

The Art of Branded Luxury - Indian Consumers Buying Behaviour

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Abstract

India is home to some of the richest men in the world, with the fastest growing high net worth individuals (HNIs) in the Asia-Pacific region, the Indian luxury market is the beacon of the future. Numbers of international brands are vying to design, develop and deliver the high-end goods and services according to the needs of the Indian consumers. To do so, they are being forced to build their distribution and to spur consumer interest in products that aren't familiar to many Indian shoppers. This paper highlights the consumer motivation for purchase of luxury products like handbags, footwear, accessories. It reveals that consumers buy the luxury goods due to their brand names and are not affected by price tag attached with luxury products. It confirms the relationship between consumers' purchase of the luxury goods and status symbol.

Keywords: Marketing, consumer behavior, consumer decision making, luxury goods

INTRODUCTION

Luxury is often associated with personal pleasure, superficiality and ostentation, while the reference to sustainable development evokes altruism, sobriety, moderation and ethics. Luxury is anything that is desirable and which exceeds necessity and ordinariness. As a general rule, this is defined from a global perspective, for the present and for normal conditions.

Luxury is constantly evolving and subjective concept. But more often than not, the word is used to define an inessential but desirable item or a state of extreme comfort or indulgence. What sets luxury brands apart is that they command premium without clear functional advantages over their counterparts. Yet consumers are willing to pay the significant price difference

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because they have a unique set of characteristics including premium quality, craftsmanship, recognisability, exclusivity and reputation.

The luxury market is an interesting one because it represents consumption at its most hedonistic and seemingly irrational level - purchasing for the personal pleasure it provides, despite the financial cost.

Asia is the largest target market for luxury brands, accounting for more sales than any other region, including Europe and the United States. For instance, half of Switzerland's USD 8 billion annual watch exports go to Asia. France's LVMH, the world's largest luxury goods company, claims 40% of world sales are generated in Asia while for its rival Gucci, the figure is 45%.

Demand for luxury and fashion products has traditionally been regarded as highly susceptible to swings in economic sentiment. However luxury brands have now enjoyed many successive years of growth. According to Bain & Co. worldwide sales of luxury goods are expected to grow at an average of about 6% up to the end of the decade, with the sector growing by as much as 9% in Asia.

The luxury sector's current value is \$240 billion worldwide (Business Week, 2010). This includes the traditional luxury houses-mostly French and Italian firms with a long heritage and presence in product categories such as fashion, accessories, leather goods, cosmetics, wine, and spirits (Chevalier & Mazzalovo, 2008). In this case, the global luxury market is worth up to \$1 trillion (Truong, 2010). The main drivers of this growth are globalization and the resulting wealth-creation, emerging affluent market segments (Chow, Fung, & Ngo, 2001).

Luxuries attract consumers for several reasons. The key attraction appears to be the symbolism consumers attach to them rather than the product attributes (Berthon, Pitt, Parent, & Berthon, 2009). Scholars argue that true meaning of luxury

lies in its uniqueness, rarity, and the inability of the masses to obtain it (Dubois & Paternault, 1995). On the contrary, empirical observations in luxury markets show that many brands are stretching the boundaries of access to luxury, selling massive amounts of products (Catry, 2003; Okonkwo, 2009).

For a long time, the legitimacy of luxury relied on traditional qualities: the rarity of materials and the finesse of craftsmanship (Roche 1989; Sicard 2005), and some luxury brands continue to rely on these criteria, for example, Hermès. However, in the 90 s, the luxury retail sector began mass marketing based on (1) an intensification in distribution; (2) an evolution in production methods; (3) a modification in the structure of inventory turnover, now depending financially on the marketing of accessories (handbags, perfumes, cosmetics, etc.) targeting a wider public.

The resulting challenge for luxury brands is to balance broader distribution while reasserting the singularity of its offerings (Remaury 2005). To address problems of brand legitimacy, we argue luxury brands such as Vuitton, Dior and Chanel have linked traditional legitimacy based on craft skills and know-how to charismatic legitimacy based on an exceptional charismatic persona, the artistic director who designs the products

The Indian Luxury Market

In India, till a decade back luxury retail was only meant for the consumption of elites. There were few accessible luxury brands available in five star hotels and majority of them abroad. But over the years, India's increasing urbanization rate has monetarily empowered the consumer which has further helped luxury market to set a firm foot for itself. The spending habits of consumer have redefined the meaning of luxury- luxurious goods have become necessities, not just for the riches but also for the middle class populations. For a common buyer, the outlook for luxury has changed from an "aspirer" to an "acquirer".

Biggest opportunities in India's luxury market

Luxury in India was synonymous in pre-British times and even the post- British era saw its richness of royal families and newly-developed industrial classes who were the users of luxury brands. The Indian consumers' attitude towards luxury had long been akin to Europeans. Indian princes had an awe for luxury goods. Brands such as Louis Vuitton and Cartier were patronized by the Patiala royal family among others. With the liberalized economy opening up, luxury retailers would find new customers in India. The emergence of new elite in India was all that was required for the mindset to resurface.

The last couple of years have seen a entry of luxury brands into the Indian market: from stand-alone stores in five star hotels to luxury Malls. These brands which were previously only seen in international fashion magazines and high streets abroad are now gaining popularity with Indian consumers. With one of the highest levels of disposable incomes, the well-traveled Indian consumer is being wooed by all luxury retailers.

“A young demographic profile, growing number of millionaires and billionaires and aspirational integration with the globe are all among the driving factors for the luxury market which see a big potential in India. Since high end products and life styles are not price elastic, they don't get much affected by the slowdown, says Mr. DS Rawat, secretary general AASOCHAM”. In most

surveys of the luxury goods market globally, the most exciting and developed market is mainly viewed as China. But, looking at the growth in GDP and HNIs in India, there can be little doubt that the Indian market is going to see considerable demand increases and general growth in the coming years. Organized retailing in India is expected to grow at 20 percent. So, in terms of investment in retail sector, India is likely one of the hottest destinations for luxury retailing. With income levels increasing, consumers prepared to buy luxury brands are growing in numbers. The combined effects of economic growth, globalization, and internet/ social media diffusion have created boom in the Indian luxury industry. However, as the dominant luxury consumers have changed, their consumption habits are also expected to evolve over time. AASOCHAM paper reveals that despite continued global economic slowdown, the luxury market in India has touched around \$8.5 billion with growth rate of 25-30% in 2013 as against \$6.5bln in 2012 and estimated to cross \$14bln during the course of next three years.

According to NCAER Household Income Survey (Exhibit 1), in 2005-06, there were 53,000 families in India with annual incomes of more than Rs 10 million. By 2010, India had 1,40,000 people in this category. Industry estimates suggest that 200-300 international luxury brands are trying to penetrate into the Indian luxury market, growing at 30-32 per cent.

Exhibit 1: The Indian Wealth League

The Indian wealth league: How many Indians and households qualify?				
Category	Annual Income (INR)	Annual Income (US\$)	Est HH* 2005/06	Est HH* 2009/10
Super rich	10 million+	>200,000	53,000	141,000
Sheer rich	5-10 million	100-200,000	103,000	255,000
Clear rich	2-5 million	40-100,000	454,000	1,037,000
Near rich	1-2 million	20-40,000	1,122,000	2,373,000
Total			1,732,000	3,806,000

Source: NCAER MISH Survey 2004

*HH = number of households

According to a report prepared by DSP Merrill Lynch and Capgemini (2008) the number of High Networth Individuals (HNIs) has gone up by 23 per cent in India. Luxury retail in India is being flaunted as the next big thing in Indian retail scenario. The market in India is now considered as the next China for luxury goods consumption. Luxury goods manufacturers and retailers are keen to tap further this rising affluence and

increases in aspirational lifestyles and consumption patterns of Indian consumers. Luxury market is poised to expand three-fold in next three years and number of millionaires expected to multiply in another four years. According to value partner report (2008), 'Luxury Retail' in India is still very small but is growing at a fast pace (Shown in Exhibit 2).

Exhibit 2: Growth of luxury market in India



LITERATURE REVIEW

It was found that a number of studies have been done at international level on behavioral aspect of consumers behavior in the context of luxury buying. The various factors influencing people's shopping behavior have been observed by Reichheld (1996), Verdisco (1999) and Erika (1999). Connors (1996) opined the retailers delivering genuine benefits based on intimate knowledge of their customers could only reap the ultimate benefit i.e., greater customer loyalty. Johnson (1999) observed factors like rewards; value added benefits and recognition build loyal customers. A lot of Research has been undertaken on various aspects of the Retail Stores affecting consumer's choice. While, Baker et al. (2002) consider color, texture, shape and layout i.e. design, decor, store characteristics or dimensions to be important. Areni et al. (1994) put stress on the Lighting of the Store to be an important variable for the store. Davies et al. (2003), further talk about the importance of smell in retail stores. Recent retail-related research

studies, though limited, have addressed the relative importance of various factors influencing retail purchase decisions.

Researchers have found that the importance of merchandise selection criteria, vendor selection criteria, and information sources varies depending on factors such as store type and merchandise classification (Hirschman '1981, Hirschman and MaZursky 1982).

Kathryn Bishop Gagliano and Jan Hathcote (1994) explained the importance of employee behavior (sales associates), store environment on customer expectations and experiences. Sanjeev Varshney and Amit Goyal (2006) proposed that Layout and architecture, symbols and color, conventional location, value price, sales effort and store service will effect greatly in store image and personality.

Shopping experience is a utilitarian effort aimed at obtaining needed goods and services as well as hedonic rewards. Literature in marketing and

related behavioral sciences suggests a breadth of consumer motives for shopping. The idea that consumers are motivated by more than simply the utilitarian motive to obtain desired items has been acknowledged at least as far back as the 1960s by Howard and Sheth (1969). Tauber (1972) advanced the idea that shoppers were often motivated by a number of personal and social factors unrelated to the actual need to buy products. He proposed that people shop not just to purchase goods, but to learn about new trends, to make themselves feel better, to gain acceptance with their peers, and simply to divert themselves from life's daily routine. Hirschman suggested that a traditional emphasis on information processing related to specific product attributes, and resultant focus on what may be termed utilitarian shopping considerations, does not completely explain purchase and consumption behavior.

Duesenberry (1949) argues that a person's utility from any given level of consumption depends not only on the absolute level of spending but also on how that spending compares with that of others (relative spending hypothesis); households are exposed, through "demonstration effects", to consumption patterns of their reference groups and seek to replicate those patterns.

For many consumer segments a luxury product's popularity signifies both a prestigious and must-have product because of the value derived from the interaction with other consumers, as described by Leibenstein (1950, p. 189). Specifically, consumers observe the consumption behavior of others and, when they identify the kinds of popular luxury products that everyone must have "to get into the swim of things" and to "be one of the boys", they buy them too

RESEARCH METHODOLOGY

The main objective of the research paper is to assess the reasons behind customers purchasing luxury goods and what motivates them to pay such hefty prices for buying goods. The paper

will try to analyze those factors which have been driving the demand for the luxury goods and what persuades the customers to buy luxury items. The following hypotheses were formulated:

H₁: It's the price and not the brand name which attracts the customers towards the luxury goods.

H₂: Consumers buy luxury goods to increase their social status.

H₃: The location of the luxury goods selling store is not considered by the consumers while purchasing goods.

Data was collected from 60 respondents in Delhi and quota sampling technique was used.

ANALYSIS AND INTERPRETATION

H₁: It's the price and not the brand name which attracts the customers towards the luxury goods.

The survey conducted revealed that the consumers are attracted towards the brand name of the luxury goods and do not care about the price of the luxury goods.

Mann-Whitney

Ranks				
	Gender	N	Mean Rank	Sum of Ranks
Brand Name	Male	30	34.70	1041.00
	Female	30	26.30	789.00
	Total	60		
Price	Male	30	32.37	971.00
	Female	30	28.63	859.00
	Total	60		

Test Statistics ^a		
	Brand Name	Price
Mann-Whitney U	324.000	394.000
Wilcoxon W	789.000	859.000
Z	-2.407	-.848
Asymp. Sig. (2-tailed)	.016	.397
a. Grouping Variable: Gender		

This hypotheses was tested by using Man Whitney Test which revealed that the value of p came out to be .016 which is lesser than .05

Hence the hypothesis that it is the price which attracts the customers towards the luxury goods and not the brand name was rejected.

H₂: Consumers buy luxury goods to increase their social status.

The survey conducted also revealed that the majority of the consumers buy luxury goods to increase their social status. This hypothesis was also tested through Man Whitney test and it was found that the value of p was again less than .05

Mann-Whitney Test

Test Statistics ^a	
	Shows mystatus
Mann-Whitney U	315.000
Wilcoxon W	780.000
Z	-2.141
Asymp. Sig. (2-tailed)	.032
a. Grouping Variable: Gender	

Hence it was proved that the consumers buy the luxury goods to increase their social status.

H₃: The location of the luxury goods selling store is not considered by the consumers while purchasing goods.

The survey conducted also revealed, what makes the consumers visit the luxury stores. It was revealed that it is the place or the location which makes the customers visit it. If the store is located in a posh market or a mall especially selling luxury brands, then the consumers would be visiting that store more often.

Mann-Whitney Test

Test Statistics ^a	
	Place
Mann-Whitney U	305.500
Wilcoxon W	770.500
Z	-2.298
Asymp. Sig. (2-tailed)	.022
a. Grouping Variable: Gender	

The value of p was found to be less than .05.

Hence the hypothesis that the location is not considered by the consumers while purchasing the luxury goods is straightly rejected.

CONCLUSION

The Indian luxury market is a story waiting to be told, as all segments of this market viz. Luxury product, services and assets are growing rapidly and can potentially triple in size by 2015. Indian luxury market will be very crucial to the global luxury retailers in near future.

The survey conducted revealed that the consumers buying luxury brands are attracted by the brand names of the luxury goods and are not at all price sensitive. Price doesn't seem to be a consideration for them when it comes to buying their favorite brands. It was also found that the main reason behind buying luxury brands is to increase one's social status. Most of the consumers believed that buying luxury brands

would increase their social status among their peers. And thereby buying the luxury goods acted as status symbol for consumers. The purchase of the luxury goods is always considered to be a matter of great prestige for the consumers.

However, luxury retail players should keep in mind certain considerations before they make their foray into the Indian Luxury retail sector. With the inexorable pursuit for luxury, the affluent class with tremendous purchasing power are on the fast lane endorsing leading

luxury brands which have all chosen India as the 'happening luxury retail destination'.

No wonder that international luxury brands are eyeing to capture the luxury rupee. The Indian luxury market is very idiosyncratic, unique and somewhat confusing. Indian luxury consumers are diverse demographically and have varied desires, mindsets and shopping patterns, history of luxury consumption and of course income level. In this highly complex market, manufacturer needs to ensure that they have a proper strategy before venturing in.

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