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## Consumer segmentation of the affordable luxury apparel market in India

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### Abstract

Affordable luxury is developing at a rapid pace in a developing country like India. Growing number of HNIs and urban middle-class, which has a penchant for luxury brands, are some of the reasons for the growth of affordable luxury brands. Different consumers purchase these brands to satisfy different needs. Some do it for self-actualisation, some purchase luxury brands for their hedonic value and some for their conspicuous value. This paper discusses how the Indian consumer can be segmented into different groups according to some defining parameters. 300 respondents were interviewed across the Indian cities of Delhi, Mumbai, Bangalore, and Kolkata. Cluster analysis was done to segment the consumer groups and define them further.

**Keywords:** Luxury, affordable luxury, marketing, cluster analysis etc.

### Introduction

The culture of luxury has always been prominent in India since the olden days. India has an enormous potential for growth in the luxury market as it is poised to become the fifth largest consumer of luxury in the world by 2025 (APLF, 2011) <sup>[1]</sup>. India is a huge but complex market with an unstable consumption structure. Though a lot of global brands spot India as a market for luxury consumption, an important factor they need to consider is that the Indian market is very complex and diverse. The great Indian middle class is expanding and rising up the food chain to become sporadic consumers of luxury (Fashionunited, 2013) <sup>[6]</sup>. This relatively new class of aspirational households is being credited for the rise in luxury consumption in the country, thus confirming Dubois & Laurent's (1993) <sup>[4]</sup> theory of luxury being meant for a "happy many" instead for a "happy few". Considering the diverse Indian market, need for consumer profiling and segmentation gains utmost importance. Several researches have pointed out the importance of consumer segmentation for brand and marketing communication. Hornik (1989) <sup>[7]</sup>. Knowing consumer lifestyle characteristics help marketers make better campaigns and strategies.

### Literature Review

#### Segmentation of luxury consumers

Dubois and Duquesne (1993) <sup>[4]</sup> segmented the luxury consumer market in only 2 segments – individuals for whom luxury products act as a standard for excellence and individuals for whom luxury brands act as a social status symbol.

Vigneron and Johnson (2004) <sup>[17]</sup> segmented luxury consumers on how they perceived luxury with price. Veblenian consumers attach a lot of importance to price as an indicator of status. Snob consumers associate price with exclusivity and avoid popular luxury brands because they want to differentiate themselves from others. Bandwagon consumers place a lot of importance to what other think of them and they do not pay so much attention to the price as a symbol of prestige. Hedonist consumers place more importance to their thoughts and feelings rather than the price as a symbol of prestige. Perfectionist consumers pay more importance to the product quality and may use the price as a further indicator of the quality.

Dubois and Laurent (2005) <sup>[5]</sup> segmented the luxury consumers into 3 segments – affluent people who have unlimited access to luxury brands because of their wealth, excluded people who have no access to luxury brands due to paucity in funds and excursionists who have some access to luxury brands. This segment saves money to be able to buy luxury brands and is the rising class when it comes to luxury consumption.

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Kapferer (2008) <sup>[10]</sup> segmented the luxury consumer as such – the first segment attached importance to the excellence and aesthetic appeal of the product, the second segment paid importance to the creativity and the art involved in creating the luxury product, the third segment paid importance to the classic value of the product and the fourth segment paid importance to the uniqueness and exclusivity of the product. Husic and Cicic (2009) <sup>[20]</sup> divided the luxury consumers into – snob consumers who find exclusivity everywhere, aristocratic consumers who desire to associate themselves with the groups that regularly use that luxury brand and bandwagoners who imitate others in their consumption of luxury products.

Weidmann *et al.* (2009) <sup>[18]</sup> segmented the luxury consumers into – materialists who consider luxury goods as a way of expressing status, rational functionalists who prioritise the uniqueness and quality of luxury brands, extravagant prestige seekers who consider owning luxury brands as being a part of an elite group and introvert hedonists who buy luxury brands for the pleasure of owning luxury goods. Hudders, Pandelaere & Vyncke (2013) <sup>[8]</sup> studied the segmentation of luxury consumers in emerging countries like India and China where the number of HNIs (High net-worth individuals) have been growing rapidly since the last few years. They segmented the consumers into – patricians are the individuals who are super-rich and who look for subtlety and do not show-off, parvenus are the individuals with new money and who buy expensive products to show that they have arrived. Poseurs buy fake luxury products to feel like a part of the elite group and the proletarians are individuals who are left out of this socio-economic status and who do not buy luxury goods at all.

A BCG (2017) report in 2017 segmented the luxury consumers in eight segments. The absolute luxurers are the individuals who were born in luxury and who present the 'happy few'. The megacitizens live in big cities like New York, London etc and spend around 20000 euros on luxury. The social wearers have a significant presence in emerging markets like India and China. This group spends around 15000 euro a year on luxury goods and seek an emotional connection with the brand. The experiencers spend around 12000 euros per year and are discreet and sophisticated and experience happiness in the little moments. The little princes are aged between 18-25. They were born with a silver spoon and are used to the luxury. Fashionistas are generally women between the ages of 35 – 40 who spend around 8000 euros a year. Status seekers usually come from Asia who follow well-established brands and the logo of their brand must be clearly visible. Classspirational is a set of consumers who consider luxury in terms of quality and trusted brands. Chadha & Husband (2006) <sup>[3]</sup> identified four segments of luxury consumers in India. The old money consist of industrialists for whom luxury consumption is a way of life. New money entrepreneurs view luxury as a status symbol. Gold collars of the corporate world believe in value-driven luxury and the BPO generation believe in making and spending money immediately.

### Need for Cluster Analysis

The reference group concept is used by advertisers to persuade consumers to purchase products and brands by portraying these in socially pleasant situations and using prominent celebrities and attractive models to consume these products or brands. They also use stereotypical group

members as spokespersons in advertising (Majumdar, 2010) <sup>[13]</sup>. Reference group appeals are highly effective marketing strategies as they reduce perceived risk amongst consumers and they also increase brand awareness (Khan & Rehman, 1995) <sup>[11]</sup>. Though segmenting the market based on demographic variables is the easier option, they are a somewhat superficial indicator of consumer behaviour. The marketers should try and locate the real motives and drivers of consumption.

### Research Objective

The objective of this paper is to identify distinct consumer segments based on the preferences of branding dimensions in the affordable luxury market.

### Research Methodology

In this research, extensive review of the literature was done and important branding dimensions related to luxury branding were identified and a scale was created. This scale of branding dimensions was further validated and reduced with the help of a pilot study and a focus group discussion. A 5-point Likert Scale (with 1 being strongly disagree and 5 being strongly agree) was formed on 53 statements based on 10 reduced dimensions namely – *Conspicuousness, Extended-self, Brand Pleasure, Brand Dream, Brand Associations, Brand Resonance, Brand Attachment, Sensory Brand Experience, Individual Value Dimension and Social Value Dimension*. A Likert Scale is a psychometric scale used to represent people's attitudes on a topic (Nargundkar, 2008) <sup>[14]</sup>.

Data collection was done across the four Indian cities of Delhi, Mumbai, Kolkata and Bangalore. 300 respondents were interviewed using questionnaires to collect the data. A questionnaire is a measuring instrument and can be in a scheduled interview form with a formalised set of questions (Kothari, 2004) <sup>[12]</sup>. The interviews were personal and self-administered. Personal interviews help collect deeper information and the self-administered technique is designed in such a way that the respondent can complete the questionnaire remotely without the interviewer being around (Rada & Domínguez-Álvarez, 2014) <sup>[15]</sup>. Exploratory factor analysis (EFA) was conducted to explore the underlying structure of the observed variables. 13 factors explained 67.107% of the total variance.

### Cluster Analysis

Cluster analysis is an exploratory data reduction tool for organising observed data (e.g. people, events, things, companies, brands) into meaningful groups or clusters. It optimizes the similarity of cases within each cluster while maximising the dissimilarity between groups that are initially unknown. It classifies a 'mountain' of information into manageable meaningful piles Invalid source specified. A consumer 'type' can represent a homogeneous market segment using cluster analysis. Identifying the needs of this consumer group can help brands design products with a direct appeal to that particular segment Invalid source specified.

First, we have to select the variables upon which we base our clusters. In this research, statements were taken with a communality of 0.8 (very strong indicators) or above from the Communalities Table (table 6) of Exploratory Factor Analysis, to do cluster analysis for segmenting the market. Each observed variable's *communality* is its estimated

squared correlation with its own common portion--that is, the proportion of variance in that variable that is explained by the common factors. Community (also called  $h^2$ ) is defined as common variance that ranges between 0 and 1.

Values closer to 1 suggest that extracted factors explain more of the variance of an individual item Invalid source specified.

**Table 1:** Parameters for Cluster Analysis – Statements with high communalities of greater than 0.8

Statement	Factor Loading
I can quickly recall the symbol or logo of this brand	.947
I consider this brand a good buy amongst affordable luxury apparel brands	.848
I like the company that makes this brand	.811
Some characteristics (logo/ ads/ brand ambassadors) of this brand come to my mind quickly	.809
I trust the company that makes this brand	.806
Purchasing this brand makes me happy	.803

Technique Adapted: In this research, the research is trying to find the optimal number of clusters. As the number of clusters that would emerge from the analysis is not known in the sample, a two-stage sequence of analysis was implemented as follows:

- In the first step, the researcher carried out the hierarchical cluster analysis using Ward's method applying squared Euclidean Distance as the distance of similarity measure. This helped to determine the optimum number of clusters we should work with.
- In the second step, the cluster analysis was rerun (with k-step cluster analysis) with the selected number of clusters, which enabled the researcher to allocate every case in the sample to a particular cluster.

Hierarchical Cluster Analysis finds relatively homogeneous clusters of cases based on measured characteristics. It starts with each case as a separate cluster, i.e. there are as many clusters as cases (in this case 300), and then combines the

clusters sequentially, reducing the number of clusters at each step until only one cluster is left. The clustering method uses the dissimilarities or distances between objects when forming the clusters Invalid source specified.

Ward's Method uses an analysis of variance approach to evaluate the distances between clusters. In general, this method is very efficient. Cluster membership is assessed by calculating the total sum of squared deviations from the mean of a cluster. The criterion for fusion is that it should produce the smallest possible increase in the error sum of squares Invalid source specified. The results start with an agglomeration schedule which provides a solution for every possible number of clusters from 1 to 300 (the number of our cases).

The agglomeration schedule table (table 7) is created from the bottom upwards and it shows the agglomeration coefficient for one cluster to another. The column to focus on is the one with the heading 'coefficients'.

**Table 2:** Agglomeration Schedule

Stage 1	Cluster combined		Coefficients	Appears		Next stage
	Cluster 1	Cluster 2		Cluster 1	Cluster 2	
1	192	300	.000	0	0	167
2	28	297	.000	0	0	171
3	231	296	.000	0	0	48
4	280	294	.000	0	0	14
5	32	293	.000	0	0	165
6	267	291	.000	0	0	23
7	278	290	.000	0	0	16
-----	-----	-----	-----	-----	-----	-----
295	3	10	1508.176	285	294	297
296	1	2	1645.887	288	293	298
297	3	5	1886.380	295	291	299
298	1	16	2316.464	296	292	299
299	1	3	3468.303	298	297	0

If we rewrite the coefficients as in table 8 (mentioned below), it is easier to see the changes in the coefficients as the number of clusters increase. The final column, headed 'Change', enables us to determine the optimum number of

clusters. In this case it is 3 clusters as succeeding clustering add very much less to distinguishing between cases. A clear demarcation point seems to be there after 3rd Row.

**Table 3:** Reformed Agglomeration Schedule for Cluster Analysis

No. of clusters	Agglomeration last step	Coefficients this step	Change
2	3468.303	2316.464	1151.839
3	2316.464	1886.380	430.0841
4	1886.380	1645.887	240.493
5	1645.887	1508.176	137.711
6	1508.176	1385.568	122.6075
7	1385.568	1273.402	112.1667
8	1273.402	1165.852	107.5495

9	1165.852	1066.025	99.82766
10	1066.025	994.918	71.10611

**K-Means Clustering:** K-means clustering is used when you already have some hypotheses concerning the number of clusters in your cases or variables Invalid source specified. In our study we have used both the hierarchical and the k-means techniques successively. The former (Ward's method) is used to get some sense of the possible number of clusters. As seen in Table 9, we have deduced 3 Clusters. Then the clustering is rerun with only a chosen optimum number in which to place all the cases. One of the biggest problems with cluster analysis is identifying the optimum number of clusters. Bratchell Invalid source specified. suggests that there is no best choice and researchers may need to employ different techniques and compare their results. Table 12 shows the distances between the final cluster centres and table 10 shows the number of cases in each cluster.

**Table 4:** Distances between Final Cluster Centres

Cluster	1	2	3
1		3.979	3.850
2	3.979		4.683
3	3.850	4.683	

**Table 5:** Number of Cases in each Cluster

Cluster	1	52.000
	2	166.000
	3	82.000
Valid		300.000
Missing		.000

**Table 7:** Final Cluster Centers for each variable

	Cluster		
	1	2	3
I can quickly recall the symbol or logo of this brand	5	1	4
I consider this brand a good buy amongst affordable luxury apparel brands	2	1	4
I like the company that makes this brand	1	2	4
Some characteristics (logo/ ads/ brand ambassadors) of this brand come to my mind quickly	3	2	3
I trust the company that makes this brand	1	2	4
Purchasing this brand makes me happy	2	1	3

**Table 8:** Final Clusters formed

Statement	I can quickly recall the symbol or logo of this brand	I consider this brand a good buy amongst affordable luxury apparel brands	I like the company that makes this brand	Some characteristics (logo/ ads/ brand ambassadors) of this brand come to my mind quickly	I trust the company that makes this brand	Purchasing this brand makes me happy
Cluster Name						
Cluster 1 – The Conspicuous Consumer	Very high influence of brand recall on buying behaviour	Moderate influence of price value on buying behaviour	Low influence of brand like on buying behaviour	High influence of brand association on buying behaviour	Low influence of brand trust on buying behaviour	Average influence of brand pleasure on buying behaviour
Cluster 2 – The Accustomed Consumer	Low influence of brand recall on buying behaviour	Low influence of price value on buying behaviour	Moderate influence of brand like on buying behaviour	Low influence of brand association on buying behaviour	Moderate influence of brand trust on buying behaviour	Low influence of brand pleasure on buying behaviour
Cluster 3 – The Hedonic Experience Consumer	Moderately High influence of brand recall on buying behaviour	High influence of price value on buying behaviour	High influence of brand like on buying behaviour	High influence of brand association on buying behaviour	High influence of brand trust on buying behaviour	High influence of brand pleasure on buying behaviour

**Cluster 1: The Conspicuous Consumer:** is characterized by high brand recall, average price sensitivity, high brand associations, low brand trust and moderate brand pleasure.

The distances between Final Clusters Centers table (table 11) shows the Euclidian distances between the final cluster centers. More distances between the clusters mean more dissimilarities. From table 12, it can be seen that cluster 2 & 3 have the highest dissimilarity and clusters 1 & 3 are the most similar ones.

**Table 6:** Differences in the clusters

Rank	Cluster Group	Differences
1	Cluster 2 & 3	4.683
2	Cluster 1 & 2	3.979
3	Cluster 1 & 3	3.850

Cluster memberships that are significantly different can be used as a new grouping variable for other analysis. More the difference between the clusters, more is the uniqueness in the segment. The significant differences between variables for the clusters suggest the ways in which the clusters differ based on the variables they're based on Invalid source specified.

This helps the marketers decide their marketing strategies. Whether they want to enter multiple similar segments with their product lines or if they want to target the next segment in their growth strategy. It is never advisable to cater to multiple dissimilar segments.

Table 15 explains the market characteristics of the three different clusters.

This consumer is very aware of the affordable luxury brand and the associations that come with it. They can quickly recall the symbol or the logo of the brand and don't really



care about the price of the brand or the company. They buy the brand for the status or the influence it provides.

**Cluster 2: The Luxury Accustomed Consumer:** is characterized by low brand recall and brand associations, low price sensitivity, average brand trust and low brand pleasure. For this consumer, buying an affordable luxury product is a regular thing, these consumers would make the purchase similarly as if they were buying a high street or cheaper product.

**Cluster 3: The Hedonic Experience Consumer:** is characterized by high brand recall and associations, high brand pleasure and high brand trust. This is the consumer who derives immense pleasure from purchasing affordable luxury brands. They are also price sensitive and look for affordable luxury products that provide a good value for money. 52 respondents belong to Cluster 1, 166 belong to cluster 2 and 82 respondents belong to cluster 3.

### Managerial Implications

The Conspicuous Consumer - Conspicuous consumption is often said to be pursued in order to enhance one's prestige in society, which can be achieved through signalling wealth and communicating affluence to others.

Many products, fashion clothing and apparel in particular, are oriented towards individuals displaying their image to others. In effect, this is sort of a code to communicate one's status. It is known that consumers intuitively do not always buy products and brands, particularly fashion apparel, to consume for their functional benefits. This can be similarly explained by the fact that when consumers wear sunglasses, many do not wear them just to protect their eyes, but also to fit in, or display an image. In the context of fashion apparel and other product categories like sunglasses, the conspicuousness of products and brands is affected by their degree of status. Invalid source specified.

The more status a brand carries, the more likely it will be used in a conspicuous manner. Thus, in order to appeal to this cluster, the affordable luxury brand should articulate the brand as being heavily status-laden, i.e. the brand should carry superior qualities and distinguishing characteristics that make it a status symbol. The brand attributes can include: symbolic characteristics; high standards in their field and superior quality; 'snob' appeal; luxurious features; exclusivity; being associated with the wealthy, successful; or high priced.

Consuming conspicuously cannot be achieved without the presence of 'others', 'others' are needed for signalling

wealth or public demonstration (Veblen, 1994). Similarly, the extant literature indicates that consumers' desire for conspicuous goods is determined by their social networks. Invalid source specified. Brand managers can use this aspect of conspicuous consumption by specifically targeting groups susceptible to group affiliation and inter-personal influence. The communication targeted towards this segment should be able to inflate their egos.

The Luxury Accustomed Consumer – This consumer group usually comes from old money. This consumer group is so accustomed to luxury and luxury goods and services that they do not think twice before making an affordable luxury good purchase.

This group is regular buyers of affordable luxury apparel. Brand managers should have strong

CRM (customer relationship management) practices in place to build a strong loyalty that can help drive traffic and influence repurchasing. Initiatives include special preview events, after-sales services and customer-tracking systems that promote individual recommendations. Brand managers should aim to establish relationships with their best customers. Invalid source specified.

The Hedonic Experience Consumer - Luxury brand managers could implement strategies that target this group by positioning luxury fashion brands in accordance with their psychological makeup. The hedonic consumer views affordable luxury brands as self-rewarding. This consumer values the experience of buying the product more than the product itself. Invalid source specified. Brand managers can design campaigns to tempt consumers with luxury brands which would help them in getting better hedonic value. Also, digital platform such as Instagram, Facebook, Twitter, Websites etc. can be used to communicate the process of making of luxury goods which will help the consumers know about the raw materials and the efforts invested in making the product, creating a greater need in the consumer. These platforms can also be used to know the choices of the consumers and products can even be customized for regular customers. Luxury brand concept also leads to more favourable brand extension evaluations than regular brands due to the hedonic potential in this concept. Invalid source specified. Hence brand managers can extend their product lines keeping in mind the hedonic consumer.

A one-way ANOVA is conducted to determine on which classifying variables are significantly different between the groups. From the ANOVA table (table 17), it is seen that greater the F value, greater the separation between the clusters. Variables with large F values provide the greatest separation between clusters.

**Table 9: ANOVA**

		Sum of Squares	df	Mean Square	F	Sig.
I can quickly recall the symbol or logo of this brand	Between Groups	689.964	2	344.982	687.484	.000
	Within Groups	149.036	297	.502		
	Total	839.000	299			
Some characteristics (logo/ ads/ brand ambassadors) of this brand come to my mind quickly	Between Groups	113.299	2	56.649	39.898	.000
	Within Groups	421.701	297	1.420		
	Total	535.000	299			
I consider this brand a good buy amongst affordable luxury apparel brands	Between Groups	236.566	2	118.283	89.476	.000
	Within Groups	392.621	297	1.322		
	Total	629.187	299			
I like the company that makes this brand	Between Groups	199.784	2	99.892	117.629	.000
	Within Groups	252.216	297	.849		

	Total	452.000	299			
I trust the company that makes this brand	Between Groups	214.129	2	107.065	123.420	.000
	Within Groups	257.641	297	.867		
	Total	471.770	299			
Purchasing this brand makes me happy	Between Groups	207.254	2	103.627	92.122	.000
	Within Groups	334.092	297	1.125		
	Total	541.347	299			

The Tukey post hoc-test (Table 18) reveals that in most cases the dependent variables reliably differentiate three clusters through their cluster means. Statement 5 (I trust the company that makes this brand) only significantly differentiate between clusters 2 & 3 and 1 & 3. Clusters 1 &

2 are not significantly different on this variable. Similarly, statement 6 (Purchasing this brand makes me happy) significantly differentiates clusters 1 & 3 and 2 & 3 but not 1 & 2.

**Table 10: Tukey Post Hoc Test**

Multiple Comparisons Tukey HSD							
Dependent Variable	(I) Cluster Number of Case of	(J) Cluster Number Case	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
I can quickly recall the symbol or logo of this brand	1	2	3.730*	.113	.000	3.47	4.00
		3	1.313*	.126	.000	1.02	1.61
	2	1	-3.730*	.113	.000	-4.00	-3.47
		3	-2.417*	.096	.000	-2.64	-2.19
	3	1	-1.313*	.126	.000	-1.61	-1.02
Some characteristics (logo/ ads/ brand ambassadors) of this brand come to my mind quickly	1	2	.800*	.189	.000	.35	1.25
		3	-.606*	.211	.012	-1.10	-.11
	2	1	-.800*	.189	.000	-1.25	-.35
		3	-1.406*	.161	.000	-1.78	-1.03
	3	1	.606*	.211	.012	.11	1.10
I consider this brand a good buy amongst affordable luxury apparel brands	1	2	.966*	.183	.000	.54	1.40
		3	-1.094*	.204	.000	-1.57	-.61
	2	1	-.966*	.183	.000	-1.40	-.54
		3	-2.061*	.155	.000	-2.43	-1.70
	3	1	1.094*	.204	.000	.61	1.57
I like the company Mal Makes this brand	1	2	.372*	.146	.031	.72	-.03
		3	-2.089*	.163	.000	-2.47	-1.70
	2	1	-.372*	.146	.031	-.03	.72
		3	-1.717*	.124	.000	-2.01	-1.42
	3	1	2.089*	.163	.000	1.70	2.47
I trust the company that makes this brand	1	2	-.335*	.148	.063	-.68	.01
		3	-2.131*	.165	.000	-2.52	-1.74
	2	1	.335*	.148	.063	-.01	.68
		3	-1.790*	.126	.000	-2.09	-1.50
	3	1	2.131*	.165	.000	1.74	2.52
Purchasing this brand makes me happy	1	2	.299*	.169	.179	-.10	.70
		3	-1.621*	.188	.000	-2.06	-1.18
	2	1	-.299*	.169	.179	-.70	.10
		3	.4920*	.143	.000	-.226	-1.58
	3	1	1.621*	.188	.000	1.18	2.06
		2	1.920*	.143	.000	1.58	2.26

\*The mean difference is significant at the 0.05 level

## Conclusion

In this study the researchers tried to explore the present scenario of the affordable luxury apparel market in India and the various reasons responsible for the consumer buying behaviour in this category.

Cluster Analysis was done first by hierarchical method to deduce number of clusters which can be formed, and then the data was further processed through Ward Method in K-Means Cluster Method. Three distinct segments were derived from the two-step cluster analysis which helped to

understand the consumer market in a better way so that the affordable luxury apparel brands can devise products which suit each individual segment - The Conspicuous Customer, The Accustomed Customer and The Hedonic Experience Consumer. It has been seen that 17.33% belong to Cluster 01 – The Conspicuous Consumer, 55.33% belong to Cluster Group 02 – The Accustomed Consumer and the remaining 27.34% belong to the Cluster Group 03 – The Hedonic Experience Consumer. The accustomed consumer and the hedonic experience consumer are very different from each

other. The accustomed customer is less price sensitive and has very low brand associations whereas the hedonic experience consumer has high brand associations and is also price sensitive. The conspicuous consumer segment and hedonic experience consumer segment are similar to each other in the sense that both the segments have high brand associations and they think a lot about the affordable luxury brands.

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