

The Collision of Pandemic Covid-19 on Luxury Market in India

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Abstract:

The Indian luxury industry is poised to low growth in the next decade. In India, the consumers have investing in luxury goods and services as a part of their self-actualisation. On the other hand, Indian middle -class consumers are rising upwards socially and looking for a higher quality of life. This has led to the aspirational Indian middle - class who wants to own and experience luxury. There is a huge scope for luxury brands in India but there are major challenges due to Covid 19 pandemic as well. Luxury companies need to tread carefully and strategically to grow and flourish in a culture - sensitive country such as India. Marketing strategies specific to the area need to be applied and the pulse of this new- age Indian consumer needs to be understood. This review paper studies the luxury industry in India, the opportunities and challenges the marketers face, and the strategies being applied to reach and influence the Indian luxury consumer post covid 19.

Keywords: Indian luxury Market, Pandemic Covid 19, Challenges and opportunities, measures and products

I. Introduction

Indian luxury landscape is rapidly evolving. With rise in middle class population and increase in disposable income, demand for luxury goods has expeditiously increased in India. Be it Canali's nawab suit, Chanel's tote bag or Balenciaga's clutch, luxury goods are flying off Indian racks. Ralph Lauren launched its first store this year in New Delhi's luxury mall- DLF Chanakya and brands like Alexander McQueen and Saint Laurent are all set to have their first standalone stores in India by mid of this year. Indian luxury market is expected to grow tenfold in the next decade from the current US\$30 billion to US\$ 180 billion by 2025. However, India still lags far behind other developing economies like China in terms of its share in the global luxury market. India is a culturally diverse nation with varied languages, religions, food, music, dance and customs. With such diversity, Indian luxury market provides huge set of opportunities as well as challenges to luxury brands. Therefore, it is critical for luxury players to understand idiosyncrasies of typical Indian consumers to successfully serve this lucrative and growing market. Here are four key strategies for luxury brands to succeed in the complex Indian market.

II. Background of the study

Understanding Indian buyers: Indians perceive luxury brands differently. Their values, beliefs and attitude towards luxury vary significantly from their western counterparts. Luxury

goods are mainly purchased for personal or social orientation. Indians buy luxury primarily for social gratification. They go for loud brands and signal their status through luxury consumption. Therefore, marketers must highlight on symbolic value derived from luxury brands to gain traction from Indians.

Expected forecast – 2020 onwards Statista estimates India's luxury goods segment to be worth \$8 billion and forecasts 6.6% CAGR growth during 2019-23.

This behaviour, known as *baofuxing xiaofei*, or “revenge buying”, has become a buzzword in the luxury segment. It goes back to the 1980s, when the “closed nation” that was China was demanding international goods. But it has acquired new meaning during the covid-19 pandemic.

At a time when a Boston Consulting Group forecast suggests the pandemic could see global luxury sales drop 25-35% in 2020 compared to 2019

In India, luxury is still a relatively nascent industry, going back to the mid-2000s. The market is much smaller than more mature markets like the US and China. According to an April report from statistics and market data portal Statista, India’s luxury goods market is expected to be worth \$7,956 million in 2020 (after adjusting for potential covid-19 losses) and is projected to grow annually by 10.6% CAGR between 2020-23, with cosmetics and fragrances forming the largest segment (in comparison, projections for the US luxury goods market in the same period are \$55,250 million).

The purchasing power of India is more than its peers like Brazil, India, china where the luxury brands have been experiencing tremendous growth rates. The government is not in favour of Indians buying foreign brands, that fact will not all deter the population who attach social status with the possession of the luxury brands.

There is a huge scope for luxury brands in India but there are major challenges due to Covid 19 pandemic as well. Luxury companies need to tread carefully and strategically to grow and flourish in a culture - sensitive country such as India. Marketing strategies specific to the area need to be applied and the pulse of this new- age Indian consumer needs to be understood. This review paper studies the luxury industry in India, the opportunities and challenges the marketers face and the strategies being applied to reach and influence the Indian luxury consumer.

III. Review of Literature

Cesare Amatulli^a Gianluigi Guido^b Rajan Nataraajan^c (2015) the possibility that luxury purchasing among older consumers is related to their cognitive age (i.e., the age they feel) Xi'an Dianzi Keji Daxue Xuebao (2020) Economy was running as usual and suddenly at the end of third quarter of fiscal year 2019-20 a novel corona virus entered in Indian territory and start to infect the peoples silently. Gradually number of infected persons increased and a global pandemic situation been declared by the concerned authorities. Just within two months it's been spread across the country and survival gone typical in normal course. Jasuf ZEKIRI (et.al) (2015), study based on packaging factors plays an important role consumer buying behavior in Macedonia and Kosova. Respondents are 273 male and 122 females by this conclude that packaging factors have impact. Naser Valaei (et.al) (2017), study related to Gen

Y consumer buying behavior for this use theory of planned behavior respondents' sample 250 related to fashion by this resulted fashion influence the purchasing behavior.

Sapna A Narula(et.al) (2016), research based on green marketing influence buying behavior of consumers review of 140 literatures and use model of green ladder by this resulted with green marketing influence behavior of buyers. Kamal Manaktola (et.al) (2007), study based on green practices in lodging industry and resulted that impact consumer behavior related to hospitality industry. Durra Mansoor (et.al) (2011), study purpose is to known consumer buying behavior related to business organization in crisis time in Bohrain by this conclude that based on situation buying behavior will planned and unplanned changes.

Robert Grant (et.al) (2007), study related to consumer buying behavior in online search and concludes that based on consumer convenient purchasing behavior change. Karuna Krishna Gauns (et.al) (2017), study related to celebrity endorsement and buying behavior study period 2015-2016 of Goa consumers that resulted with there is a significant impact. Enrique Bigne (et.al) (2005), study based on M-shopping and consumer behavior sample respondent are 2104 by this resulted with there is positive impact. Lawan A (et.al), studies based on cultural, personal, and economic factors related to buying behavior related to clothes and conclude that there is independently the buying behavior influence.

IV. Impact of Covid -19 on Luxury Products

The popular luxury brands across the globe have turned their focus towards the manufacture of essential items to protect health professionals and those working to combat COVID-19. A slew of the world's luxury brands announced they would make sanitisers, medical overalls to surgical masks.

With luxury products taking the backseat in the global coronavirus crisis, sales are likely to drop to 35 percent by the end of 2020, According to various studies, the impact may be very subjective in regards of the country or the target population some in the luxury products sector believe the slowdown is just right for brands to reinvent themselves. They can now use this pause in the business to digitize their processes and enhance their systems and technology. This will allow them to develop operational efficiencies and provide personalised experiences to the consumers. The pandemic may bring a major change in the consumers' mindset and the value system that underpin their luxury buying decisions.

According to a UN Report, India's GDP growth for the current fiscal year is expected to slow down to 4.8 percent from 5 percent, a warning that the COVID-19 pandemic is expected to result in significant adverse economic impact globally. Statista-an online portal for statistics, had estimated India's luxury goods segment to be worth \$8 billion and forecast 6.6 percent CAGR growth during 2019-23. But, with the coronavirus outbreak, the future of Indian luxury market has once again become questionable.

The pandemic may continue till 2021, as stated by WHO in their research. However, for now, it is safe to say that businesses will define new set of terms to resume operations and find new possibilities to ensure they can make a smashing comeback by the next year. Most of the luxury business has their flagships and headquarters. For now it can be seen that 'flattening the curve' message across all finally being taken seriously. By 2021, we expect luxury business to make a comeback. However, possibly their approach towards re-entering the

market will be slowed down, buyers will be more careful and humble in their buying preferences.

Sectors such as automobile and real estate will be worst hit by the pandemic, while those like beauty and wellness will see quick recovery; we could expect to see a bout of revenge spending in India

COVID-19 has put a difficult **challenge** in front of the high- end brands. They are struggling to sustain their patronage and maintain their dignity. Italy, the fashion hub of the world, remains one of the most hardest-hit countries by coronavirus. Consequently, multiple luxury retailers were forced to halt their operations and shut their stores leading to plummeted sales. Not just it, the luxury groups like Kering and Capri Holdings have been experiencing a plunge as low as 50% in their **share prices** since a long time now.

V. Present Scenario

Currently, Indians still spend around \$14 billion on imported goods for which they pay extra price in form of duties etc. But this figure will go up exponentially as the taxes are reduced and the luxury brands would do well to enter the market as soon as they are lifted to gain first mover advantage and gain market share in a hugely lucrative market. The Luxury Goods Market in India is expected to grow at a CAGR of 20.20% till 2020.

A luxury brand management firm, and the Luxury Connect Business School, believes the Indian luxury market could take a bigger hit than the global average. "Indian industry insiders believe sales could drop by as much as 50%,"

The service will proceed via a contact less delivery system. The store might send out a trunk of selected items that customers can evaluate as they stay in touch with a relationship manager. While the system can be availed by everyone, it might work better for existing customers.

In 2019, the value of the personal luxury goods market worldwide was 281 billion euros. The global luxury goods industry, which includes drinks, fashion, cosmetics, fragrances, watches, jewellery, luggage, and handbags, has been on an upward climb until the advent of COVID-19.

The Indian Luxury Industry has been growing consistently at a pace of 20% to 25% per annum for past several years, it was projected to touch \$180 billion by 2025.

However, all is not well at the country's economic front. Mainly on account of weak manufacturing and a drop in exports due to a global slowdown, the Indian economy grew in its slowest pace in six years—a mere 4.5% during the second quarter of FY 20-21. The final quarter of the year, despite its peak wedding season boom, did not add great numbers either.

Some of the major changes that the industry might experience.

- Increasing Affordability:

Luxury means unique, luxury means status and luxury means expensive. It is not what everyone can afford to buy. But, it seems as if the meaning of luxury is going to take a turn. With the prevailing situation of job losses and **economic crisis**, the luxury retailers might be forced to cut down their prices in order to sustain the business. In a

time where people are struggling to stay employed, luxury shopping is the first thing that takes a back seat. Therefore, it is predicted that luxury retailers might go down the **affordability** road.

- ***Expanding Online Reach:***

People around the world have changed their perspective towards **eCommerce**. With the advent of the deadly disease, they are forced to believe that online is a safer option than physical formats. Once considered something that only millennials would prefer, it is now getting attention from every age group. As a result of this new trend, many companies have started increasing their presence on social media. Luxury brands **Channel** recently hosted a virtual musical show for its audience on its social media accounts to keep them engaged with the brand.

- ***Resuscitation of China:***

China was among the **major buyers** of luxury products in the world. As the disease spread through the streets of the country, it took down the luxury business along. With the stores staying shut since December 2019, the luxury retailers have experienced nadir in demand. On the other hand, china plays a significant role in the manufacturing of these products, hence, hitting the luxury market from both sides. Hence, the revival of the Chinese markets is **pivotal** to the luxury segment's growth.

- ***Stringent Safety Policies:***

People are threatened by the disease from all walks of life, ensuing intense **safety and hygiene** measures in stores. To attract customers to brick and mortar stores, retailers will have to resort to stringent safety measures. Following the government guidelines on the prevention of COVID-19, the stores would have to work with half of the workforce and with proper sanitization.

- ***Virtual Fashion Weeks:***

The widespread of the coronavirus disease led to the cancellation or postponement of awaited fashion weeks this year.. Moreover, the infamous fashion weeks might experience a **digital twist** in the near future, as the customers become more sustainable, re-thinking their buying decisions.

VI. Measures to be incorporated

The rise of the 'fit' customer: Another mega trend is fuelling the demand in active wear and sportswear. *Worldwide, there is a cultural shift towards sports including running as part of a growing emphasis on fitness, especially among the urban population.* Technology is getting integrated as part of wearable. There are smart clothing items in the market with embedded health sensors and medical monitors. Outside of apparel too, fitness wearable that sync to smart phones have gone main stream.

Affordable Luxury Is the Segment to be in: *A strong case exists for catering to first-time luxury buyers who have recently seen a rise in their disposable incomes.* Thanks to 4G, they now have access to cheap & fast internet via smart phones. With sophisticated tastes and awareness of international trends, this affluent demographic wants better goods & services which the luxury industry is primed to offer. Demand for international luxury brands is rising among young Indian consumers with increased access to internet, overseas travel and growing discretionary incomes. Millennials are the next rulers of luxury market. They are

experimental, discerning and demanding. Luxury brands can no longer use standalone platform to attract and engage these consumers; they have to provide them seamless bespoke experience which is consistent across all platforms.

The lazy generation: Digital assistants by virtue of remote devices are now being discarded and replaced by voice activated assistants. *No longer does the generation want to lift even a finger, but uses his voice to command devices.* And technology surely is aiding this lazed out approach. From TV's to air conditioners to cars to mobiles, all seem to respond to his masters' voice!

Time & clean air are the new luxury: *With traffic & environment conditions deteriorating, new models of work, living and entertainment are emerging. With a customer's time being at a premium, anything which can help save time is preferred.* A new trend towards home delivery, home shopping, and home entertainment is creating a new economy. The gig economy, the zero distance retail and entertainment hub real estate projects are fast catching trends.

Focus on innovation: *as quoted by Peter Drucker, "Because the purpose of business is to create a customer, the business enterprise has two—and only two—basic functions: marketing and innovation."* Age-old luxury brands known for their history have been reluctant to embrace technology. Today, luxury brands need to be innovative to gain attention of new luxury consumers. It is through innovation that these companies can extend existing products and invent new products suitable for Indian customers' need and wants.

Remain in contact: It is important for the luxury retailers to remain at the top of the mind of their high-end consumers. They may use tactics like virtual shopping session, online make-up classes, trunk shows or fitness sessions to engage and interact with the consumers. Luxury brand managers can provide personalized attention to the top clients by one to one engagement and conversation with them. They should develop meaningful content that foster a sense of community building during this epidemic.

Introduce entry level brands: At this point of time, when employment and financial markets are under pressure resulting in low consumer confidence and willingness to spend. Therefore, brands must use the tactic of introducing 'bridge to luxury' brands to make luxury available at accessible prices for young Indian buyers. Luxury retailers should see opportunity in this challenging scenario to entice new consumers by coming up with products with lower price points.

Go Green: Luxury brands must re-think about the planet and people while making the products. The outbreak of the virus has resulted in drastic changes in the behavior of consumers. They have become more concerned about the social and environmental issues. Therefore, fashion and luxury brands must re-look at their value chain, from sourcing to manufacturing and from packaging to product disposal. Serious attempts should be made move from traditional linear economic model (take-make-dispose) to circular economy by embedding the 3R principle (Reduce, Reuse and Recycle) into production and consumption process.

VII. Results and Discussion

1. Consumers may be driven to buy luxury for "conscientious value" rather than "conspicuous value". In the longer term, because of this crisis, people may be willing to spend more on sustainable brands that reflect their own values and beliefs. Buyers will show increased concern towards fair trade product consumption. This is a great opportunity for luxury brands to re-define their business models and create products that are authentic and responsible. They must think deeper beyond the loud logo strategy.

2. Consumers may indulge in hedonistic purchases which make them feel better in this stressful period. This has been termed as 'revenge or retaliatory spending'. They will buy luxury products for 'ego-centered' values, that is, personal values such as health and well-being, hedonism and superior quality. Marketers should make efforts to provide comforting experiences to consumers to help them cope with irrational fears. They must provide offerings that convey emotional values rather than an ostentatious symbol of status and affluence. This is the right time for marketers to go much deeper to unravel what their brand stands for now and what it can mean in the future. They must re-think how they can serve the needs of affluent consumers purposefully and create meaningful content to inspire, engage and entice consumers.

3. Fear of infection has hit luxury shopping malls hard. People are staying more at their homes and buying products online rather than going physically to crowded locations. In the long term, this may lead to a permanent change in the behaviour of consumers and online luxury buying may become a new norm. (Just like after demonetisation episode in India, consumers who were most reluctant are also gradually embracing digital mode of payments). Therefore, retailers should provide more meaningful online experiences to connect with consumers.

VIII. Conclusion

A successful in Indian luxury market, brands must innovate continuously with an enthralling brand story, a clear approach and a system to deliver a consistent, notable experience for consumers. After the crisis is over, brands will be more reluctant to aggressively launch new collections six times a year. Instead they will adopt a minimalist approach and less-is-more will be the new mantra for the luxury sector. Among the aspirational and affluent consumers, conspicuous consumption will be replaced by conscious consumption. Although, some experts believe that luxury is not a mere want for some people but constitutes a major part of their lifestyle. Therefore, the luxury market would not lose its charm but might take its time to bounce back.

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