

---

# Navigating the Geopolitics of the New Luxury Consumer



By Frederic Godart , INSEAD Assistant Professor of Organisational Behaviour

**Newly rich Russian and Chinese consumers have kept the luxury sector buoyant in recent years. Will these markets continue to be the lands of opportunity for luxury brands as the world turns against Russia and the Chinese leaders enforce their anti-corruption campaign?**

On the surface, the Russian and Chinese consumers have a lot in common: new money (and lots of it), pent-up demand for status symbols and a desire for self-expression. However, both countries are very different markets in terms of what luxury means to the consumer. In the book [Luxury Brands in Emerging Markets](#), edited by Glyn Atwal and Douglas Bryson, I co-authored a chapter with Irina Kulikova (an INSEAD alumna '11D and consultant at Bain & Company) entitled "How History, Culture, and Demography Drive Luxury Consumption in Russia" in which I explain that – in the case of Russia – some 30 percent of the country's personal assets are concentrated in the hands of about 100 billionaires, most of whom live in either Moscow or Saint Petersburg. For them and the other 2,500 Russian Ultra High Net Worth Individuals, the only options for luxury consumption are

international brands: home-grown Russian luxury brands simply don't exist and attempts to produce luxury fashion have been unsuccessful in the past.

While it is true that Western governments' visa policies – making some Russian travel difficult – will likely impact these oligarchs' spending power abroad, it is uncertain that their spending at home would be affected. Given the tit-for-tat political climate, it is possible a short-term nationalistic reaction against international brands could happen, but even then the Russians' long-documented love for conspicuous luxury consumption is unlikely to be put “on hold” for long.

### **From “status buying” to “stylised buying”**

Both Chinese and Russians initially seemed to favour “status buying” after years of being marginalised in their respective economic systems. Buying ostentatious well-known labels allowed them to socialise and feel part of a powerful elite group. As the consumer matures, however, opportunities will exist for luxury companies to ride the wave of transition from conspicuous spending to more stylised luxury. This is already being witnessed among Chinese consumers, especially in the big cities, who are looking for more aesthetic value rather than status value and this has created a window of opportunity for local Chinese brands hoping to enter the luxury market. Yiqing Yin is one such designer who developed her talents abroad having studied at l'École Nationale Supérieure des Arts Décoratifs in Paris, and whose designs sell well in several foreign markets as well as China. In Russia, the trend is already budding in Moscow and Saint Petersburg where personal differentiation and style have been noted to replace printed logos and external signs of power as drivers of luxury consumption.

Other examples exist of Chinese brands moving into the international arena with a focus either on their Chinese heritage or with a view to fusing “East meets West” in their designs. Shang Xia, established by Hermès, prefers to position itself as promoting traditional Chinese crafts to a Western audience. Meanwhile, Bosideng has recently returned to its Chinese roots after initially employing a UK-based design team to leave behind the “Made in China” image when they opened their first store outside China, located in London's shopping heartland of South Molton Street. Helping fuel this drive is the Chinese government's policy to encourage Chinese designers to compete on the international arena.

What these different approaches show is that there is no one “winning formula” for Chinese luxury brands to successfully enter the global market. As I discuss in my chapter in the same book “Drivers of China’s Desire for Luxury and Consequences for Luxury Brands” co-authored with Yue Zhao, Associate Professor at ESG Management School, the question of a “hybrid identity” or a traditional identity should be considered along with the question of international expansion. Do brands want to bring a taste of China to Western consumers or are they looking to elevate their status in the eyes of Chinese tourists and expatriates?

### **Chinese connections and the wheel of expansion**

While government support for home-grown luxury brands is giving the sector a boost, another government measure could nevertheless limit big purchases: anti-bribery laws could curtail expensive gift-giving. But, significantly, gift-giving is written so deeply into Chinese culture it is likely that anti-bribery laws will have a limited effect on luxury spending. It might change its characteristics, such as the product range, but not its *raison d’être*. The government’s campaign is rather aimed at ensuring political stability through no longer approving public displays of wealth. The middle class are importantly driving the wheel of expansion and as mentioned in a recent [article](#) on The Next Phase of China’s Luxury Consumption, my colleague [David Dubois](#), explains that more than half of all luxury goods are purchased as business or personal gifts and not for the buyer’s own consumption.

Additionally, luxury brands are significantly cheaper outside China. Purchasing abroad is part of the luxury experience, and many Chinese tourists believe that buying a Chanel bag in Paris has more charm and cachet than buying it in any other place. These factors imply that the drive among Chinese tourists and expatriates to spend on luxury will remain robust. The same is true for prices outside Russia such that demand among rich Russians is assured as long as they have the money and freedom to travel globally. Western brands who choose to expand into China and Russia are savvy enough to understand that by raising brand awareness in these markets, as incomes rise, these consumers will eventually become global tourists and shoppers.

As world political events run their course, the Russian market is likely to be affected by the country’s political regime more so than the Chinese market. As we have seen, Chinese leaders are noticeably more open to market

opportunities than their Russian counterparts in the luxury sector and the rise of the Chinese middle class is an opportunity waiting to be seized by brands. While Russian and Chinese luxury consumers are at different “stages of their development”, the time is ripe for brands to catch the transition from conspicuous to more stylised spending in both markets. The main difference in the immediate future will be that for the Russian consumer, the style will still be largely based on a Western look; for the Chinese consumer, it could be a fusion of Western and Chinese styles, a “look to the West” or a preference to embrace his/her own heritage. Designers have possibly never had so much scope to appeal to the more discerning consumer at home and abroad in these markets. It is to be hoped that politicians don’t stand in the way of these opportunities.





*Frédéric Godart is an Assistant Professor of Organisational Behaviour at INSEAD. He teaches "Power and Politics" in the MBA curriculum and researches fashion and luxury.*

Follow INSEAD Knowledge on [Twitter](#) and [Facebook](#)

**Find article at**

<https://knowledge.insead.edu/marketing/navigating-geopolitics-new-luxury-consumer>

---

**About the author(s)**

**Frederic Godart** is an Associate Professor of Organisational Behaviour at INSEAD. His research focuses on the dynamics of creative industries and explores the impact of formal and informal social networks on creativity.