



India's Economic Progress & The Evolution of Luxury Goods' Clients Segments

Study conducted by Anish Kumar SINGH

info@semioconsult.com

India's economic growth will likely impact the attitude of its citizens towards the luxury market. This study investigates the dynamic relationship between a country's economic state and its luxury consumption, identifying five stages of the luxury consumption cycle.

Furthermore, it identifies five main different profiles of Indian luxury clients, characterized by their habits, needs, and behaviors. The ability of luxury brands to understand these segments and cater their offerings to the evolving expectations of the Indian population will be the determinant factor in their ability to establish a strong foothold in the country and capitalize on these new opportunities.

Do not hesitate to contact us if you wish to have any additional information: info@semioconsult.com

Introduction

This article will examine the influence of India's economic growth on the luxury market, investigating the changing dynamics between the emerging economy and luxury consumption. Additionally, it will outline the key segments of Indian luxury clients, both current and anticipated in the future.

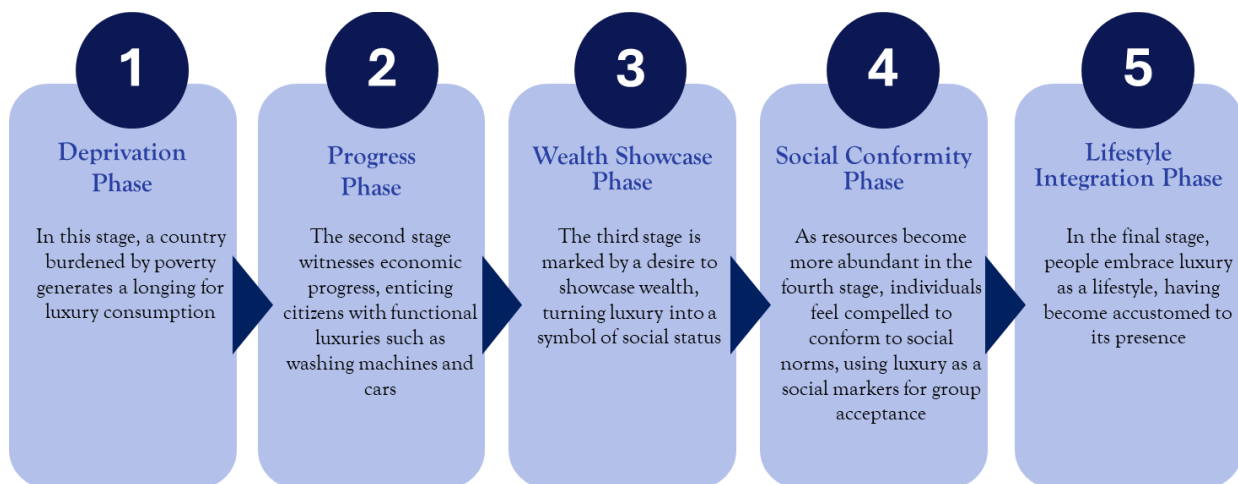
Luxury Markets in Developing Versus Developed Countries

The special aspect of a developing nation lies in its ability to allow people to move between different social classes while still contributing to the overall economy. For instance, in India, the number of millionaires

is expected to double from 750,000 to 1,600,000 by 2027. In contrast, the mobility between social and economic classes in developed nations is notably constrained due to the inherent stability of their Gross Domestic Product (GDP). Conversely, within emerging economies like India, characterized by rapid economic expansion, opportunities for wealth accumulation proliferate. Here, individuals engage in competitive pursuit to augment their social standing through increased earnings and conspicuous displays of success.

Five stages of luxury consumption

Countries usually go through five stages of the luxury consumption (Ashok Som and Christian Blanckaert, 2015). These stages are important to understand better the dynamics of the Indian market within the contemporary landscape of burgeoning economic development.



India is experiencing an economic boom, and the changing landscape is creating a new base of potential luxury clients of all segments and all levels.

Indian Luxury Client Segments

According to our survey done with participants from all parts of India, we have identified five principal segment profiles with their distinct behaviors, characteristics, and needs.

✓ **Not yet Rich**

This segment predominantly comprises participants with a net worth below 1 crore (110 000 €). They are employed in private companies and have rarely traveled outside of India. They perceive luxury as a “Sign of beauty”, followed by a “Particular lifestyle”.

They are budget-conscious but aspire to the luxury lifestyle. They may prioritize experiences over products and seek accessible luxury options. Their favorite luxury category could be travel, and fashion, followed by watches. This segment is not yet ready for luxury consumption but may transition to a higher net worth category in the coming years with the development of the Indian economy.

✓ **Old Rich**

This segment comprises families with inherited wealth, often referred to as “old money”. They prioritize heritage, craftsmanship, and understated luxury. Brands with a rich history and impeccable quality resonate with them. They declare to wear traditional attire during traditional celebrations. The profiles of this segment are mainly involved in family business. Their net worth mainly ranges between 1 crore (110 000 €) to 30 crores (3 300 700 €). Their travel frequency ranges from 1 to 5 trips over the past two years.

They associate luxury with products made in Europe but are open to buying Indian-made luxury items.

✓ **New Rich**

The “new money” segment comprises self-made individuals who have achieved financial success. They are brand-conscious and appreciate the status symbol associated with luxury. They seek recognition and tend to favor logos and bold design statements.

This segment is predominantly composed of individuals engaged in entrepreneurship, with the majority falling within the net worth range of 1 crore (110 000 €) to 5 crores (550 700 €), followed by those with a net worth ranging from 5 crores (550 700 €) to 10 crores (1 100 500 €). Their preferred luxury category is luxury travel, although they also exhibit interest in luxury bags, watches, and fashion.

Typically, their travel frequency ranges from 1 to 5 trips over the past two years. Moreover, they perceive luxury purchases primarily as a “symbol of personal success”, followed by a “guarantee of social standing”.

✓ **Indian travelers**

The future trajectory of India's travel industry presents a compelling narrative of growth and transformation. By 2030, India is poised to ascend as the fourth-largest global spender on travel, with projected expenditures soaring from \$150 billion in 2019 to a staggering \$410 billion (Times of India, 2023). This surge in travel spending is paralleled by a significant rise in the number of trips made by Indian tourists, estimated to reach between 80 million and 90 million annually by 2040 (McKinsey & Company, 2023). Unlike traditional individual travel preferences, Indians may increasingly opt to travel as couples or with their families, often spanning multiple generations. This trend could see grandparents, and couples carrying young children traveling together, visiting destinations such as boutique stores and malls, mirroring experiences such as a visit to Galeries Lafayette in Paris.

✓ **Indian Diaspora**

Global citizens with Indian roots Non-Resident Indians (NRIs) who return to India often have a global perspective on luxury. They value international brands but are also drawn to homegrown labels that cater to their Indian sensibilities. The pursuit of knowledge has propelled individuals of Indian origin to prominent positions across diverse sectors, including academia, science, economics, and politics. Notable examples include Rishi Sunak, the Prime Minister of the United Kingdom; Satya Nadella, CEO of Microsoft; Sundar Pichai, CEO of Alphabet (formerly Google); Leena Nair, CEO of Chanel; Arvind Krishna, CEO of IBM; Ajay Banga, President of the World Bank Group; and Lakshmi Mittal, CEO of ArcelorMittal.

Brands like Cartier have created a special branch to serve the Indian diaspora.

Conclusion

Understanding these segments is crucial for luxury brands to tailor their marketing strategies and product offerings. By catering to the specific needs and desires of each of these segments, brands can establish a strong foothold in the ever-evolving Indian luxury market.

Methodology

The methodology for our research on luxury client behavior in India involved a comprehensive survey conducted using online Google Forms. This quantitative survey garnered participation from 100 respondents spread across various geographical regions of India, including major cities and smaller areas (Delhi (10), Mumbai (10), Kolkata (5), Guwahati (33), Bangalore (7), Chennai (2), Kochi (1), Patna (5), Pune (3), Shillong (4), Siliguri (1), Surat (2), Ahmedabad (2), Jalandhar (2), and Haryana (3)).

The survey was designed to capture data from a diverse group of participants, with 51 females and 49 males responding. The age distribution ranged widely, from 16 to over 66 years, providing insights across generational divides. Specifically, the age groups were as follows: 17 participants between 16-25 years, 24 from 26-35 years, 29 from 36-45 years, 24 from 46-55 years, 6 from 56-65 years, and 1 over 66 years. This age diversity helped to better understand the purchasing habits and preferences across different life stages.

To ensure the respondents had a genuine interest or engagement in luxury markets, which was crucial given the context of our study, we considered the economic projections indicating a significant rise in the number of millionaires in India by 2027. Given this, our criteria for selecting luxury clients were not restricted only to current high-net-worth individuals. Instead, we included participants who have purchased or are considering purchasing luxury products shortly, which amounted to 92% of our survey sample.

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