

Luxury Consumption in India: Consumer Behavior, Market Trends, and Future Prospects

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ABSTRACT

Luxury goods are defined as items that consumers acquire by spending a specific amount of money or an equivalent value, enhancing the consumer's social status or self-perception. These goods often elevate an individual's standing socially, among peers, colleagues, or even in their own view. The luxury goods market has been growing steadily since the onset of capitalism, with people striving to set themselves apart through the purchase of exclusive products and services. Over time, such high-value, exclusive items earned the label "luxury," as they were primarily accessible to the wealthy, making luxury a symbol of affluence.

In recent years, however, the desire for individuality and sophistication has extended luxury beyond the wealthy, reaching a broader, economically diverse audience. In emerging economies like India, this shift has driven significant growth in the luxury market. India's luxury sector has fluctuated over the years, with increasing per capita income contributing to its expansion. Experts predict further substantial growth in the coming years, largely driven by the younger generation. This demographic's perception of luxury goods differs markedly from that of previous generations, reflecting a changing view of what luxury signifies. Therefore, this study aims to explore the factors behind this generational shift in luxury consumption and how current luxury brands can adapt and benefit from these evolving perceptions.

Indian luxury has grown from being a niche demand to a strong industry significantly driven by increasing affluence, globalization, and a younger demographic in the last two decades. This review takes a closer look at the development of luxury consumption in India, exploring the determinants of demand, motivations of consumers, and current market trends. From the conclusion, cultural values, social identity, and economic growth are the biggest contributors toward luxury consumption in India and hence need strategies to localize for this kind of marketplace. The article concludes with future directions that luxury brands may take within India but also the kind of difficulties they may experience.

Keywords- India; Indian consumer; luxury goods; luxury consumption; Millennials; conspicuous consumption.

I. INTRODUCTION

Luxury or conspicuous consumption refers to consumer behavior aimed at showcasing one's status. Based on Goldstein, "the global luxury market is steadily expanding and, by 2024, is projected to reach \$295 billion" (2017). Consumption patterns are quite typical for the luxury sector. Nowadays, however, as far as consumption patterns evolve in the emerging markets change this pattern, which has therefore been impacting the industry itself. In today's information-based world, people are exposed more than ever and start making impulsive purchases highly influenced by social media, influencers, celebrities, and various forms of advertising. This leads to non-rational purchasing behaviors.

The non-rational consumer normally makes decisions based on emotions and not logic or financial considerations. Research has shown that the younger generations, especially Gen Z (born between 1997 and 2003), are more prone to these influences, with higher luxury spending. This generation is a treat for indulging luxury personal fun or as a gift to the loved ones. Simultaneously, it starts asking questions about the luxuries and will give quite a challenge to brands afterwards. The article details about the evolution of luxury in India's luxury market and which way that might be steering its customers.

India Luxury Market has an estimate boom of 10 percent growth over the next five years, according to which there is better than ever in earlier projections. The market has been consistently growing sustainably since the pandemic and is expected to reach \$200 billion by 2030. The Indian luxury goods market, according to Statista, is expected to grow at 8.03% year on year in 2021 and would reach \$5.94 billion. The growth, however is most pronounced in large cities such as Delhi, Mumbai, Bangalore, and Hyderabad but the smaller regions are catching up fast in adopting the luxury brands thereby offering an immense scope for premium brands.

There have been steady increases in Indian luxury consumption over time; however, it has largely been during the post-1990s period marked by this increase, in large part because of soaring per capita incomes. Given India's status as an emerging luxury market (Deloitte, 2018), this study research examines how Indian luxury consumers have made changes in their buying patterns over time according to companies' marketing strategies. The paper will critically discuss the path of India's luxury market and assess the consumption presently.

Consumption and its patterns of change continue to be driven by large economies, where India emerges as one among the list of the highest growing nations. The recent changes India has witnessed relate significantly to consuming luxury goods in the modern market. In history, luxury in India used to be identified with royalties and elite classes, thereby making the products cater only to a highly exclusive market. However, increased liberalization in the economy and globalization, coupled with growing incomes, have opened avenues for luxury consumption to break into a much wider range of consumers. This paper delves into the psychodynamic and socio-economic factors forming the bedrock of the consumer segments that luxury faces within the Indian market while also exploring the unique set of challenges luxury brands have to contend with.

II. LITERATURE REVIEW

Luxurious goods are often related to comfort, the feeling of being luxurious, and the exclusivity attached to using the product (Khan, 2006). Key characteristics of luxury are said to be quality, beauty, uniqueness, and price (Berthon et al., 2009). Despite this, there remains a lot of debate regarding the definition of luxury due to the subjective nature and variations of perception from one individual, time, and place (Chevalier and Mazzalovo, 2008; Wiedmann, Hennigs, and Siebels, 2007). Despite its subjective nature, the luxury market has exploded to about \$40 trillion in 2020 and the personal luxury goods sector reached around \$250 million in 2015 (ASSOCHAM, 2013).

The other luxury concept is conspicuous consumption. This is a term that was coined by Thorstein Veblen, meaning the purchase of goods to show status. What was once the prerogative of the elite has become a growing phenomenon in the middle class (Investopedia, 2021). This can be achieved through the acquisition of such items as luxury cars, high-tech gadgets, and premium clothing.

2.1 Examples of Luxury Goods

Supercars These are high-speed, fancy cars often built with least usability, since their maximum speeds may not be within the legal limit of any place. Some of the top-of-the-line smartphones and technology will often emphasize luxury by featuring gold or diamond accents, making them truly exclusive and largely different from other standard gadgetry designs.

Several studies have explored various facets of luxury consumption in India, providing insights into generational, cultural, and psychological influences on purchasing behavior. One study by Chaudhary et al. (2021) examined generational differences in luxury consumption across Gen X, Y, and Z. It found that millennials (Gen Y) are particularly inclined toward luxury items that feature innovative design elements, often willing to pay a premium for products with a unique aesthetic.

Furthermore, the concept of second-hand luxury has gained prominence, enabling consumers to experience high-end items at a reduced cost. Generational differences also revealed that Gen Y's purchasing decisions are more influenced by peer opinions and societal perceptions, whereas Gen Z consumers tend to draw their inspiration from social media influencers. Additionally, sustainability has emerged as an important factor, with younger consumers seeking eco-friendly luxury options that align with long-term resource conservation.

Cultural influences also play a significant role in shaping luxury consumption patterns in India. Polturi et al. (2014) explored the buying behaviors of Aryans (North Indians) and Dravidians (South Indians) in relation to luxury goods, finding distinct preferences across these cultural groups. The study concluded that Aryans are more attracted to luxury cars and high-end apparel, whereas Dravidians show a stronger preference for precious metals like gold and diamonds. These cultural differences underscore the diverse motivations that drive conspicuous consumption across India's varied demographic landscape.

Materialism and brand consciousness are other psychological factors that influence luxury consumption. A study by Sharda et al. (2018) established a link between high materialistic values and the likelihood of engaging in luxury purchases. People with strong materialistic tendencies are generally more invested in luxury consumption. Similarly, individuals who are highly brand-conscious are more inclined to spend on brands they recognize and trust, reinforcing the importance of brand identity in the Indian luxury market.

The attitudes of Indian consumers towards luxury brands were also explored in research by Paul and Jhamb (2019) in the Chandigarh region. This study showed that positive experiences with a luxury brand lead to increased consumer loyalty

and repeat purchases. Interestingly, it also highlighted that many Indian consumers rely more on their emotions and inner sentiments when choosing luxury brands, rather than strictly rational assessments of quality or value. This emotional connection often serves as a powerful motivator in the luxury market.

In a comparative study of luxury consumption in the UAE and India, Mishra, Jain, and Jham (2021) found notable differences between the two countries. The UAE has more established luxury value perceptions, partly due to greater access to authentic luxury products. In contrast, Indian consumers are more focused on identity projection through luxury purchases than on experiential value. Additionally, luxury rentals are popular in India, as many consumers prefer the flexibility of temporary luxury experiences rather than committing to full ownership.

2.2 Historical Background of Luxury Consumption in India

Indian luxury consumption has a very long and rich history. The notion of luxury is closely tied to heritage and cultural identity through jewelry, clothing, and architectural marvels. Ghosh (2014) states that Indian royalties commissioned intricate artifacts and items that have been passed on and influenced the present notion of luxury in India. According to Banerjee (2016), the tradition of handcraftsmanship, and India's rich cultural heritage continue to shape the preferences of the modern day consumer, who seeks an amalgamation of tradition with modern-day luxury.

2.3 Psychology of the Consumer and Impact of Culture

Consumer psychology drives Indian luxury market. Bhardwaj, Gupta, and Kapoor (2019) highlight that social status, identity, and a need for exclusivity fuel luxury consumption. Many Indian customers treat luxury goods as a status symbol. It demonstrates their economic success and also their social standing. According to Sharma and Gupta (2020), the cultural meaning of "demonstrating success" is cited as driving much of the luxury demand in India. In addition, they suggest that younger customers tend to associate luxury with identity and lifestyle rather than merely with economic success.

2.4 Determinants of Demand for Luxury Products

Various reasons fuel the demand for luxury goods in India, the primary being that more urbanized and young, aspirational middle-class income is going into disposable. According to Dasgupta (2021), the share of purchasing power through digital media among India's millennials and Gen Z has increased among urban India. This exposure, with a penchant for quality products, has pushed international luxury brands to augment their offerings in India. According to Mehta and Singh (2020), the new-age consumer would most likely prefer brands that create the perception of exclusivity, along with value orientation towards sustainability and fair trade practices.

2.5 Market Segmentation and Key Consumer Groups

Major market segments in India's luxury market are ultra-high-net-worth individuals, the affluent middle class, and aspirational young consumers. According to Khan et al. (2022), ultra-high-net-worth individuals generate sales from high-end luxury items, while the affluent middle class category is a rapidly growing group for entry-level luxury goods. According to Singh and Choudhury (2021), young aspirational consumers, who are deeply embedded in Western culture and social media, are loyal to brands that they identify as consistent with their values and social identities.

2.6 Indian Luxury Market Challenges

Despite being so promising, the Indian luxury market does come with its unique challenges. High import duties and an existence of counterfeit products plague this market. Furthermore, attitudes of the Indian population towards conspicuous consumption are complex. The import tariff for luxury goods in India is placed at one of the highest in the world, hence making it much costlier than its other market counterparts. Conversely, while most Indian customers do have a hunger for luxury goods, they also require value from the brands that serve them, hence placing them in something of a confusing position for luxury brands as a means of balancing exclusivity with access as a way of remaining relevant.

III. DISCUSSION

Some common underlying themes to luxury consumption in India are discussed below. Some of the important recurring themes include cultural values, social identity, and the economic development of the consumers. While status and identity are still the significant motivators for luxury spending, the market has changed significantly in the last couple of years to accommodate all sorts of consumer segments and preferences. The findings reveal the requirement for cultural sensitivity because many consumers put heritage and authenticity alongside modernity. Challenges such as high tariffs and counterfeits might also hinder entry into the market and growth for the brands. Future research can go ahead to analyze whether digital platforms and online shopping have effects on luxury consumption in India and impact celebrity endorsement versus social media trends.

Keeping in mind all the studies we came across and the ones that are mentioned above we may say that the luxury goods market in India is continually evolving, along with its consumers, who increasingly prioritize their emotions in the purchasing process. Notably, male luxury consumers tend to exhibit more competitiveness compared to their female counterparts, and the motivations behind luxury consumption often stem from low self-esteem. Different generational influences are apparent: Generation X is primarily influenced by television and movie stars, Generation Y tends to rely on the opinions of others, while Generation Z is significantly swayed by social media influencers. Furthermore, there are distinct differences in luxury buying preferences between North and South Indians. Materialism serves as a prerequisite for luxury

consumption, with positive past experiences positively impacting purchase decisions. Interestingly, many Indians show a preference for renting luxury goods rather than outright buying them, reflecting a shift in consumer behavior within this expanding market.

IV. CONCLUSION

Luxury consumption in India boils down to a fusion of old opulence, cultural heritage, and modern aspiration. The economy of India is growing daily, so does the luxury business, making it one promising market for international brands. However, such a sophisticated consumer psyche traditional in character yet modern at its core demands strategies to suit the cultural difference and not to forget to maintain the up-to-date stance in consumer expectation. It is only such luxury brands that will stand tall if they can be an amalgamation of authenticity, exclusivity, and strong ethically branded entities. Now, with all this, it would not be too early to conclude that the economic stress and growing change in the expectations of consumers are factors to be met by Indian luxury brands when tapping into this diversity of a market.

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