9 Luxury Buying Behaviour and the Role of Culture: An Indian Context

Kartik Dave, Garima Dhamija

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9.1 Introduction

India’s tradition of luxury goes back in time when the maharajas were connoisseurs of luxury. They always satiated themselves with beautiful and handcrafted products. After independence in 1947, the country having taken the socialist route, the industrialist families still continued to engage with luxury products. Post the economic reforms in 1991, the Indian consumer has seen a significant increase in income across levels. And over the next decade, India is likely to experience the largest growth in total millionaire wealth. So today, it is no surprise that in the luxury market place, amongst Asian countries, India is being considered as a “promising territory for the future and a long-term player”. According to Vadukut (2011) [21], Buoyed by prosperity, maturing retail experience and well travelled, well informed consumers, the Indian luxury sector is booming.

A study conducted by Deloitte Center for Financial Services titled ‘The next decade in global wealth among millionaire households’, suggests that emerging markets will see a significantly higher growth rate in millionaire households compared to developed markets. And amongst the emerging markets, India is likely to experience the largest growth in total millionaire wealth (405%) over the next decade. According to the same report, China’s wealth among millionaires will grow by 394%, followed by Brazil at 257%, and Russia at 241%.

The growth though, is expected to vary across different wealth segments. So over the next decade:

- the $5m-$30m segment would see the greatest growth, at 161%
- the $1m-$5m segment would have a growth rate of 142%
- the $30m+ segment will follow closely with likely growth rate of 115%

With this growth, the picture in 2020 is likely to look like.

- 0.51 million millionaire households in $1m – $5m wealth segment, (73% of the total)
- 0.13 million millionaire households in $5m – $30m wealth segment and
- 0.05 million millionaire households in the $30m+ segment.

Therefore, India’s income demographics are becoming increasingly unrecognisable and would translate into an enormous buying power. The stage is already set.

In the luxury car segment (Average price Rs. 25-30 lakhs) grew at 23% during the recession in the year 2007, though overall passenger car sales declined by 0.5% during this time. This segment accounts for 3-4% of total car sales in India but what is really alluring is that it is growing at a rate of over 20% year on year. (SIAM).

And then there is the Jewellery market in India which is the second largest in the world with a market size of $16 billion, next only to USA ($ 40 billion) and larger than that of China ($13 billion). The gold jewellery market is growing at 15% per annum and diamond jewellery at 27% per annum. (Gems and Jewellery Export Promotion Council) Whether it is cars, jewellery or designer apparel, Indians are embracing the rediscovered luxury.