

PROFILE OF LUXURY MALE & FEMALE CUSTOMERS IN WESTERN INDIA

Milind Fadnavis

Institute of management Technology- Nagpur
milind.fadnavis@gmail.com

Abstract

With increasing brand awareness amongst Indian youth and purchasing power of upper class in tier II and III cities, Indian luxury market is expected to cross \$18.3 billion by 2016 from the current level of \$14.7 billion growing with a compound annual growth rate (CAGR) of about 25%, reveals ASSOCHAM study. In this paper, author has confined to western India and used sex as segmentation variable. Men and women using luxury goods and services have shown different trajectories on different parameters- buying, consumption, outlet and media habits. Only common factor among both segments was- average age of Indian luxury customer has gone down- i.e. customer is younger today. Male customers bought high end cars, Bose speakers, villas, shoes, watches and preferred experiences such as adventure sports, vacation on cruise and visit to unique places. Female customers bought cosmetics, fragrances, bags, jeweler and preferred experiences such as spa, beauty treatment, fine dining and cosmetic surgery. Media consumption habits of both segments were different which impacted place from where luxury items were bought and also brand choices. Aspiration levels were fuelled by internet and information available on various sites. This has particularly impacted travel and tourism preferences and fine dining. Surprisingly, female customers preferred showrooms abroad and some preferred to buy at retail outlets at airports than at luxury malls in metros. Although price was not a barrier in case of both male and female customers, one category- high end car was an exception. Male customers, having preference for particular model of German car approached manufacturer in a group. This resulted in heavy group discount and also after sales service facility in non-metro town where these cars were sold in 150 numbers.

Key words: luxury, customers, experience, unique

JEL classification: M31.

Introduction

If understanding consumer behavior is key to success of any organization, then decoding the black box of a customer should be the starting point of formulation of marketing strategy. When one extends this logic to profiling a luxury customer, the task becomes more difficult. The reason being, a typical luxury customer is much more difficult to decipher and is spoilt by both- choices from supply side and purchasing power at hand on demand side. Normal principle of marketing- 'sale is vanity, profit is sanity and cash is reality' is no more relevant in case of luxury customers. On the contrary, one needs to modify same to - customer is sanity, customer is vanity and customer is reality. This means, sale at profit and realization of cash in reasonable time is non-issue in case of luxury customers. Price normally is not a barrier in case of luxury goods (barring few exceptions- high end car purchase in group), not is recovery of cash. This means other issues such as steps in decision making process luxury customer goes through is critical for a marketer. Author has earlier presented model in MBD 2014 namely AEIOU (approach- explain, induce, obviate and upgrade) to target ulterior high net-worth individuals. An effort is made in this paper to find out typical profile of male and female luxury customers in Western India.

Objective of research/rationale behind paper

The Indian luxury market is expected to cross \$ 18.3 billion this year. Although market is growing at a steady pace, the real issue is of conscientious luxury buying. Are customers aware of latest trends such as responsible luxury, sustainable luxury and concept of 'responsibility factor'? The reason for raising such question is small town in India are buying products such as designer handbags, watches, cars and jeweler

and are taking online route and purchase refurbished products from world's best brands (<http://www.theweek.in/>).

Objective of this research paper was to profile male and female customers from western India buying luxury brands. Apart from age, income, possessions, an effort was made to find out the buying basket of these customers- whether they were focusing on assets or products or services.

Customer profiling is a way to create a portrait of your customers to help marketer make design decisions concerning your product or service. Customers are broken down into groups of customers sharing similar goals and characteristics and each group is given a representative name, and a description. India, being a continent like market cannot have one size fits all strategy. The purpose was to profile luxury customers from western India so that those companies who, in near future, want to introduce their brands in Indian market on phased launch basis can better tap the western India market. The reason for choosing Western India for research was clear. The income tax department has released an 84-page document with information regarding the Indian tax payers. State of Maharashtra topped in number of billionaires. Maharashtra was credited with the highest collection of direct tax which also includes corporate tax. The state registered a total of Rs 2.77 lakh crore in taxes.

Review of literature

Berthon et al (2009), in their article present a philosophical analysis of luxury brands, focusing on their aesthetics and degree of ephemerality. Various conceptions of what luxury represents are discussed, and it is argued that luxury goods typically possess symbolic, functional and experiential value. Various methods of marketing such goods and managing such brands are analyzed. Seringhaus (2005), in his article, developed a profile of the Internet presence of French and Italian luxury brands. France and Italy are the most important luxury brand source countries. This study examines how luxury brands use the Internet, and thus is largely exploratory. A survey of 86 luxury brand Web sites carried out for this study provided the data to create a profile and comparative analysis of these two primary source countries of luxury brands. Prof. Jean-Noel Kapferer (2005), took an experiential approach and defined luxury as items which provide extra pleasure by flattering all senses at once. Several other researchers focused on exclusivity dimension and argued that luxury evoked a sense of belonging to a certain elite group. According to a report titled *The Global Luxury Customer Journey* published by LUXHUB? the path to purchase was almost never linear, involving interaction with different content and communication assets from owned (i.e. official websites), to paid (i.e. print advertising) and/or earned equity (i.e. word of mouth). A report authored by Jean Vyas Sabot confirms that Luxury brands lose half of their top customers every year. According to same research from Epsilon and the Luxury Institute: *"The New Face of Luxury: Breaking Down the Myths and Stereotypes of the Luxury Shopper"*, luxury brands may miss huge opportunities by not understanding who their best customers are. When brands do not know their customers, they cannot interact with them in a way that is relevant, personal, and meaningful. In turn, they lose the ability to keep their best customers and gain potential customers who are spending with their competition. They routinely misidentified the demographic and economic profile of their customers while also failed to create a personalized sales experience for them.

Luxury brands mistakenly believed their customers were typically female and on average 45-years old with a net-worth over \$1 million. However, 57.5% of luxury spenders were, in fact, male. They were likely to be of Asian and Middle-Eastern descent with a net worth over \$500,000. Additionally, nearly 13.8% of shoppers with a net worth over \$1 million invested mostly in modern, contemporary décor and gifts as opposed to high-ticket apparel items. It was crucial for luxury brands to understand their customers to effectively market and advertise to them.

Indian context

According to Global Wealth report October 2015 by Credit Suisse, wealth has grown rapidly in India since 2000 except during the global financial crisis. Annual growth of wealth per adult in rupees has averaged 8% over 2000–2015. Prior to 2008, wealth also rose strongly in US dollar terms, from USD 2,040

in 2000 to USD 5,100 in 2007. After falling 26% in 2008, it rebounded to reach USD 5,300 in 2010, but then fell 13% in 2011 due to adverse exchange rate movements. Depreciation of the rupee has continued since, so that wealth per adult has not regained its previous peak and was just USD 4,350 in mid-2015. A very small proportion of the Population (just 0.3%) has a net worth over USD 100,000. India has 254,000 members of the top 1% of global wealth holders, which equates to a 0.5% share. According to their estimate 2,080 adults have wealth over USD 50 million and 940 people own more than USD 100 million.

According to research conducted by FROST & SULLIVAN, India is fortifying itself as an economic superpower. With more than 25 billionaires and 35 near-billionaires, the country's total wealth stands at over \$3.5 trillion, and is expected to reach \$8 trillion in 2020. India's economic growth will raise the number of ultra-high net worth individuals (UHNWI) and HNWI's besides multiplying the wealth of the existing UHNWIs, thereby offering immense potential for luxury car makers. Regarding luxury housing is concerned; there are over 5,000 UHNW individuals of Indian descent living outside of India. These individuals are typically wealthier than their counterparts in India, as well as older - albeit by only three years (THE GLOBAL LUXURY RESIDENTIAL REAL ESTATE REPORT 2015- Sotheby's)

Research methodology used

In depth interview method was used for this research project. Numbers of participants chosen were fifty only equally divided between male and female customers. More than 40 % of the chosen sample was from tier II and tier III towns. This was done with a twin purpose. One was to make sample size more representative and second was issue of accessibility. Also customers from tier II and tier III cities have shown bold purchasing pattern. As many as one hundred and fifty buyers formed a group in Aurangabad, a tier II city and negotiated with Mercedes. Earlier experience of this author in eliciting response from luxury customers in metros for other project was not encouraging. Age wise all of them were in age group 35- 55 and each one of them was educated at least to graduation level. Female respondents were again equally divided between housewives and working professionals. In case of some female respondents (housewives) language was an issue and author had to switch to Hindi from English to make respondent comfortable and elicit right response.

Findings

Limited open ended questions were asked to each respondent. Questionnaire included aspects related to understanding of respondent of concept of luxury, key variables while purchasing a luxury brand, occasions of purchase, sources of information, place of purchase, trigger to purchase. Other aspects such as awareness about new trends such as guilt free luxury, buy versus lease, concepts of YOLO & YODO, and items in bucket list were explored.

During interaction, newer concepts such as sustainable or responsible luxury, Butterfly mark- an award created by London based Diana Verde Nieto were explained. The Butterfly Mark according to Nieto, founder of Positive Luxury "is like recognition for a brand working hard to protect the planet. The Butterfly Mark nudges people to buy from brands that care, inspiring trust and, in turn, influencing their purchasing behavior. According to Mr. Nakul Anand, Executive Director ITC Ltd- which is recognized as greenest chain of luxury hotels "Responsible or sustainable luxury is a multidimensional movement. It is about a positive socio-economic impact creating employment and sustainable livelihoods. It is also about being sensitive to the needs of differently abled."

Following matrix emerged on basis of findings which divided respondents into four distinct quadrants.

ARRIVED – MALE (ACQUIRED)

ARRIVED- FEMALE (ACQUIRED)

DERIVED- MALE (INHERITED)

DERIVED- FEMALE (INHERITED)

1) Profile of Arrived- Male: Respondents falling in this quadrant were relatively young between ages 35- 45. All of them made it big through own ventures and were either first generation entrepreneurs or professionals. They did not inherit much wealth from parents and hence were in acquired category. All, without a single exception bought luxury brands to give signal to society that they had arrived. As a result, priority was on buying assets (villa, automobile) and products (watches, high end mobile handset, apparel). Interestingly, they were at this stage not ready for services in general and experiences related to travel and hospitality in particular.

Following were specific responses to questions asked:-

- Their concept of luxury was limited to price, quality, brand name and scarcity.
- Key variables while buying a brand were whether it was owned by many and if others could appreciate the same.
- There were no specific occasions to purchase except wedding anniversary and birthday.
- Their sources of information included magazines, websites, and international airports, in flight magazines and also friends and relatives.
- They preferred to buy products at airports after getting boarding pass. In case of a standard luxury brand where specifications are crystal clear, some preferred to buy on line also.
- Trigger to purchase was either windfall gain or availability of brand in limited version.
- After detailing on concept of ‘guilt free luxury’ all of them were ready to have a go for it.
- Only in case of high end yachts, were they ready for lease against buy.
- They believed in concept of YOLO- you only live once and as a result were ready to experiment.
- Items in their bucket list included Mercedes – Benz S class Cabriolet, dining at Le Stresa.

2. Profile of Derived- Male: These customers were typically in age group 40-55 and had inherited wealth from their parents or grandparents. As a result, their buying pattern and their perception to luxury was different from earlier quadrant i.e. arrived category. Here focus was not on display of personal wealth. This segment believed in concept of authentic luxury and preferred antiques and collectibles.

Following were specific responses to questions asked:-

- For them, luxury is not merely a product; it is a fine art. Scarcity, authenticity was other connected to concept of luxury.
- While buying a product less emphasis was placed on brand name but lot of faith on the actual producer. Antique, unique, collectible were the catch words.
- Occasions were least important. The luxury products bought by this group were from specialized goods category.
- Sources of information were friends, relatives, magazines related to décor, museums, and auctions.
- Places from where they bought brands were open auction, individuals or dealers in such goods.
- Trigger to purchase was additional information about the article i.e. a painting or a car or an idol.
- They did not believe in concept of guilt free consumption. The reason given was their purchases had less relevance to larger section of society.
- Only buying and possession and no lease.
- They believed in concept of YODO- you only die once and as a result were not ready for adventure and experiences such as bungee jumping or Para gliding. However, due to exclusivity, they were comfortable with luxury cruise.
- Items in bucket list: - A bespoke trunk from The Trunks Company Jaipur, Idol of Lord Ganesha from Lladro .

3. Profile of Arrived Female: These female customers were in age group 35-40 and were first generation entrepreneurs. They were keen on buying services and interested in hospitality, travel and beauty treatment. Contrary to normal belief, they were not much interested in jeweler. However, in products category, they were buyers of watches, handbags, apparel (western). Price was not an issue for them but place of purchase was. In their opinion, latest range was not available in India and hence completed their shopping abroad during vacation or on business trip.

Following were specific responses to questions asked:-

- For this segment, luxury was about leadership. It did not necessarily mean ownership but an experience of lifetime one needs to go through.
- Key variables while buying a product or a service were craft, sophistication, culture and conservation of dying art.
- Occasions of purchase were not limited to birthdays or anniversaries. Overseas travel and weddings were other important ones.
- They gathered information from websites, exhibitions related to paintings and arts, websites, magazines related to fashion and in flight magazines.
- Place of purchase were limited. They bought either on line or at airport. In case of buying an experience, the deal was at home.
- Trigger to purchase were The Butterfly Mark, design stories, sustainability.
- They believed in concept of sustainable luxury. Of the three pillars of sustainability namely environmental, social and economic; they put their money on environmental and social aspects.
- They preferred to buy products than using on lease. The segment also did not believe in concept of refurbished luxury.
- They believed in concept of YOLO- you only live once and as a result were buyers for unique experiences than unique products.
- Items in their bucket list were – visit to salt cave in Poland, stay at glass igloo in Scandinavia, experience northern lights. They believed in socially relevant extravaganza.

4. Profile of Derived Female: These customers were in age group 40-55 and were not earning now. However, they had inherited wealth and their focus was on jeweler, apparel (Indian), handbags and watches. They were not ready to experiment with food and all but two were vegetarians. They did not like foreign travel to unknown places because of non availability of typical Indian cuisine. When asked about bucket list, none could tell about particular category or specific brands in their mind to be purchased in future.

Following were specific responses to questions asked:-

- For this segment, meaning of luxury was confined to excess and bottomless princely indulgences.
- Price, uniqueness of a particular item, fashion and flamboyance were key variables while buying luxury brands.
- Marriage anniversaries, marriage of kids and annual day celebrations in social clubs were important occasions.
- Their sources of information were limited to friends and relatives. Majority of them were not comfortable with information on websites although all of them were possessing tablets.
- They bought brands from traditional, known outlets. In their opinion, duty free shopping did not give them option to compare and choose at leisure and hence not preferred.
- Triggers to purchase were windfall gains through sale of an asset or additional information about a product or a service through a trusted source.
- They did not believe in concept of guilt- free luxury.
- For specific items such as handbags and jeweler, they preferred lease over buy.
- They believed in concept of YODO- you only die once and as a result, focus was on possession than on experimentation and experience.
- None could specify items in their bucket list. However, they specified what they did not want to do. This referred to avoidance of overseas travel.

Limitations

There were limitations to this work and the findings could not be extrapolated to Indian luxury market.

- i. Sample size was very small.
- ii. Responses to few questions were either negative or lukewarm. This happened either because of lack of awareness on the part of respondents or was done deliberately. This happened in case of question related to bucket list for future.
- iii. Getting an appointment and then smooth conduct of interview was tough task. This happened in case of male respondents predominantly. As a result, author had to recap earlier conversation which again was irritating for respondents.
- iv. An important limitation that came to fore was lack of knowledge of respondents on differentiation between genuine and fake luxury brands. Author had to elaborate on this aspect by detailing aspects such as serial stamp, code, other identification mark to ensure no fake product is being purchased.

Conclusion

To conclude, Luxury meant different things to different rich customers. Customers intending to buy luxury assets, products or services were either self made or had inherited wealth. As a result, marketer needs to tap these segments with variations in their approaches and strategies. More importantly, female luxury customers irrespective of age have shown similar patterns of purchase and consumption in few categories and so was not the case with male customers. They had entirely different preferences depending upon age and mode of acquisition of wealth. Another important conclusion was majority of respondents were not

aware of concept of responsible luxury and concept of butterfly mark. If a marketer can rightly profile his customers and match them with his product portfolio, the chances of winning and retaining these set of difficult customer groups are higher.

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