

A

**PROJECT REPORT**

ON

**"Consumer Buying Behavior towards Luxury Brand Gucci"**

Affiliated To

**RASHTRASANT TUKDOJI MAHARAJ NAGPUR UNIVERSITY,  
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**BACHELOR OF BUSINESS ADMINISTRATION**

Submitted By

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# **CERTIFICATE**

This is to certify that Mr. Ankit Dewase studying in BBA 3rd year 6th sem of G.S College of Commerce and Economics Nagpur has successfully completed his project entitled "**Consumer Buying Behavior towards Luxury Brand Gucci.**"  
From 1 June to 30 June.

He was very sincere and honest in his work. We wish him all the best for his future endeavors.

**Prof. Dr. Archana Dadhe**

**Project guide**

**Place:** Nagpur

**Date:** 30/6/2021

## **DECLARATION**

I hereby declare that project entitled " **Consumer Buying Behavior towards Luxury Brand Gucci.**" is a Bonafide and authentic record of work done by me under supervision of **Mrs. Dr. Archana Dadhe** during academic session 2020/21.

The work presented here is not duplicated from any other source and also not submitted earlier for any other degree to any University.

I understand that any such duplication is liable to be published in accordance with the university rules.

Place: Nagpur.

Mr. Ankit B. Dewase

Date: 30/6/2021

## **ACKNOWLEDGEMENT**

With immense pride and sense of gratitude, I take this golden opportunity to express my sincere regards to Dr. N.Y. Khandait, Principal, G.S. College of Commerce and Economics, Nagpur.

I am extremely thankful to project guide Prof. Archana Dadhe for her guideline throughout the project. I tender my sincere regards to Co-ordinator , Dr. Geeta Naidu for giving me outstanding guidance, enthusiastic suggestions and invaluable encouragement which helped me in the completion of the project.

ANKIT DEWASE

Place: Nagpur

Date: 30/6/2021

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## **Introduction to Marketing Management**

**Marketing management** is the organizational discipline which focuses on the practical application of [marketing](#) orientation, techniques and methods inside enterprises and organizations and on the management of a firm's marketing resources and activities.

Marketing Management performs all managerial functions in the field of marketing. Marketing Management identifies market opportunities and comes out with appropriate strategies for exploring those opportunities profitably.

It has to implement marketing programme and evaluate continuously the effectiveness of marketing-mix. It has to remove the deficiencies observed in the actual execution of marketing plans, policies, and procedures. It looks after the marketing system of the enterprise.

Marketing management smoothen the process of exchange of ownership of goods and services from seller to the buyer. Marketing management, like all other areas of management comprises of the function of planning, organising, directing coordinating and controlling.

This concept advocates that a manufacturer should begin his task with the consumer focus. He has to primarily study the consumer and understand the needs, desires, requirements and conveniences of the latter. A manufacturer should design a new product or improve an existing one strictly keeping in mind the needs, desires etc. of the consumer. The product should exactly satisfy the consumer.

Therefore, a manufacturer should design and manufacture a product which will be accepted by the consumer rather than the one which can be manufactured by him easily. A consumer is basically fastidious and fickle minded. This makes that task of understanding the consumer and designing an appropriate product much more difficult, however this is the only way a manufacturer can succeed in a competitive market. Selling should be preceded by customer study, marketing research and product development. The entire focus should be on the consumer and his needs.

“There will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the consumer so well that that the product or service fits him and sells itself. Ideally marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available” – Peter Drucker.

## **ABSTRACT**

In the following pages you would see a descriptive research on Gucci, the competition it faces, its products, strengths, weaknesses and the challenges the brand faces in India. Guccio shortened to Gucci sell its products through standalone boutiques, lease departments in high -end department stores, and through the E-commerce section of its website. operating in 59 countries, Gucci is the largest global luxury brand in the world . Gucci has been very successful in selling its famous handbags ,shoes, suitcases and other luxury goods and generated revenues of about \$4 billion in 2004. the purpose behind conducting this research was to understand consumer behavior towards luxury brand Gucci.

Along with it, the research aimed at better and more precise understanding of potential customers, their demographics and psychographics. the information gained through this research will be used to understand how Gucci can expand its market in India by overcoming the challenges it faces here to discover the challenges and to understand the consumers preferences for the topic . we used the data collection methods, secondary as well as primary. Questionnaire for customers was chosen as primary data collection instrument for this research.

The marketing concept which is also called the modern marketing concept as practised by most of the Gucci in the present situation is actually a combination of all the other concepts. The modern marketing concept consists of an integrated effort on the part of the marketer to identify the consumer needs and satisfy them through appropriately designed products and for this task use all the marketing techniques related to product, selling, market study, consumer behavior etc.

Over the years, Gucci introduced some of the most famous bags in the world, such as the Speedy Bag and the Neverfull Tote. In 1997, the brand started to design women's clothing and three years later expanded to men's clothing as well. Today it's a billion dollar company, selling not just bags but also clothes, shoes, watches, jewelry and perfume. And their success keeps building and building. But how?

## **WHAT IS BRAND?**

A brand is the way a company, organization, or individual is perceived by those who experience it. More than simply a name, term, design, or symbol, a brand is the recognizable feeling a product or business evokes. Any potential luxury brand should be evaluated by the constitutive characteristics of luxury, which are described in detail in one of the following chapters. These explanations are summarized by the following principles:

- **Price:** The brand offers products which belong to the most expensive products of their category.
- **Quality:** The brand offers everlasting top-of-the-line products, which won't be disposed of even after long utilization or defect, but rather repaired and which often even gain in value over time.
- **Aesthetics:** The brand behaves like a chic and vain dandy, who would never leave the house in less than perfect style. Whenever and wherever the brand is seen, it embodies a world of beauty and elegance.
- **Rarity:** In contrast to mass-market brands, the brand needs to limit its production and tries not to disclose its (high) sales numbers. The brand plays hard to get and is not available at all times or places.
- **Extraordinariness:** The brand has a mind and style of its own and its products offer a "kick" and surprise with the "expected unexpected."
- **Symbolism:** The brand stands for "the best from the best for the best"; its charisma fills the room, and regardless of whether it is of a conspicuous or understated nature, deep inside, it is swollen with pride.

Brands, then, live in the mind. They live in the minds of everyone who experiences them: employees, investors, the media, and, perhaps most importantly, customers. Simply put, brands are perceptions.



## BACKGROUND OF GUCCI



Gucci printing in the 1960s led to a huge boost in its sales, and heavy coverage of fashion in mainstream women's magazines- followed by men's magazines from the 1990s. Haute couture designers followed the trend by starting the ready-to-wear and perfume lines, heavily advertised in the magazines, that now dwarf their original couture businesses. Television coverage began in the 1950s with small fashion features. In the 1960s and 1970s, fashion segments on various entertainment shows became more frequent, and by the 1980s, dedicated fashion shows like Fashion-television started to appear. Despite television and increasing internet coverage, including fashion blogs, press coverage remains the most important form of publicity in the eyes of the fashion industry.

However, over the past several years, fashion websites have developed that merge traditional editorial writing with user-generated content. New magazines like iFashion Network, and Runway Magazine, led by Nole Marin from America's Next Top Model, have begun to dominate the digital market with digital copies for computers, iPhones and iPads.

Sporting a different view, a few days after the 2010 Fall Fashion Week in New York City came to a close, Fashion Editor Genevieve Tax said, "Because designers release their fall collections in the spring and their spring collections in the fall, fashion magazines such as Vogue always and only look forward to the upcoming

season, promoting parkas come September while issuing reviews on shorts in January." "Savvy shoppers, consequently, have been conditioned to be extremely, perhaps impractically, farsighted with their buying.

## COMPANY PROFILE



Gucci Group is one of the world's leading multi-brand luxury goods companies. Thanks to a clear strategies and a set of unique competitive advantages, the group has developed and strengthened a prestigious brand portfolio, broad product range and extensive geographical presence worldwide.

The Group's well balanced brand portfolio includes prestigious and clearly identified luxury brands with a distinctive, specific role. Gucci Bottega Veneta and Yves Saint Laurent are the engines of organic growth. Boucheron offers complementary expertise in segments like jewellery and watches.

Balenciaga, Stella McCartney, Alexander McQueen and Sergio Rossi are cutting-edge brands with high potential for long-term growth.

Gucci Group has successfully attracted the best creative talents, who are now recognized as rising stars. Frida Giannini at Gucci, Tomas Maier at Bottega Veneto, Stefano Pilati at Yves Saint Laurent and Nicolas Ghesquiere at Balenciaga have perfectly interpreted the essence of their brands, keeping their heritage alive with a contemporary mood. Designers like Alexander McQueen, Stella McCartney and Francesco Russo at Sergio Rossi have set the trends with the cutting-edge styles.

The Group creates and distributes high quality luxury goods including ready-to-wear, handbags, luggage, small leather goods, shoes, timepieces, jewellery, ties and scarves. Also, under license from global industry leader, eyewear and fragrances, cosmetics and skin care products. This vast

product range and the sharing of specific expertise among the various brands are one of the Group's greatest assets and a source of organic growth.

The carefully controlled development of an integrated distribution network with a sound geographical basis has been a key strategic focus of Gucci Group. As of the end of 2009, the group directly operates 609 stores in major markets throughout the world and wholesale products through franchise stores, duty free boutiques and leading department and specialty stores.

Gucci Group is owned by PPR, a global player in retail and luxury goods.

## **HISTORY**

GUCCI like many other high-fashion companies, Gucci began as a small, family-owned saddlery and leather goods store, Guccio Gucci was the son of an Italian merchant from the country's northern manufacturing region. As a young man, he travelled to Paris and London, where he gained an appreciation of cosmopolitan culture, sophistication, and aesthetics. Gucci opened his first boutique in the family's native Florence in 1921 and quickly built a reputation for quality, hiring the best craftsmen he could find to work in his atelier. In 1938, Gucci expanded and a boutique was opened in Rome. Guccio was responsible for designing many of the company's most notable products. In 1947, Gucci introduced the bamboo handle handbag, which is still a company mainstay. During the 1950s, Gucci also developed the trademark striped webbing, which was derived from the saddle girth, and the suede moccasin with a metal bit.

Guccio and his wife Aida Calvelli had a large family, six children in all, though only his sons -Vasco, Aldo, Ugo, and Rodolfo-would play a role in leading the company. After Guccio's death in 1953, Aldo helped lead the company to a position of international prominence, opening the company's first boutiques in London, Paris and New York. Even in Gucci's fledgling years, the family was notorious for its ferocious infighting. Disputes regarding inheritances, stock holdings, and day-to-day operations of the stores often divided the family and led to alliances. As the Gucci expanded overseas, board meetings about the company's future often ended with tempers flaring and luggage and purses flying. Gucci targeted the Far East for further expansion in the late 1960s, opening stores in Hong Kong and Tokyo. At that time, the company also developed its famous GG logo (Guccio Gucci's initials), the Flora silk scarf (worn prominently by Hollywood actress Grace Kelly). and the Jackie O shoulder bag, made famous by Jackie Kennedy, the wife of U.S. President John F. Kennedy.

Gucci remained one of the premier luxury goods establishments in the world until the late 1970s, when a series of disastrous business decisions and family quarrels brought the company to the verge of bankruptcy. At the time, brothers Aldo and Rodolfo controlled equal 50% shares of the company, though Aldo felt that his brother contributed less to the company than he and his sons did. In 1979, Aldo developed the Gucci Accessories Collection, or GAC, intended to bolster the sales for the Gucci Parfums sector, which his sons controlled, GAC consisted of small accessories, such as cosmetic bags, lighters, and pens, which were priced at considerably lower points than the other items in the company's accessories catalogue. Aldo relegated control of Parfums to his son Roberto in an effort to weaken Rodolfo's control of the overall operations of the company.

Though the Gucci Accessories Collection was well received, it proved to be the destabilizing force that brought the Gucci dynasty crashing down. Within a few years, the gucci parfums division began outselling the Accessories division. The newly-founded wholesaling business had brought the once-exclusive brand to over a thousand stores in the United States alone with the GAC line, deteriorating the brand's standing with

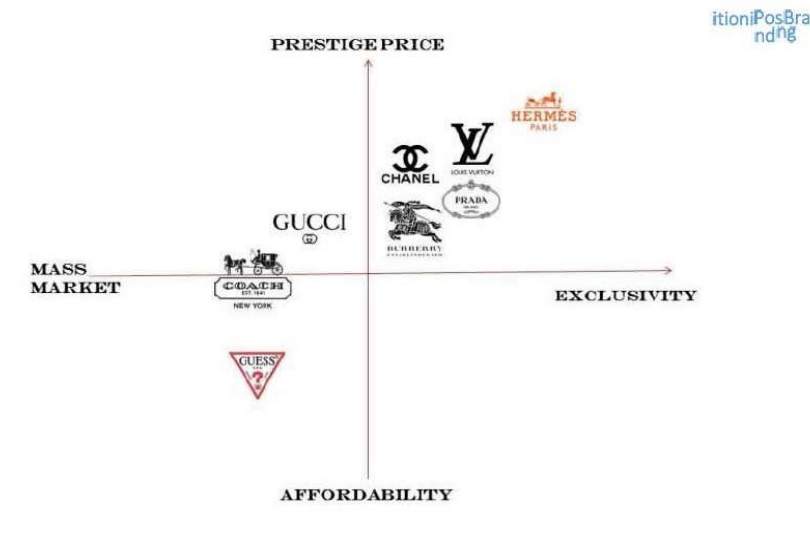
fashionable customers. "In the 1960s and 1970s," writes Vanity Fair editor Graydon Carter, "Gucci had been at the pinnacle of chic, thanks to icons such as Audrey Hepburn, Grace Kelly, and Jacqueline Onassis. But by the 1980s, Gucci had lost its appeal, becoming a tacky airport brand."

It didn't take long before counterfeiters ravaged the company's pomp by flooding the market with cheap knockoffs, further tarnishing the Gucci name. Meanwhile, infighting was taking its toll on the operations of the company back in Italy: Rodolfo and Aldo squabbled over the Parfums division, of which Rodolfo controlled a meager 20% stake. By the mid 1980s, when Aldo was convicted of tax evasion in the United States by the testimony of his own son, the outrageous headlines of gossip magazines generated as much publicity for Gucci as its designs.

Rodolfo's death in 1983 caused a major shakeup in the company when he left his 50% stake in Gucci to his son, Maurizio Gucci. Maurizio allied with Aldo's son Paolo to gain control of the Board of Directors and established the Gucci Licensing division in the Netherlands for tax purposes. (This action would later have a drastic impact on the outcome of the company's dispute with the world's largest luxury goods company, LVMH Moët Hennessy Louis Vuitton.) Following the decision, the rest of the family left the company and, for the first time years, one man was at the helm of Gucci. Maurizio sought to bury the fighting that had torn the company and his family apart and turned to talent outside of the company for Gucci's future.



## BRAND POSITIONING



## RELEVANCE OF THE STUDY

- It has been an established fact that luxury brands are showing a growing presence in emerging markets. Twenty-five years ago, in a pre liberalization era, India hardly seemed to be a potential market for luxury goods.
- Apart from the royal families used to luxurious living, the vast majority of population that resided in rural areas, were so diverse yet traditional, spoke so many languages and were reined in by a socialist government policy.
- India's recovering economy coupled with the growing number of millionaires and indulgent spending was a prime reason.
- As the Indian consumer gets more aware of the presence of luxury brands, these goods continue to register a strong growth in India and focus on the Indian consumer.
- Though Delhi and Mumbai find the biggest buyers of these brands, rapid urbanization has also revealed that the market is slowly penetrating into second and third-tier cities too.
- While Delhi tops the list of leading Indian cities followed by Mumbai, Bangalore, Chennai, Kolkata, Hyderabad and Pune follow next in terms of Tier II cities.

## **NEED OF THE STUDY**

Following are the key trends that will redefine the future of Indian luxury industry:

- **The roaring digitalization:** In India, digitally influenced spending is presently around \$50 billion, Growth in internet penetration, convenient payment platforms, efficient logistics, user friendly shopping experience and better value proposition offered to consumers are some of the key factors triggering the growth of online shopping in India
- **E-influencers making a mark:** Social media influencers are now-a-days proving to be very effective. Today's consumers trust word of mouth over companies' advertisement. More than 70% consumers in India are more likely to make their purchase based on social media reference.
- **Pre-owned luxury goods gaining traction:** Second hand luxury goods market is rapidly growing in India as making luxury affordable makes it attractive proposition for value-conscious Indian buyers.
- **Going green:** Lately, brands like Louis Vuitton, Burberry and Stella Mc Cartney have pledged to be fur free. Indian consumers, particularly millennial are increasingly becoming environment conscious. recent study by MasterCard revealed that about 70% of buyers in India give importance to 'green' and 'ethical' while making their purchase. Therefore, luxury brands need to innovate to entice Gen Y who yearn for sustainable produce.

## **OBJECTIVE OF THE STUDY**

- Highlight the relatively new market that has opened up in luxury branding of personal good in India in the past decade as well as highlight the problems and roadblocks peculiar to the Indian scenario
- Emphasize on the Personal Goods market of gucci, which includes fashion apparel, accessories and jewellery . Particularly important, too since this segment's turnover rates second highest in the total Luxury spending, worldwide.
- Examine the current trends in this sector of marketing will give one some insights into current happenings in this fairly recent trending market in India which is seeing fast growth.
- This is a challenging industry driven by sales largely dependent on the socio-economic scenario and strategic imperatives are crucial to these brands success. The focus on who is the customer, how old is he, his changing lifestyle, spending prowess and attitude would also help in analyzing current trends for relevant branding.

## **HYPOTHESIS**

Hypothesis is the process of taking and using the sample statistics to make an inference for a population parameter , a theory or guess can be called as hypothesis.

$H_0$

Price has an insignificant impact on consumer buying behaviour when it comes to luxury brand.

$H_1$

Price has significant impact on consumer buying behaviour when it comes to luxury brand.

## **RESEARCH DESIGN**

### Sampling design

- Convenient sampling method will be used .
- Sample size will be approximately of 15 people

### Research design

- Descriptive design will be used for design purpose.

### Data collection

- Primary and secondary data will be used for design purpose.
- Questionnaire will be used for primary data
- Books and magazine will be used for secondary data.

## Data Representation

- Charts, graphs, table and statistical method will be used for the representation of data.

## **RESEARCH METHODOLOGY**

The Research process based on primary data analysis and secondary data analysis will be clearly defined to meet the objective of the study.

### PRIMARY DATA

- The data collected by researcher herself for finding the solution of particular situation, is known as primary data. this type of data is characterized by its originality as it is freshly collected.. various organizations conduct survey ,observations interviews, etc. and as a result generated primary data.

### SECONDARY DATA

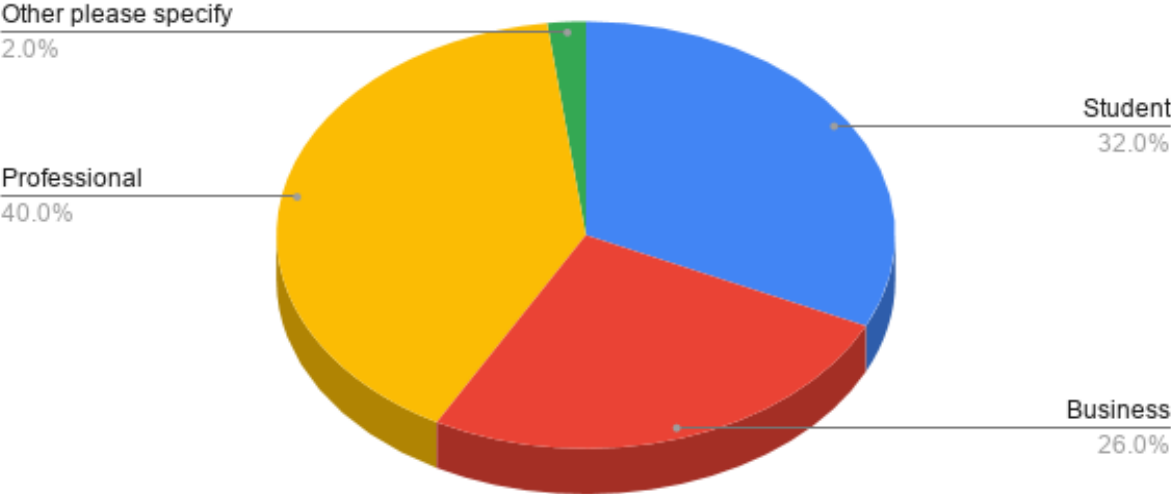
- Printed documents like books, magazines, newspaper etc. will be used to collect data.
- Survey method, internet.

## **DATA ANALYSIS AND INTERPRETATION**

This survey was conducted with sample size of 50 customers.



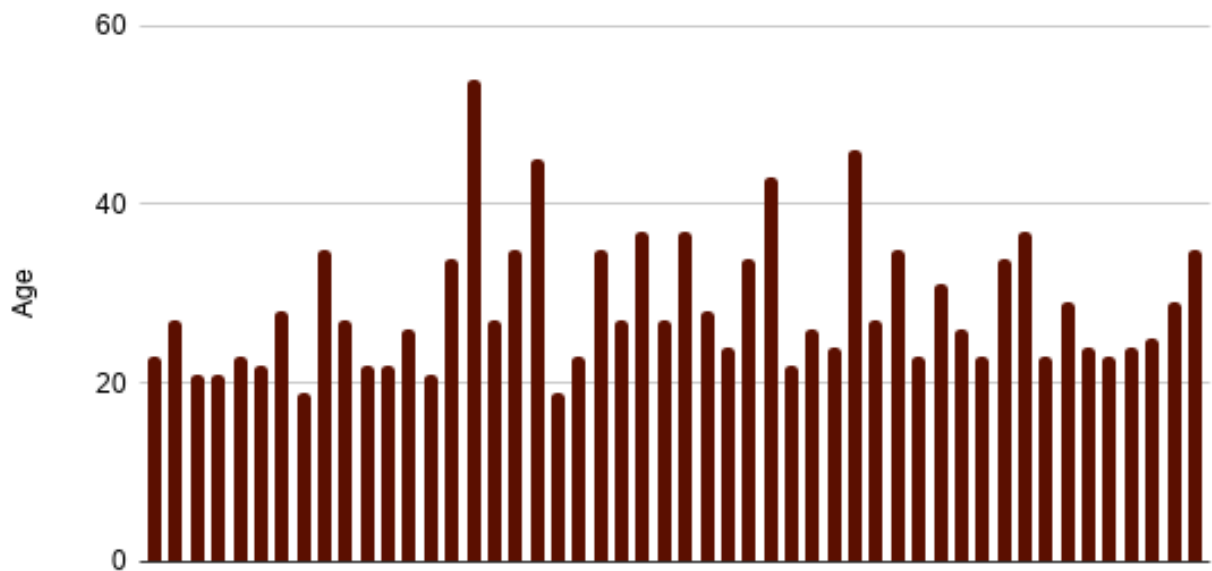
# Count of Occupation



## Interpretation:

Most of the users are mature (25+), female, working population with stable financial background. There is also an increasing number of young users, who are fashionable trend-followers and these users are usually less price-concerned and its products are frequently used by the rich and famous, celebrities, models all over the world.

Age



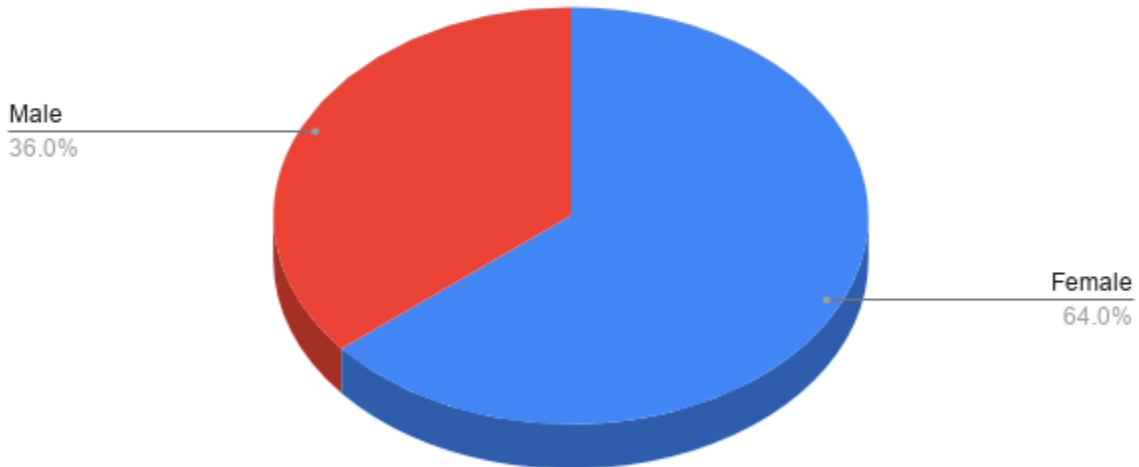
### Interpretation:

42% of the total population is of the age group 18-21.

40% of the total population is of the age group of 22-25

Most of our respondents were young which means that most of them belong to traditionally rich families and have not started earning yet.

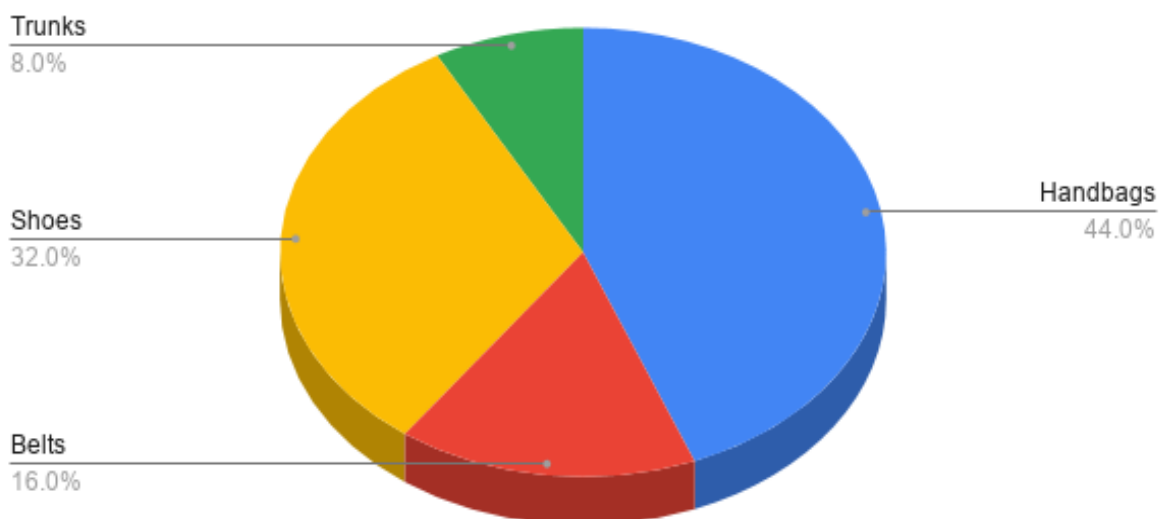
## Gender



### INTERPRETATION:

64% of our respondents were female. Majority of respondents were women as they shop more frequently as compared to men. GUCCI offers comparatively more women products as that of men.

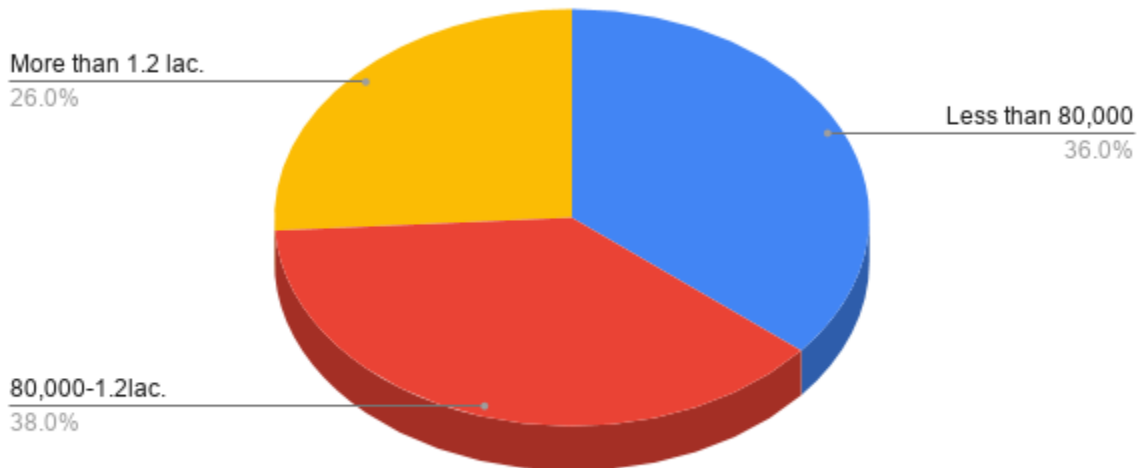
INTERPETATION: Which products of Gucci you prefer mostly to buy?



**INTERPRETATION:**

From our survey among 50 correspondents, most of the purchase recognition stages are from the needs of a luxury handbag to carry. These people believe that carrying a branded product will enhance their status and wealth as well as fashionable. As women are frequent buyer they tend to take handbags and shoes more. Belts are used by men , and thier shopping frequency is less thus, belts only accounts for 16% coverage. trunks have become old fashioned now, thus chart shows only 8% of indulgence in trunks.

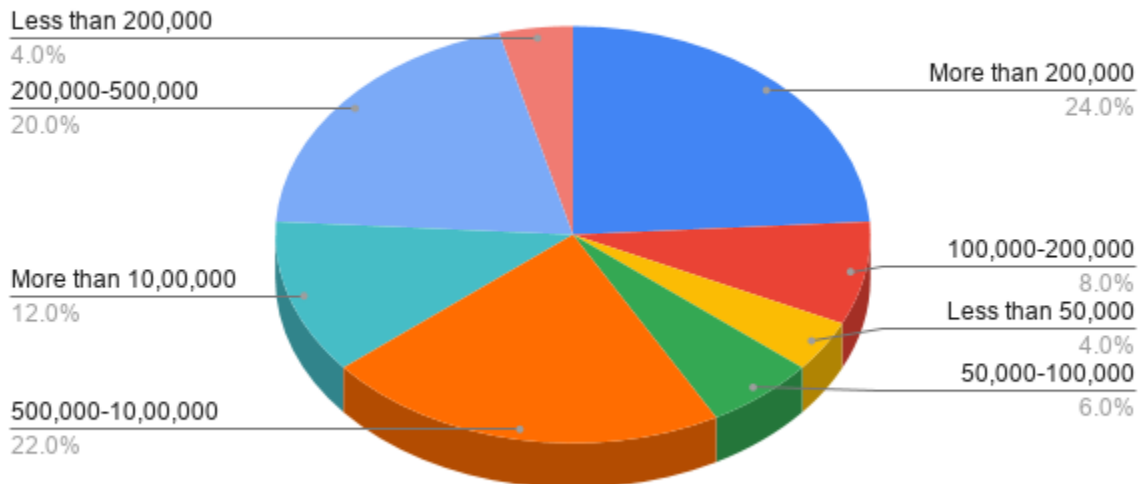
- How much you are willing to pay for Gucci?



**INTERPRETATION:**

As Gucci is a luxury brand it does not come as surprise that consumers are willing to pay more than 1.2 lakh of thier income. however, more or less when it comes to spend on luxury, price does not play the major role in making the desicions of consumers.especially,w hen dealing with luxurious brand like Gucci.

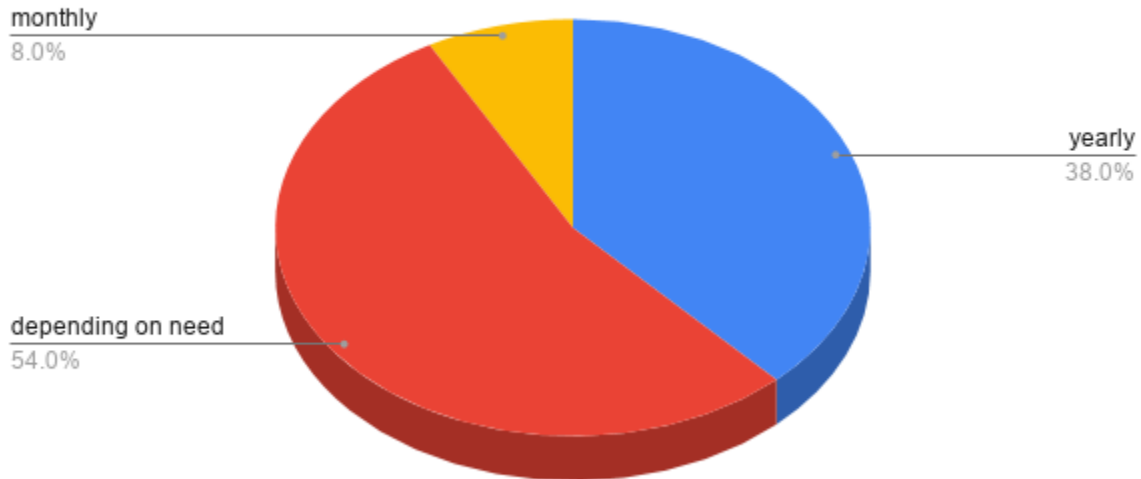
## Count of Income



### INTERPRETATION:

Gucci's target market consists of individuals who have a higher income and thus they have found that the higher the income of an individual, the higher the propensity to purchase luxury goods. Gucci's target market is also one that can identify with the communicate messages of Gucci because the company has created images that are in accordance social identity theory. People are posited to take action and to consume products at least in order to follow the ideas consistent with their ideal-self image. Therefore, for this segmentation, our targeted clients are both sex, aged between 25-50 years old, who have earned an income between RS 50,000 ~ RS 10,00,000 yearly and most of them would be graduate professionals with sense of self-worth and high social status.

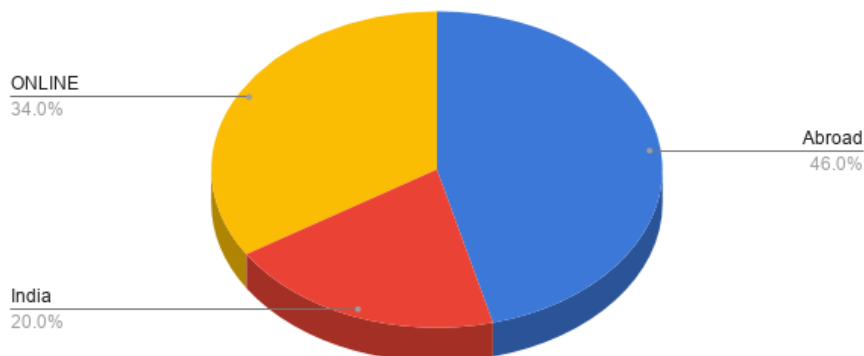
## Count of How often do you shop?



### INTERPRETATION:

54% of the respondents go for purchase depending on the need. Some go monthly, but the ratio for same is very less. Women are fond of shopping thus, monthly shopping shows no wonder to researchers. And 38% are shoppers who shop yearly because professionals and businessmen have time bounds so they shop whenever they get time.

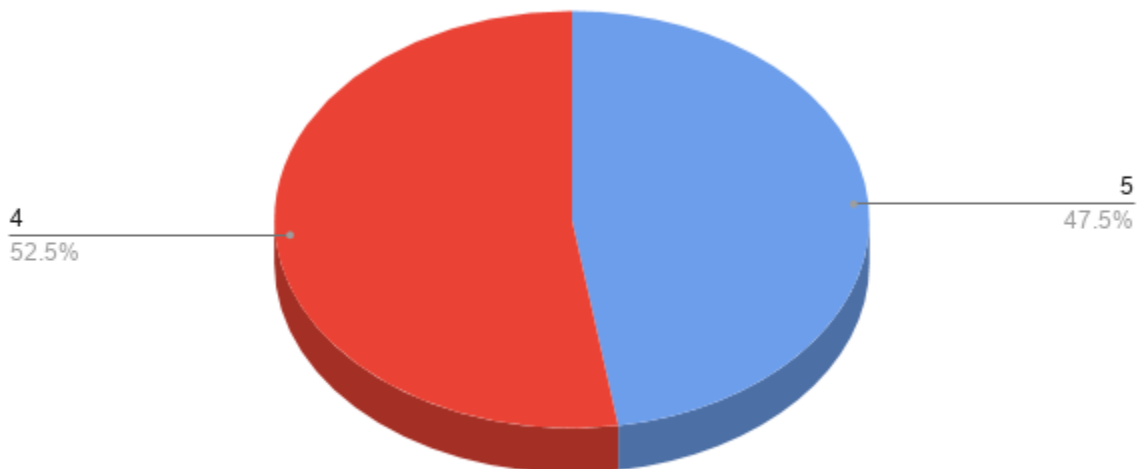
- Count of from where do I prefer Gucci products?



## INTERPRETATION:

Once the consumer has recognized a problem, they start to search for information on products and services that can solve that problem. First time buyer will engage a little bit of time to recall their awareness about brands. And each brand will carry a series of models which are suitable for different occasions. They are tote bags, evening clutches, top handles and even accessories. From the needs recognition trigger in the earlier steps, there will be a wide range of choice. External search may include the opinions and attitudes of friends, families, reviews from the internet, etc. This information can be easily attainable from those discussion forums, blogs, chat groups and some official websites of each brand. Pricing and product catalogues are mostly displayed on the website with all new arrival designs, exclusive designs and also some sale-off for online purchases as well.

- Rate customers service of Gucci?



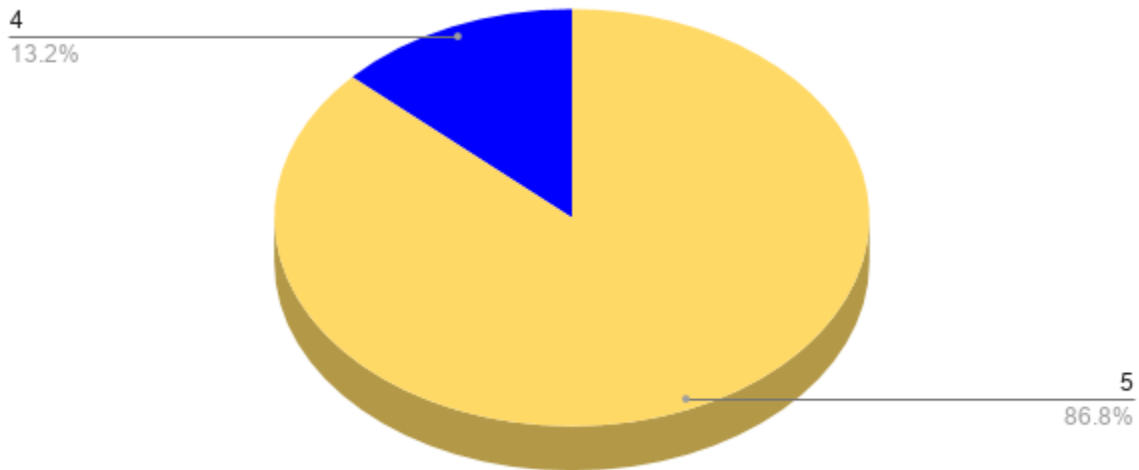
## Interpretation:

For branding and luxury handbag boutiques like Gucci, they are located in prestige shopping malls, whereby the customers are being well-taken care of and being served as a queen when shopping. Therefore, we will never experience that an Gucci boutique outlet is located in any wet-markets or any neighbour-hood shopping market. All the shoppers believe in the luxuries where the shop is located.

For some detail customers, there might be a call to the Gucci shop in advance to check the stock availability regarding the model, the design that she wants, and also the price amount. For some

shopaholic consumers, they may just need to visit the shop themselves and pick the one that they feel like it. And this process is taking shorter time which all stages happens in the shop itself for those experienced Gucci bag users.

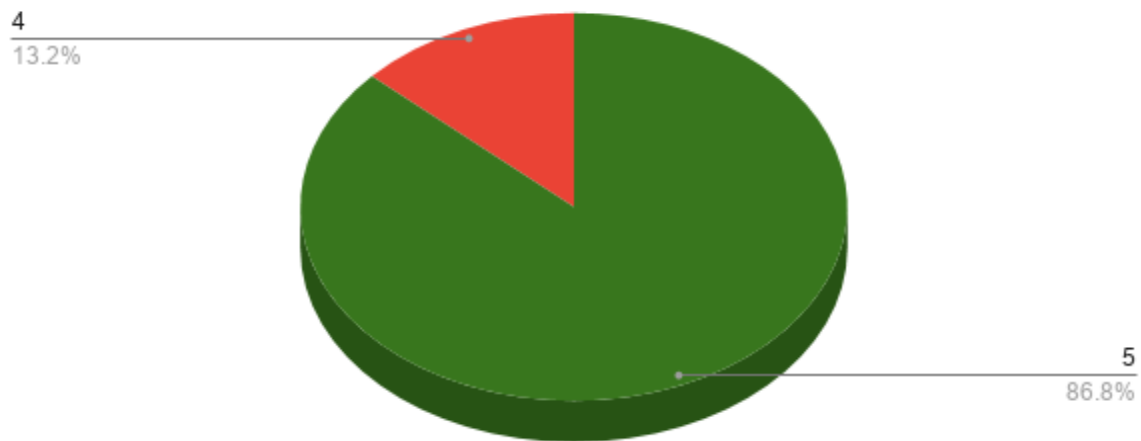
- Rate luxury experience given by Gucci?



Gucci has maintained its leading position in the world fashion industry for decades as a luxury brand. It can be seen clearly that Gucci bag is a tangible product. Being different from services which cannot be seen and touched, Gucci bag can be touched, felt physically with the fingertips by the users. For instance, even if the customer see the products' images online and make an order, it is still not a tangible product until the consumers can hold the product in their hands, feel the leather, the zip, smell the fragrance. Gucci bag is not only functional in containing things as a bag itself but also help people feel confident and valued since Gucci is a luxury and fashionable brand



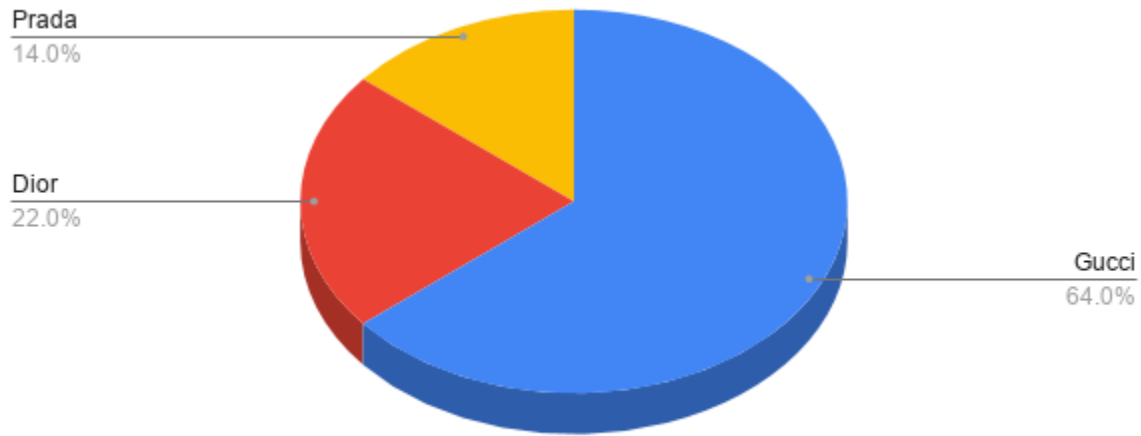
- Gucci has best quality products amongs its competitors, Rate its quality?



**Interpretation:**

the evaluation and selection depends on loyalty, brand satisfaction or the attractiveness of new design of that brand. At this stage, there will be high involvement of switching brands. From our survey, The simple but elegant Gucci monogram is recognisable all over the world. But it's the combination of quality, exclusivity and innovation that make the perfect recipe for timeless success. the consumers are highly satisfied with the extensive quality that gucci provides

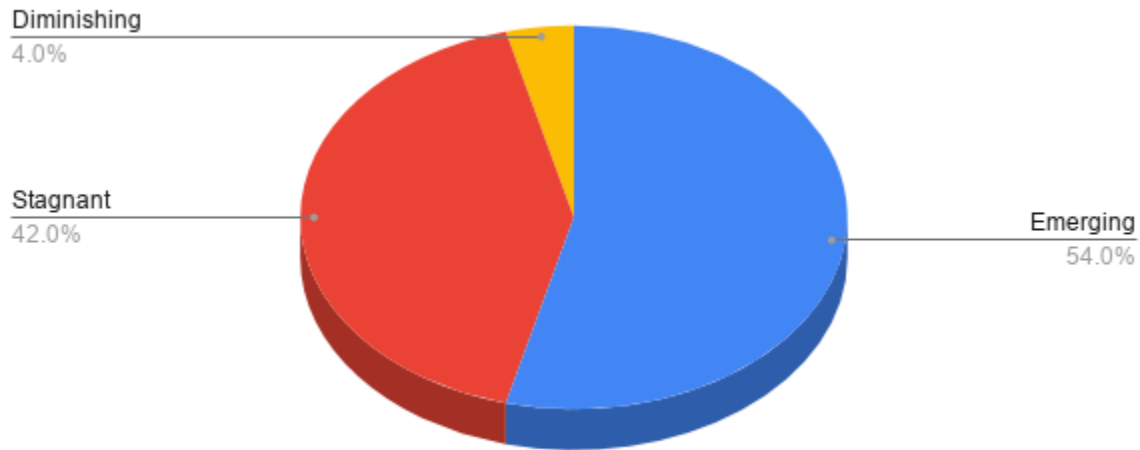
- Count of Who according to you is biggest competitor of Gucci?



#### Interpretation:

The design teams involved in the production of Gucci products are the top designers in the world. Due to their strong link with quality and their brand value, Gucci is considered as one of the top Gucci competitors. The survey also proved out to be the biggest competitor of Gucci. However, Prada and Dior also make their place in high competition but proportionately less than Gucci.

- Count of How do you see Gucci market in coming times with reference to India?



### Interpretation:

The Luxury Market, for instance indicates top growth figures in luxury branding. There is not much city-centric research done with particular focus on Tier 2 and Tier 3 cities. Studies in India ,in terms of the luxury markets unfolding in similar growing economies would also help marketers in analyzing what makes the consumers attitudes, motivations and cognitive behavioral connection to these purchases. However, Gucci tends to be in emerging stage.

## **LIMITATION OF THE STUDY**

The issues that have been roadblocks to the entry and marketing of luxury brands in India are still impediments that they have to contend with today.

### ***INFRASTRUCTURE***

Gucci traditionally has stores in boulevards that typify its upmarket and exclusive aura. Unfortunately the Indian scenario did not provide this on the entry on many similar brands. Limited space and high-end roads, which were few and far between, proves to be a major problem. The few that are available also come with extremely high rentals, particularly in Metro cities, which add to high operating costs and at

times forcing the move towards cheaper high street locations. Exclusive high end malls that have been built to cater to this segment of affluent or 'aspirational' prospects. The start of the 3,20,000sq.ft. DLF Emporio in Vasant Kunj, Delhi (and reportedly, India's most expensive mall at around INR1000/- plus, per sq.) in 2008 was followed soon after by Palladium Mall, Parel, Mumbai. At present, there are only three luxury malls in India, DLF Emporio, Palladium and UB City. (ASSOCHAM, KPMG) While Delhi houses the biggest luxury mall, it has been noted that there is an absence of high street shopping similar to Fifth Avenue in NYC and Oxford Street in London. The nearest answer to this is only Mumbai's Linking Road in Bandra.

### ***GOVERNMENT POLICY AND PERMISSIONS***

From the 189 countries analysed in the 'The World Bank's Doing Business 2014' India ranked the 179<sup>th</sup> most difficult country to operate in, necessitating professional help in Indian investments and startups. IIMA's Sinha and associates Working Paper on Legal Structure and Framework of Luxury Goods Market in India examines the FDI Policies on luxury players being permitted a 100% expansion in single brand retailing and 51%, in multi-brand; the latter, proving to be problematic with its need to tie up with an Indian partner. Apart from this Government policy necessitates incorporation within 3 years, FDI investment of US\$100 million and a requirement of putting in 30% of this amount into 'back-end infrastructure'. This is definitely a tall task for smaller players and a debatable issue for the larger ones as well. Other related problems would include the required bureaucracy, procedural delays and red tapism that goes with setting up a business in India.

### ***HIGH IMPORT DUTIES: A DETERRANT***

The import duties on Luxury Brands in India are high. The number of Indian travellers has grown considerably, given the rising disposable income. Gucci has large number of potential buyers would preferably buy a luxury item on overseas travel in lieu of home, given the pricing. A Skift article by Dan Peltier, based on a YouGov and Time Inc. survey, that interviewed 6000 affluent individuals from 14 countries put Indians accounting for the highest percentage of travellers (53%) who said they take trips specifically for luxury shopping. This was nearly 20% points higher than China and 27% points higher than Asia Pacific. (Peltier, 2015). 83% of Indians surveyed (compared to the Global Average of 41%) said that they frequently buy luxury items while travelling which they wouldn't buy back home.

Indian custom duties are among the highest. At a Mint Luxury conference overseas participants spoke about the four different taxes on luxury goods which make it very complex for luxury goods, which however good for the economy is definitely a barrier for trade. Many brands have been forced to subsidize their Indian prices, which in turn affect their profitability. Armando Branchini, vice-chairman of Altgamma was quoted as saying "next to Brazil, India has the highest tariff barrier. There is a 38%

custom duty levied on leather goods in India while on China it is 17% and Japan 11% and no custom duty in Singapore and Hong Kong”.

### ***COUNTERFEITS AND COMBATING THEM***

The Gucci segment in particular is plagued with the issue of counterfeits and copies. This market constitutes a considerable 5% of the Indian luxury market and is estimated to be sized at INR 25 billion. The market of these products has been growing at a rate double that of the original products. Foreign players consider this a challenging problem where legal loopholes need to be plugged and intellectual property rights have to be dealt with appropriately. With the growing number of aspirational first time buyers, the fakes continue to abound capitalizing on the ignorance and lack of knowledge of the first time buyer.

### ***MARKETING PERSONNEL: A LACUNA***

It has been common knowledge that the luxury market in India is relatively new. With it comes the pitfall of an absence of appropriate trained staff and personnel that could handle customers in the Indian scenario. This implies an intensive in-house training and grooming programme that the brand has to undertake at the cost of time and expense. An Economic Times article quoted Tag Heuer’s Sales Manager Arun Ramakrishnan who trained new recruits in the brand the meaning of luxury and reasons why people would buy such an expensive watch which were their prime queries. (Tiwari, 2012) The article estimated a staff shortage of 30 to 40% at the time. With newly acquired wealth it is not uncommon knowledge that the sales staff apart from being familiar with what the Indian market looks for when buying luxury, should also be proficient in more languages than just English given our many spoken languages and dialects. This is particularly true, given the new trend of ‘democratization of luxury’ or the masses now aspiring to own a luxury brand, which earlier was a prerogative of the wealthy.

### ***THE NEW ERA OF DIGITAL MARKETING: EXCLUSIVITY V/S DEMOCRATISATION***

Internet retailing and digital marketing would be the normal expansion of marketing strategies too, given that the Indian smartphone market is booming and is predicted to be the second largest market in a few years. It’s a given that marketers today cannot avoid the Internet. An article in Bloomberg cited the case of a CEO from New York who said her favourite brand lost out on an expensive purchase decision from her since the brand was only available at its exclusive stores. The inconvenience of such shopping made

her favour an alternate choice available online. (Roberts, 2014) Surprisingly the average Indian buyer has proved to be different. He looks at the expensive purchase as an investment and prefers to feel and see the product before purchase. Yet, he is still a bargain-hunter. The dilemma stretches on to whether the brand should also go online, and sometimes even drop their exclusive tag to join a multi brand retail outlet for added demand and visibility. (Piyush Kumar Sinha, 2015) Online giant Jabong has already partnered luxury brands like Jimmy Choo besides other premium brands like GAS, GANT and Tommy Hilfiger. This is definitely an economical decision for these brands, where brick and mortar can be eliminated for brick and click and doesn't warrant the setting up of additional stores at high rentals as well as high distribution costs in India. Unfortunately this becomes a double-edged sword since the risk of online fakes parallel to originals sold could shake the credibility of this exclusive market. Brand Chanel, which prides itself on exclusivity, is finally making the online move in 2015; where in 2013 the global director of the fashion brand, Bruno Pavlovsky had said they had no intentions of doing that, given "fashion is about clothing, and clothing you need to see, to feel, to understand". (Zorzini, 2015) Luxury Branded founder Ryan Clark has been quoted as saying that a big reason why the slow shift to online purchase is because of the growing trust in online luxury buying. Reluctant brands, however, will follow the footsteps of Hermes, the luxury bag seller that offers a limited number of their products on their online store, keeping the expensive Birkin and Kelly bags for exclusive sale in their branded stores.

### ***INDIAN BUYERS: NEW AFFLUENCE***

Gucci, Hermes, Burberry and Swatch continue to be the dominant players in this segment. This category of brands appealing to all ages have increased their offering to this market in the last few years with the belief that the Indian buyer is looking for 'affordable luxury'. Based on this philosophy Gucci hope to plan market expansion in India by emphasizing on store-based sales and making luxury a very affordable buy to the growing aspirational middle class. A Business Today report refers to the fact that brands here cannot be based on a 'one size fits all' strategy and today a lot of millennials are now becoming new buyers, comfortable with the idea of spending money. (Narayanan, 2015) The author refers to middle classes that were once happy with a Titan or Timex are upgrading to luxury brands where a BCG report refers to this trend as "The Shock of the New Chic".

### ***VALUE BASED AND EXPERIENCE MARKETING***

The shift from conspicuous consumption to a much thought of value driven purchase is even more evident in today's aspirational buyers of high end brands. Experience-based luxury is the new driver of growth for many of these brands for the new discerning Indian customer.

Providing a luxury experience is the new trending in today's scenario. Personalised, bespoke and custom services, the in-store luxurious experience with perhaps coffee and chocolates which has been highly

recommended for these brands, might only be possible for those stores located in high end malls. Given the problems mentioned earlier, where rentals in India's big cities are exorbitant, traffic and parking problems adding to woes, this becomes a challenging scenario for many brands opening shop in India who need to compensate for these problems through a great experiential marketing strategy.

## **CONCLUSION**

Companies are interested in consumer behavior because they can develop marketing strategies to influence consumers to purchase their products based on consumer analysis. The success of a company's marketing strategy will depend on how buyers react to it. To find out what satisfied customers, marketers must examine the main influences on what, where, when and how customers buy goods and services . By understanding these factors better, marketers are better able to predict how consumers will respond to marketing strategies. Ultimately, this information helps companies compete more effectively in the marketplace and leads to more satisfied customers.

Although Gucci is a successful brand, they don't provide a high customs satisfaction. Improving customer in-store service satisfaction should be a means but not the end. The loyalty enhancement for a branding strategy is the important attribute to purchases. If they only focus on product attributes, they can only achieve a great awareness of branding, but no impact at all on improving sales performance as customer is unlikely to repeat purchase.

It would thus be essential to study this relatively new market to pinpoint growth sectors through factors that are driving change as well as analyse issues that are hampering it. Problems of poor infrastructure, lack of retail space, high tariff duties, lack of logistical support systems, restrictive FDI rules will continue to abound till addressed at the macro level. Existing and new entrants in the market will master the art of circumventing these issues with alternative strategies.

Hence,  $H_0$  Price has an insignificant impact on consumer buying behaviour when it comes to luxury brand is justified . Whereas  $H_1$  Price has significant impact on consumer buying behaviour when it comes to luxury brand is not justified.

## SUGGESTIONS

Given the drawbacks that this market faces presently it has been noted that many brands attempt to overcome the restrictive scenario through many alternative routes. From testing the waters in online media which was new to luxury brands, to looking for new target audience through trunk shows in smaller cities as well as being more inclusive of the young middleclass millennium buyer which has been visible in the changing demographics of their consumer base.

- *E-COMMERCE & ONLINE STRATEGIES:*

Since infrastructure has been a main impediment for the setting up Gucci in India it is essential for these brands to cash in on the online media till such time that high end streets and exclusive areas are available for the up market shopper and policy makers and developers ensure this. The average Indian prospect for luxury goods is very tech savvy and use of social media is essential to cover lacunae of prime infrastructure that's as yet unavailable for these brands. The Gen Y target can easily be reached through this route rather than Gen X, traditional buyers who still prefer the brick and mortar option.

- *NEW MARKETS:*

70% of India lives in Rural India but the demographics are changing. Reaching out to the new elite in Tier 2 and Tier 3 cities in India will be a growing trend with the new wealth of agriculturists selling their farmlands and coming into big money. 44% of India's millionaires now live in emerging towns and cities according to a Kotak Wealth Management Report. (Bhattacharya, 2015). With a paucity of affordable and exclusive retail space, these brands are also attempting "trunk shows" in smaller towns like luxury handbag brand Judith Lieber did in Indore. Sales of this event equaled 10% of the previous years turnover.

- *'GLOCALISING':*

Localising is another answer, which Gucci have already started following. While Hermes launched an Indian sari collection, Lladro makes Indian cultural figurines. The luxury model that 'glocalises' by comprehending the finer nuances of the markets taste, introduces Indianisation into the brand portfolio, recognises cultural differences and relationships which will help grow the brand in this newly unfolding market. Ethnic Chic could well become the new buzz word here.



- *MAKE IN INDIA:*

Brands that have started their 'Make in India' plans believe that it serves more advantages than one. Apart from the localizing with Indian design and inputs, the manufacturing of these products here with the brand label, reduces the impact of exceedingly high Indian import duties which are a major setback for these brands competitiveness. Mercedes does local assembly in Pune while scouting for manufacturing tie ups Marketing Director Gaurav Bhatia, Moet Hennessy India has been quoted as saying " Moet Hennessy have invested in and created a brand like Chandon made in India, for India". (Narayanan, 2015) The Indian Chandon was priced at an affordable INR 1200.

- *BRIDGE TO LUXURY RANGE:*

Affordable luxury gucci, is what a large section of the Indian market is looking for. The first time buyer who starts at the 'bridge to luxury' brand is price sensitive and thrives on good deals. While Gucci. GenY respondents in a research paper on Conceptualizing luxury buying: the Indian perspective, quoted them as saying that they even saved their salary for six months to buy their very first pair of Timberland shoes. Brands that do offer the new young Indian buyer this possibility will score well in this growing market.

- *TARGETING YOUTH:*

The new luxury market, specially Gucci would do well on focusing their marketing strategies on Young India. As per a 2011 census, India had about 500 million Indians under the age of 25 who are driving purchases in the personal goods sector, including mobile phones, fashion and accessories. (INDIAN RETAIL-The next growth story, 2014). The young Indian today is aspirational, independent and has more access to money than ever before. The key marketing strategy to build up turnover today, would thus be to target this growing affluent customer base of middle class Millennials in India.

## **RECOMMENDATIONS**

We recommend that Gucci can try to reach up to larger market covering areas of tier 2 and tier 3 cities as well. Even after the demonetization the sales did not plummeted as expected. Being on the luxury radar Gucci can reach to more sales by increasing the outlets in India .

If Make in India Gucci joins to the same it can attract more customers as duty free without taxation can make situation win -win for Gucci.

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# ANNEXURE

Questionnaire used for the survey.

Q1. Name

\_\_\_\_\_

Q2. Occupation

- Business
- Student
- Professional
- Others Specify\_\_\_\_\_

Q3. Age

- 0-20
- 20-40
- 40-60

Q4. Gender

- Male
- Female

Q5. Which product of Gucci you prefer mostly to buy?

- Handbags
- Belts
- Shoes
- Trunks

Q6. How much you are willing to pay for Gucci?

- Less than 80,000
- 80,000-1.2 lakh
- More than 1.2 lakh

Q7. Income

- Less than 200,000
- 200,000-500,000
- 500,000-10,00,000
- More than 10,00,000

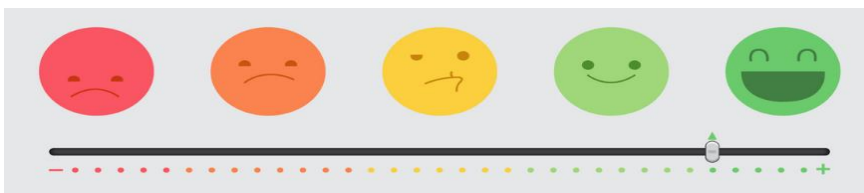
Q8. How often do you shop?

- Weekly
- Monthly
- Yearly
- Depending on the need

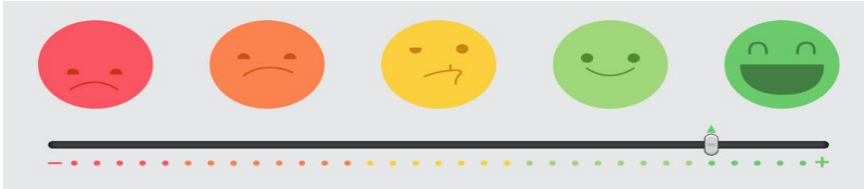
Q9. From where do I prefer Gucci products?

- India
- Abroad
- Online

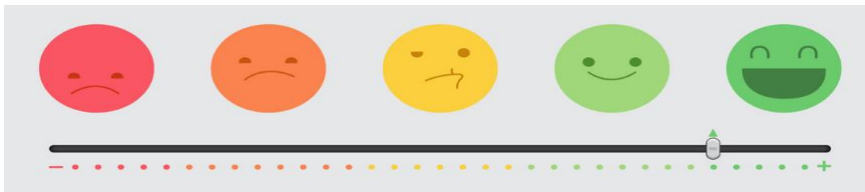
Q10. Gucci has best quality products among its competitors , Rate its quality?



Q11. Rate customer service of Gucci.



Q12. Rate luxury experience given by Gucci.



Q13. Who according to you is the biggest competitor of Gucci ?

- Prada
- Dior
- Louis Vuitton

Q14. How do you see Gucci market in coming times with reference to India?

- Emerging
- Stagnant
- Declining

