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MAVERICKS AT WORK LUXURY BRANDS MARKETING Executive Summary Over years, India’s tryst with luxury brands has changed gears. 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. However, we must realize that Luxury marketing is a whole new ball-game altogether, both from the perspective of the marketer as well as the luxury consumer. It therefore becomes important to view it both in relation and isolation from the ‘ regular’ goods marketing. To achieve the above objective, we would first look at how luxury goods are different from regular goods and then go on to explore some facets and trends of the luxury goods as well as their market and consumers. This analysis would finally sum up into a SWOT analysis of the luxury goods segment, thereby helping in obtaining a bird’s eye view of the exercise at hand. Considering that the luxury concept has shifted to the ‘ new’ meaning, we would further delve into that aspect to understand the drivers for luxury brands presently, as well in the time to come. This is followed by a luxury potential determination of the Indian market both in terms of quantitative growth factors as well as qualitative initiatives.

INDEX Abstract5 Objectives & Sub Objectives6 Research Design6 Getting To Know Luxury8 Difference Between Regular & Luxury Goods10 Luxury In India14 Qualitative Insights15 Quantitative Insights16 The Affluent Indian: Profiling The Indian Luxury Consumers17 Classification Of The Indian Luxury Consumer21 4p Trends24 Consumer Trends29 Strategies For Luxury Marketing In India57 Moving Forward66 References69 Annexure70 Why do I need to know how the watch market is doing? I’m in the business of luxury” Partick Heiniger, CEO, Rolex GETTING TO KNOW LUXURY 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, derived from the Latin word luxus, means indulgence of the senses, regardless of cost.

Luxury brands are brands whose ratio of functional utility to price is low while that of intangible utility to price is high. Such brands share characteristics like consistent premium quality, a heritage of craftsmanship, a recognisable style or design, a limited production run of any item to ensure exclusivity, an element of uniqueness and an ability to keep coming up with new designs when the category is fashion-intensive. THE market for luxury brands in our country has expanded in recent times.

With income levels going up, customers prepared to buy such brands are growing in numbers. According to an NCAER Household Income Survey, in 2001-02, there were 20, 000 families in India with annual incomes f more than Rs 1 crore. By 2005, that number increased to almost 53, 000. By 2010, India will have some 1, 40, 000 crorepatis.

Retail management company KSA Technopak estimates the market for luxury and high-end clothing in India at Rs 1, 000 crore and for accessories at another Rs 1, 000 crore. CHARACTERISTICS OF THE LUXURY INDUSTRY 1. 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. 2.

The meaning of luxury had changed Luxury has moved from its ‘ old’ meaning of ownership that is 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 has now changed its objects to the ‘ new’ meaning of the experience / fulfilment derived from possessing a certain object. 3. 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. 4. 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.

5. 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. eg. Wearing an Armani shirt with a pair of GAP jeans 6.

Emergence of luxury brandsSea of luxury brands have emerged giving a wide choice to consumers, in all segments of luxury goods. 7. 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 8.

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. CONSUMER PERSPECTIVES TOWARDS LUXURY Consumers can be segregated in 3 groups according to what luxury means to them: 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. 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. 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 feel; therefore they have a more emotional approach to purchases. They respond well to messages that highlight the unique and emotional qualities of a product. DIFFERENCE BETWEEN REGULAR & LUXURY GOODS 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. 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.

. 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. INDUSTRY OVERVIEWIn the past, brands like Liz Claiborne and Pierre Cardin tested Indian waters but made a hasty retreat following poor customer response.

This led to a general perception that India is still not ready for luxury brands. But now that impression is changing. Many leading global luxury brand marketers have started taking our market seriously. Luxury goods’ marketing is a different ball game as the type of customers involved fall in a different class altogether. These customers are influenced more by glamour and style and want to stand out in a crowd. They do not bat an eyelid whey they buy a Vuitton bag costing Rs 50, 000 or a Mont Blanc diamond-encrusted pen for Rs 50 lakh, Ermenegildo Zegna’s top-of the-line, custom-tailored suit costing Rs 6 lakh or a mid-range Louis Vuitton briefcase priced Rs 1. 27 lakh. As these figures suggest, luxury brands are prestige products characterised by high-involvement decision-making that is strongly related to the person’s self-concept.

Sensory gratification and social approval are the primary factors in selecting a prestige product. Cutting prices or giving discounts can be detrimental in case of luxury brands. A higher price implies a higher level of quality and also suggests a certain degree of prestige. Similarly, distribution should be restricted. Status-sensitive consumers may reject a particular product if the feeling of exclusivity goes away. Managing luxury brands is as much an art as a science.

The challenge is to create a demand for something which is not really needed. After all, it looks crazy to spend Rs 50, 000 on a handbag or Rs1, 27, 000 on a briefcase. Creativity plays a key role in creating such a premium image. Many luxury brands achieve legitimacy and fashion authority as a result of the creative talent of their design teams who respect the brand heritage and yet continuously reinvent it. MARKET SIZE AND INDUSTRY GROWTH RATE With the European and American markets reaching a saturation point, leading players are now concentrating on the BRIC countries and the action is expected to shift to India, being the fastest growing luxury market, growing at 25%. , and is expected to maintain these rates for the next 10 years. The Indian Luxury Market is estimated to be to be USD 4.

35 billion and this forms only 2% of the global share. The growth of luxury markets is on the basis of GDP per-capita growth and the High Networth Individuals (HNI’s) in a country. India will be the second largest economy by 2040.

Factors like Consumer Attitudes, Real Estate, Regulatory Environment and Ecosystem are important for the growth of luxury market and these are improving in the country. India has 83, 000 millionaires and every year 16, 000 more are getting added to this. The main trigger behind Indians indulging in luxury is to flaunt status, and the consumers here are becoming aware of leading global brands in the space, but tend to be extremely value conscious. There is a sizeable population engaging in outbound travel and getting exposure to global luxury market. The Indian consumer wants not just to be pampered, but entertained, excited and Inspired by Luxury brands and hence global players will have to look at innovative methods of reaching and engaging customers to succeed in the Indian market. With India emerging as one of the important players in the Luxury Space, the rich and famous across the globe are interested in exploring Indian Luxury products.

Also, because of the availability of high disposable income Indians have developed an appetite to live a lavish lifestyle. India is being looked upon by the entire world as an emerging market and a potential Global hub. Hence, considering the potential of the Country many big brands from across the Globe either have set up their base here or are planning to do the same.

GDP CONTRIBUTION The Gross Domestic Product or GDP is the indicator of the performance of an economy. According to the estimates of 2008, India’s GDP is $1. 209 trillion and this is slated to make improvement in the coming times. It is estimated that India’s GDP will grow by 6. 5% in the year 2009. In 2008 the country’s GDP was 9%; the slowdown that has been witnessed this year in the estimates is largely due to the slowdown witnessed by the agriculture and the industrial sectors. A look at the India GDP composition sector wise throws up some interesting figures. The agriculture sector contributed 17.

2%; industry contributed 29. 1% while the service sector had a contribution of 52. 7% according to 2008 estimates. FDI LIMITS AN INTERESTING FACT!!! What is the size of US Luxury Market? A) A third of India’s GDP B) Half of India’s GDP C) Equal to India’s GDP D) More than double India’s GDP ANS: D) More than double India’s GDPWhile India will certainly not match the US, Japan or China in terms of its domestic market size for luxury goods and services for decades to come, its influence on global luxury business will steadily increase in the coming years.

The reasons are many and mostly historical. Unlike Japan or China, India has a history and a tradition of luxury for millennia. It has an influence on textiles and handwork on them, on gems and their setting in jewellery, in food (including ingredients and spices), on natural skin and body care, on fragrances and cosmetics, and even furniture, furnishings, and objects d’art. For centuries, India’s nobility and the wealthy have been used to “ commission” and patron works of luxury and extraordinary human skill. LUXURY MARKET SECTORS SECTORS| KEY PLAYERS| MARKET SHARE %| Jewellery| | 27| Clothing| | 16| Digital Accessories| | 13| Time Wear| | 8| Cosmetics & Skin Care| | 8| Foot Ware| | 6| Wine & Liquor| | 6| Accessories| | 6| Fragrances| | 4| Crystal Wear| | 2| Others| | 4| The Key Player Analysis The following table summarizes the marketing mix adopted by the 4 leading luxury brands.

In order to arrive at successful strategies to market luxury in India, it is pertinent to look at the marketing strategies instituted by the existing luxury players in India. Product| Price| Place| Promotion| Valentino offers a limited assortment due to the nascent demand of gowns in India. This is attributed to Indian women’s preference of sarees over gowns.

Because of this trend, Valentino has launched “ saree inspired gowns” in their latest collection. Valentino has also included a few sarees (worn by Elizabeth Hurley) in its trademark red in their collection. Valentino claims to charge prices same as their western counterparts. | Opened its first store in August ’06 at Delhi’s Shangri La hotel. it is currently looking for space to open a standalone store each in bangalore, Mumbai & surprisingly, Ludhiana.

Has no plans of opening a store in a luxury mall due to a fear of dilution of identity. The brand owns numerous stores in China. | The brand has little promotional presence. In the west it relies on red carpet events & fashion shows to promote its gowns.

However due to lack of such events in India, it uses little print advertisements from abroad in India. They predominantly feature Hollywood actresses & models. | Product| Price| Place| Promotion| The brand offers a smaller assortment of their products in west in India. This is attributed to the cultural difference & the differences fashion trends. | The brand claims to price their products equitably in India when compared to their western counterparts. However, it does admit to the greater taxes.

| Launched operations in India in 2005. has only one boutique in India as opposed to 8 boutiques in China. The brand’s only boutique in India is located at The Imperial Hotel in Delhi. Has no promotional campaigns targeted exclusively at Indian market. Nicole Kidman, the brand’s leading endorser, recently shot an advertisement with Indian model/actor Arjun Rampal in Rajasthan. However, the advertisement will not be aired in India as Chanel only promotes in print media in India.

Came into headlines for dressing up actress Sonam Kapoor for a film premier. | Product| Price| Place| Promotion| Made headlines with their intention to design sarees. However, the brand has shown no signs of actually producing them. Offers limited amount of their product offerings due to limited demand in Indian market.

However, is planning to expand their offering in future. | The brand admits to charging a higher price due to the tax structure & high infrastructure costs. | Launched operations in India in 2007 with boutiques in Mumbai and Delhi. Murjani Group is the master franchisee of this brand in India. The brand’s store in Delhi is located at The Oberoi’s Hotel. the brand has currently shelved the plans of opening four more stores including one in the Emporio Mall. The brand owns close to 27 stores in almost all leading cities of China. | The brand relies heavily on print advertisements.

However, it regrets its recent decision of promotions through newspaper advertisements as it harmed the brand’s exclusive & luxe image. Has no specific advertisements & promotional material for Indian customers. | Product| Price| Place| Promotion| Armani offers all of their latest collection in their Indian stores. The brand recently made headlines in Indian newspapers for including Sherwanis in the 2009 fall-winter collection. The sherwanis are now sold globally in all their stores. The brand has registered a tremendous growth by selling above 200 items a month and registering a growth of above 50 percent annually. Armani claims to price their products same as abroad & refuses to comment further. | Armani has recently entered the Indian market with a joint venture with DLF.

The store currently operates through two exclusive stores in Delhi’s first Luxury Mall DLF Emporio. The is currently in plans of opening four more standalone stores in Delhi and Mumbai. It owns 15 stores in China. | Armani, unlike in west, only relies on print media (in magazines) to promote their products. The brand features its international promotional material in India as well. However, in its latest ad campaign, it featured a model of Indian descent (Vasuki)| DETAILED ANALYSIS OF THE MACRO-ENVIRONMENT Political Trends One positive factor for any company entering India is the political stability of the nation as well as democratic style of leadership. Government apart from tariffs has taken a neutral stance towards the luxury stalwarts, FDI and tariffs as only concern which will be strengths in coming future. The implementation of the Free Trade Area, which laid out a comprehensive program of regional tariff reduction, will be continuously implemented in phases through the year 2010.

Over the course of the next several years, the programs in tariff reductions will be made broader. Efforts to eliminate non-tariff barriers and develop common product certification standards were initiated. In addition, ASEAN also was able to formulate framework agreements for the intra-regional liberalization of trade in services. Economic Trends Despite the adverse economic trends in the last year, the luxury goods industry as a whole experienced relatively robust economic growth.

Many countries have also seen the risk-weighted capital adequacy ratios of their banking systems improve due to government-sponsored bank recapitalization programs, continued progress in financial restructuring, and improvements in financial risk management. Overall Indian economic trend is a silver lining for companies as India is increasingly becoming the hotbed for millionaires and billionaires the new found riches is growing and will continue to be so, hence economic trend which was a challenge will grow as a big advantage. Social / Cultural Trends There have also been social and cultural trends that have been evident over the last few years in the luxury goods industry. These include: (a) The irreversible rise of civil society (b) The rise of civil society and urbanisation blends perfectly with dreams that luxury brands sell (c) The increase in the roles of intellectuals and ocial awareness. (d) Indians are a peculiar breed, victims of centuries-old socio-economic oppression. Where each of us is pinned on the social matrix is revealed by our last name or even a stray twist in accent. Money or the display of it can rarely manage to unsettle the hierarchy.

Awareness or rather subtle awareness is something which luxury marketers are happy about and aiming at. With more and more urbanisation and globalisation the need to be in parity with the world will fuel the demands for more upmarket and more luxurious lifestyle. Technological TrendsIt is a common knowledge that the luxury goods industry is still a relatively new industry in the country and is still in its early stages of development.

Technology being a important factor still comes as second at times in various luxury categories, though make no mistakes that that second is still way above what a mid level brand can aim at. India being hub of technological development still does not provide luxury brands enough lucrative options as tech advancement are not synchronised and homogeneous, hence it is a dark spot but might be a very significant area in future. Legal Trends Intellectual property (IP) and IP Rights (IPR) creation, commercialization, and protection have been a significant source of comparative advantage of enterprises and economies and a major driver of their competitive strategies. Indeed, countries all over the world are fully aware of the pressing need for a long-term policy commitment to collectively transform the luxury goods industry into one which is largely based on knowledge, driven by innovation and sustained by life-long learning. Countries all over the world have pledged to work together to help accelerate the pace and scope of IP asset creation, commercialization and protection; to improve the regional framework of policies and institutions relating to IP and IPRs, including the development and harmonization of enabling IPR registration systems; to promote IP cooperation and dialogues within the region as well with the region’s Dialogue Partners and organizations; to strengthen IP-related human and institutional capabilities, including fostering greater public awareness of issues and implications, relating to IP and IPRs. INDIA and IPR are a big problem, just not having the stringent and encompassing laws is not the only issue, and problem also arises due to weak enforcement of laws.

Cheap imitation and intellectual property infringement is a common occurrence in the nation. Luxury Goods Industry SWOT Analysis Strengths: •Has products that boast of a very powerful retail. This includes a reputation for value of money, convenience and a wide variety of products •Has grown significantly over the years, and has experienced global expansion. •Main competence lies on the use of information technology (IT) to fully support its international logistics system.

Therefore, companies in this industry can see how their individual products perform within the United States for instance, or even at stores at a glance. •Is able to deliver good customer care, as the limited amount of work would mean plenty of time to devote to customers. •Products have established a strong reputation within the market. •Offers little deficits and overheads. Therefore the companies in this industry can offer good value to customers on a consistent basis. Weaknesses: •Is one of the world’s largest industries but has a weak control of its empire, despite its IT advantages.

This could lead to a decrease in productivity in some areas where it has the least control. •Since companies in this industry sell products across many sectors, they may lack the flexibility that some of its more focused competitors possess. •Operates globally, but its presence is located in only relatively few countries worldwide. •Some luxury goods lack market presence or reputation •The company’s cash flow is unreliable especially in the early stages of a new luxury product development. •Over flooding doesn’t leave a luxury brand a real luxury brand. Opportunities: Taking over, merging, or forming strategic alliances with other luxury good companies while focusing on strong markets like Europe or the Greater China Region and India. •Luxury good companies operate only on trade in a relatively small number of countries all over the world. Thus, this would open the opportunities for future businesses in expanding various consumer markets, such as those in China and India.

•The opening of new locations and branches offer luxury good companies the opportunities to exploit market development. This could lead to the diversification of the company’s branches from large super centres to local-based sites. Opportunities exist for luxury good companies to continue with their current strategy of establishing large branches worldwide. •The industry is continuously expanding, with plenty of future opportunities to exploit for success. •AS FOR INDIA IT IS “ THE “ INDUSTRY OF FUTURE maybe 10 more years. Threats: •Being number one means that the luxury goods industry is the target of competition, the industry to beat, both locally and globally. •Being a global retailer means that luxury goods companies might be exposed to political problems in the countries where the company has operations. The production costs of most luxury products have the tendency to fall because of lower manufacturing costs.

Manufacturing costs fall because of outsourcing to low-cost regions around the globe. This phenomenon could lead to competition in prices, which in turn would result in the deflation of prices in various ranges. Intense price competition must definitely be considered a threat. •Indian mentality of the masses. •REPUTATION, if it goes down company goes down.

Detailed Analysis of the Industry Environment The assessment of the industry attractiveness is performed using the Porter’s Five Forces Model. A. Threat of New Entrants New entrants in the luxury goods industry will have to deal with high costs of entry for their latest technologies.

Most major competitors in this industry have yet to establish strong distribution channels. This will severely hamper their plans to retaliate with their technological developments as without distribution channels, their products would never be seriously considered in the market by customers. These companies must worry though about certain government laws in some countries that might weaken their competitive position (2002). B. Bargaining Power of SuppliersSuppliers of luxury goods have relatively lower bargaining power because their products have yet to establish consistency in the market.

This is in contrary to ordinary brands where these products have been able to secure the confidence of its customers worldwide. C. Bargaining Power of Buyers A majority of consumers in the luxury goods industry are professionals who rely on mobile and expensive gadgets and expect seamless services every time they use them. For instance, a customer phones in a service request from the New York airport while boarding a plane bound to Paris the same day. The technical people in New York will immediately work on the service ticket of the client. And when that client arrives in Paris, he / she would be able to call the New York service centre and pick up exactly where he / she left off (1999). The bargaining power of buyers in the luxury goods industry is relatively high because there are only few, large players in the industry. D.

Threat of Substitutes There are very little threats that could emerge from possible substitutes. This is because product-for-product substitution could not possibly happen especially with luxury goods. Other products cannot simply replace the ingenuity of the established luxury products in the market. Also, the millions of users of these luxury products surely would find it too uncomfortable using other products other than their luxury products CASE STUDY: THE MURJANI GROUP OVERVIEW Murjani Group develops, launches, and builds various designer lifestyle brands.

It operates in the United States, India, and internationally. Murjani Group was founded in 1930 and is based in New York, New York. They partner with international luxury brands and retail them in India. KEY EXECUTIVES Managing Director: Mr. Vijay MurjaniChief Operating Officer: Mr.

Pradeep Mansukhani Business Head of French Connection: Mr. Dhiresh Sharma Marketing Head of Luxury Division: Mr. Vikram Raizada Business Head of Gucci: Ms. Ananda Kara JOURNEY 1930: Mr B. K. Murjani found the group in Shanghai, CHINA with it’s first retail store 1950: After the world war Murjani commenced operations in Hong kong with a trading company. 1952: Murjani sets up Hong Kong’s first garment manufacturing factory.

1958: With 6 years, Murjani grew to one of the largest apparel producers in the world, with a production capacity in excess of 10 million units per annum. 966: The current Chairman, Mohan Murjani, joins the group. 1966: The Group commenced its transition from manufacturing to designer lifestyle brand development and marketing, by launching its first brand in the USA, “ Marco Polo” 1976: Murjani launches the “ First Designer jean” 1980: Murjani sponsors the US Open 1985: Murjani launched Tommy Hilfiger, in 1985. Here again Murjani group re-enforced their panache with ground breaking and ingenious marketing, to ensure that Tommy Hilfiger, would almost immediately, positioned amongst the top designers in the world. The innovative brand marketing and management techniques adopted by Murjani Group over the years, have changed the very paradigm of marketing, merchandising and retailing, as we know it today. 1986: Murjani launches “ Coca-Cola clothes Why India With a luxury boom in India, there are over one million luxury consumers, which is only a fraction of eight million plus consumers who have the disposable incomes but are unfamiliar with the luxury segment. The growth rate is 14. 6 per cent.

Target audience is 22-55 year olds. India’s luxury goods market of Rs 717 billion is set to expand with a new firm to facilitate process by bringing together buyers and manufacturers. India’s total retail market has been estimated at $160 billion or Rs 7, 170 billion, covering eight million consumers. Of them, one million are considered to be in the luxury brands segment 2000: NAMASTE INDIA The Murjani Group for many years, was very keen to establish a presence in the Indian market, but had to wait for the right time.

In 2000 with the apid growth in the consuming class, Murjani was amongst the first companies, to understand the emerging opportunity, with respect to the retailing of International Brands in India. Strategies used for entering India “ The India strategy revolved around the creation of a Multi- Brand Retail Platform, with World Renowned, Premier International Brands. Chairman: Mohan Murjani Product line 2004: Murjani launched the First international Lifestyle Designer Brand in India “ TOMMY HILFIGER” Following the success of Tommy Hilfiger, the Murjani Group launched five Major international Designer Brands.

007: GUCCI, BOTTEGA VENETA, JIMMY CHOO, FCUK, CALVIN KLEIN JEANS. 2007: As India had no suitable retail environments to house international luxury Brands , outside five star hotels, Murjani decided to develop it’s own and Launched the first Luxury Mall in India-“ THE GALLARIA” COMPETITORS Leading Brands of the World Leading Brands of the World is an Indian organisation. Headquartered in Delhi, with offices already in Delhi and Mumbai, Leading Brands of the World is in talks to expand its footprint internationally. They are experts in business development and client development. Leading Brands of the World’s clients and partners already include Middle East Aston Martin, Porsche India, Pershing Yachts India and THANKS, a luxury retail space housing, as also leading brands such as Van Cleef and Arpels, Fendi, Dolce & Gabbana and Stella McCartney TSG International Marketing Pvt Ltd TSG International Marketing Pvt. Ltd. within just three years of operation has already set bench marks for the entire Indian Retail Industry in India with regard to Sales turnover, Service quality and Visual merchandising TSG International Marketing Pvt. Ltd.

has also tied up with AEFFE Fashion Group, a High-End Italian Fashion House, for the marketing and distribution of their High-End Luxury Brands like, Moschino, Jean Paul Gaultier, Alberta Ferretti, etc… in India BCG MATRIX STRATEGIES DURING RECESSION Luxury is seen as an investment in oneself, within society. When those who had come recently into money saw the returns on that investment slowing down (on account of the recession), they backed off from spending. However, where consumption of luxury was part of an established lifestyle (as in the case of old money), it slowed down a little, or was deferred, but was not cancelled. Largely, this is because where old money is concerned, the consumption of luxury forms only a small part of their overall wealth. But in the case of new money where it forms a larger chunk of personal wealth, the spends tended to be on more visible symbols: most noticeably in the purchase of luxury cars – interestingly, this is one category of luxury where the purchase can be financed, so purchase decisions did not have to be deferred. Smaller towns – “ B towns” in layman’s language, tier-2 and tier-3 cities in marketing lingo – are under-represented by brands, but are important markets since there is wealth but almost no choice when it comes to buying luxury products and services. Luxury brands could build equity there and spend time and effort on establishing brand differentials in these important markets. However, one important takeaway from doing business in small towns is that they want a bigger bang for their buck – in other words, where luxury brands are concerned, the brand logo must be flashier and in-your-face.

Another take away from the discussion was that education in the luxury business is critical. This is truer of smaller cities, but everywhere there is a hunger for knowledge in luxury goods and services. Consumers want to be educated on the difference between brands. And marketers need to place even better-educated sales teams and service staff in place to complete the experience. Men buy less frequently but for them service is an important brand differentiator and they demand a higher quality of service. Women are more likely to be attracted by discounts – but as someone pointed out, men buy two pairs of shoes where women are likely to buy two dozen! ) Two important dichotomies exist with regard to service.

One: “ Training in service is more important than offering a customer a discount”; Two: “[Good] service is equal to a discount”. Clearly, even greater emphasis needs to be paid to service (and staff education) than currently happens. All of which brings us back to the reason why consumers nvest in luxury in the first place –as an investment in themselves. “ You can’t put a price to luxury, but the luxury business is about putting a price to luxury. ” Coping with recession It seems to have been a good time for both the luxury marketer as well as the luxury consumer in India.

The consumer got luxury at the best value (“ the best of both worlds”) because of the sales and discounts, whereas the marketer remained happy because people were willing to spend on luxury goods and services. But marketers pointed to two interesting trends. One: that the inspirational (or new, or even nouveau-riche) consumers slowed down their luxury purchases, while the old buyers who had been sidelined in the luxury market frenzy, returned.

And, two: even though sales were somewhat more obvious during the period of the recession, it was less for reasons of discounting and more because of a miscalculation of sell-through (excess stocks) – whether on account of the impact of the (unexpected) recession, the terror attack (in Mumbai), or delays in the completion of retail infrastructure. RESEARCH Research DesignResearch Type: Exploratory & Descriptive (as the research is fundamental in nature without a clear definition of a problem) Type of Date: Primary Data: Collected from key luxury brands as well as customers in Mumbai \* Sample Units for Primary Research Purpose: \* Customers of luxury product offerings \* Key decision-makers at various levels of hierarchy at leading luxury fashion apparel & accessory brands \* Sample Size: \* Customers: 50 \* Company representatives: 4 \* Sampling Plan: Judgment Data Analysis: Suitable statistical tools would be applied to analyze the data. Consumer Trends In order to better understand the perception of the marketing mix offered by the luxury brands in the eyes of the customers, we conducted a marketing research survey. The findings of our survey are as follows: Demographics of the respondents: \* Majority of the respondents were female. \* Majority of the respondents who were questioned fell into the age group of 30-35 years.

1. We asked: How often do you buy luxury goods? Objective: To determine the value of luxury goods to the customers in terms of the time and money spent on their purchase. Finding: Research revealed that a majority (78%) of the customers buy luxury goods couple of times a year. 2.

We asked: What type of luxury products do you buy? Please select all those that apply. Objective: To determine the products that consume the majority of the customers’ time and money. Finding: Research revealed that consumers spend most of their income on clothes, bags, shoes and fragrances. 3. We asked: What are your top 3 luxury brands? Objective: To determine the most sought after brands by the respondents. Finding: Research revealed that Versace, Louis Vuitton and Chanel top the list of luxury brands. 4.

We asked: A more expensive brand means a better product. Objective: To understand the importance of the price of a luxury product vis-a-vis the quality of the product. Finding: Research revealed that a majority (58%) of the respondents feel that amore expensive brand means a better product. 5. We asked: Which of the following is the best location to buy a luxury product? Select one. Objective: To determine the most preferred location by the correspondents for shopping for luxury products. Finding: Research revealed that a majority (52%) of the customers want specialty malls dedicated to luxury products followed by stores in widely recognized prominent markets.

6. We asked: What do you think is the best media platform for advertising luxury brands? Please select one. Finding: Research revealed that a majority (74%) of the correspondents prefer magazines as the media for advertising luxury brands. FUTURE OUTLOOK For a long time, the luxury goods sector was considered immune to economic fluctuations. However, the last year has shown that luxury companies are as vulnerable as other consumer companies during a recession. The net worth of the mega wealthy has been dramatically reduced by the fall in stock markets and property values, reducing demand for yachts, cars and designer clothes, among other luxury goods.

Earlier this year, consultancy firm Bain & Company reported that the luxury goods sector was facing a decline of 10 percent, estimating that by 2010 the sector’s value could shrink to €153bn from its 2008 level of €170bn. In response, a new report by KPMG has recommended steps that the sector should take in order to survive the global recession. In the report titled ‘ Luxury business: responding to the crisis’, KPMG provides “ four golden rules” which, if followed, will allow the industry to emerge from the recession on a stronger footing.

While the Western markets are faltering, luxury retailers are searching for the next location to sell their high-end goods, and it looks like India might just be the place. While India makes up just 0. percent of global luxury good sales, the market is growing at 25 percent a year, according to a recent Bain & Co. study. There are 1. 5 million households in India who could afford luxury goods, compared with 1. 6 million households in China, according to McKinsey.

The numbers have prompted some luxury brand names to open retail stores in the largest cities in India in recent months, despite the economic downturn. New entrants say that gaining a foothold in India has not been easy, and doing business has been difficult. Bain & Company predicts that trading in the developed markets will remain tough for the rest of the year, with growth of around 1 percent in 2010 before a slow recovery. However, despite the recession slowing the pace of development in emerging markets, Bain believes that, as a consequence of increasing personal wealth, growth in global GDP, and rising tourism in Russia, China, India and Brazil, spending will surge between 20 percent and 35 percent over the next five years. This is expected to aid the recovery of the luxury goods sector.