas of the luxury brands' operations in China and India, following differences have been identified.

The case brands have been identified to show various differences in regards to the *market presence* they have in China and India. All case brands have entered China earlier than India showing at least 10 years more experience in the market compared to India. They further hold multiple stores more in China than in India. Lastly, the stores in China are spread throughout the country whereas in India only stores in big metropolis are launched.

In regards to the *market knowledge*, the case brands were identified to have accumulated a higher degree of knowledge about the Chinese than the Indian market.

The examined case brands further show differences in the *development* of their *operation modes* in both markets. In China, the case brands have either already entered the market through a high-commitment operation mode or with the time changed to wholly owned subsidiaries. In India on the other side, the firms have entered the country with low-commitment operation modes such as JV or franchising and continue this approach until today.

In regards to the marketing mix, the variables *product* and *place* were identified to have minor differences. In both markets, the case brands adopt an exclusive pricing strategy. In China however, most of them have announced to soon reduce their price level. In both markets, the case brands in general offer the full range of international collection. Due to collections that were exclusively created for the Indian market by some case brands, a tendency towards more adaptation in the Indian market has been observed. In regards to the variable *place*, the case brands follow different plans to increase customer access in both markets. In China, the focus lies on expanding the online retail network instead of opening new stores in the country. In India on the other side, most of the brands plan to increase their market presence with opening new stores in the country. Lastly, the *promotional* activities differ in the way that in China a

focus is made on digital marketing whereas in India the case brands rather adopt offline marketing in a traditional way.

Based on the findings and the discussion of the findings, valuable implications have been made. Luxury brands that want to enter China and India or those already present in one of the markets and plan to expand into the other market can use the findings as a guideline for their internationalization strategy. Luxury brands that already operate in both markets can use the findings to reflect their business and can further utilize the identified patterns to overcome common challenges in a particular market. Lastly, the findings based on this research challenge the status quo of existing internationalization theories and can have an impact on the development of new models. Hereby, the proposed model for luxury firms that operate in emerging markets can lay the foundation for future research in internationalization theories.

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Appendix

Appendix A: Findings Table

	China	India
Burberry		
Market commitment	**High** amount of resources committed; **High** degree of resource commitment	**Intermediate** amount of resources committed; **Intermediate to high** degree of resource commitment
Market knowledge	**High** level of experiential knowledge; **Intermediate** level of market-specific knowledge	**Low to intermediate** level of experiential knowledge; **Intermediate** level of market-specific knowledge
Commitment decisions	"Own sales subsidiaries" as current operation mode in the market	"Own company with a local entity" as current operation mode in the market
Current activities (4 P's)	Full range of international collection is offered; Prices are higher compared to Western Countries; Plan to reduce prices, WeChat as complement to physical stores, WeChat as a platform for advertising	Full range of international collection is offered; Focus on traditional stores; Global and local Marketing campaigns
Hermès		
Market commitment	**High** amount of resources committed; **Low** degree of resource commitment	**Low** amount of resources committed; **Low** degree of resource commitment
Market knowledge	**High** level of experiential knowledge; **High** level of market-specific knowledge	**Low to intermediate** level of experiential knowledge; **Intermediate to high** level of market-specific knowledge
Commitment decisions	"Own sales subsidiaries" as current operation mode in the market	"Operating in a foreign market through a partner" as current operation mode in the market

Current activities (4 P's)	The full range of international collection can generally be offered, autonomy is given to local store managers to select product assortment; Exclusive pricing strategy, Prices are higher than in Western countries, Plan to reduce price level, Focus on E-commerce and WeChat as complement to physical stores; Marketing efforts through WeChat and traditional approaches like brand exhibitions	The full range of international collection is offered + collections exclusive for the Indian market; Exclusive pricing strategy, Prices are higher than in western countries; New physical stores are planned, Focus on traditional marketing
Louis Vuitton		
Market commitment	**High** amount of resources committed; **Intermediate** degree of resource commitment	**Low** amount of resources committed; **Low** degree of resource commitment
Market knowledge	**High** level of experiential knowledge; **High** level of market-specific knowledge	**Low to intermediate** level of experiential knowledge; **Low to intermediate** level of market-specific knowledge
Commitment decisions	"Own sales subsidiaries" as current operation mode in the market	“Operating in a foreign market through a partner” as current operation mode in the market
Current activities	Full range of international collection is offered; Exclusive pricing strategy, Prices are higher than in Western countries, Plans to reduce price level; Focus on digital platforms instead of opening new stores, Focus on digital marketing strategy	Full range of international collection is offered + collections exclusive for the Indian market; Focus on tradition marketing in strategic locations
Armani		
Market commitment	**High** amount of resources committed; **Low** degree of resource commitment	**Low** amount of resources committed; **Low** degree of resource commitment

Market knowledge	**High** level of experiential knowledge; **High** level of market-specific knowledge	**Low** level of experiential knowledge; **Low to intermediate** level of market-specific knowledge
Commitment decisions	"Own sales subsidiaries" and "Operating in a foreign market through a partner" as current operation modes in the market	"Operating in a foreign market through a partner" as current operation mode in the market
Current activities (4 P's)	Full range of international collection is offered; Exclusive pricing strategy; Focus on digital strategy: E-commerce website and digital marketing	Full range of international collection is offered; Plan to expand retail network through opening new stores; Focus on traditional marketing
Gucci		
Market commitment	**High** amount of resources committed; **Low** degree of resource commitment	**Low** amount of resources committed; **Low** degree of resource commitment
Market knowledge	**High** level of experiential knowledge; **High** level of market-specific knowledge	**Low to intermediate** level of experiential knowledge; **Intermediate** level of market-specific knowledge
Commitment decisions	"Own sales subsidiaries" as current operation mode in the market	"Operating in a foreign market through a partner" as current operation mode in the market
Current activities (4 P's)	Exclusive pricing strategy, Prices are higher than in Western countries; Plan to decrease prices; Focus on digital strategy; Focus on E-commerce and WeChat as selling platforms; WeChat increasingly used as promotion platform	Full range of international collection is offered only in big stores in the country; Exclusive pricing strategy; Plan to selectively open new stores; Focus on traditional marketing

Appendix B: Interview 1

Interview transcript, 17/07/2018, answers in bullet form

Interviewer: Karolina Rud

Interviewee: Christina Fabritius Eskebaek, Senior Manager at Burberry

Burberry has entered China in 1990 through franchising; and in bought 2010 back licenses of 50 stores *for consistent global brand image.* How important is the global brand image in particular in the Chinese market?

- Brand image of luxury brands is not particular important for the Chinese market, it is important for all markets
- In 80s/90s: Licensing was the easiest way for brands, in that time no consideration was given in particular to Brand image
- But: With the over-exposure of icons, it was very clear for luxury brands in the 90's that they need to own their own brand identity and the licensing model needs to be tightly controlled: this was seen as a risk for brand equity, Increase awareness of how protect brand identity amongst global players in the 90's
- The reason why Burberry did it late, Burberry was a relatively small company until 1997 when it was acquired by a retail group, relaunch the brand
    - At this point it was realized that China would be a growth market and taking control of the brand was important

Chinese shoppers have in the past preferred to make purchases outside of China due to high prices in China. The Chinese government plans to reduce tariffs: Do you expect Chinese buyers to buy more in the home market instead?

- We see a trend that Chinese will increasingly buy in the home market
- Some factors to this:
    - Tariffs
    - Chinese have for a long time not trusted their home market because of the many fake products, they felt reassured to go to a Brand store and buy the product
    - Perception by Chinese: that the widest product offering was abroad
- More store openings across China in the last few years: more people have access to the flagship stores and can be more certain about the product and product quality

In 2013, Burberry has started to invest into WeChat and launched a service to make instant orders: How do you see the importance of WeChat as a complement to physical stores in China?

- They work together on an omni-channel experience
- Given that WeChat is one of the most-used social platforms in China, is just as natural to get in China as Facebook in Europe
- It's part of the customer journey because it helps to serve the customers better, it is an important tool

Burberry implements a company-wide service model in its flagship stores: Is it adapted to the specific country?

- If you look at human nature, it's the same across the globe
- Cultural heritage differs and needs to be targeted like it is done with the service-model
- Chinese customers historically wanted more guidance on what is the product to buy
- But the behaviors have changed: as the Chinese consumers become more educated in the last decades in luxury fashion – this behavior is changing, it depends for how long you are buying luxury for
- But overall customer journey is the same

In 2011, Burberry has terminate JV's in India and has instead formed an own company connected to a local entity – What kind of operation form is it exactly?

- Global players like Burberry don't have all of the legal entity belonging to the same country
- I believe that is due to financial things
- Going from franchising/JV to more self-owned set-up: quite normal (Doesn't know the exact legal regulations in India)
- It is normal for brands that enter into a new country, especially to one that is culturally very different to start with a JV (it helps the companies to get a sense of the basics) and then they become ready to take the rest of the operations

Is there an Infrastructure problem in India that hinders to expand to 2nd tier cities?

- Yes, certainly
- India is a bit of a challenge: India's infrastructure has not been very great
- Luxury brands have some criteria how some criteria how they appear and how their stores appear:
    - In India, even basic roads are not necessarily given in some of the 2nd-tier cities
        - They don't have a natural location for luxury companies to cluster or position themselves where they are well represented

How important is the global brand image of Burberry in India compared to China?

- India has a great sense of pride in their own cultural identity
- Example for this: Coca-Cola against a local Cola player
- I don't think that luxury brands have much choice in playing a global game
    - Because Luxury brands can hardly play local brands in a local game as they live from their global brand image
- There will be some customers that want to have it more local (But I don't believe we would ever adopt our products to a more Indian orientation)

Do you think India will become a strategic market like China?

- Eventually yes
- Factors it will depend on: economy of India, the infrastructure, the GDP
- the foundation for luxury spending needs to be in place so that the market has the same potential as China