

LUXURY ATTITUDE OF INDIAN CONSUMERS: A CROSS CULTURAL APPROACHES

K. PRABHAKAR RAJKUMAR¹ & JOTHI²

¹Assistant Professor, Dept of Commerce, Periyar University, Salem, Tamil Nadu, India

²Research Scholar, Dept of Commerce, Periyar University, Salem, Tamil Nadu, India

ABSTRACT

Even though recent years have not been extremely favorable for the luxury industry, but still developed as well as the emerging market is playing their prestigious role to attract the consumers worldwide. Interestingly enough, the growth of luxury commodities has increased in the recent years. All in all, luxury marketers this year are using most sophisticated marketing tools to woo and retain their target consumers. In this many countries are involved from developed to developing countries across the world. According to the ASSOCHAM-KPMG study, the Indian luxury market growth is estimated at 30 per cent and projected to reach \$14 billion by 2016. This rate of growth has been triggered by the accelerating influence of the affluent class, high net worth individuals with an appetite for luxury goods consumption, ever growing middle class population, sophisticated consumers with a desire for exclusive products. But, still it is in a blossoming stage of development in India and presently it has a greater share in the global luxury market.

KEYWORDS: Luxury Products, Global Luxury Markets, Consumers, Perception, Attitude

INTRODUCTION

It has been evident from the history that luxury has been present in one or other form of consumption practices and that the luxury goods have existed for ages. Where luxury product such as silks were consumed for status, respect, and pleasure, where luxury products were consumed secretly, since their overgenerous nature seriously compromised consumers' modesty and equality, important values at the time. The Indian market for luxury goods has proved to be a very beneficial market and the rate of growth has outpaced that of other consumer goods categories. In today's fast moving economy, marketing has a critical and crucial role to play in piquing interest and generating demand. The recent trends have found that, the emerging to suggest that affluent consumers crave a mix of effective technology and tradition, when they interact with luxury marketers. The luxury marketers can take an efficient stand out in the overcrowded advertising buzzword by providing interactive content, which included social media sharing as well as consistent message across all the channels.

Global Economic Outlook

When it comes to the global economy, the perception of consumers changes according to time and situation. One concern with the global luxury industry, it is growing accordingly. The perception and attitude of luxury market consumers' changes, as in change of country's boundaries. As there was a decline in the luxury aspects of consumers toward the purveyors of luxury products was basically in the rise in income inequality. Thus the available income of the upper class or upper income households is growing faster than compared to the overall incomes of consumers.

The main objective of the paper is to identify the luxury attitude of Indian consumers, when compared to other developed luxury markets; such as the eminent and the fifth largest luxury market, the China, going forward with Japan who is the world's second largest luxury market after the United States. According to the Euromonitor, it was found that many markets have emerged under top 10 luxury markets in the world is the Eurozone, which comprises of Italy, France, Germany and Spain, they are respectively the 3rd, 4th, 7th and 9th place in the list of largest luxury markets in the world. Many of the countries are in a downfall of the luxury market and they are in the stage of recovery, such as the Germany, United Kingdom, France, Spain, Italy. These countries are mainly in the obscure fall because of these reasons like the rising value of currency, economy imbalance, lack of employment opportunities, massive investment in fixed assets.

The developed country United States of America are developed as a giant market of luxury products, which always attract the people's all over the world. The United States is the first larger luxury markets in the world, in 2014 the economic growth of US was modest this has continually influenced the growth of consumer spending, especially they are spending their valuable money on expensive and luxury automobiles.

After a broad outlook on the major luxury markets across the world, the eye comes to the emerging markets in the world, which are mainly claims Russia, Brazil, moreover India. Even through the consumer spending growth slowed slightly in these countries, but interestingly, after 2012 the most recent years in India as being the fastest growing luxury market in the Asian countries.

Perception and Attitude of Consumers Towards Luxury Product Across the World

The shopping habit spending power, attitude, and penchant for luxury goods are entirely different across all the countries in the world. In case of China's maturing luxury buyers are basically caring and involve most about the quality and exclusivity of luxury goods. In other countries, mainly Hongkong and Singapore, luxury for them is the lofty price point. In China people who are very luxury conscious defined owning a luxury item is considered as a status symbol. On the other hand when talking about Hongkong country, for them quality is a more important factor while purchasing or consuming a luxury item or goods. They basically believe that luxury is evaluated to expensive items that are mainly designer ware and most exclusive.

When we consider the consumer profiling of Asian consumers, which can be split into four broad different categories, which is based on their attitude, behavior and shopping preference for a luxury product in the luxury market.

- Exclusivity Seeker
- Indulgent Traveler
- Virtual Shopper
- Luxury Bargain Hunter

These are the broad consumer which is segregated are they based on shopping in the luxury market. The first one "Exclusivity seeker" are the consumers, who have a Large disposable income and can spend on luxury products in a number of categories. When considering the "Indulgent traveler" these are mainly and mostly the male of the society, who splurges at airport, primarily on hard to buy luxury goods such as expensive watches and jewelry. When coming to "Virtual shopper" these consumers usually browse on interest for luxury online, for prioritizing unique finds. On the other hand "Luxury bargain hunter", these consumers has the least buying power and they mainly prefer to buy the goods or

items which are tax free and spend more amount of money on electronics.

Finally, it can be concluded that brands can use psychographic information, which can help them to fine tune their marketing strategies and targeting their ultimate consumers within the luxury space. So it could be clearly said exclusivity seeker's buy luxury goods for heightened qualities, while the indulgent traveler look for luxury goods as a social status symbol among the people, they always look for labels and brands that could be easily recognized by others. Different countries across Asia have varied segments and proportion of individual personalities. Such as Hongkong has the highest number of indulgent travelers, whereas China is mostly covered with exclusivity seekers. In Singapore affluents mainly prefer to be a luxury bargain hunter. According to the data mentioned in an article reaching Asian luxury consumers require deeper psychographic understanding.

In today's reality concept of luxury is board changed with the attitude and perception of consumer's across the countries in the world. The primary demand of unwanted, high value products, rare and unique items, necessary commodities which could make consumers "mainly ordinary", who from time to time, changes and transform their desire and pleasure to acquire a luxury item and goods into reality. The entire objective of this research article is an exploratory and descriptive analysis of the perception and attitude attached to the prominent word "luxury" that reveals the acquisition and consumption behavior of the consumers towards the luxury products.

Luxury Outlook of China with India

China is the world's fifth largest market of luxury according to Euromonitor, all the eyes are on the sales volume of India and China luxury products. China has a number of successful luxury brands, in China luxury entered in 1992 and grew at 27% in its first 10 years. For examples Louis Vuitton has 35 stores in China against three in India. Moreover, Indian buyers are more sentimental and emotional in nature, still they believe in traditional preference such as jewellery and clothings. Also, they are very price conscious and less brand aware. Even though the Indian market is very young in the case of luxury products, because luxury entered in India only five years ago, where as China has most developed sector of the luxury market, where it does not have structural barriers such as foreign investment and duties also.

Even though facing all challenges India still at the rising stage of the luxury market in the world, a few numbers of business groups have emerged as consolidators of luxury brands. Out of 40 plus luxury brands are present in the country like Genesis color, Reliance brands, major brands and DLF brands have number of franchises, distributor agreement or joint venture.

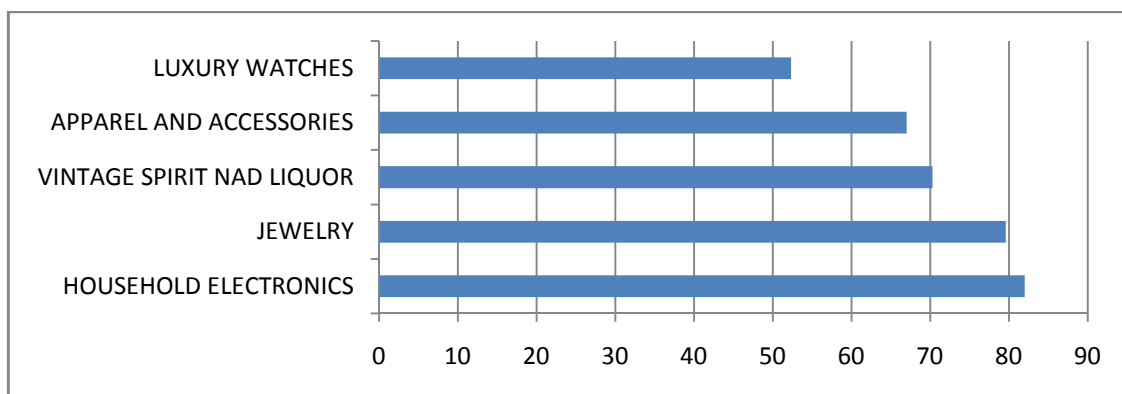
The Luxury Concept in India: its Evolution and Future Prospects

Despite of glorious historical connection of India in the early years, mainly where Raja's and Maharajas who were fond of luxury and expensive goods. Still now the growing and increasing population of affluent Indian, who are blessed to afford the most coveted brands. The brand awareness level is in uptrend and it is continuously growing in India. Indian affluent class mainly buys luxury products on their brand value and quality and then they stick to famous brands. In the existing Indian scenario luxury, market is scattered across the five star and luxury hotels and also in few premium malls. Currently in India there are four luxury malls such as DLF Emporio in NCR, Palladium in Mumbai, The Collection- UB city in Bengaluru, and New Bergamo Mall in Chennai. In Indian context the house of luxury brands like Armani, Louis Vuitton, Estee Lauder and Versace.

Currently, luxury brands of other countries are entering the market mainly through joint venture/ franchise agreements with a domestic partner. In today's scenario, the budding luxury market in India is facing a lot of problems, challenges and obstacles such as staff shortage, high taxation, poor infrastructure, expensive real estate which are the basic requirements of the nature of the luxury market. The success and future of the retail sector in India are expected to ride high in India's growing domestic consumer base, population expansion, increasing mall infrastructure, rising consumption and spending trends. As per the census of India 2011 there are 53 cities with million plus population, which comprises of top 8 cities, namely Ahmedabad, Bengaluru, Chennai, Delhi, NCR (national capital region), Hyderabad, Kolkata, Mumbai and Pune, all of which indicate a massive domestic consumer base.

Emergence of Indian luxury

In 2013, luxury champagne player Moët Hennessy, who previously used to offer only imported products, launched its first Indian-made wine. The strategy was mainly aimed to target a new breed of consumers. These positive trends are indicative of a growing comfort around the concept and quality products being made in India. The traditional Indian luxury shopper is now more aware than before and is willing to look beyond the geographic limitations that once determined purchase decisions. The traditional Indian luxury consumer has also increasingly focused on multiple aspects such as cost, after sales service, etc. while making the choice. Homegrown players have capitalized on traditional Indian strengths in areas such as textiles, leather, jewelry and personal care to gain popularity both in India and abroad. Examples include fashion designers such as Ritu Kumar and Sabyasachi; high-end Ayurvedic personal care company Forest Essentials; and hospitality players such as Taj, Oberoi and ITC.



Source: Kotak Wealth Management Report 2012

Figure 1: Luxury Consumers Preferring to Shop in India Over Abroad (%)

- **Defining Luxury**

The luxury concept is evaluated by the society in a large context, the extended of desire, ability (due to price, superior quality, aesthetics, exclusivity or symbolism) of a luxury brand is mainly defined by the more exposed affluent class. There is growth in luxury brands across India. Some of Indian luxury brands are Ashmin, Bues Galleria, Casa Paradox, Esemble, Farah Khan, Jagur- Land Rover, Minawala, Prestige the man store, Ravissant, Vanilla Moon, etc. Some of selected international luxury brands present in India- Audi, BMW, Burberry, Canvas, Dior, Gucci, Harley Davidson, Mercedes Benz, Omega, Rolex, Versace, etc.

- **Demographics of Luxury**

In the last few decades, there has been a magnificent rise in supply and demand of luxury product across Indian boundaries. Recent research has shown that there is an increase in net worth of the income level of the population in India among all the groups of individual, however the target or ultimate audience of luxury is not limited to just HNS (high net worth households). The purchasing power of the upper middle class income group also has increased sufficiently to afford a few luxury goods. All the areas of population are influenced widely, drawing the luxury client from north India to NCR, western India to Mumbai, southern India in Chennai and Bengaluru. This influence covers all the areas that are urban, semi-urban, rural areas adjoining these cities.

- **Location Matters**

Over the world when it comes to Indian margin most of the luxury brands prefer to function from the five star hotels and luxury/ premium malls, because in Indian concern, there is no single main street like the 5th Avenue in New York or Bond street in London that has an abundance of luxury stores. Mainly luxury brand does not prefer to operate on the streets of India due to prevalent traffic congestion problems and lack of quality space. The appropriate location for a luxury brand is one of the important parameters which reflects the positioning of the brand. Louis Vuitton a luxury brand which started its operation in India, with the first two stores in luxury malls of New Delhi and Mumbai.

- **Luxury Clusters in India**

When it comes to Indian luxury consumption, it constitutes only 1 to 2 per cent of the global luxury market. Moreover, with increases in the HNI population, the overall rise in disposable income places India among the leading global destinations for luxury brands. Currently, luxury consumption in India is concentrated in Delhi, Mumbai and Bengaluru, with the preference for luxury goods growing across the country's top 10 cities. DLF Emporio in Delhi, Palladium in Mumbai and UB City in Bengaluru are some of the luxury malls in India. South India has emerged as a primary driver of India's luxury market. In this region, the population tends to be highly receptive to new products and flavors as compared to other regions of the country. In North India, the demand for premium and imported goods has witnessed a boom in the metros as well as other cities. In the last few years, cities such as Surat, Jaipur, Lucknow, Nagpur, Coimbatore and Kanpur have witnessed prominent growth in income distribution. The number of high-income households in these cities is estimated to grow at around 20 per cent annually, as against 13.7 per cent in metropolitan cities. Considering this strong growth momentum will continue in coming years, luxury brands have been evolving rapidly and expanding their footprint in high streets in the top 10 cities, luxury hotels and high-end residential areas.

Ranking of India's Leading Luxury Retail Cities

- **Delhi NCR:** Delhi NCR tops most of the parameters on which we base our retail attractiveness quotient. The city tops all real estate drivers and also the socio-psychological parameters. As a result, Delh NCR stands first in rank and we can deduce that it has the most enriching retail legacy among the Indian cities.
- **Mumbai:** With the highest in-migration and a large number of SEC A and SEC B population, Mumbai has the highest retail demand potential. However, a lack of availability of land parcels leading to high rents in prime areas acts as a dampener that causes Mumbai to lag behind Delhi in terms of existing retail stock, and also against other cities when compared to the upcoming supply. The high propensity to consume creates an inherent shopping,

culture, which helps sustain the rise in demand for retailers.

- **Bangalore:** Bangalore ranks high on the chart with its good retail consciousness and the existing and upcoming supply. In addition, affordable rents in the city - compared to other Tier I and some Tier II cities - has helped retail to flourish here. However, the city has lesser household expenditure even when compared to Kolkata and Chennai.
- **Chennai:** Chennai, with its affordable rents and good high street stock in contrast to the organized retail stock, has received the fourth rank. In addition, the large number of high and upper-mid residential units launched in the last three years would be able to create the retail demand. However, many from Chennai migrate to other IT destinations such as Bangalore, Hyderabad and Pune, as indicated by their low migration rates.
- **Kolkata:** The best that Kolkata can offer to retailers is the attractive household expenditure and an illustrious high-street variety retailing. It has a fairly high concentration of SEC A and SEC B households whose propensity to consume is usually higher than others. However, rents in prime areas are not affordable and the retail stock is also low, both of which make penetration of the retailers difficult.
- **Hyderabad:** Hyderabad offers attractiveness in terms of affordable rents, which is higher only in Pune among the Tier II cities. In addition, a huge amount of upcoming supply in the next three years would naturally keep the momentum in consumption alive in the future. However, lesser household income and household expenditure have ranked it lower.
- **Pune:** Pune provides the most affordable rents in prime areas among the Tier I and Tier II cities. The high migration rates will be well supported or even enhanced in the future, given that the city has a large office space supply per capita in the pipeline. However, low household income and expenditure compared to most other cities has ranked it the lowest.

Rising Wealth

The number of millionaires in India has been increasing steadily since 2011.

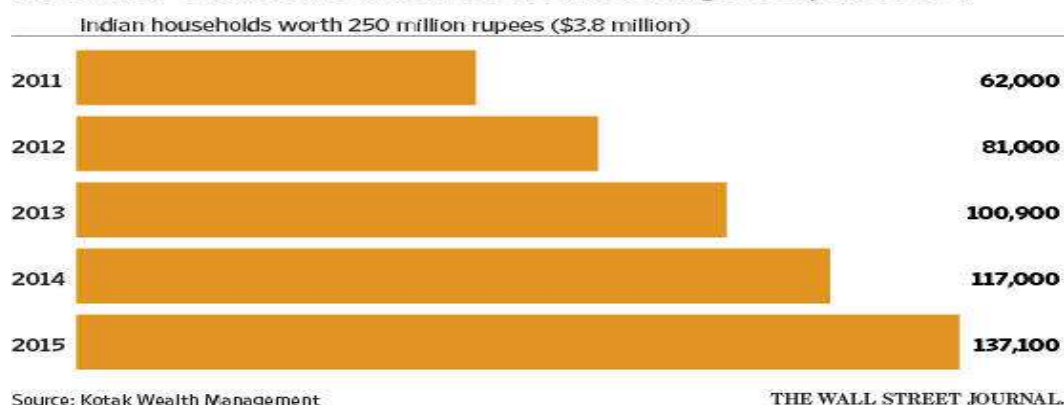


Figure 2: Rising Wealth, Big Spenders and Changing Taste

There is a continuous increase in the wealth of Indian household, the number of millionaire Indian household worth of 250 million rupees (\$ 3.8 million) increased by 17% from years 2014 to 2015. These figures are expected to grow at a faster rate in next upcoming five years, according to the Kotak Wealth Management.



Figure 3

According to Euromonitor records it is clearly stated that the luxury goods sales increased 25% in 2014, as compared with 7% in China.

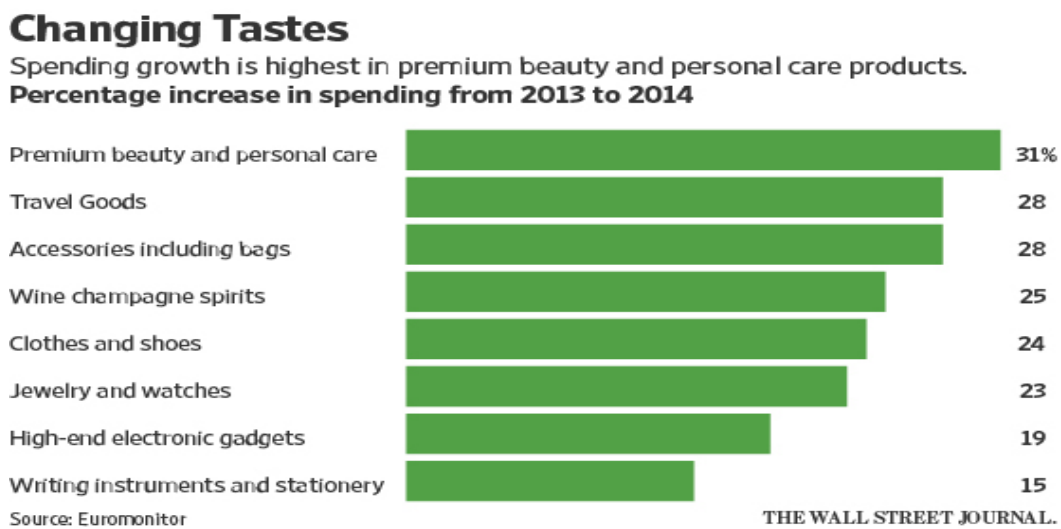


Figure 4

International luxury brands command only a tiny share of the Indian market, where they face strong competition from local fashion designers and jewelry makers. Indians prefer traditional dress and jewelry, but shoes, bags and watches from global brands are a hit. Indians are also developing a taste for high-end skin care, expensive luggage and fine wine.

Challenges Highlighted by Luxury Marketers in India

Despite of the increasing growth of luxury markets in India, many global companies are facing significant challenges and problems to establish and operate the business.

- Firstly, there is a lack of infrastructure in India, so many luxury brands have to operate their business in premium malls and five star hotels; so there is a limited expansion of the market for luxury product in India.
- Secondly, Indian foreign investment rules are considered to be roadblocks for many of the luxury brand retails in Indian. Many international players in luxury product mainly stand out for their brand image and quality. However, this policy was a positive step, as it cuts down the manufacturing cost, which was firstly done by Stalwarts like

Harley Davidson which entered into Indian market in late 2009 and have its plant in Haryana, where assembling of bike is done and which reduces the price by 20-25%, which in turn enabled to target large number of buyers.

- Thirdly, the taxation policy of India has also influenced the luxury retailers across India. The currency uncertainty of the rupee is expected to continue in coming years the duties charged on luxury products is much more i.e. twice and thrice of other countries such as Europe and China.
- Fourthly, since many international new luxury brands have entered into the premises of India with a partnership of Indian firms, so to find out right partner to start the business is very difficult and challenging job for many luxury retailers.
- Fifthly, even though the infrastructure facilities of India are continuously improving, but it is still insufficient. There is a lack of warehouses, scarcity of logistics, which thereby result in to lack of distribution facilities and higher logistics costs.
- Sixthly, the luxury industry is facing shortage of well trained manpower. Lack of trained manpower is a well acknowledged challenge that the Indian retail sector industry is facing. Sensing an opportunity, luxury connect, development and education venture, has tied up with an SDA Bocconi school of management, Italy to launch a luxury business management program in India.
- Seventhly, in India there continuously changes in strategies for entry of luxury brands from licensed to joint venture to subsidiaries mainly due to lack of clarity on the retail environment of India.
- Lastly, in the large luxury market in India is a serious hindrance for luxury brand as countering the counterfeit market for luxury product is on a rising stage in India. For example the French luxury house Hermes and Indian leather goods retail DA Milino are locked in a legal battle over design copyright issues.

CONCLUSIONS

The luxury started from very early stage, i.e. from the period of Raja's and Maharajas. But still there are many hurdles and obstacles to enhance the luxury market across India. The luxury market in India is ahead increasing visibility with each passing year. With the increase in the luxury product in today's market, it indicates that most global luxury brands recognize its potential in the Indian luxury market. The luxury market in India is interestingly balanced today. The luxury market growth over the past year became higher than expectations and this strong upward line is likely to continue over the year ahead. Luxury has gone beyond Delhi, Mumbai and Bangalore to Chennai, Hyderabad and Pune, which collectively now have over 30 stores in apparel, accessories, watches and personal care. Similarly North Mumbai and Gurgaon are two new distinct catchments that have emerged (CII-AT Kearney India luxury review, 2011). The Optimism surrounded by luxury players seems increasing, obsessed by positive consumer sentiment. Consumers are sprouting much faster than predicted, and are quickly easily spread up with global trends. Even though there is an increase in the luxury market in India, still there is a long way ahead.

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