Journal of Business Research 111 (2020) 25–40

Contents lists available at ScienceDirect

Journal of Business Research

journal homepage: www.elsevier.com/locate/jbusres

Identifying the drivers of luxury brand sales in emerging markets: An exploratory study

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ARTICLE INFO

Keywords:
Luxury brand sales
Emerging markets
Market characteristics
Heterogeneity
Multi-method

ABSTRACT

Luxury brands across the globe have made inroads into emerging markets (EM). While some brands have succeeded in one EM, they have failed to replicate their success in others. We investigate the drivers of luxury brand sales in EM using a multi-method approach. First, through a qualitative study, we identify which market characteristics of EM (market heterogeneity, competition from unbranded products, socio-political governance, and resources and infrastructure) affect luxury brand sales, with a firm's marketing effort and a market's financial freedom being important contingencies. Second, we empirically test the insights using data from 88 luxury brands and robust econometric analyses. Our results show that market characteristics influence luxury sales and that the effects of such market characteristics on luxury brand sales are heterogeneous. We also find significant moderating effects of marketing efforts and financial freedom. Our study thus extends the literature on the marketing of luxury brands and EM.

1. Introduction

Multiple luxury brands have experienced stagnation in their sales in developed markets.[1] Consumption figures (see WA[2]-Exhibit 1 & 2) indicate that during the last decade, such brands have either witnessed no growth or have shown negative growth. Hence, realizing the challenges to sustainability in this situation, many luxury brands have started to explore new markets. Expansion in emerging markets (EM) led the industry to reach €1 trillion by the end of 2017[3]. Brands such as Hermes and Ralph Lauren attained tremendous success in the Chinese and Mexican markets, respectively. However, many luxury brands that are successful in one EM have failed to replicate their success in others. For example, Hermes, a brand known for leather and lifestyle accessories, has made inroads into several Chinese cities by correctly identifying and targeting its consumers but failed to move beyond a couple of cities in India.[4] Possible reasons for this range from product assortment to distribution to partner selection, which are closely related to the nature of the markets (e.g., resources and infrastructure (RI) as well as the prevailing socio-political environment in the host country). Such non-uniformity in luxury brand sales raises two fundamental questions: firstly, what drives the success of a luxury brand[5] across EM; and secondly, whether the effects of country characteristics on luxury brand sales are heterogeneous.

Despite the importance of these issues, no research, to the best of our knowledge, has focused on understanding the drivers of luxury consumption in EM. The relatively sparse literature in luxury branding across EM makes it difficult for us to explain the heterogeneity of the success of these brands in such markets. The extant luxury branding

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[1] https://www.forbes.com/sites/stevendennis/2017/03/07/luxury-retail-hits-the-wall/#33bc159f401e.

[2] WA indicates web appendix.

[3] Bain & Co. "Luxury Goods Worldwide Market Study, Fall–Winter 2017".

[4] InsideRetail (2017) "Hermes China moves into second-tier city".

[5] Multiple scholars have focused on defining luxury; all propose different dimensions including, but not limited to, quality, rarity, and craftsmanship (Kapferer, 1998; Vigneron & Johnson, 2004). There is an overwhelming consensus among scholars that expensiveness is the central dimension that shapes a consumer's perception of whether a product or service constitutes luxury or not (Kapferer & Laurent, 2016). The extant literature also suggests that exclusivity is another dimension which affects a consumer's perception of luxury (Beverland, 2006). Finally, due to their expensiveness and exclusivity, luxury brands provide consumers with higher levels of psychological benefit than non-luxury goods (Vigneron & Johnson, 2004; Nueno & Quelch, 1998).

https://doi.org/10.1016/j.jbusres.2020.02.009
Received 12 August 2019; Received in revised form 4 February 2020; Accepted 5 February 2020

literature has tried to understand consumers' behavioral intentions through multiple individual-specific factors, such as status (Geiger-Oneto, Gelb, Walker, & Hess, 2013), personality (Bian & Forsythe, 2012), and values (Park, Rabolt, & Sook Jeon, 2008). Scholars have also highlighted the differences in luxury consumption among developed and emerging markets (Shukla & Purani, 2012; Shukla, 2012; Godey et al., 2016); among different developed markets (Kim, Lloyd, & Cervellon, 2016); and in a specific developed (Kastanakis & Balabanis, 2012; Wiedmann, Hennigs, & Siebels, 2009) and emerging (Zhan & He, 2012; Bartikowski, Fastoso, & Gierl, 2019) market. There is, however, no research that systematically evaluates differences in the sales of a luxury brand across different EM. This issue is even more challenging as common explanations provided in multi-market studies, such as individual-level drivers and culture, may not be adequate to explain differences across EM. There is no reason to a priori believe that individual-level factors such as personality, values, etc. will be systematically different across EM; hence, such factors may not explain the differences in consumption of luxury brands among such markets. Again, there is a lack of consensus on whether cultural dimensions (which are highlighted as a common difference between emerging and developed markets) even matter for luxury consumption (Ko, Costello, & Taylor, 2019). Scholars have pointed out that culture has slowly homogenized across markets (Craig & Douglas, 2006; Maystre, Olivier, Thoenig, & Verdier, 2014), and therefore cannot help explain the differences across EM. Furthermore, multiple scholars have shown that cultural distances have declined (Maystre et al., 2014), and consumers, especially in EM, are becoming more globalized (Strizhakova, Coulter, & Price, 2012).

Moreover, the EM literature provides no guidance to explain the heterogeneity in luxury brand sales in EM. Research in international marketing tends to assume that EM are homogeneous (Bahadir, Bharadwaj, & Srivastava, 2015; Burgess & Steenkamp, 2006). Ko et al. (2019), in their review of literature on luxury brands, argue that additional theories from diverse disciplinary backgrounds should be tested to understand various aspects of such brands. Building on this research gap and call for new research, our study attempts to explore factors which may explain the heterogeneity of luxury brand sales across EM.

Finally, the existing luxury marketing literature measures the behavioral intention (such as the intention to purchase) rather than the actual behavior of customers. Research in this space has resorted to either surveys (Han, Nunes, & Drèze, 2010) or experiments (Geiger-Oneto et al., 2013). While these methods provide an understanding of the consumer decision-making process, they have limited managerial relevance as the relationship between behavioral intention and actual behavior is relatively weak (Knox and Van Oest, 2014). In the case of high-priced luxury brands in particular, consumers' intention to purchase may not result in actual purchases. In this paper, we use real-world data on actual purchases to overcome this shortcoming in the literature.

As there is limited research that looks at heterogeneity in sales of luxury brands across EM and what may drive that heterogeneity, we relied on qualitative research (Borah, Prakhya, & Sharma, 2019) to understand which factors may explain it. We conducted in-depth interviews among managers of luxury brands operating in EM in a qualitative study which indicates that a country's characteristics (e.g., market heterogeneity (MH), socio-political governance (SPG), unbranded competition (UC), and RI) may be responsible for the success of luxury brands in EM. These insights are consistent with the growing EM literature (Sheth, 2011; Bahadir et al., 2015). Also, our qualitative study highlighted that the financial freedom (FF) of the market and a firm's marketing efforts (MKT) might play a pivotal role in enhancing or diminishing the sales of luxury brands in EM. Based on the insights from the managers, we conducted an empirical investigation to understand the relationship between factors affecting heterogeneity in luxury brand sales in EM. Using data collected from multiple sources for 88 brands and robust empirical estimation, we show that market or country characteristics influence luxury brand sales, and these effects vary with a market's FF and a brand's MKT. Finally, we explain potential reasons for the realized effects with the help of an existing theoretical framework.

We make four contributions to the literature. First, this study reveals what the potential drivers of luxury sales across EM are. We show that the drivers are market-specific and that their effects vary from one market to others. Contrary to the earlier scholarship which emphasizes individual-level drivers of luxury consumption such as a consumer's personality (Bian & Forsythe, 2012) values (Wiedmann, Hennigs, & Siebels, 2009), and a culture (Shukla & Purani, 2012), we find that when it comes to EM, market characteristics play an important role in driving the sales of luxury brands. Hence, we extend the literature on luxury branding in EM. Second, through empirical data, we explore the nature and direction of the relationship between multiple market characteristics and sales of luxury brands, thus highlighting that not all market characteristics may always negatively affect consumption, as argued by earlier scholars (Sinha & Sheth, 2018). Third, this work extends the literature on strategies to overcome challenges caused by characteristics of EM (Sinha & Sheth, 2018; Sheth, 2011) by highlighting two factors: a firm's MKT and a market's FF, which may help a firm to mitigate some concerns arising due to EM characteristics. Finally, this is one of the first works, to the best of our knowledge, in the domain of luxury brands to use real-world data, thereby overcoming criticism by earlier scholars about the validity of experimental and qualitative research (Knox and Van Oest, 2014).

In the next section we delve deeper into the literature on luxury consumption.

2. Literature review

2.1. Luxury consumption

The concept of luxury and its consumption has been fascinating researchers and social commentators since classical times. Studied from both micro-economic and marketing points of view, luxury is a concept that has been found to be multidimensional owing to its subjective nature (Wiedmann et al., 2009). According to Cornell (2002), "Luxury is particularly slippery to define" (p. 47). Kapferer (1998) explains it as something that "defines beauty; it is an art applied to functional items. Like light, luxury is enlightening. Luxury items provide extra pleasure and flatter all senses at once" (p. 253). While necessities are highly utilitarian, what differentiates luxury from non-luxury is the degree of psychological and intangible benefit it brings to a consumer (Vigneron & Johnson, 2004; Nueno & Quelch, 1998).

Luxury consumption has interested researchers in the domains of conceptualization (Dubois, Laurent, & Czellar, 2001; Vigneron & Johnson, 2004); drivers of consumption (Dubois & Duquesne, 1993; Zhan & He, 2012; Kastanakis & Balabanis, 2012); consumer typology (Han et al., 2010; Wiedmann et al., 2009); and cross-cultural differences in consumption (Phau & Prendergast, 2000; Shukla & Purani, 2012). Veblen (1899) seminal work identified the 'happy few', the consumers of luxury, who purchased these goods for the symbol of status that they were. Conspicuous consumption, as it is otherwise denoted, has thus been associated with luxury for a very long time. The study by Dubois et al. (2001) led to the identification of other dimensions associated with luxury, namely excellent quality, a very high price, ancestral heritage and personal history, exclusivity and uniqueness, aesthetics and poly-sensuality, and superfluity. Vigneron and Johnson (2004) created a Brand Luxury Index consisting of non-personal (conspicuousness, uniqueness, and quality) and personal (hedonic and extended self) perceptions of luxury, which was a refined version of previous scales.

Behaviorally, consumers of luxury have been found to make their purchases based on the dominant interpersonal aspect between the

Table 1
Relevant Literature.

Study	Level of Analysis	Independent Variable	Dependent Variable	Methodology	Brands Considered	Market(s)	Assumption of Homogeneity across EMs	Findings
Han, Nunes, & Drèze (2010)	Individual	Need for status, wealth, brand prominence	Brand Choice	Survey	Fashion accessories	USA	NA	Brand prominence associated with a luxury brand's logo is an important differentiator of luxury consumers. Contingent on consumers' wealth and need for status, the strength of the status signal generated by a brand forms for a differentiating factor in its purchase.
Bian and Forsythe (2012)	Individual	Need for Uniqueness and Self-Monitoring	Purchase Intention	Survey	Not Specified	US and China	Yes	The trait of self-monitoring positively affects social function attitude that in turn affects purchase intentions for luxury brands. Chinese consumers demonstrate higher NFU than US consumers.
Shukla and Purani (2012)	Individual	Self-directed Symbolic expressive, Other-directed Symbolic Expressive, experiential/hedonic, Utilitarian/ functional, Cost/Sacrifice	Purchase Intention	Survey	Not Specified	UK and India	Yes	British consumers consider self-directed symbolic/ expressive values, other directed symbolic/ expressive values, utilitarian/functional values and cost/sacrifice values for developing their overall luxury value perceptions whereas Indians consider only other directed symbolic/expressive and cost/sacrifice values.
Zhan and He (2012)	Individual	Value Consciousness, Susceptibility to normative influence, Need for Uniqueness, Consumer knowledge	Purchase Intention	Survey	Not specified	China	Yes	Chinese consumers evaluate luxury brands more favorably as they become more value conscious. Susceptibility to normative influence positively affects brand attitudes. With increase in consumer knowledge, need for uniqueness leads to more negative brand evaluation.
Kastanakis and Balabanis (2012)	Individual	Self-Construal, Susceptibility to normative influence, Need for Uniqueness, Status Consumption	Bandwagon Luxury Consumption Behavior	Survey	Not Specified	UK	NA	Interdependent self-concept drives bandwagon luxury consumption behavior. Status consumption and susceptibility to normative influences mediate the relationship.
Shukla (2012)	Individual	Conspicuous Value, Status Value, Hedonism, Materialism, uniqueness, price quality perception	Purchase Intention	Survey	Not Specified	US, USA, Malaysia and India.	Yes	Western developed markets (vs. eastern emerging markets) demonstrate higher levels of status value in their purchase intentions. They also give higher consideration to uniqueness and price-quality perceptions for their luxury purchase intentions.
Geiger-Oneto et al. (2013)	Individual	Occupational Prestige, status Consumption, Value Consciousness	Brand Choice	Experiment	Watch, Wallet, Purse and Sunglasses	USA	NA	Increase in occupational prestige (status consumption) increases (decreases) the likelihood of choosing a non-luxury goods over luxury good (authentic or fake). Inter action between status insecurity and the importance of status consumption has a positive influence on choosing luxury brand (authentic or fake) over a non-luxury brand.
Wiedmann et al. (2009)	Individual	Financial value, Functional value, Individual Value and Social Value	Luxury Value	Interviews and Survey	Not Specified	USA	NA	Consumers' perception of luxury value is driven by functional, individual and social aspects. Financial dimension moderates the relationship.
Godey et al. (2016)	Individual	Social media marketing efforts - interaction, entertainment, WOM, customization, trendiness	Brand Choice	Survey	Fashion accessories	China, France, India, Italy	NA	The study establishes link between the social media marketing efforts of a luxury brand and consumer response. All five factors constituting social media marketing play an equally significant and positive role in driving luxury brand equity

(*continued on next page*)

Table 1 (*continued*)

Study	Level of Analysis	Independent Variable	Dependent Variable	Methodology	Brands Considered	Market(s)	Assumption of Homogeneity across EMs	Findings
Kim et al. (2016)	NA	NA	Narratives	Qualitative	Fashion accessories	Australia, France, South Korea	NA	A qualitative and quantitative study is undertaken to understand what kind of luxury advertising images persuade consumers to buy luxury in three culturally different countries.
Kim et al. (2016)	Individual	Emotions, service quality	Brand Attitude	Survey	NA	Korea	NA	The study explores into the effect of in-store and post purchase emotions on brand attitude. The effect of emotions is moderated by brand familiarity and purchase motive.
Ko et al. (2019)	NA	NA	NA	Review	NA	NA	NA	The paper highlights the lack of consensus on the effects of cultural factors on luxury consumption. It also calls for an investigation of market dependent factors that affect the choice of luxury marketing strategy.

need for snobbery and popularity (Kastanakis & Balabanis, 2012); personal traits of hedonism, self-identity, and materialism (Wiedmann et al., 2009); and environmental aspects of culture, prestige value, and societal norms (Shukla & Purani, 2012; Zhan & He, 2012). However, status-seeking consumption remains central to all conceptualization of luxury. Considerations of gender differences in consumption (Stokburger-Sauer & Teichmann, 2013) and ethics (Davies, Lee, & Ahonkhai, 2012) are among recent additions to luxury research. The extant literature has also looked into multiple individual-level drivers that may explain the differences in the consumption of luxury goods across cultures. Scholars have shown that the need for uniqueness is a stronger determinant of Chinese consumers' intention to purchase luxury brands than that of consumers from the United States (Bian & Forsythe, 2012). Similarly, Indian consumers' intention to purchase luxury goods is driven by directed, symbolic, expressive values (Shukla & Purani, 2012), unlike that of British consumers. Again, status value has a higher positive effect on the purchase intention of consumers in western developed markets than in eastern developing markets. Apart from the substantial body of cross-cultural research, research also exists examining specific markets. While most scholarship focuses on western countries such as the UK and the United States, some scholars have looked into EM such as China. Given that such research has looked at cultural and individual-specific characteristics that may drive luxury consumption (see Table 1 for a detailed review of the literature), a shortcoming of this stream is its inadequacy as an explanation of differences among EM. As there is a dearth of research in this area, we have relied on exploring what may explain luxury brand sales in EM through the qualitative research presented in the next section.

3. Study 1: Qualitative

As research in the domain of luxury sales in EM is scarce, we started with a qualitative investigation. Prior research has shown that from the perspective of both theory development and relevance (Corley & Gioia, 2011; Kumar, 2016), a qualitative study may provide unique insights. We conducted "theoretical sampling" (Breckenridge & Jones, 2009, pg. 114) to identify and recruit managers from four different industries: perfume, jewelry, apparel, and automobiles. We obtained the database of these managers from two sources: (1) participants of an executive program in a premier business school in India[6]; and (2) industry references from one of the authors. The data collection process lasted for several months and our initial list consisted of 36 managers. We further screened the respondents based on the following criteria: that managers (1) must be responsible for luxury brands sales in EM; (2) should have at least 10 years of experience in luxury brand portfolio management; and (3) should either have managed or currently be managing more than one EM. Further, we checked whether the managers were knowledgeable in the domain of interest by posing two more global questions: (1) how long a manager had been working with their current portfolio of brands; and (2) how long the manager had been responsible for sales of their current portfolio of brands in EM. These screening questions comply with the methodology of proper informant selection (Kumar, Stern, & Anderson, 1993). After applying these criteria, we were left with 23 managers. However, seven managers refused to share information, citing confidentiality, leaving us with 16, who were from senior (6) and mid-level (10) management and responsible for luxury sales of the respective brands across different EM. We have representatives from multiple countries, including China, South Africa, and Indonesia. From six organizations, we have respondents at both

[6] Note that the business school conducts management development program for luxury marketers. Looking at the participants from previous year, it was clear to us that they have participation from different continents as well as from various levels of management. We, however, confirmed participants' designation and management levels with the program coordinator.

Table 2
List of Key Informants.

Product Category	Company Identification	Key Informant Designation (Respondent Code)	Level of Management	Present Country/Regions of Operation	Years of Experience in Luxury Marketing	Emerging Markets in which respondent has worked
Perfume	1	Director, Asia Pacific (M1)	Senior	Asia Pacific Region	20	Asia Pacific, Africa
	1	Brand Manager, Asia Pacific (M2)	Middle	Asia Pacific Region	10	Asia Pacific, South America (Brazil and Argentina)
	2	Brand Manager, Greater China (M3)	Middle	China	11	China, India and UAE
	2	Marketing Manager, North India (M4)	Middle	India	12	India, Bangladesh, South Korea
Automobile	3	Managing Director, Asia (M5)	Senior	Asia	18	Asia Pacific, South Africa
	3	Regional Manager, India (M6)	Middle	India	10	India, Singapore
	4	Marketing Director, Asia Pacific (M7)	Senior	Asia Pacific	15	India, Korea, Indonesia and Malaysia
	4	Regional Manager, Indonesia (M8)	Middle	Indonesia	13	Indonesia, Malaysia and South Africa
Jewelry	5	President, Asia Pacific	Senior	Asia pacific	16	India, China, Kenya, Nigeria and Egypt
	5	Marketing Manager, India (M10)	Middle	India	17	Taiwan, India, Singapore and China
	6	Brand Manager, South China (M11)	Middle	China	19	China, India, Taiwan and Kenya
	7	Head of Sales, Western India (M12)	Middle	India	14	India, China and Bangladesh
Apparel	8	Marketing Director, Africa (M13)	Senior	Africa	20	India, China, Korea and South Africa
	8	Marketing Manager, South Africa (M14)	Middle	Africa	13	Africa and South America
	9	Marketing Manager, Western India (M15)	Middle	India	11	India and China
	10	Vice President, Operations, North and Central India (M16)	Middle	India	18	India and China

senior and mid-level management (two respondents from each organization), whereas for four organizations, we have respondents from mid-level management. We provide detailed information regarding subjects, management levels, industries, and countries in which they work in Table 2.

3.1. Data collection and analysis

The interviews were recorded with the consent of the managers. Our interviews were semi-structured as prior research has shown that semi-structured interviews provide both real-time and retrospective accounts of individuals experiencing the phenomenon under investigation (Gioia, Corley, & Hamilton, 2013). We developed an interview protocol and provide the questions in WA-D1. Due to the lack of research in this space, we were not aware of any potential explanations of heterogeneity in sales across EM. Therefore, we started by asking questions associated with consumers, challenges across EM, the competitive landscape, etc. Some of the market-level drivers, such as SPG and infrastructure, were not part of the initial interview protocol. However, after conducting three interviews, we realized that these themes were also common across respondents and modified our protocol accordingly. This process is consistent with the best practices of conducting interviews (Arsel, 2017). One author and an independent coder independently interpreted all the interviews and prepared a memo for each interview. Then, both the author and independent coder prepared themes based on the codes in the memo. These themes were compared across the author and independent coder, and any disagreements were resolved after discussion. The author and independent coder met regularly to re-evaluate the themes. This method is consistent with that used by earlier scholars (Holloway & Beatty, 2003; Besharov & Smith, 2014; Borah et al., 2019).

3.2. Coding strategy

In this work, we use template analysis (King, 2012), a method that relies on generating a list of codes. Representative codes are used to identify themes from the data and can be generated either a priori or post facto. The coding frame is essential for the implementation of this method, which is guided by existing theory and theoretically grounded concepts (Clarke & Braun, 2013). Therefore, in our case, the coding frame was guided by existing EM and luxury consumption scholarship. All our codes were generated post facto.

3.3. First-order coding

First-order coding is used to create conceptual categories from raw data (Miles, Huberman, & Saldaña, 2014). Different words, sentences, phrases, and paragraphs are categorized into mutually exclusive and collectively exhaustive codes (Miles, Huberman, & Saldaña, 2014). After carefully reading the interviews, both the author and independent coder created first-order codes that helped researchers to identify key patterns in the data (Marshall & Rossman, 2014; Miles et al., 2014), consistent with the coding frame.

3.4. Theme generation (second-order coding)

A combination of first-order codes was used to create second-order codes that represented the relationship with our research questions (Clarke & Braun, 2013).

3.5. Reliability and validity

In qualitative research, it is important to validate the information provided by the key informants. We validated the information in several ways. First, for those firms where we had more than one respondent, we matched the transcripts across respondents. While there

were no major disagreements, minor disagreements were sorted out through discussion with the respondents. Also, in some cases, we were able to verify respondents' claims through secondary sources such as newspaper articles. Second, for those organizations represented by a single respondent, we could verify the same by interacting with the company. However, in most cases, our qualitative research is based on the opinions of managers. Hence, our themes are subjective. Third, we established reliability by matching the themes generated by both the author and the independent coder. As there was only minor disagreement about the themes, with inter-coder reliability of more than 90%, we were able to establish reliability. Finally, to establish validity, we presented our findings to five managers for comment (Birt, Scott, Cavers, Campbell, & Walter, 2016). We found that most of our second-order codes were valid. WA-Table 1 highlights representative quotes as well as themes from the interviews.

3.6. Factors affecting luxury brand sales

Across industries and levels of management, there is a consensus among managers that there are differences in market characteristics across EM, as evident from the following statement: "*I worked in South Africa before. The infrastructural challenges were manageable. It was easy to transport and grow in such a country. Then I shifted to India. Infrastructure is not well developed here. Generating revenue from only 4–5 metro cities is challenging. All the competition is concentrated in these cities. How are we expected to grow?"—Senior manager, automobile industry (M5)*. A similar sentiment was reflected in another statement: *"there is a huge difference in the infrastructure of China and India in the transportation business. My organization experienced multiple issues while transporting that influenced my sales in China" —Vice President, Operations, apparel business (M16)*.

Insights from the managers reveal that RI play a pivotal role in distributing luxury brands. As distribution becomes more cumbersome due to infrastructure challenges, brands may reach a significantly smaller population; hence, consumers may not have enough opportunity to buy luxury brands. Thus, we have formulated Proposition 1 (P1) as follows:

P1: The greater the challenges associated with RI in an EM, the lower the luxury brand sales.

Apart from infrastructure, managers argued that one of the major challenges encountered by luxury brands is that UC varies from one EM to another. One respondent explained that: "*We operated in India for a long period of time. It is not easy to do business here. There are local jewelry shops. Although they sell crap products, you cannot tell the difference if you are not an expert in jewelry. It took a long time for us to change perceptions. Still, we occupy around 1% of the total market. However, my experience in other EM is not the same. Look at Taiwan. We have just entered that market. The scenario is not the same."—Mid-level manager, jewelry business (M11)*. The notion that sales of luxury brands are significantly dependent on the UC was mentioned by another respondent: *"We ventured into the Indian market without knowing the power of local brands; my sales were significantly affected by these brands. However, the problem is even severe due to too many copycats" —Manager, jewelry business (M10)*. Similarly, a senior manager in the apparel sector told us: *"I was traveling in Mexico. I was shocked to see how many me-too brands have appeared in the market. No wonder we find it difficult to differentiate"* (*M14*).

Our interviews highlight that the presence of UC may create challenges for luxury brands. In the presence of multiple unbranded counterfeit products, brands may find it hard to differentiate and, consequently, a customer's motivation to purchase luxury brands may diminish, negatively affecting sales. Thus, we have formulated Proposition 2 (P2) as follows:

P2: The greater the number of unbranded products in an EM, the lower the luxury brand sales.

Managers also commented on an important market characteristic, which is the gap between rich and poor, or what Sheth (2011) defines as "market heterogeneity" (MH) (pg. 168). Citing her own experience, one of the respondents related that: *"My sales are the highest where you can segment the market in two buckets: high and low….however, I have not experienced good sales in a homogenous market."—Manager, luxury jewelry business (M9)*. A senior manager in the automobile industry echoed this sentiment, stating: *"In my experience the rich across markets are the same. All the rich want is to showcase their luxury products. I think this is a common realization in my industry, that the larger the poor population, the more we sell. Such an irony!" (M7)*. A similar finding was reported by a mid-level manager in the apparel business: *"I will tell you the Chinese story. Fifteen years back, no one would have imagined that we will be so successful in China. I was a young brand manager then. But as inequality grew, the Chinese rich started purchasing more and more luxury brands. We also benefited from that" (M15)*. Managerial interviews reveal that greater MH may motivate rich consumers to differentiate themselves from poor consumers through luxury consumption. This will positively affect luxury brand sales. Thus, we can formulate Proposition 3 (P3) as follows:

P3: The greater the challenges associated with MH in an EM, the lower the luxury brand sales.

Another market characteristic that became a focus of discussion is the role of government. Some managers suggested that the tax regime in a country may affect luxury brand sales. More importantly, however, political stability seems to be an important factor that differentiates EM. As one respondent pointed out: *"In many EM, political stability is a concern. This creates business challenges. I worked in African countries. The political instability is not good for the kind of products we sell. During such times, the consumers tend to save more rather than spending lavishly" — Senior manager, jewelry brand (M9)*. This experience was echoed by another informant: *"African markets have a problem of political instability. I don't find them conducive for luxury automobiles"—Manager, automobile industry (M6)*. However, there were opposing voices too. One informant argued that: *"Contrary to what people say, high political stability is actually negative for our sales. Luxury is for a few rich consumers. Stability means more brands, greater competition, and losing premium-ness"—Mid-level manager, automobile industry (M8)*. Similar arguments were made by another respondent: *"Luxury is not for all. I have looked at multiple markets. I like those markets where competition is low. We do a lot of business in Africa. There is no competition in such a market because of political instability" —Senior manager, apparel business (M13)*. A mid-level manager dealing with a perfume brand expressed a similar view, arguing: *"No one would have predicted us to do so well in South America with such political turmoil. But we were the only one in the market. That is the advantage if you can operate in such a market" (M2)*.

Unlike other market characteristics, it is not clear whether SPG has a positive or negative relationship with luxury sales. Therefore, we have formulated Proposition 4a (P4a) and Proposition 4b (P4b) as follows.

P4a: The greater the stability in SPG in an EM, the lower the luxury brand sales.
P4b: The greater the stability in SPG in an EM, the higher the luxury brand sales.

Another surprising finding from the qualitative research is that while culture may be considered an important factor in luxury consumption, it may not play a pivotal role in explaining the differences in success across markets. As one respondent argued: *"Our cars are quite standardized. Culture sometimes plays a role, but I don't see much differences in culture among consumers across emerging markets in buying a standardized car" — Senior manager, automobile industry (M7)*. Another

informant had observed "*a new global culture. In my experience, luxury consumers are looking for the latest trend, whether they are in India or South Africa"—Manager, apparel business (M14)*. Such arguments are quite common across different levels of management and industries. These findings are also consistent with the academic literature, which highlights that culture across the globe is becoming more de-territorialized (Craig & Douglas, 2006; Strizhakova et al., 2012).

The academic literature has also highlighted that market characteristics play a vital role in determining the success of a brand in EM (Sheth, 2011; Bahadir et al., 2015). This stream of literature has shown that four market characteristics are key across EM: MH, UC, SPG, and RI. Our interviews reveal a similar reality. However, unlike the earlier scholars, we see that the magnitude of these market characteristics may differ across EM. Managerial wisdom also reveals that the directionality of these characteristics may not always be negative, which somewhat contradicts earlier work. Again, as our qualitative study depicts, when it comes to luxury brands, it is not clear what the nature of the relationship between emerging market characteristics and brand sales will be. Surprisingly, managers of luxury brands seem to believe that market-level drivers, rather than consumer-level drivers, are the primary criteria explaining the heterogeneity in luxury brand sales across EM. Such beliefs raise an important question: how do managers go about managing heterogeneity? We explore managerial insights in the next theme.

3.7. Strategies adopted by luxury brands in emerging markets

We also asked managers about potential strategies which can be deployed to adjust as they move from one EM to another. Most managers argue that most of their products are standardized across markets until there is a dire need to change. One respondent stated: "*We are what we are for a reason. If I change the product offering, why would you pay a premium to our brand? Luxury markets do not work like that. We may do minor modifications, but primarily the products are not altered"—Manager, automobile industry (M6)*. Another opined that*: "If you would have asked me this question 10 years back, I would have said we adapt to local taste. That is not the case now. Consumers are more aware of global designs. We keep standardized products. Our global design serves us well"—Manager, jewelry business (M12)*.

Managers, however, informed us that EM require high levels of MKT from a firm's perspective. One informant stated: *"It is not easy to differentiate when there are so many unbranded products. You have to advertise a lot. The consumers need to be made aware of the nuances. It is a resource-intensive process" —Senior manager, apparel business (M13)*. A mid-level manager in the perfume business told us that: *"Luxury brands require different types of marketing. Recently we had a perfume appreciation session for consumers who are top 1% consumers. But reaching these consumers in emerging markets is not easy. They are dispersed all across" (M8)*. All managers seem to agree that the marketing expenses are higher in EM. Senior managers in particular seem to be convinced of the utility of marketing investments. As one respondent argued: *"When it concerns my industry, advertising is a must. In emerging markets, many are purchasing a luxury automobile for the first time. Developing engagement is difficult without a lot of marketing spending" — Senior manager, automobile industry (M7)*. However, some managers, especially those in the mid-levels of management, seem a little apprehensive about such a strategy. One respondent operating in the jewelry industry argued that: *"As other luxury brands enter the market, marketing spending of the industry as a whole goes up. But I am not sure anyone gets a strategic edge" Manager, jewelry business (M12)*. Despite dissenting voices, however, it is clear that a higher MKT is critical for success in EM. Hence, we formulate Proposition 5 (P5) as follows:

P5: MKT may moderate the relationship between market characteristics of EMs and luxury brand sales.

Apart from firms' MKT, the FF enjoyed by banking institutions seems to be a major strategic concern for managers. FF implies the availability of credit, banking system efficiencies, and independence from government control. Managers indicated that sometimes, FF in host EM might alter the success or failure of luxury brands there. As one respondent pointed out: *"Initial years in EM, credit availability can be a challenge. As a firm, we may get access to credit from our home market, but many of our distributors, as well as dealers, need credit. This is only feasible if banks are more open to such a proposition" —Manager, automobile industry (M8)*. Similarly, another informant commented: *"You need access to credit. Sometimes governments in EM have a tight grip on the banks. Credit availability becomes challenging. Luxury marketing can be expensive, and without credit availability, it can be challenging"—Manager, jewelry business (M11)*. Insights from a senior manager operating in luxury perfume suggest that: "*If the government controls the banking system, then it is difficult to operate in such a market. Some EM have this issue. There are a lot of inefficiencies in the banking system. We sometimes deal with large, nationalized banks. It is a nightmare to get things done in such a system*" — *(M1)*. Thus, our managerial interviews reveal that FF has a key role to play in an EM to mitigate challenges arising due to market characteristics. Thus, we formulate Proposition 6 (P6) as follows:

P6: FF may moderate the relationship between the market characteristics of EMs and luxury brand sales.

While we started our investigation to understand firm-specific strategies, the qualitative study reveals that in addition to a firm's MKT, FF seems to be essential not only for a firm but also for its strategic partners. This indicates that the concern for managers of luxury goods are not only driven by market drivers but also by the FF of banking and financial institutions in an EM. In the context of the luxury literature, ours is one of the first studies to focus on understanding the role of MKT as well as FF. Although managers realize these factors seem to be critical in EM to gain success, there is still confusion about the relationship between these different variables and their effect on the sales of a luxury brand. Such confusion is also reflected in our next themes.

3.8. Adequacy of existing strategies

Regarding how managers develop strategies for luxury brands in EM, most managers acknowledge that current strategies are inadequate. Managers think that there should be more empirically proven insights regarding the drivers of luxury sales, as well as how a firm should develop strategies when it decides to enter a new market and when it has some experience in existing markets. In particular, there is also support from managers across industries for the need to develop a deeper understanding of luxury brand sales strategy across EM. As one respondent commented: *"We know all EM are not the same. But we lack concrete guidance. If you can provide data-driven insights, it will benefit us immensely" —Senior manager, automobile industry (M5)*. Similarly, a middle-level manager in the perfume industry informed us that: *"We are learning from our mistakes. When it comes to emerging markets, most MNCs follow reactive strategies. We are no different. I think if you can help us in highlighting which emerging markets are more conducive, it will be really helpful" — (M4)*.

3.9. Summary of the qualitative study

The qualitative study yielded three major findings. First, managerial wisdom suggests that it is market characteristics[7] that guide brands'

[7] Bahadir et al. (2015) paper looking at market characteristics, like ours, investigates the role of marketing mix elements on brand performance. We differ from this study primarily in two aspects. First, unlike the cited study, where the primary focus is on explaining differences between developed and emerging

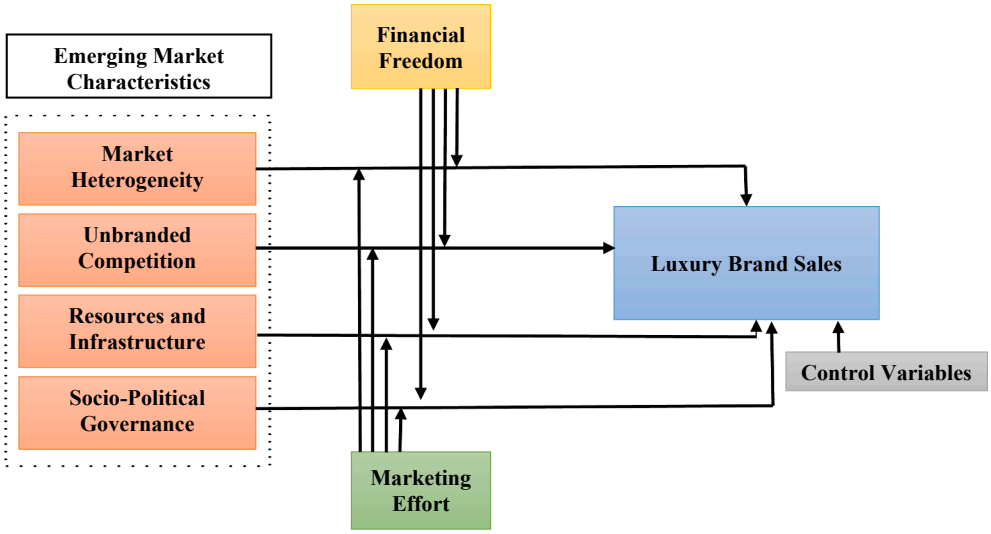

Fig. 1. Conceptual framework.

success in EM. However, the nature and direction of such relationships remain elusive. Second, a firm's MKT and FF are two factors that may facilitate its success in EM. Finally, managers are looking for empirical insights to overcome the challenges that a luxury brand encounters in EM. Based on the above discussion, we propose the conceptual framework of the study in Fig. 1.

While the framework brings out new strategic insights, such insights are only conceptually generated. Again, although qualitative research uncovers vital relationships, it is limited in terms of generalizability (Bluhm, Harman, Lee, & Mitchell, 2011). Therefore, we relied on empirical analysis to understand nuances (nature and direction) associated with the relationship by testing the proposed theoretical framework.

4. Study 2: Empirical validation of the framework

4.1. Data

To test the framework, we need data for all the variables identified. Our data come from multiple sources, including Bloomberg Database, Euromonitor Passport Database, and World Bank Database. The data collection process is shown in WA-Fig. 1. The data related to 88 luxury brands across 19 EM over eight years (2008–2015); that is, each observation is brand-, country-, and time-specific. The data collection process took more than a year due to the complexities involved.

We observe significant differences in the characteristics of each emerging country over time. For example, in 2008, the value of the UC for China is 669,088 whereas it was 130,172 in India for the same year. In 2013, the value of UC in China and India stood at 1,848,858 and 200,769, being a threefold increase and an increase by 0.5 times, respectively. Similarly, the sales of the brand Bottega Veneta in Russia in 2013 stood at USD 54.8 million, whereas this value had decreased to USD 31.2 million by 2015. On the other hand, the sales of Bottega Veneta remained constant in UAE over the same period. These figures indicate that there are significant differences in luxury brand sales across EM over time, and we also observe significant variation in the market characteristics across countries over time, for which reason we undertook an investigation of the effects of country characteristics on luxury brand sales in an unbalanced panel setting. For simplicity of understanding, we present the structure of the data in WA-Table 2.

4.2. Variable operationalization

4.2.1. Dependent variable

4.2.1.1. Luxury brand sales. We operationalize *luxury brand sales* as the natural logarithm of total sales for luxury brand i in country m at time t, measured in million USD. This operationalization is objective, verified by a third party and represents the luxury brands' sales in various markets. Note that most studies in the extant literature use subjective measures gained from experiments or surveys. In a separate robustness analysis, we also use the market share of each luxury brand in each market at time t as the dependent variable to refute any argument that selection of dependent variable is driving our results.

4.2.2. Independent variables[8]

4.2.2.1. Market heterogeneity (MH). We operationalize MH as the proportion of employment in agriculture (Bahadir et al., 2015), defined as persons of working age who were engaged in any activity to produce goods or provide services for pay or profit, whether at work during the reference period or not at work due to temporary absence from a job, or to a working-time arrangement. The agriculture sector consists of activities in agriculture, hunting, forestry, and fishing. EM

(*footnote continued*)
markets, our study focuses on explaining factors which may explain heterogeneity among EM. In fact, Bahadir et al. (2015) have pointed out that research needs to explore factors which explain heterogeneity among EM. Thus, our paper extends this stream of literature. Second, the paper did not focus on luxury goods and concentrated mainly on the consumer packaged goods (CPG) category, which limits its applicability to our context. The paper also acknowledges that testing the hypotheses in the CPG industry actually limits generalizability.

[8] We do not account for luxury brand-specific factors (e.g., internal factors) for several reasons. First, our qualitative study does not explicitly identify them. Second, recent literature has indicated that factors such as authenticity are necessary characteristics of any luxury brand (Ko et al., 2019; Dubois et al., 2001). Third, in case of most luxury brands, marketing mix elements are standardized across countries (Kapferer & Bastien, 2009). It is an assumption that when a luxury brand enters an EM, it positions itself with the required market mix budget across various marketing tools aligning with the market characteristics. However, most luxury brands do not report these numbers independently; rather, the firm that owns the brand reports the overall firm-level marketing mix. Even those scholars who focused on localization of luxury brands have reported that distribution via flagship stores and global brand positioning (Liu, Perry, Moore, & Warnaby, 2016) are common for luxury brands across markets. Our interviews reflect the same. We acknowledge that understanding how luxury brands' marketing mix drives their sales conditional on country characteristics is an interesting and insightful future research agenda.

'reflect characteristics of MH comparable to a farming economy' (Sheth, 2011; p. 168). The proxy captures differences in 'needs and wants' in rural vs. urban areas (Bahadir et al., 2015); that is, a country with a higher percentage of the workforce in the Agricultural sector would have a higher variance in their basic requirements. In a separate analysis, we also added a 'poverty indicator' (operationalized as the percentage of the population living on less than approximately USD 2.0 per day (Bahadir et al., 2015, pg. 616) to the operationalization of MH, as discussed in a later section. This proxy captures the variance in the 'bottom of the pyramid' difference between countries. A higher percentage would indicate a higher section of the population at the bottom of the pyramid, leading to very distinct sets of consumers and thus higher heterogeneity. We use the standardized score of this operationalization in our model.

4.2.2.2. Unbranded competition (UC). We operationalize UC as the total number of trademark applications (Bahadir et al., 2015). The idea behind this proxy is that a country with higher UC will have fewer trademark applications. The higher the motivation to market branded products in a country, the more applications for trademarking a product there will be. We use the standardized score of this operationalization in our model.

4.2.2.3. Socio-political governance (SPG). SPG is composed of three constructs: political stability, government expenditure as % of GDP per capita (%), and the proportion of women in the parliament. Political stability measures perceptions of the likelihood of political instability or politically-motivated violence, including terrorism. An estimate gives the country's score on the aggregate indicator, in units of the standard normal distribution, that is, ranging from approximately −2.5 to 2.5 (World Bank). Government expenditure is defined as the average total (current, capital, and transfers) general government expenditure expressed as a percentage of GDP per capita. We divide total government expenditure by GDP per capita and multiply by 100 (World Bank). The proportion of women in parliament is defined as the percentage of parliamentary seats in a single or lower chamber held by women (World Bank). We first standardized the values of these three constructs and then, consistent with the literature, we operationalized stable governance as the average value of the standardized scores of political stability, government expenditure, and the proportion of women in the parliament (Bahadir et al., 2015).

Political stability affects FDI inflows directly (perception of a more unstable government decreases market attraction); therefore, it also affects the level of competition in a market due to incoming global brands. Government expenditure gives an insight into how much the government has invested in improving market infrastructure, which again affects market attraction for foreign and homegrown firms. The proportion of women in national parliaments indicates the level of equal participation in the political processes. In totality, a better score of the variable indicates a capable market that provides a healthy competitive environment.

4.2.2.4. Infrastructure and resources (RI). We operationalize infrastructure by combining the total electricity produced in kWh, the length of the railroads in the market at time *t*, and domestic credit provided by the financial sector as a percentage of GDP (Bahadir et al., 2015). Electricity production and railroads are indicators of resources. Sheth (2011) refers to basic banking functions and transaction enablers as two of the factors which can cripple infrastructural development. The proxy of domestic credit captures the idea of a robust financial system (banking sector depth and financial sector development) in the country. We first standardized the three constructs and then, consistent with the literature, operationalized infrastructure as their average. The higher the average, the better the RI the country has to offer to its citizens and incoming brands.

4.3. Moderating variables

4.3.1. Financial freedom (FF)

FF is an indicator of banking efficiency as well as a measure of independence from government control and interference in the financial sector. It also indicates the openness of the market to embrace new ventures or facilitate existing non-traditional business (Heritage Index of Business Freedom). FF encompasses freedom of operations in the financial sector, thereby increasing credit availability and fraud prevention.[9]

4.3.2. Marketing effort (MKT)

MKT is traditionally linked to the sales of a brand. We assume that even in EM, increasing MKT will impact the effects of market characteristics on the sales of luxury brands. We operationalize the MKT of *i*th brand in *m*th market at time *t* as the ratio of investment in the marketing to the assets of the firm owning the brand at time *t*. This operationalization is consistent with the extant marketing literature (Kuckertz, Berger, & Mpeqa, 2016). Table 3 summarizes the data sources and operationalization.

4.4. Control variables

We control for firm-specific (a firm that owns a specific luxury brand) and economy-specific effects. From a firm's perspective, we control for revenue of the firm, total liabilities, return on assets (ROA), and profit margin of the owner of a brand. We also control for the size of a firm, operationalized as the logarithm of total employees. Moreover, we control for sustainable growth (SGR). SGR captures the 'maximum rate of growth that a firm can sustain without having to expand financial leverage or look for outside financing,' which may impact a brand's sales as a firm with higher SGR has higher leverage over a firm with lower SGR in terms of utilizing its resources more efficiently. Again, consistent with the macro-economic as well as international business literature that suggests that the economic indicators of a country can affect the sales of a brand sold in that country, we control for the economic indicators of each country over time (Mauro, 1995; Zervas, Proserpio, & Byers, 2017). Specifically, we control for inflation, population, and GDP per capita.

4.5. Model specification

We tested for several functional forms and violations of regression assumptions and found no significant violations. We used SAS, STATA, and R, for data collection, variable operationalization, and estimation. We used a maximum likelihood estimation as well as GLS approach to estimate our models. Given that our dependent variable is continuous, we start with the following regression model and then show how we augment it to account for unobserved market- and firm-level heterogeneity in the intercept as well as slopes of the country characteristics.

$$LBS_{1imt} = \alpha + \sum_{J} \beta_j X_{jmt} + \sum_{d} \partial_d Z_d + \epsilon_{1imt} \quad (1)$$

[9] While one may argue that RI and FF are co-related, we posit that theoretically and empirically, these two constructs highlight two different meanings and operationalization. RI indicate credit provided by financial institutions whereas FF indicates autonomy of the financial institutions. Prior research has shown that even in countries with a lack of FF, financial institutions may provide high levels of credit (La Porta, Lopez-de-Silanes, & Shleifer, 2002). However, such credits may only be available to government intuitions or some selected firms (La Porta, Lopez-de-Silanes, & Shleifer, 2002). FF ensures that institutes are free from government control and hence, all firms in the economy have a fair chance of availing credit. Our empirical data also validates the same. For example, we find that RI and FF are negatively related ($\rho = -0.35$, $p < .05$). Therefore, we treat these variables as unique constructs.

Table 3
Data sources and operationalization.

Variable	Source	Operationalization
Luxury Brand Sales	Euromonitor Passport	Logarithm of brand *i* sales in *m*th market at time *t*
Market Heterogeneity	World Bank	Proportion of employment in agriculture in market m at time *t*
Unbranded Competition	World Bank	Total trademark applications in a market *m* at time *t*
Sociopolitical Governance	World Bank	Political stability (−2.5 to 2.5), percentage of parliamentary seats in a single or lower chamber held by women government expenditure as percentage of GDP per capita of a market *m* at time *t*
Infrastructure and Resources	World Bank, OECD	Total electricity produced in kWh, the length of the railroads and domestic credit provided by the financial sector as a percentage of GDP in a market m at time *t*
Financial Freedom	Heritage Index of Business Freedom	Country Specific: 0–100 for a market *m* at time *t* (100 indicating complete freedom and 0 indicating no freedom at all)
Marketing Efforts	Bloomberg	Firm Specific: ratio of marketing investment to total assets of the brand *i* at time *t*

where LBS_{imt} is the sales of luxury brand i in market m at time t; α is the intercept; X_{jmt} is the market characteristic j in market m at time t; Z_d captures the moderating effects and the control variables; and ϵ_{1imt} is assumed to be normally distributed.

However, not all luxury brands are the same; they differ in multiple characteristics, including consumer perceptions, quality, penetration, alignment with market needs, etc. (Vigneron & Johnson, 2004), which are unobservable to the researchers. Similarly, EM are different in terms of acceptance of global brands and value structures (Shukla, Singh, & Banerjee, 2015). To capture such unobserved heterogeneity at the luxury brand and the market level, we specify the following random-effects[10] model.

$$\begin{aligned} LBS_{2imt} &= \alpha_{im} + \beta^{MHET}MHET_{imt} + \beta^{UC}UC_{imt} + \beta^{SPG}SPG_{imt} + \beta^{IF}IF_{imt} + \beta^{FF} \\ &FF_{imt} + \beta^{MHET\_FF}MHET_{imt} \times FF_{imt} + \beta^{UC\_FF}UC_{imt} \times FF_{imt} + \beta^{SPG\_FF} \\ &SPG_{imt} \times FF_{imt} + \beta^{IF\_FF}IF_{imt} \times FF_{imt} + \beta^{MKT}MKT_{imt} + \beta^{MHET\_MKT} \\ &MHET_{imt} \times MKT_{imt} + \beta^{UC\_MKT}UC_{imt} \times MKT_{imt} + \beta^{SPG\_MKT} \\ &SPG_{imt} \times MKT_{imt} + \beta^{IF\_MKT}IF_{imt} \times MKT_{imt} + \sum_s \delta_s K_s + \epsilon_{2imt} \end{aligned} \quad (2)$$

where, $MHET_{imt}$ represents the MH of mth market at time t for brand i; UC_{imt} represents the UC in mth market at time t for brand i; SPG_{imt} represents the SPG in mth market at time t for brand i; IF_{imt} represents the RI of mth market at t for ith brand; FF_{imt} represents the FF offered by mth market at time t for brand i; and MKT_{imt} represents the MKT of ith brand in mth market at time t. K_s represents the vector of economic indicators, firm-level variables, culture-specific effects, and time fixed effects. Note that economic indicators are market- and time-specific, and firm-level variables are firm-, market-, and time-specific.

Although Eq. (2) captures the unobserved heterogeneity at brand and market level, it does not tell us if EM are different in terms of their characteristics to affect luxury brand sales. The extant literature considers that EM are similar, and managers can implement the same strategies across them. To validate whether one EM differs from another, thus affecting luxury brand sales, we need to capture the heterogeneity in the parameters of each market characteristic. As such, we specify a random coefficient model (Eq. (3)), where we model the random slope in the main variables of interests (i.e., market characteristics[11]).

$$\begin{aligned} LBS_{3imt} &= \alpha_{im} + \beta_{im}^{MHET}MHET_{imt} + \beta_{im}^{UC}UC_{imt} + \beta_{im}^{SPG}SPG_{imt} + \beta_{im}^{IF} \\ &IF_{imt} + \beta^{FF}FF_{imt} + \beta^{MHET\_FF}MHET_{imt} \times FF_{imt} + \beta^{UC\_FF} \\ &UC_{imt} \times FF_{imt} + \beta^{SPG\_FF}SPG_{imt} \times FF_{imt} + \beta^{IF\_FF} \\ &IF_{imt} \times FF_{imt} + \beta^{MKT}MKT_{imt} + \beta^{MHET\_MKT}MHET_{imt} \\ &\times MKT_{imt} + \beta^{UC\_MKT}UC_{imt} \times MKT_{imt} + \beta^{SPG\_MKT}SPG_{imt} \\ &\times MKT_{imt} + \beta^{IF\_MKT}IF_{imt} \times MKT_{imt} + \sum_s \delta_s K_s + \epsilon_{3imt} \end{aligned} \quad (3)$$

We can decompose β_m for UC as $(\beta_1^{UC} + \alpha_m^{UC})$, where α_m^{UC} is the random slope over market and is normally distributed with mean 0 and variance $\sigma^2_{\alpha_m}$.

4.5.1. Results

We present the correlation and descriptive statistics in Table 4 and the results of Eq. (2) as our proposed model results. As evident from Table 5, we find support for the effect of MH on luxury brand sales. We find that the better the RI in an EM, the greater the sales of the luxury brand ($\beta = 0.689, p < .01$). Again, with an increase in UC, the sales of luxury brands in the EM decrease ($\beta = -0.602, p < .01$), while an increase in MH increases luxury brand sales ($\beta = 0.237, p < .01$). We find that SPG negatively influences luxury brand sales ($\beta = -0.272, p < .05$).

Regarding moderating effects, we find some support. We find that FF weakens the positive relationship between MH and luxury sales ($\beta = -0.003, p < .01$). On the other hand, we find that increases in FF weaken the negative relationship between UC and luxury sales ($\beta = 0.013, p < .05$). Results show that an increase in FF weakens the negative relationship between SPG and luxury sales ($\beta = 0.007, p < .01$). Our results also show no significant effects of FF on the relationship between RI and luxury sales ($\beta = -0.0006$, n.s.).

Turning our attention to MKT, we find that MKT by luxury brands weaken the negative relationship between UC and luxury brand sales ($\beta = 0.311, p < .01$). On the other hand, we find that a luxury brand's MKT strengthen the negative relationship between SPG and luxury sales ($\beta = -0.398, p < .05$). Our results show that MKT have no significant impact on the relationship between country infrastructure and sales ($\beta = -0.374$, n.s.) and MH and sales ($\beta = 0.004$, n.s.). Our moderation effects highlight that while propositions developed through qualitative research present us with unique insights, quantitative data can equally reveal many nuanced perceptions.

Coming to the effects of the control variables, we find that economic indicators of a market influence luxury brand sales. As evident from Table 5, an increase in inflation is negatively related to luxury sales ($\beta = -0.01$, p < .01), whereas GDP per capita ($\beta = 0.919$, p < .01) and increases in population ($\beta = 0.537$, p < .01) are positively related to luxury brand sales. While increases in ROA are positively related to sales ($\beta = 0.019$, p < .01), the profit margin of the focal firm

[10] Our selection of random effects model is based on the Hausman test results.

[11] One may argue that market characteristics are endogenous. Market characteristics change slowly over time and managers do not have a role in changing them. Further, since our research is from the perspective of a luxury brand, we are assured that managers can only observe what is going on in a country but cannot change it. Hence, theoretically, we did not see any logic in considering market characteristics as endogenous. However, our understanding may be not 100% correct and future research may try to find suitable approach and logic to account for potential endogeneity. Further, we agree that if individual brand-level characteristics could have been accounted for, correction of endogeneity will be a must. We identify this as a future research direction.

Table 4
Correlation and descriptive statistics.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
(1) log (brand sales)	1																
(2) Heterogeneity	−0.07***	1															
(3) Unbranded Competition	0.43***	0.25***	1														
(4) Socio-Political Governance	0.01	−0.62***	−0.07***	1													
(5) Infrastructure	0.52***	0.15***	0.83***	−0.04***	1												
(6) Inflation	−0.16***	−0.14***	−0.09***	−0.13***	−0.08***	1											
(7) Log (GDP)	0.28***	−0.66***	−0.13***	0.46***	−0.16***	−0.29***	1										
(8) Log (population)	0.15***	0.41***	0.55***	−0.37***	0.72***	0.13***	−0.69***	1									
(9) Marketing efforts	0.00	−0.03**	−0.01	0.04***	0.0133	−0.0111	0.04***	−0.02**	1								
(10) Financial freedom	0.09***	−0.14***	−0.31***	0.26***	−0.35***	−0.35***	0.50***	−0.50***	0.04***	1							
(11) Log (Revenue)	0.0155	−0.0205	0.0063	0.057***	−0.0127	0.0167	−0.01	0.00	−0.32***	−0.0028	1						
(12) Log (Total Liabilities)	−0.03**	−0.021	−0.01	0.05***	−0.04***	0.02**	−0.02**	0.0029	−0.45***	−0.0194	0.95***	1					
(13) ROA	0.06***	0.00	0.04***	−0.02	0.05***	−0.01	0.03***	0.00	0.23***	0.03***	−0.18***	−0.36***	1				
(14) Profit Margin	0.04***	0.00	0.04***	−0.0076	0.05***	−0.0019	0.02*	0.00	−0.21***	0.01	0.25***	0.12***	0.73***	1			
(15) Size	−0.01	−0.02**	−0.0151	0.04***	−0.03**	0.02*	0.004	−0.0148	−0.26***	−0.0086	0.96***	0.91***	−0.35***	0.02*	1		
(16) Sustainable growth	−0.01	0.006	0.01	−0.00	0.01	−0.02**	0.02**	−0.01	0.20***	0.026**	−0.29***	−0.35***	0.62***	0.31***	−0.31***	1	
(17) Cultural Distance	0.09***	0.18***	0.11***	−0.32***	0.15***	−0.01	−0.02**	0.00	0.14***	−0.12***	−0.18***	−0.18***	0.09***	−0.06***	−0.19***	0.14***	1
Mean	2.465965	3.88^	1.56^	−0.00375	0.006461	5.488235	9.177713	17.90102	0.313295	53.28866	9.1665	8.785705	8.776662	11.35015	10.43231	10.86383	66.17682
Std. Dev	1.389721	1	1	0.581609	0.694875	5.675773	0.922947	1.404753	0.177413	15.91831	1.428366	1.755859	6.490125	6.847464	1.192178	10.37715	20.07931

***significant at 1% level|**significant at 5% level|*significant at 10% level|^values are scaled for better representation.

($\beta = -0.011$, $p < .01$) is negatively related to luxury brand sales. One may observe such effects because an increase in profit margins may be reflective of very high prices, which may make such luxury unaffordable for even rich customers. Our proposed model has AIC = 3263.739.

4.5.2. Robustness analysis[12]

In addition to the main model in Eq. (2), we estimate Eq. (2) with the market share of the brands as an alternate dependent variable. We find directionally consistent results. We estimate several other models to test the robustness of our results. First, we estimate a model only with the control variables (see Model 2 in Table 5). As evident from Table 5, the control-only model (AIC = 4776.139) is significantly inferior to our proposed model. Next, we also estimated our proposed model without accounting for the unobserved heterogeneity in the intercept. The model without heterogeneity in intercept (AIC = 7884.906) is significantly inferior to our proposed model. In a separate robustness analysis, we changed the operationalization of MH by including poverty along with participation in agriculture. As explained previously, this proxy captures the variance in the 'bottom of the pyramid' difference between countries. With the new operationalization of MH, the directionality of our results remains consistent. However, due to the smaller sample size (as poverty data are not available for all the markets over time), a few of the estimates remain insignificant. Finally, we also estimated a model with only the focal variables of interest, to avoid any argument that moderating and control variables are driving the results. This model, while yielding consistent results, is inferior (AIC = 7582.289) to the proposed model.

4.5.3. Post-hoc analysis

4.5.3.1. Accounting for the effects of culture. While our qualitative study has shown that luxury consumers may only rely on global consumer culture, we also tried to validate the same empirically. We computed cultural distance for each emerging markets. Cultural distance may play an important role in the consumption of luxury brands, and the relative effects of different dimensions may be different (Wong & Ahuvia, 1998; Hennigs et al., 2012). We measure the cultural distance of each country as the dyadic distance between Hofstede (2001) cultural dimension of a brand's home and host country. We were only able to obtain data on cultural distance for a partial sample as information for some of the countries is not available. Hence, with total observations of 2613 (at brand, market, and time level), we re-estimate Eq. (2). As evident from WA-Table 3 (Model 1), we find directionally consistent results for our hypotheses, and that cultural distance is positively related to luxury brand sales ($\beta = 0.001$, $p < .05$). Results suggest that luxury consumption increases with an increase in cultural distance. A potential explanation may be that an increase in cultural distance from EM may help a brand to communicate a global identity. Prior research has shown that most luxury goods tend to communicate a global appeal (Kim et al., 2016), and perceived brand globalness positively influences brand purchase (Steenkamp, Batra, & Alden, 2003). This also highlights the significance of cultural distance in explaining luxury sales in EM.

4.5.3.2. Time fixed effects. In a separate robustness analysis, we capture the time fixed effects. It is necessary to capture time fixed effects for two reasons: (1) in EM, consumer preferences are constantly changing. As

[12] We attempted to capture the industry fixed effects. However, we faced an issue. As the brands in our data are owned by large multinationals having presence in more than one industry sector, we could not explicitly account for industry fixed effects. However, we categorized brands based on product value they offer, e.g., perfume, jewelry, apparels, etc. Our re-estimation provides consistent results with that of our proposed model (in Table 5). We find that perfume (b = 0.0023, $p < .001$) and Jewelry (b = 1.2665, $p < .05$) categories have the significant positive effects on the sales.

Table 5
Estimates of the realized effects.

	Proposed Model (Model 1)		Control only Model (Model 2)		Random Slope for Country Characteristics (Model 3)	
	Estimates	Std. Err.	Estimates	Std. Err.	Estimates	Std. Err.
Main Variables						
Market Heterogeneity (MHET)	0.237***	0.089866			0.173989*	0.10418
Unbranded Competition (UC)	−0.602***	0.175408			−0.56939***	0.180098
Socio-political Governance (SPG)	−0.272**	0.130117			−0.34164**	0.160634
Infrastructure (IF)	0.689***	0.203504			0.497738**	0.224613
Country-specific variables						
Inflation	−0.01***	0.002098	−0.005***	0.001115	−0.01012***	0.001902
Log (GDP per capita)	0.919***	0.050823	0.893***	0.033037	0.910258***	0.048009
Log (Population)	0.537***	0.065652	0.615***	0.034287	0.537845***	0.067716
Moderation: main and interaction						
Marketing Efforts (MKT)	−0.362***	0.13066	−0.237**	0.099112	−0.36793***	0.123473
MHET X MKT	0.004849	0.121666			−0.08223	0.119308
UC X MKT	0.311***	0.118408			0.340782**	0.164632
SPG X MKT	−0.398**	0.190911			−0.62174***	0.227797
IF X MKT	−0.37444	0.285665			−0.24328	0.282869
Financial Freedom (FF)	0.007***	0.001506	0.005***	0.000882	0.007549***	0.001532
MHET X FF	−0.003***	0.00129			−0.00278*	0.00153
UC X FF	0.013**	0.005625			0.010224*	0.005426
SPG X FF	0.007***	0.00228			0.008469***	0.00264
IF X FF	−0.00068	0.003356			0.001911	0.00352
Firm specific variable						
log(Revenue)	0.085122	0.081714	0.190***	0.06569	0.174208**	0.082366
log(Total Liabilities)	0.007698	0.054466	−0.06012	0.041633	−0.08701	0.053172
ROA	0.019***	0.005039	0.024***	0.003988	0.012571**	0.005084
Profit Margin	−0.011***	0.003531	−0.014***	0.002773	−0.00752**	0.003412
Size	−0.03085	0.073472	−0.00718	0.057928	−0.00111	0.072233
Sustainable Growth Rate	−0.00161	0.00101	−0.00116	0.000791	0.000322	0.000956
Intercept	−16.501***	1.370363	−18.113***	0.763093	−16.5602***	1.347125
Random-effects Parameters						
sd(MHET)					2.87E-05	0.00991
sd(UC)					7.24E-06***	7.13E-08
sd(SPG)					0.853181***	0.067862
sd(IF)					1.106109***	0.241537
sd(Intercept)					0.969742***	0.039684
sd(Residual)					0.258383***	0.006058
AIC	3263.739		4776.139		3112.084	
BIC	3417.652		4871.42		3289.676	

***significant at 1% level|**significant at 5% level|*significant at 10% level.

our data do not have any consumer-level insights (due to the aggregate nature of the study), time fixed effects can capture the changes in consumer preferences to some extent; and (2) time fixed effects capture unobserved (to the researchers) policy changes in economies over time. We have created dummy variables for each year, included them as the independent variables (with year 2014 as the baseline) in Eq. (2), and re-estimated Eq. (2). As evident from Model 2 in WA-Table 3, we find that the year dummies of 2008 and 2009 have a negative relationship with luxury sales as compared to the year 2014 effects. Note that this effect is in line with changes in the economy in EM. Due to the global recession in 2008 and 2009, many EM consumers suffered and could not afford luxury brands.

4.5.3.3. Tourism and travel-specific drivers. Travel and tourism have been considered one of the significant drivers of luxury goods consumption.[13] Further, luxury goods consumption in a market takes place primarily in three ways – domestic purchases made by the native consumers, foreign purchases made by native consumers but consumed in the home country, and purchases made by foreign nationals in the domestic market. Many travelers seeking brands or variety unavailable in their home countries shop for luxury brands abroad. Price differential also acts as a motivation to shop at a foreign destination. Hence, the market-specific sales of a luxury brand may not only be due to consumption by the consumers in that market. To account for such an issue, we control for the contributions of travel and tourism to a country's GDP at time t in a separate robustness analysis. We were unable to obtain the data for all the countries and throughout the time period in our dataset. So, we re-estimated Eq. (2) with a total 2748 observations at brand, market, and time level. As evident from Model 3 in WA-Table 3, the inclusion of tourism does not affect the directionality (and significance) of the estimated results. Tourism, however, is insignificant in affecting luxury sales, possibly because EM may not offer the variety of brands available to tourists traveling from developed markets. Moreover, consumers traveling from other EM might prefer either a developed market (for variety and price differential) or their home country (as offerings may be similar across EM) for their luxury goods purchase.[14]

5. Potential explanation of the realized results

Our study explores the factors which affect luxury brand sales in EM and highlights the directionality of these relationships. While we have shown these effects empirically, we did not theorize about these relationships ex-ante. In this section, we rely upon the motivation, ability, opportunity (MAO) framework (Batra & Ray, 1986) to provide a potential theoretical explanation. Motivation has been defined in the

[13] Deloitte "Global Powers of Luxury Goods 2017"

[14] Deloitte "Global Powers of Luxury Goods 2017"

literature as goal-directed arousal (Park & Mittal, 1985). In our context, motivation would be defined as the desire to buy, and interest in buying, goods that signal status because of scarcity or exclusivity (Beverland, 2006) and cost (Vigneron & Johnson, 2004). Again, the expensive nature of a luxury brand implies that consumers should have the ability to purchase. Finally, as the availability of goods and services may become a huge concern in EM, opportunity to purchase becomes an important consideration, which we also account for in our study. While MAO is predominantly used to explain individual-level effects, it has been shown to be equally effective when the level of analysis changes to an organization (e.g., Clark, Abela, & Ambler, 2005; Wu, Balasubramanian, & Mahajan, 2004). We take this a step further to analyze markets.

An increase in MH indicates that only a few consumers will possess high levels of wealth, whereas the bulk of the market will possess none. Sheth (2011) remarks that the 'bottom of the pyramid' in an EM is highly skewed (40%–50%), which leads us to believe that an EM with high MH will have distinct consumer segments (high-status and low-status). In markets characterized by high MH, a few well-off consumers will have high levels of motivation to differentiate themselves from the majority of poor consumers (Berger & Heath, 2007). The high-status segment in these conditions would consume more of those brands that help create one's identity and distinguish between themselves and the low-status segment. Hence, we find a positive relationship between MH and luxury brand sales. Similar to this effect, one may explain the negative co-efficient of UC. With an increase in unbranded products in a category, a consumer would associate the category as unbranded, and subsequently, firms may find it difficult to create and market a luxury brand in that category because of the low price schemas already associated with it (Mitra & Golder, 2002).

Again, signaling becomes difficult as most unbranded products will create replicas of the luxury brands in the market, further negatively affecting motivation. Apart from motivation, the opportunity to purchase luxury brands may also decline. Most luxury marketers may refrain from entering a category with low price associations, which would lead to a lack of, or virtually no, opportunity for consumers to purchase luxury brands.

RI present a similar story. Better RI provide consumers with the opportunity to purchase luxury brands by increasing the accessibility to such brands. Enhancement in RI may affect a consumer's motivation as well. With an increase in resources such as skilled labor and communication infrastructure (Sheth, 2011), brands can tailor their campaigns and innovations efficiently according to the target segment. With an increase in effective advertising and display, better RI would help 'motivate' consumers towards their luxury purchase by creating awareness of their presence and higher quality. Finally, in the case of SPG, one potential explanation for the negative relationship is the entry of multiple brands into the market. Prior research has shown that an increase in competition among luxury brands reduces the exclusivity of all luxury brands present in the market (Kim & Ko, 2012). Thus, one may offer this as a potential reason for the negative relationship between SPG and luxury brand sales.

Our moderation effect can also be explained within the MAO framework. First, we focus on the role of MKT. In our empirical analysis, we find that MKT weakens the negative relationship between UC and luxury sales. From the MAO perspective, there may be two explanations for this relationship. First, with an increase in UC, consumers may associate that particular category with a low price. This leads to a substantial decrease in the exclusivity of the category. Hence, a consumer's motivation to purchase luxury brands decreases significantly. Therefore, higher MKT is necessary to alter the category schema and enhance a consumer's motivation to purchase a luxury brand. Second, as argued earlier, with an increase in UC, there will be replicas of luxury brands in the market which may negatively affect a consumer's motivation to consume such brands. Therefore, it requires greater MKT from luxury brands to create differentiation and motivate consumers to purchase luxury products in a market that is cluttered by UC.

For the relationship between SPG and luxury sales, we find a negative moderation effect of MKT. First, prior research has shown that even though MKT may increase the brand equity of a luxury brand, it may not necessarily translate into customer equity when there is an increase in competition among luxury brands (Kim & Ko, 2012). This has been attributed to an increase in competition which makes consumers less loyal to a particular brand. Thus, as more luxury brands enter the market with improved SPG, greater MKT may not motivate customers to purchase such brands. Second, as multiple luxury brands enter the market with SPG, brands may mimic each other, especially in terms of MKT (Li, Li, & Cai, 2014). Such behavior is common among brands operating in EM (Vorhies & Morgan, 2005). This will lead all brands to lose exclusivity, negatively affecting a consumer's motivation to purchase luxury brands and sales in EM. While our data reveal that the negative effects are stronger, we do not deny that additional research is needed to establish conclusively under what conditions MKT may have a positive or a negative moderation effect.

The second moderator in the study is FF, which indicates access to financing opportunities for both individuals and firms. FF is an important variable as it can increase the 'ability' of citizens to buy a product by availing credit. From a firm's perspective, an increase in FF also indicates the availability of financial capital (Kuckertz et al., 2016) and has been strongly linked to an increase in banking efficiency (Claessens, Demirgüç-Kunt, & Huizinga, 2001; Chortareas, Girardone, & Ventouri, 2013). With an increase in banking efficiency, a firm will have access to credit which would further enhance its ability to expand in EM, invest in marketing communication, and set up distribution networks, all of which will affect the motivation, ability, and opportunity of consumers.

From the perspective of MH, an increase in FF will enhance the ability of consumers to purchase luxury brands. However, such an increase in ability will also imply that luxury brands no longer serve as a status differential for high-income consumers; hence, consumers' motivation to purchase luxury brands will come down significantly. This argument explains the negative moderation effect of FF on the relationship between MH and luxury sales. Contrariwise, when it comes to the negative relationship between UC and luxury brand sales, an increase in FF will weaken the same. An increase in FF will entice luxury brands to enter an unbranded market. Although, with a high intensity of UC, an increase in FF can attract far fewer brands, nonetheless, one would expect some brands to venture into EM with high potential for growth. This gives an opportunity to consumers to purchase luxury brands that did not previously exist. Again, with an increase in FF, a luxury brand can direct its effort to change low-price category schema developed due to the presence of UC through advertisements and other forms of communication (Goodstein, 1993; Moreau, Markman, & Lehmann, 2001). This can help build motivation and awareness among consumers to purchase luxury brands. Hence, our empirical result has some rationale in theory. Finally, as SPG increases, there will be an increase in competition, which we highlighted as the reason for the negative relationship between SPG and luxury sales. However, as FF increases, more consumers will have the ability to purchase luxury brands, which will reduce the adverse effect of SPG on luxury sales.

While we use the MAO framework to justify our results, we acknowledge that our effects precede our theory development. Hence, one may argue that there is a possibility of further refinement of the theory. We acknowledge the limitations of this work; however, despite such limitations, this study helps in extending the luxury brand literature in several ways.

6. Contributions

6.1. Contributions to the literature

Our first contribution to the extant literature is in identifying the effect of market characteristics on luxury brand sales. Our work shows that when we focus on EM, market characteristics may play a vital role and the effect of these characteristics may be more important in explaining differences in the sales of brands across EM. This research thus contributes to the literature on EM, which highlighted the importance of marketing characteristics in predicting consumption in such markets (Sheth, 2011; Bahadir et al., 2015; Sinha & Sheth, 2018). We extend this research by highlighting that market characteristics may play a vital role in explaining luxury brand sales in EM.

Second, apart from finding the drivers, we have also explored the nature and direction of such relationships. While the extant literature (primarily conceptual) has almost always argued that these characteristics hinder consumption (Sinha & Sheth, 2018), we show that the direction of this relationship may vary when it comes to the consumption of luxury brands. Thus, our research opens a new perspective towards understanding EM and answers the criticism made by earlier scholars about the assumptions of homogeneity across such markets (Cavusgil & Cavusgil, 2012).

Third, our study brings two unique contingency effects to the literature on EM and luxury sales. While one of our moderators (FF) is from the policymakers' perspective, the other (MKT) is from a firm's perspective. We show that in the case of luxury brands in EM, these dimensions have asymmetric effects. MKT weakens the negative effect of UC and strengthens the negative effect of stable SPG on luxury sales. Similarly, while FF weakens the negative effect of UC and SPG on luxury sales, it also weakens the positive effect of MH on luxury sales. From the theoretical perspective, unlike the conventional literature on non-luxury brands (Van den Bulte & Lilien, 2001; Nault & Dexter, 1994), we show that in the case of luxury brands in EM, the impact of MKT and FF needs to be revisited.

Finally, based on actual real-world data, this study mitigates the concerns raised by earlier scholars about the progress of the field, which is largely based on experimental and qualitative work (Knox and Van Oest, 2014). Table 6 highlights the unique contributions of the study.

6.2. Contributions to practice

From a managerial perspective, our first contribution is relevant for managers of luxury brands who wish to enter an EM. Multiple luxury brands, such as Maserati, La Perla, etc., have tasted success in one EM but failed in others. Our research indicates that the decision to enter an EM or not should be governed by the market characteristics of that particular market. Simple success in one market may not be an adequate reason to enter a new EM. In this regard, a market with high MH, low UC, better RI, and lack of SPG may create an ideal scenario for success in an EM. Managers can analyze and compare the economic environments of their proposed markets and make informed decisions even before launching consumer market research in multiple countries, thus saving significant resources.

Second, for firms operating in an EM, if they cannot alter the market characteristics, we provide them with two strategic levers of FF and MKT. MKT fall within the purview of a firm and are therefore completely controlled by a brand. FF, on the other hand, is a policy parameter, but a firm can work closely with the government to alter this, too. However, a firm needs to be careful in aligning the levers with the market characteristics. For example, while both FF and MKT may help a firm overcome the negative effects of UC on luxury sales, MKT increases the negative effect of SPG on luxury sales, and FF reduces the same. Thus, a manager must also pay close attention to government policies and firm's own MKT effort to boast luxury brand sales. Finally, apart from managers who operate in or wish to enter EM, our study caters to

Table 6
Contributions to the existing literature on luxury branding.

Study	Level of Analysis	Type of Study (Multi-Country vs Single Country)	Comparison between Emerging Markets (Yes/No)	Assumption of Homogeneity across EMs	Actual Purchase vs. Purchase Intention	Contingencies Considered
Bian and Forsythe (2012)	Individual	Multi-Country	No	Yes	Purchase Intention	No
Shukla and Purani (2012)	Individual	Multi-Country	No	Yes	Purchase Intention	No
Zhan and He (2012)	Individual	Single Country	No	Yes	Purchase Intention	Yes (customer knowledge)
Kastanakis and Balabanis (2012)	Individual	Single Country	No	NA	NA	No
Shukla (2012)	Individual	Multi-Country	No	Yes	Purchase Intention	No
Geiger-Oneto et al. (2013)	Individual	Single Country	No	NA	NA	No
Wiedmann et al. (2009)	Individual	Single Country	No	NA	NA	No
This Paper	**Market**	**Multi-Country**	**Yes**	**No (we show that EMs are heterogeneous in impacting luxury sales.)**	**Actual Sales**	**Yes (Marketing effort and Financial Freedom)**

policymakers who are interested in boosting luxury brand sales in such markets. If a government wishes to develop luxury brand sectors in EM, it must understand when to promote FF, which is essentially a policy parameter. However, this option has to be exercised with caution. In a market with high MH, the government should not promote FF, whereas when policymakers wish to combat UC and there is strong SPG, promoting FF will have a positive impact on luxury brand sales.

7. Limitations and future research directions

While our work has contributed significantly to the luxury brand literature, there are several limitations to our study. First, while we focused on luxury consumption in EM, it is not clear whether our findings would go beyond such markets and apply to developed markets as well. Future research may investigate this aspect in detail. Comparing the effects of market characteristics for developed and emerging markets may bring additional insights. Second, while we focus on country characteristics, we have not looked at interactions among these characteristics and their effect on sales. It would be interesting to see how interaction among these characteristics may play a role in effecting luxury sales. Third, while we provide a theoretical explanation based on the MAO framework, there may be a better and more suitable theory; thus, future research may explore alternate possibilities. Fourth, we acknowledge that understanding how luxury brands' marketing mix drives their sales, conditional on country characteristics, is an interesting and fruitful future research agenda. Finally, future scholars may progress this line of research by including luxury brand-specific characteristics (e.g., aesthetics, pricing, distribution, promotion, etc.) and finding an appropriate approach to account for potential endogeneity among them.

Despite the progress in research on luxury consumption, most scholars have focused primarily on individual-level drivers of luxury consumption and developed markets. In this study, we move away from individual-level drivers and focus on market-level drivers. In doing so, we have also investigated heterogeneity across EM. This study thus fulfils a longstanding gap in the luxury consumption literature and makes a strong contribution to theory and practice.

Appendix A. Supplementary material

Supplementary data to this article can be found online at https://doi.org/10.1016/j.jbusres.2020.02.009.

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