

COLUMNS

Indians splurging more on luxury domestically

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Mercedes-Benz is one of the most popular luxury car brands in India. Image credit: Mercedes-Benz India

By **Abhay Gupta**

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Splurge today, save later: The fact that Indians are splurging more on luxury is a clear sign of the maturing taste and demand for better things in life.

Beyond the need to keep up with the Joneses, the splurge trend seems to be growing due to the need to experience newer and better bespoke experiences that only a few can afford.

Fueled by access to the Internet and international trends, aspiring Indians want experiences that make their lives better. Cash-rich, time-poor middle- and upper-middle- class Indians are driving the rise in spending across categories.

Bricks and hauteur

Micro-vacations, high-end cosmetics, perfumes and personal care products, clothes, automobiles, weddings, retail, art and collectibles, streetwear, sneakers, you name it, a luxury version of that category now exists in India vying for a bigger market share.

At the same time, Indian customers are demanding and price conscious even at that level, and expect nothing but the best and maximum bang for the buck. They are ready to spend, but they need the right luxury mixed well with the right details and taste to create that amazing experience.

With the luxury business showing signs of slowing down in BRCS [Brazil, Russia, China and South Africa], India's steady growth, political stability, better ease of doing business ratings, economic reforms aimed at improving GDP, and strong leadership in the global sense has given confidence to global businesses and brands alike to expand their footprint in India.

Bolstered by rising disposable incomes, the middle and upper middle classes have now become the darling of the luxury business with several brands launching affordable luxury products for first-time luxury consumers.

Per a recent report, more than 300 international brands are planning to open stores in India by 2020, which is a clear

indication of the strong belief in the Indian luxury market's potential.

Revving for growth

According to several reports, while the size of the global luxury market is estimated to be around \$2 trillion, the luxury market in India is estimated to grow to \$30 billion by end of 2019. This amounts to approximately 1.5 percent of the total market size.

NITI Aayog CEO Amitabh Kant had stated at the Mint Luxury conference in 2016 that the luxury market in India has the potential to grow from \$18.5 billion in 2016 to \$50 billion by 2020 and to \$180 billion by 2025.

So far, Mr. Kant's analysis has been proved for Indian luxury. Take some indicators:

- Apple **posted a 12 percent increase** in total income in India in financial year 2018 as compared to the prior year.
- Mercedes-Benz's car sales in 2018 **increased by 1.4 percent** to 15,538 units compared to the previous year, when the company sold 15,330 units.
- Kalyan Jewellers, PC Jewellers, Joyalukkas India and Tribhovandas Bhimji Zaveri Limited ,or TBZ, are amongst the five Indian luxury brands in Deloitte's Global Luxury Top 100 listings besides Titan Company Ltd.
- Big Boyz Toyz, a **luxury car dealer** has been able to generate almost 50 percent of its overall revenue via online sales. In 2018, BBT achieved an annual sale of \$35.3 million. This financial year, the brand is betting bigger on its ecommerce platform and plans to expand its annual target to \$56.5 million by selling 500 cars.
- An estimated **7,300 new dollar millionaires joined the Indian millionaire club** in 2018, driving up its total number to 3,43,000, according to a Credit Suisse report.

Various factors have powered the Indian luxury market's explosive growth.

Simultaneously, the market is changing rapidly, pushing brands to create better strategies to attract potential customers.

So what are the growth drivers?

Exclusivity in experiences

It is no more about bling and show. Rather it is more about novel experiences that are exclusive, new and ones that connect emotionally at a personal level.

When brands are able to offer such experiences, then money is never a barrier.

Collaborations and product drops

Several brands collaborate to create new products or exclusive collections that are limited-production runs that make the luxury goods highly collectible and raise their value.

The Omega Olympic Collection Rio 2016 is one such example of a limited-edition product.

Commemorating the 2016 Rio Olympics, the roughly \$4,000 dollar watch is a true collectible for Olympics, Brazil and Omega fans.

Expansion of the luxury market

Increasing opulence and availability of premium real estate in Tier II and Tier III cities is leading to a sharp rise in the expansion of luxury brands in India.

Several luxury automobile, fashion and retail brands have opened stores in such cities, driving in-store footfall in their premium stores for the first-time luxury consumer.

Micro-vacations rather than annual breaks

Instead of long annual breaks, micro-vacations are the new trend where affluent consumers are now willing to splurge on locations and experiences.

International or domestic, the travel needs of consumers are changing dramatically and few opt for the regular run-of-the-mill concepts rather choosing to explore newer avenues and undiscovered locales.

Merger of technology and retail

Physical and digital retail's merger is quietly invading the global retail practices.

Cashier-less stores, faster checkouts and ease in payments are all areas where technology is enabling a better retail experience.

Decathlon's recently launched store in Bengaluru has introduced a "phygital experience" an innovative mix of physical retail and digital touch points. The store creates an immersive user experience specifically designed to engage and add value for customers at every step of the way while choosing their favorite sports gear.

FUELED BY THE global mobility of the affluent Indian who has experienced different cultures and trends, the demand for similar or even a better experience from the same brands in India is on the rise.

Such expectations will push the luxury sector to scale further, improve services and offer a better holistic experience.

As middle-class India grows in size and capacity, first-time luxury customers and millennials are key for success. Brands who have been strategizing a better experience for their customers will win in the short- and long-term.



Abhay Gupta is founder/CEO of Luxury Connect and Luxury Connect Business School

*Abhay Gupta is founder/CEO of **Luxury Connect** and **Luxury Connect Business School**, Gurgaon, Haryana, India. Reach him at abhay@luxuryconnect.in.*