

Luxury marketing in India: 'because I'm worth it'

Glyn Atwal, ESC Rennes School of Business, and Shaziya Khan, JWT Mumbai, examine how luxury brands can best maximise the Indian luxury rupee

PARADISE FOR ANYBODY wanting to stay *en vogue* is the shopping arcade at the Taj Mahal Palace and Towers Hotel in Mumbai. Louis Vuitton, Burberry and Fendi are a selection of high-end designer labels that are tempting shoppers to splash out on a new collection.

Being at the cutting edge of fashion comes at a price - whether in London, Paris or Mumbai. Although the origins of postmodernism are embedded in western culture, consumption and the robust demand for luxury goods is evolving as a defining feature of contemporary Indian society.

According to Ledbury Research, the global luxury goods market in 2006 was worth £75 billion, with annual sales growth in double figures. India has been identified as an important source of this growth. A survey conducted by AT Kearney estimates that the Indian luxury market is worth \$377 million and is likely to grow at an annual rate of 28% in the next three years.

Although India's share of the global luxury market is small, the attraction of the Indian luxury market has not gone unnoticed. Luxury brands from a diverse range of sectors - from fashion, automotive to leisure - are investing heavily to capture a share of the Indian luxury rupee. This is not just about today's market but the market of the future.

Market luxurification

The accelerating pace of economic and social change is transforming the Indian luxury landscape. The so-called luxurification of society is a phenomenon that can be attributed to the following dynamics.

New affluence

The success stories of Indian tycoons and entrepreneurs have received widespread media attention. Merrill Lynch and Capgemini report that the number of high-net-worth individuals (at least US\$ 1 million in financial assets) increased by 20.5% in 2006. Although the country's most affluent represent an elite consumer class, the willingness to flex their financial muscles reveals a



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golden market opportunity. According to the McKinsey Global Institute, consumers earning more than 1,000,000 rupees a year will total 24 million by 2025 - larger than China's comparable segment. Their share of private consumption is projected to increase from 7% to 20% in 2025.

It is however the emergence of 'mass affluence' combined with aspirational mindsets and lifestyles that is helping to stimulate consumer demand. The rapid growth of the Indian middle class means that a larger number of consumers are able to afford luxury goods than ever before. McKinsey forecasts that the Indian middle class (defined as those with household disposable incomes from 200 thousand to 1 million rupees a year) will increase from approximately 5% to 41% of the population and will become the world's fifth largest consumer market by 2025. Indeed, the desire for international brands is also driving consumption abroad. According to a study by Visit London, Indian visitors to London spent more than Japanese tourists.

Media exposure

It was not difficult to notice the huge advertising billboards announcing the launch of the Indian edition of *Vogue* in September 2007. The growth of fashion

and lifestyle media has established a strong following. This media-cultural phenomenon is, however, not restricted to the pages of glossy magazines. Mainstream media are taking a greater interest in luxury brands, fashion trends and consumer lifestyles. Weekend supplements in national newspapers devote pages to fashion features and product reviews. Escada and Jean Paul Gaultier are even advertising their branded perfumes to Bollywood audiences.

The significant increase of media exposure is helping to instil and forge positive brand images. ZenithOptimedia reports that advertising expenditures in India increased from US\$1.1 billion in 1996 to US\$47 billion in 2006. Forecasts suggest that advertising spending will exceed \$7 billion in 2009. Increased product knowledge and brand awareness are translating into greater consumer confidence - an important catalyst for luxury consumption in a fast-emerging market.

Luxury accessibility

It has never been easier for consumers to access luxury brands. Indian consumers need no longer to travel to London or New York to purchase Gucci accessories or Cartier jewellery. Luxury brands are now following the Indian consumer as they expand their sales operations not only in

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Delhi and Mumbai, but to smaller cities or metropolises such as Pune and Hyderabad. Indeed, Euro RSCG's Frosumer study *The Bunty Syndrome* suggests that trends that define contemporary India are being formed in these Tier 2 markets.

New retailing opportunities are also quietly revolutionising the format of luxury retailing. Luxury boutiques were traditionally confined to the secure but often inaccessible surroundings of exclusive hotels. The shopping mall boom is set to democratise luxury consumption. A pioneering project is the opening of the Delhi luxury-goods mall, Emporio, in March 2008. Shoppers will be overwhelmed by over 70 international high-end brands, but also immersed in a pleasurable and memorable shopping experience.

Market regulation

Although high import duties on luxury goods continue to prevail, India's policy of liberalisation and deregulation has improved its image as an attractive destination for foreign investment. Foreign companies that sell products under a single brand, such as Ermenegildo Zegna, have recently been allowed to acquire up to 51% in Indian joint ventures. The introduction of market reforms is winning over the long-term commitment of foreign investors.

The changing face of the Indian luxury consumer

The luxury market has traditionally been segmented according to two very separate and distinct customer groups - namely the 'affluents' and the 'non-affluents'. The transition towards a consumer society has changed the profile of the luxury consumer. Segmentation strategies that cluster luxury consumers according to socio-economic classifications need to be reassessed. The luxury consumer has become less homogeneous and increasingly diverse.

Luxury is no longer reserved for the English-speaking elite. Let us take the example of Priyanka, who is a BPO operator in Mumbai and has just spent a substantial proportion of her monthly

salary on a range of Chanel cosmetics. Priyanka loves shopping, worships brands and is typical of a new generation of luxury consumers - the 'because I'm worth it' generation. These are consumers who are not affluent in the traditional sense of originating from wealthy family backgrounds, but are ambitious and successful in their chosen professions. Personal performance based on merit has got them to where they are today. Professionals like Priyanka are no longer at a financial distance from luxury and are trading up to meet their current aspirations. Today's luxury shopper could be a broker, an entrepreneur, an IT specialist or a student.

Maximising the Indian luxury rupee

Changing consumption patterns are creating new challenges for the luxury industry. Qualitative research was conducted with the objective to understand the perception of luxury within an Indian context, identify key motivational drivers of luxury consumption and investigate the concept of 'Indian luxury'. Although it is acknowledged that the sample size is limited and restricted to the Mumbai region, we believe the following findings will help gain a truly Indian luxury insight into the development and implementation of luxury branding strategies.

Beyond exclusivity

'New luxury' has been defined through a western orientation as 'products and services that possess higher levels of quality, taste, and aspiration than other goods in the category but are not so expensive as to be out of reach' (1). The establishment of different levels of luxury ranging from ultra luxury to affordable luxury is a reflection of luxury's increasing mass appeal in India. There appears to be something for everyone. For instance, respondents cited Gucci, French Connection, Mercedes and Honda as all being high-end brands.

This raises the question of what essentially constitutes luxury. Vickers and Renand (2) suggest that luxury and non-

luxury goods can be conceptualised according to functional, experiential and interactional symbolic dimensions. The concept of luxury from an Indian consumer perspective evokes comparable associations. Respondents associated luxury with perceptions of not just 'quality' and 'performance' but with 'comfort', 'beauty', 'pleasure' and 'style'.

Respondents valued the consumption of luxury as being more than just a transactional relationship. For example, the 'browsing experience' was cited by female respondents as being critical to the purchase decision-making process. Indeed, customer service was often highlighted as being poor and detrimental to the overall luxury experience. One respondent recalls being asked 'What is your budget madam?' when entering a designer boutique for the first time. The meaning of luxury is not just about the product itself but also about finding fulfilment,

Beyond status

Acquisition luxury is generally prevalent in societies that are experiencing fast economic growth. India appears to be no exception. Respondents in our study confirm that luxury consumption is an epitome of success - how fast you have climbed the social mobility ladder. Why drive a Mercedes or BMW when speed J>

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is rarely an option in the congested streets of Mumbai?

But the motivation to acquire luxury brands goes beyond displaying social status. It was found that luxury evokes strong emotional reactions - how it makes you feel. One respondent described this as 'like walking on air'³ and 'I feel that I am perfect.' Within this broader context, consumers are acquiring luxury brands to define identities and express values. There appears to be a desire for experiences that evokes a personal and deeper meaning - a notion that is commonly associated with western luxury consumption. This is evident within the luxury tourism and hospitality sector, as exemplified by the Royal Tented Taj Spa at the Rambagh Palace in Jaipur. Mobile palace? arc recreated that were used by the Mughal emperors of the 16th and 17th centuries, with chandeliers, royal pennants and Indian love swings. Consumers are increasingly seeking a holistic experience that is personal and unique.

Beyond westernisation

The 'feel good' factor has become synonymous with contemporary India. The country's economic performance in the last decade or so has created a collective atmosphere of self-belief and confidence. The rise of India has also forged a stronger cultural identity. It is cool to be Indian. Given this background, a significant finding of the research study was the emergence of the concept 'Indian luxury'. Respondents embraced India's strong traditions in luxury, whether this refers to



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royal patronage or craftsmanship in textiles and jewellery.

Luxury is no longer just about evoking western-influenced values and lifestyles. Respondents, for example, voiced a preference for Indian rather than western celebrity endorsements in luxury brand advertising campaigns. High-end brands can still have a global identity but need to consider relevance in a local context. *Vogue's* India has recognised this cultural imprint - to construct an identity that amalgamates western influences with local insight.

Burberry meets Bollywood

JWT India's proprietary tool, Brand ChakrasTM, proposes that certain *chakras*, or 'playgrounds of desires', will be more dominant for some consumer segments than others. Our research findings suggest that the luxury consumer has a drive to succeed, a pursuit for pleasure and a desire for creative expression. The challenge for international luxury brands is to create a world of luxury in which luxury brands symbolise rational and emotional meaning. The acquisition of jewellery, for example, is not just about worth but design and personal pleasure. The following seven guidelines set out to guide high-end brands to capture India's growing fascination with luxury consumption.

1. Respect. Connect with luxury consumers as a selective target. Luxury brands need to respect this point of difference in all interactions between the brand and the consumer,
2. Segment. Acknowledge luxury consumer subsets. Luxury brands need to identify, differentiate and prioritise the most profitable subsets for targeted strategies.
3. Insight. Identify what is important to the defined target. Motivations could be based on personal and non-personal factors.
4. Connect. Assess which brand interactions really matter. For example, respondents cited that friends and family are an important influence on luxury consumption.
5. Experience. Establish emotional connectivity. Deep and meaningful relationships need to be developed in order to win the 'soul' of the luxury consumer
6. Indianness. Embrace and celebrate the 'Indianness' brand. India has a very powerful and unique identity, and this needs to be leveraged within a luxury brand context.
7. Consistency. Adopt a truly holistic approach, to ensure that all brand interactions, whether advertising or customer

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service, are consistent with the brand positioning.

Jitnee Lambi Chadarho Uma heepair failana Chahipe is an Indian proverb that means 'limit your spending to your earnings'. Contemporary Indian society is challenging traditional consumption patterns. The Indian consumer is ready to embrace luxury consumption. Is the international luxury industry ready to unlock the market potential?

NB: The authors would like to stress that the term 'affluent masses' should be interpreted broadly within the context of the emerging middle classes.

This paper was also presented jointly by the authors at the Asia Brand Congress held in September 2007 in Mumbai, India.

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