

Relevance of Luxury Branding in Current Marketing Scenario

Prof. Shilpa R. Kankonkar, Lecturer,

Padmashree Dr D Y Patil Institute of Management Studies (DYPIMS), Akurdi, Pune-411047

Abstract:

India's tryst with luxury brands has changed gears over the past decade. With high disposable incomes and a penchant for all things luxury amongst affluent Indians on the rise, the country is emerging as the next stopover for global luxury brands such as Gucci, Christian Dior and Versace. Luxury Branding is a new ball game from the consumer as well as marketer's point of View. However it's important to realize how it has to be amalgamated with regular goods marketing and new trends in luxury goods segment. The evolution of luxury marketing, from affluent and wealthy consumers to mass markets, raises new challenges for marketing strategists. The interdisciplinary nature of the product brand, reputation of service provider and price value relationship of the luxury brand have left imprints in the emerging luxury market of India.

Keywords:

Luxury Branding, Marketing, Product Brand, Brand Reputation, High Disposable Income.

Introduction:

Getting to know Luxury:

“Why do I need to know how the watch market is doing? I'm in the business of luxury”,

Patrick Heiniger, CEO, Rolex.

Luxury brands have often been associated with the core competences of creativity, exclusivity, craftsmanship, precision, high quality, innovation and premium pricing. Luxury has never been something easy to define, yet this mystery concept is something highly desired by one and all alike. The luxury sector targets its products and services at consumers on the top-end of the wealth spectrum. These self-selected elite are more or less price insensitive and choose to spend their time and money on objects that are plainly opulence rather than necessities. For these reasons, luxury and prestige brands have for centuries commanded an unwavering and often illogical customer loyalty.

We look at delving deeper into this mystery of Luxury and how various researchers have tried to contribute the existing dimensions of luxury and aura of luxury to extra-added psychological benefits like esteem, prestige, sense of a high status as well as highlighting the characteristics of the luxury industry.

But before beginning with that, let's first attempt to understand some common terms associated in the world of high-end goods:

1. **Luxury and prestige brands** such as Rolex, Louis Vuitton and Cartier represent the highest form of craftsmanship and command a staunch consumer loyalty that is not affected by trends. These brands create and set the seasonal trends and are also capable to pulling all of their consumers with them wherever they go.
2. **Premium brands** are those brands like Polo Ralph Lauren, Calvin Klein and Tommy Hilfiger that aspire to be luxury and prestige brands but their marketing mix strategies are more attuned to a mass market, albeit a luxury mass market. They are also termed as mass-premium brands or mass-luxury brands.
3. **Fashion brands** on the other hand are those that address the masses.

Review of Literature:

Vickers and Renand suggest that luxury and non-luxury goods can be conceptualized according to functional, experiential and dimensions. Luxury has traditionally been associated with exclusivity, status and quality. Luxury brands have always been exclusive with known brand Identity, enjoy high brand awareness, perceived quality, and retain sales levels and customer loyalty. Changes in contemporary consumer behavior in western societies have led to the emergence of a new meaning and perception of luxury. 'New luxury' has been defined 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'. New luxury has been defined 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.

Within a broader context, observers have pointed to the trend of middle-market consumers trading up for products that meet their aspiration needs referred to as the luxurication of society.

Atwal and Khan discuss the significance of the rapid growth of the Indian middle class, who are no longer at a financial distance from luxury, and are trading up to meet their current aspirations.

A review of the literature reveals that social status is still an evident motivation of contemporary luxury consumption by people across the world.

A Jaguar enthusiast describes his driving experience as follows: ' I love the way that I catch people admiring the XJ-S as I blast past them and the way that people often give me right of way in traffic and then watch the car as it goes by '.

Current scenario of the Luxury market Luxury in India:

To be successful in India, it is both necessary to gauge the financial potential as well as the mindset of the Indian luxury consumer. This will help in bringing forth the right product offerings to the Indian consumer as well as targeting them better.

Qualitative Insights:

1. According to a study by American Express, 'Inside the Affluent Space', the mindset of the Indian consumer is a desire to prove that "I've Made It". This can be related to the luxury categorization which is based on the fact that luxury is seen as a reward, both for achievements in life as well as showcasing these achievements to others.
2. The Luxury Marketing Council Worldwide has established a chapter in India, with the aim of promoting luxury

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in India. Their task will also be to build synergy between various luxury brands interested in India by way of sharing of consumer insights as well as best practices

4. Hindustan Times has been at the forefront of driving the luxury revolution in India by organizing for Indian Luxury Conferences in the last 8 years. To add to it, it also brings out a monthly supplement of luxury goods available in India, thereby creating awareness for the luxury brands.

Quantitative Insights:

1. As far as quantitative estimates are concerned, there will be 135,000 millionaires (in US dollar terms) in India by 2012

2. The affluent market is set to grow at a rate of 13% in India, and by 2010, there will be approximately 1.1 million affluent here in India.

3. The wealth potential of India's affluent is to the tune of US\$ 203 billion as of 2005.

In a near virgin market, the rewards are almost instant - research conducted by the Foreign Investors' Chamber of Commerce and Industry (FICCI) found that Louis Vuitton was the most prestigious accessory brand, while Armani topped the charts in apparel category.

As signs of the times, the World Luxury Council has opened Indian operations with American Express as the founding member in India. (Luxury Marketing Council Worldwide (LMC) is an apex body for luxury goods and service providers across the globe.)Luxury is no longer to be worn or flaunted, it is now fast becoming an accessory from which you can eat, sleep or bathe. So, whether it is tableware, dinnerware, modular kitchens, furniture or bathroom products, high-end foreign brands are entering India in droves, running neck and neck with luxury.

With over 2 million new homes being built per annum and substantial construction in the commercial and retail sectors. Home interiors market is estimated to be about \$ 5 billion & the pie is large enough for foreign brands to be in India. Whether it is tableware brands like Rosenthal, Villeroy and Boch, accessories from Lladro, furniture from Interiors Espania, modular kitchens from Veneta Cucine and Faber or bath products from Kohler, the list is growing by the month.

Spanish interior accessory brand Lladro was the first to set up shop in India when it opened its first showroom in Delhi in 2000. Lladro pieces are also retailed through exclusive boutiques in New Delhi, Mumbai, Chennai, Kolkata, Bangalore and Hyderabad.

India's luxury market is still small, an estimation of \$100 mn at best as on 2007 (Chadha and Husband, 2007). Genesis Colours, popular for its high-end fashion label Satya Paul, is in advanced negotiations with Moët Hennessy-Louis Vuitton(LVMH) for bringing luxury apparel and perfume brand Kenzo to India. Currently norms in India permit only 51 per cent FDI in single-brand retail. Louis Vuitton and Fendi are two LVMH brands that had approached the Foreign Investment Promotion Board last year seeking its approval to pick up stake in Indian companies. LVMH Moët Hennessy • Louis Vuitton S.A. (Euronext: MC), usually shortened to LVMH, is a French holding company and the world's largest luxury goods conglomerate. It is the parent of around 60 sub-companies that each manages a small number of prestigious brands.

The Elite Indian Class:

In terms of the spread of Luxury Model, India is at the threshold, the emerging middle class is aspiring for quality of life, while a small elite segment indulges in luxury brands. This segment has been acquiring luxury goods internationally, and hence, they are the first customers of luxury brands in India.

India has evolved as one of the major destinations for luxury products. The Indian middle class with an income of around Rs. 10 lakhs household income per annum is the one which is highly under penetrated & will give the luxury market in India huge fill up. Indian Luxury market is currently estimated to be at 4.76 billion in USD and

has a latent demand of USD 3-3.5 billion, which is ready to be tapped.

Conclusion and Scope for Luxury Brands in India.

A recent CII – AT Kearney Report says that the luxury goods market in the country is set to touch a mark of USD 14.72 billion by 2015. The growth of India as a luxury goods market and its emerging potential can be gauged by the increasing number of premium luxury brands entering into India.

The top five reasons for the huge potential in India can be summarized as follows into:

1. Ready consumer market;
2. High growth in tier I, II and III cities with increasing disposable incomes;
3. Credit and leverage in finance available
4. Brand awareness
5. Role of government.

According to a study by luxury goods consultant Armando Branchini for the luxury goods association Altgamma, consumption of international luxury products and brands in India is expected to triple in the next five years. In 2005, the total market size for upscale and luxury products in India was estimated at \$14.8 billion, and Branchini said he estimated a 14 percent annual growth rate of the market. By 2010, India is expected to have 150,000 families with an income level of \$250,000 per year or higher.

The focus is now towards ‘how soon’ luxury brands will enter the market to gain a first mover advantage, which is of significant importance in India. Apart from how soon, we primarily focus on ‘how will’ luxury brands cater to the mainly aspirational needs of the Indian consumer.

A word of caution that goes for luxury marketers, irrespective of their brands and geographical presence – The luxury consumer is always looking for newer ways to satisfy his continuously changing needs. Hence, the need to keep a close tab through insightful research is of prime importance.

As far as India is concerned, given the rapidly accelerating affluence of the masses, the scenario is set to witness a boom. The ones who will be riding the wave will be the ones who’ve kept their ears open to each and every word of their each and every customer. After all, in the luxury business, no marketer can afford the luxury of treating its consumers as a loosely bunched segment.

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