Branding strategy of luxurious goods in india marketing essay

In this term paper we have analyzed luxury goods and what is the buying pattern of luxury goods in India. As we know India's economy is developing and it is considered to be the world's third economic power. We try to analyze that with the increase of income people's expenditure on luxurious goods has increased. We have also analyzed the most attractive luxurious goods sector " luxurious cars" in India. We have selected three companies and analyzed their product features, quality, performance, pricing, distribution channel and their promotional and advrtising strategies. For luxurious cars brand value, emotinal factor and performance are important. Selling is not the main thing after sales service and customer relationship management is more important to retaining a customer. For luxury goods acquiring new customer cost is more then retaining a customer. Now India's inflation is in single digit. It's good for luxury goods specially car producers. We have analyzed the growth rate of luxuries cars in India.

Luxury Goods

" Why do I need to know how the watch market is doing? I'm in the business of luxury", Partick Heiniger, CEO, Rolex

Luxury brands have often been associated with the core competences of creativity, exclusivity, craftsmanship, precision, high quality, innovation and premium pricing. These product attributes give the consumers the satisfaction of not only owning expensive items but the extra-added psychological benefits like esteem, prestige and a sense of a high status that reminds them and others that they belong to an exclusive group of only a select few, who can afford these pricey items.

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.

Luxury has never been something easy to define, yet this mystery concept is something highly desired by one and all alike. We look at delving deeper into this mystery and aura of luxury goods by way of comparing them against ' regular goods' as well as highlighting the characteristics of the luxury industry. But before beginning with that, lets first attempt to understand some common terms associated in the world of high-end goods:

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.

Difference between regular & luxury goods

Difference between Regular goods and luxury are given below:

Characteristics of the luxury industry

1. Luxury means different things to different people

Luxury has no certified origins. But luxury branding is said to have taken birth in the west with the appearance of high-end brands. To get an insight

into what luxury today means to different Americans, we take a look at the table below, it shows American Demographics in 2003, to understand how to develop target strategies for various segments.

2. Luxury is a product category in itself

This can be best explained by the fact that both an expensive watch and an artwork can be considered to be luxury items. Therefore, all luxury marketers are not just competing in their ' technically defined' product categories (like manufacturers of refrigerators compete amongst themselves) but for the wallet share of luxury goods in total.

3. The meaning of luxury had changed

Luxury has moved from its ' old' meaning of ownership (also known as conspicuous consumption – Conspicuous consumption is a term used to describe the lavish spending on goods and services that are acquired mainly for the purpose of displaying income or wealth rather than to satisfy a real need of the consumer. In the mind of a conspicuous consumer, such display serves as a means of attaining or maintaining social status. Invidious consumption, a necessary corollary, is the term applied to consumption of goods and services for the deliberate purpose of inspiring envy in others) of objects to the ' new' meaning of the experience / fulfilment derived from possessing a certain object.

4. Aura is more important than exclusivity

Exclusivity is something that cannot be ensured to a great extent and neither is it the prime requirement of a luxury consumer. The consumer

bases his decisions on the relevance of the aura of the brand to his fulfilment or actualization needs.

5. Classification of luxury consumers

SRI Consulting Business Intelligence places consumers in 3 groups according to what luxury means to them:

ô€,™ Luxury is Functional – these consumers tend to buy luxury products for their superior functionality and quality. Consumers in this segment, the largest of the three, tend to be older and wealthier and are willing to spend more money to buy things that will last and have enduring value. They buy a wide array of luxury goods, from artwork to vacations, and conduct extensive pre-purchase research, making logical decisions rather than emotional or impulsive. Messages that highlight product quality and are information-intensive are powerful with this group.

ô€,™ Luxury is Reward – these consumers tend to be younger than the first group but older than the third. They use luxury goods as a status symbol to say " I've made it!" They are motivated by their desire to be successful and demonstrate this to others. Luxury brands that have widespread recognition are popular; however they don't wish to appear lavish or hedonistic in their appearance. They want to purchase " smart" luxury that demonstrates importance while not leaving them open to criticism. Marketing messages that communicate acceptable exclusivity resonate with this group.

ô€,™ Luxury is Indulgence – this group is the smallest of the three and tends to include younger consumers and slightly more males than the other two groups. Their purpose for luxury goods is to lavish themselves in self-

indulgence. They are willing to pay a premium for goods that express their individuality and make others take notice and are not overly concerned with product longevity or possible criticism. They enjoy luxury for the way it makes them to feel, therefore have a more emotional approach to purchases.

They respond well to messages that highlight the unique and emotional qualities of a product.

6. Trading up

A mass of wealthy people have emerged the world over, give rise to a large section of consumers who are now moving to luxury / premium brands, thereby creating greater business opportunity for luxury marketers.

7. Emergence of luxury brands

Sea of luxury brands have emerged giving a wide choice to consumers, in all segments of luxury goods.

8. Trading down

Today, fashion brands are giving luxury brands competition because of marketing mix and branding strategies, which make it acceptable to pair these two brands. This is something that was not practiced before. For example- Wearing an Armani shirt with a pair of GAP jeans

9. Factors at play

In luxury marketing there is a subtle interplay between three factors that most strongly influence the luxury consumer to buy: product brand; dealer or store's brand or service providers' reputation; and price/value relationship.

10. Customer loyalty is more important that brand awareness

Rather than focus on measuring the brand awareness of a luxury company, measuring customer loyalty is far more significant a metric regarding the success or failure of corporate strategy to connect with the luxury consumer.

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 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.

3. Even the Asian region is not uniform in its preference for luxury in terms of need fulfilment. Therefore, it becomes important to delineate the needs of the Indian consumer from the other Asian regions to target them better. This

agenda gains importance because many Indians look at acquiring luxury from places such as Hong Kong, Tokya, China etc.

Eg. It is interesting to note that Singapore consumers are more of connoisseurs compared to Hong Kong consumers who want Talk-Value from their luxury goods

4. Hindustan Times has been at the forefront of driving the luxury revolution in India by organizing two Indian Luxury Conferences in the last 4 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.

Strategies for Luxury Marketing in India

There are conventional foundations for ensuring success of a brand and they are listed below in brief:

1. The brand must be " expansive"

Which means it should be full of innovation opportunities for the marketer and in terms of satisfying the divergent needs of the luxury consumer

2. The brand must tell a story

It is this story, of either heritage or performance or other aspects that goes on to build the aura of a brand over time. The story always accentuates the identity of the brand.

3. The brand must be relevant to the consumers' needs

Depending upon the mindset of the luxury class, it is imperative for a brand to satisfy those needs, whether they are for recognition or functional use etc.

4. The brand must align with consumers' values

A brand that does not concur with the basic values of a consumer's society has a small chance of succeeding because luxury items are forms of expression or identification for a luxury consumer. This makes it difficult for the consumer to adopt the brand in such cases.

5. The brand must perform

Irrespective of which category the brand belongs to, a performance assurance is a must for the brand if it wishes to be in the evoked set of luxury consumers, considering the price being paid for luxury.

Based on the inputs given above as well as an understanding of the decision making process of the luxury consumer, we recommend the following paths for luxury marketers based on what Indian consumers really desire from their luxury brands, i. e. product brand, dealer/store brand and price/value relationship :

(The price / value relationship has been accorded less focus since the Indian consumer is at a phase when cost of luxury is secondary to its appeal / benefits)

Brand Me Affluent!

It is turning out to be a raging battle for the luxury marketers in terms of customer loyalty. The customer will switch to whichever brand that accentuates his affluence.

TASK: It is essential for marketers to ensure that the recognition value of their brands is always high so that it lends a sense of affluence to the

consumer, which can only come if others around him / her perceive the brand to be a top-notch luxury brand. This can come from either being aligned with the most successful celebrities or being a part of elite events and promotions.

There are also some luxuries branding strategies available to the luxury marketer which can be used since the consumer is obsessed with the ownership of a luxury brand but may not have enough financial strength of acquire some of the luxuries.

Luxury brand strategies

ô€,™ having a separate line of goods available at lower cost

eg. Refurbished cars and line extensions

ô€,™ promoting luxuries as a wise investment

eg. Villas

ô€,™ " Targeted luxury" is yet another concept increasingly being used by luxury brands where luxury product memorabilia is given to the relevant target segment in an attempt to fuel their desire for owning the product.

eg. Miniature models of Mercedes cars, key chains of Rolex watches

Additionally, it is also important to estimate the amount of efforts required for building brand loyalty, which can be considered inversely proportional to the brand loyalty in a category. An indication of the same is given in the table below:

Nothing but the Best! – Because I'm the best

Given the wealth escalation in the coming years, the Indian consumers are ready to empty their wallets in an attempt to go beyond satisficing their needs. They want the best, be it in whichever category because it helps them relate to the feeling of being the best in their fields, thus completing their sense of accomplishment.

TASK: This is a golden opportunity for the marketer to earn greater margins by adding customized value to his line of luxury goods. These added-value customized goods will ensure that the customer feels he has something more than just the ordinary range of luxury goods available.

Luxury is having the world at my fingertips – First!

The " I've Made It" desire can only be achieved if a consumer has access to the luxury products before anyone else. If someone else gains access to those luxury goods, then that particular good becomes a me-too product.

TASK: A luxury marketer will not only have to be faster than his competitors in reaching out to the consumer, to gain a share of wallet but also continuously offer innovative products that serve to differentiate between the consumers.

" Ethnic Chic" – The Fusion of Local & Global goods

The Indian consumer, while attempting to ape the West, also sees a sign of luxury in the Indian culture / royalty. Taking this point forward, a consumer also attempts to build a connection with his roots while at the same time making efforts to achieve grandeur.

TASK: This point is connected to the strategy of a product being in line with the consumers' values for it to be adopted. Apart from this, in the Indian context, ethnicity is also a fashion statement in many product categories such as

You Think I'm demanding? Next!

The quantitative figures do foresee a large population of luxury consumers. As it happens in most cases where the segment size increases substantially, products move towards standardization and service levels become low to achieve economies of scale. However, it is important to understand that the luxury market does not behave in this manner at all.

TASK: The marketer's job should be a constant endeavour to offer newer luxury goods to the consumer, in sync with their needs. In addition to that, marketers will need to make sure that each and every single consumer has to be treated with a high-level of personalized attention, given the nature of the product and the consumer. Even minor shortfalls in this case will have the consumer shifting their brand preferences to those marketers who can satisfy their needs better.

CANNIBALIZATION OF BRANDS

Recent trends indicate that many celebrities, which are more like the mainstay than the ambassadors of various brands, are launching their own brands. In situations like these, luxury marketers are affected since they have lesser number of celebrities to associate their brands, as well as increased competition.

TASK: It thus becomes essential to ensure that successful celebrities are partnered with at the right time, thereby both eliminating chances of competition as well as delivering the right aspirational / appeal message to the intended audience.

Luxury car segment in India

The automobile industry in India is the ninth largest in the world with an annual production of over 2. 3 million units in 2008. In 2009, India emerged as Asia's forth largest exporter of automobiles, behind Japan, South Korea and Thailand.

Indian passenger car market at a glance

The luxury car market in India has registered a fair amount of growth in the last few years and is growing at the rate of 25% per year. A luxury car is luxuriously styled automobile which is designed to give satisfaction and comfort to its owner. The luxury cars in the Indian market are very expensive, with the price tags that starts from Rs. 20 lakh. Hence, luxury cars only be afforded by the people who belong the high income group and there are a lot of such takers in Indian automobile market. Purchase of luxury car gives the buyer an immense amount of joy which surpasses the economic value of the product.

Values of Luxury

Exclusivity: Luxury gives customer the value of exclusivity. Luxury cars are expensive and only premium class people can afford these cars. Seller of these cars always tries to offer exclusive fratures to customers.

Hightest quality: Customers of these cars also enjoys the feature of quality product. It means cutomrs prefer high quality in features and performance in return of high price.

History: For luxury products history plays an important role. Companies with long time running history has impact on luxury car sales. Customer wants to associate themselves with historical brands.

Root/Country of origin: Root or country of origin is another most important part. Country of origin gives the feeling of purity. For example- people prefer germen cars for excellent engineering and state of art.

Emotion: Emotional values are directly associated with luxury cars.

Customization: Luxury cars provide the value of customization. Luxury car manufacturer gives the option of customization. For example- interior design can be customised with customer choice or preference.

Reasons for the growth of luxury cars in India

Indian economy is rising which is giving people more disposable income which they are spending on buying luxurious cars.

Various loan schemes have been launched by the automobile manufacturers and financial institutes. This has made it very easy for the people to buy luxury cars and this has boosted the luxury car market in India.

With the IT boom in the country many youngstarts are high pay packages which enable them to buy luxury cars.

Government has formulated many policies such as the relaxation of equity regulations and the reduction of import tarrifs pertaining to the automobile industry. These have helped to reduce prices of luxurious cars, which in turn have led to growth of the luxury car market in India.

4 P analyses of Luxury cars in India

In marketing 4 ps are product, price, place and promotion. By doing 4p analyses we will get a brif idea about the luxury car segemnt and their product feature, price range, distribution channel and promotional activities of different brads in India. We will do the 4p analyses for Mrcedez, BMW, Audi, and Lamborgini.

BMW cars in India

BMW is holding the number one position of luxury car segment in India and potrays a symbol of dynamic and forward striving people. In India BMW has increased its market share in luxury car segment to over 40% in 2009(from 9% at the end 2006). 3619 cars delivered to customers in the calender year 2009, BMW has achieved the " highest sales by a manufacturer in the luxury car segment in a year" till date.

BMW 5 series:

Product Features:

Comfort

Automatic air conditioning with extended features

CD changer for 6 CDs

Cruise control

Floor mats in velour

Interior mirror with automatic anti-dazzle function

Lumbar support for driver and front passenger

Park Distance Control (PDC)

M Servotronic

Softtop operation, fully automatic

Sport seats for driver and front passenger, electrically adjustable

Storage net in front passenger side

Windscreen with green shade band

Alarm system

Car phone preparation

Comfort entry to the rear

Cup holder

M exterior mirron in body colour

HiFi Loudspeaker system

Lights package

Rain sensor

Sport leather steering wheel with multifunction buttons

Sports automatic transmission with Steptronic

Storage net on rear of backrests

On-board monitor with TV function

Wind deflector

Xenon lights with headlight washer system

6-speed manual transmission with electrically controlled oil cooling

Backrest width adjustment

Comfort access system

Electronic Damper Control

Exterior mirror package

M front seats, electric seat adjustment with memory

M leather steering wheel with multifunction buttons

Interior

Brushed Aluminium, Shadow

Carbon-look leather, Black

Fine-wood trim Sycamore Grain, Anthracite

Leather Novillo Bamboo Beige

Leather Novillo Black

Leather Novillo Fox Red

Leather Novillo Palladium Silver

M light- alloy wheels Double-spoke style 260 M with mixed tyres

Exterior

Length: 191. 1 in

Height: 57. 8 in

Curb Weight: 3946 lbs

Engine &Fuel effiency:

Fuel economy of BMW 5 series is 22. 6 mpg to 27. 7 mpg.

Engine Type: 4. 8L V8

Compression Ratio10. 5: 1

Bore X Stroke3. 66×3. 48

Displacement cu in (cc): 4, 395 cc

Safety

3-point seat belts

Active headrests, front

Airbags for driver and front passenger, with seat occupant detector

Anti-lock brake system (ABS)

Head airbag, front and rear

Bumper system with interchangeable crumple zones front and rear

absorbing impact at speeds up to 15km/h

Dynamic Brake Control (DBC)

Dynamic Stability Control (DSC)

Dynamic Traction Control (DTC)

Integrated side-impact protection

Safety battery terminal clamp

Side airbags for front and rear passengers

Warning triangle with first-aid kit

Price:

Starts at Rs. 39, 40, 303

Ex-Showroom Price

Note: Ex-showroom price excludes RTO registration charges, tax, insurance,

handling charges; Octroi and entry tax (as applicable). The above ex-

showroom prices are exclusive of sales tax / VAT applicable on sale to the

customer. Prices and options are subject to change without prior notice.

Place:

As pioneers in bringing luxurious dealerships to India, it set a decisive course by setting up BMW dealerships of international standards across all metros. In India currently they have 16 BMW dealer facilities. As they embark on the next phase of their dealer network strategy, BMW India will further expand operations by establishing its presence in 10 more cities.

Promotional strategy for BMW 5 Series:

Slogan: " Exploration of Beauty".

BMW followed an aggressive product offensive with rapid market expansion through greater customer intimacy. They have addressed these through competency-enhancement across all levels seeking new business opportunities.

They have set very high standards in service quality and customer care in India, which meet the expectations of its customers. And this is exactly how they position themselves to redefine luxury, focusing on individuals, recognising future challenges, promoting creativity, and being the leading supplier of luxury products and services for individual mobility. They always concentrate on their strengths and thus on the implementation of the luxury claim which they convey with each of their vehicles.

This year, they plan to introduce BMW Financial Services India, which will function as a non-banking finance company once it gets the necessary regulatory clearances. This division will offer solutions for Retail Financing for BMW customers and also offer insurance solutions to its customers through its cooperation partner. They also plan to introduce a pre-owned car business

with the launch of BMW Premium Selection in India. Everything about a BMW says quality. So whether BMW is three weeks or three years old, it is still the ' ultimate driving machine.'

Also, with BMW's enhanced product portfolio they have engaged with their customers and prospects in innovative dialogues to ensure that the brand affinity transforms into product ownership. There have been initiatives such as the BMW Golf Cup International across 10 cities and the BMW Art Cars exhibition, held at the Jahangir Art Gallery in Mumbai. Conceptualising the BMW Studio at Janpath, Delhi as a venue where their customers can indulge with the brand in an exclusive environment is another. There are also formal dining and wine-tasting events at leading BMW dealerships across India.

To reiterate the focus of the brand, they have adopted communication of the rich heritage of BMW Eras through association with leading fashion designers and events such as the India Couture Week. For BMW, if actions submit to the values recognised as being ' on-brand', it will cumulatively build the organisation's desired long-term reputation. If not, we appreciate that it risks fragmenting what our brand stands for, and we won't go with the idea, however compelling it is. This doesn't mean the brand is rigid, nor does it deny BMW opportunities. Rather, it serves as a framework for decision-making, enabling the business to feel confident that all its operational decisions are building the brand towards its long-term ambitions.

They have given TV commercial and print media advertisement also.

Mercedes Benz in India

The E-Class was launched in the last quarter of 2009. The company imports these kits and assembles them at its Pune unit. In the year 2009 total Mercedes Benz sold 3, 247 units.

Product features of E-class

Engine & Fuel effiency:

Transmission type: Automatic

Fuel type: Diesel

Seating capacity: 5

Gearbox: 7 speed

Engine description: 3. 0L 228b hp V6 twin-turbocharged

Engine desplacement: 2987 cc

Fuel: For the new E-Class, Mercedes-Benz has put together an extensive raft of measures, which is one of the key factors behind the reduction in fuel consumption of up to 23 percent. Reducing the drag coefficient (cd figure) by 0. 01 only brings about a fuel saving of 0. 04 litres per 100 kilometres in the New European Driving Cycle (NEDC) due to the low average speed of 33 km/h; however, in the real world – for example at a motorway speed of 130 km/h – this reduction in the cd figure equates to a fuel saving of up to 0. 15 litres per 100 kilometres.

Comfort/Convenience

3-Layer sound-dampening soft-top

AIRCAP automatic wind deflector

Dual-Zone Automatic Climate Control with Dust Filter

10-Way power front seats with 4-way power lumbar support

3-stage memory for driver's seat, power steering column, and exterior mirrors

3-Spoke Premium Leather Multifunction Steering Wheel

6-Disc CD/MP3/AM/FM/Weather band Radio

8-Speaker Sound System with Auxiliary Input

Bluetooth Connectivity for Hands-free Phone Use

7â€³ COMAND screen w/Central Controller

Burl Walnut Trim

Front and Rear Cupholders

Power Tilt & Telescoping Steering Column

Cruise Control

Rain-sensing Intermittent Wipers

Power Windows with Express Up and Down

Automatic Headlamps with Twilight Sensor and Locator Lighting

Paired Daytime Running Light and Fog Light

Through-loading feature above rear armrest

Safety/Security

ATTENTION ASSIST drowsiness monitor

Brake hold function

New Vehicle 4 year/50, 000 Mile Warranty

24 hr. Roadside Assistance Program

Owner Information Kit

Mercedes-Benz Maintenance System

Steel Reinforced Cabin w/Front & Rear Crumple Zones

Dual Two Stage Front Airbags

Head Protection Curtains

Side Airbags Mounted in Front Seat Backrests

Dual Front Pelvic Airbags

Drivers Knee Airbag

NECK-PRO Active Front Head Restraints4-Wheel ABS Disc Brakes with Brake

Assist System

Electronic Stability Program (ESP)

Anti-Slip Regulation (ASR)

LATCH-Lower Anchors and Tethers for Children

Antitheft Alarm with Engine Immobilizer

SmartKey with Panic Button

Tire Pressure Monitoring System

Front & rearseatbelts with pre-tensioners & force limiters

Wheels

E350 Coupe

Staggered 17â€³ twin 5-spoke alloy wheels, 235/45 (F), 255/40 (R)

E550 Coupe

Staggered 18â€³ 5-spoke alloy wheels, 235/40 (F), 255/35 (R)

Price:

Ex-showroom price: Starts at Rs. 48, 08, 000

Note: Ex-showroom price excludes RTO registration charges, tax, insurance, handling charges; Octroi and entry tax (as applicable). The above ex-showroom prices are exclusive of sales tax / VAT applicable on sale to the customer. Prices and options are subject to change without prior notice.

Place:

This exciting product portfolio was backed-up by the broadest and deepest luxury car network spanning 56 touch points all over the India.

Promotion:

Slogan: For E-class cars " The best or nothing."

Managing Director and CEO of Mercedes-Benz Dr. Wilfried Aulbur attributed this success to aggressive product marketing strategy and focus upon the end customer: " In 2010 we revisited every product line enhanced engines, enriched our offerings and further reinforced value proposition of our products.

Driving Experience programs, 15 cities MercedesTrophy Golf tournament, Manish Arora collection " Inspired by Mercedes" and exotic Mercedes drives. Such initiatives have helped them work ever closer with their customers, understand their needs and serve them better. While volume is important, they continue to focus upon strong profitable growth and customer delight."

They have given TV commercial and print media advertisement also.

Findings

In India luxury car prices starts from Rs. 30, 00, 000 to above. (Ex-showroom price).

Target customers for luxury cars in India's income range should be above 30 lakh and age range 30-55 years.

For promoting luxury cars producers prefer interactive promotinal activities. Like- driving competition, car design competition, Golf tournament etc. where customers can actively participate. Driving competition car designing competition helps customers to think and feel about the car. They do this kind of promotinal activities from emotional aspects. Luxury car producers give tv ads to inform customers about new products and reinforce