
Luxury Redefined – ‘The Exclusivity Clause’

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ABSTRACT

Indian market is one of the most important market for most of the multinationals all over the world. The country with its vast diversity has undergone a tremendous change in last decade or so. This research paper has focused on the perceptual change in the taste of Indian consumers and how luxury which was perceived differently a decade ago has redefined itself in the Indian market. This study concluded that the Indian consumers' definition of luxury has changed. The consumption class has also undergone a tremendous change. This paper will help multinationals to redefine their products for Indian market and gives them a glimpse of taste of Indian consumers. This will also help them set a competitive price for the market which is still a driving force in Indian consumers to buy a product.

Keywords: Luxury, Exclusivity, Indian consumers, Indian Market.

1. Introduction:

On July 7, 2007, an organization announced a "new" set of the Seven Wonders of the World based on online voting from around the world. The Taj Mahal in India was one of them. What led to the inclusion of Taj Mahal in the above list? Probably it's exclusivity and uniqueness in the world of architectural wonders. Since times immemorial exclusivity has been the hallmark of differentiation and sustained positioning. Whenever we look at sobriquets like the tallest, the smallest, the richest, and the largest, the distinguishing characteristics is their exclusiveness. Economic liberalization, free market economy and capitalistic societies have produced thousands of billionaires across the world. Pre-liberalization in countries like India money used to buy Luxury. But then luxury was more about product possession and affordability. Luxury stood for comfort, indulgence, gratification, well-being, affluence, splendor, opulence and superfluity. The word "Luxury" conjured powerful imagery and special feelings and stood for anything that captured our sense of aspiration and longing. Today, India is on a consumption roll and the number of people who are rich with income more than Rs.10 million is on the rise. Table I listed below exemplifies the trend pointed above.

Table I: The Indian Wealth League

Category	Annual Income (INR)	Estimated Households (2009-10)
Super rich	10 Million plus	1,41,000
Sheer rich	5-10 Million	2,55,000
Source: The Financial Times, 18/04/2011		

In the world of abundance, riches and multiplying income, luxury is increasingly being defined in a different way. All the signs of luxury like foreign vacations, exotic tours, high-end cars, dream destinations are becoming common and people who can afford are on the rise. Luxury is no more based on cost, marketing campaigns, or desires. The term “luxury brands” brings to mind exalted names such as Louis Vuitton, Cartier, Gucci and Rolex. All these brands are associated with expensive categories such as leather, jewellery, cars, watches, champagne and automobiles. They are the product of superior design and fine craftsmanship and are consumed mostly by the super-rich. For increasing number of Indian billionaires, luxury is no more about comfort, indulgence, gratification, well-being, affluence, splendor, opulence but something else. This paper uses a case study method and deductive logic to find out what that something else is and how can we define it.

Defining Luxury – The Old World

The term luxury comes from the Latin word “Luxuria” meaning excess. Luxury as noun denotes something that is desirable, an indulgence but not a necessity. Luxury is also defined as something that pleases our senses, and is costly or difficult to obtain; an expensive rarity. The concept of luxury has been present in various forms since the beginning of civilization. The clear differences between social classes in earlier civilizations led to the consumption of luxury being confined to the elite classes. It also meant that whatever the poor cannot have and the elite can was identified as luxury. Democratization of societies led to creation of several new product categories within the luxury market that were called – accessible luxury or mass luxury. As luxury penetrated into the masses, defining luxury became more difficult. Some researchers have defined luxury using the price-quality dimension stating higher priced products in any category as luxury. Other researchers have used the uniqueness aspects to define luxury. Prof. Jean-Noel Kapferer, has taken an experiential approach and defines luxury as items which provide extra pleasure by flattering all senses at once. However, despite the substantial body of knowledge accumulated during the past decades, researchers still haven’t arrived on a common definition of luxury. This paper focuses on exclusivity dimension and argues that luxury evokes a sense of belonging to a certain elite and exclusive group.

Market Characteristics

Luxury products have unique market characteristics as described below:

- High income elasticity of demand: As people become wealthier, they will buy more and more of the luxury good.
- Manufactured products attain the status of “luxury goods” due to their design, quality, durability or performance that are remarkably superior to the comparable substitutes.

- Play a role of status symbols as such goods tends to signify the purchasing power of those who acquire them.
- Some products are such that when they become more expensive their perceived value as luxury good goes up and demand increases. Example: Perfumes.
- Luxury goods are goods at the highest end of the market in terms of quality and price. Classic luxury goods include haute couture clothing, accessories, and luggage.
- Luxuries may be services. Some financial services, especially in some brokerage houses, can be considered luxury services by default because persons in lower-income brackets generally do not use them.

The Changing Consumption Class

In 2011, there are 55 Indian billionaires on the Forbes rich list. According to a Kotak Wealth Management and CRISIL Research report Ultra High Net Worth individuals (UHNIs) are going to triple in next five years. UHNIs are defined as those having investable assets of \$1 million or more, excluding primary residence, collectibles, consumables and consumer durables. The report is based on a detailed market survey of over 150 UHNIs in Mumbai, Delhi, Bengaluru, Hyderabad, Ahmedabad, Chennai and Pune. The study was carried out between December 2010 and February 2011. The study also examines the relationship between UHNIs and India's luxury market, showing how, why and on what the group spends. The study found that UHNIs spend on brands which are exclusive and limited in number. This paper also focuses on the point raised in Kotak Wealth Management and CRISIL Research report regarding the spending patterns of UHNIs and their criteria of defining luxury – Exclusive and Limited.

Need to Re-define

In a world and market place dominated by more rapid change than ever before, it is imperative on part of marketers to create that sense of "specialness"—of being part of something select, taking part in something exclusive and perhaps superior. Luxury is becoming increasingly attainable for more people. Products and services that claim luxury are there everywhere. In today's consumerist society there is proliferation of luxury in every product category. The seemingly evolutionary drive to premium or luxury branding has now spread to everything. Marketers are creating consumption constellation where it is increasingly becoming difficult to define luxury. The paper presents five business cases to establish that luxury is more about exclusivity, membership to a limited edition group and unbridled personal experience.

Case 1: Oldest Champagne Sells for \$78,400

An internet bidder from Singapore bought two bottles of oldest champagne i.e. Juglar for €24,000, and Veuve for €30,000. Two bottles of the world's oldest Champagne, which spent about 170 years at the bottom of the ocean, sold for 54,000 euros (\$78,400) at an auction. A standard 750 ml bottle of Veuve and Juglar is available for \$ 40each which means two bottles would cost \$ 80. The bottles went on sale in Mariehamn, capital of Aaland, a Finnish-controlled archipelago of 6,500 islands in the Baltic Sea, where divers discovered the precious cargo in a previously unknown shipwreck. Mr.Stephane Baschiera, president of Veuve Clicquot called the discovery as historical and shared that he worked closely with the government of Aaland since the discovery of the shipwreck to help salvage and protect the precious wines, which he declares were tasted by Madame Clicquot

(Grand dame of Champagne. Madame Clicquot was a French businesswoman who took on her husband's wine business when widowed at 27. Under her ownership, and her skill with wine, the company developed early champagne using a novel technique).

The successful internet bidder by paying \$ 78,400 has landed with the luxurious possession of oldest champagne bottles(more than 170 years old bottle) tasted by Grand Dame of Champagne Madame Clicquot. The luxury in the above case does not emanate from the price tag but from the exclusive possession of such old exotic champagne bottles tasted by Madame Clicquot.

Case 2: Super luxury cars and limited edition

The number of customers buying luxury and super luxury cars that start at 1.5 crore and go up to 20 crore is on the rise. The profile of such customers is that they are all young, super rich and anonymous – Buying Aston Martins, Bugattis, Maseratis, and Ferraris. Italian luxury sports car maker Ferrari has entered the Indian market with popular models such as the California, 458 Italia, 599GTB Fiorano and the latest FF at prices starting from Rs 2.2 crore onward. Ferrari's latest model the FF, which was unveiled at the Geneva Motor Show in 2010, is also available and carries a price tag of Rs 3.41 crore. Premium car makers like Aston Martins, Bugattis, Maseratis, and Ferraris are introducing luxury by customizing cars to the customers' needs and offering limited edition. Custom-built cars at the high end have a waiting period of 6-8 months. The buying process involves a dealer taking a prospective buyer through myriad customization details from the paint shade on the exterior to a choice of alloy wheels: from the leather and stitching of the upholstery to types of carpets; from specialized high-end audio equipment to form-hugging seats. Other than features, looks and Gizmos, such super cars are sought because they offer: Exclusivity. For instance there are just 77 of an Aston Martin model, unsurprisingly christened the Aston Martin One – 77. Priced at 20 crores, they are configured to be buyer specific. Bugatti made exactly 399 Veyrons to ensure exclusivity and to keep residual values high there will never be a 400th unit built.

Case 3: Seychelles' North Island and Royal Honeymoon

Prince William and **Kate Middleton**, aka the Duke and Duchess of Cambridge, went for their honeymoon at the North Island hotel in the Seychelles. The royal couple spent 10 days in the £4,560-a-night Villa No 4 at North Island. The Telegraph quoted a Clarence House Spokesman saying that the couple thoroughly enjoyed their time together, and they are grateful to the Seychelles government for their assistance in making the honeymoon such a memorable and special ten days.

The luxury island hotel has only eleven villas and is designed to help conserve the Seychelles Island's natural beauty. Seychelles' North Island is not available for anybody who could pay £4,560-a-night but for tourists with royal lineage. The luxury of this holiday destination emanates from its offering to only people who measure up to royal lineage and background.

Case 4: Gowardhan: Milking Luxury

Gowardhan, a subsidiary of Parag Milk Foods, has launched a premium, by-invitation only farm-to-home milk delivery initiative in South Bombay. Regular milk in the market is available at Rs. 25-40 per litre, but Parag Milk Foods' protein-packed 'luxury' milk is available at Rs. 80-85 per litre. Gowardhan's luxury milk is extracted every morning by machines from its herd of specially-imported cross bred Jersey-Holstein cows. The cows are fed a special fodder, which is rich in iron,

vitamins and Omega-3 fatty acids. The milk is supplied by trained, uniformed delivery staff and transported in refrigerated vans during the three-hour journey from the dairy's farms near Pune, to homes in South Mumbai. The luxury in Gowardhan Milk emanates from the fact that it is delivered to only those people who are well-known, reputed and have received an invitation from Gowardhan dairy. The lucky ones to receive the invitation yet include a mix of political families, corporate executives, celebrities and expats.

Case 5: Gucci's buys Yves St.Laurent's

In December of 1999, Gucci bought Yves St. Laurent's (YSL) ready-to-wear business and turned its attention to the once exclusive Opium perfume brand. Gucci's YSL Beauté unit re-launched Opium with a seemingly contradictory strategy of turning away some distributors who wanted to sell the product. Gucci proceeded to close nearly a quarter of the total outlets selling the perfume, including a duty-free shop in Hawaii that accounted for some \$10 million in annual sales. According to Gucci executives, Opium was "over-distributed," so their strategy was to make it more difficult to find. One year after this strategy was implemented, the operating margin for YSL Beauté climbed from 5.6 percent to 8 percent, and Opium rose back into the top five in the French fragrance market. The lessons for marketers from the above case is to Enhance the brands luxury status by making it more difficult to find because scarce is plus and luxury lies in exclusivity.

Conclusion

There has been a paradigm shift in the way one defines Luxury. Luxury is no more about indulgence, affordability, accessibility and aspiration. The number of people who can access and aspire is rising because of the consumption and capitalistic boom. The time has come where we redefine luxury and the paper is an attempt to define luxury on the plank of exclusivity. The paper has presented its case based on some business cases and deductive logic. The paper concludes that luxury is becoming exclusive in nature. Today luxury is about very few owning and having it: not on the basis of money but privilege and invitation. In a world dominated by plethora of luxurious products, the mark of luxury has also changed and Exclusivity is increasingly becoming the hallmark of luxury.

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