

Luxury Cars: A New Definition of Necessity in India

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India is a developing country but in last years due to economic crisis the country is facing various challenges. If we look at the report of Business Standard newspaper the misery index is shooting up, the misery index is achieved by adding the proportion of unemployment to the inflation rate and this indicates the economic well being of a country (Misery Index = Inflation + Unemployment). If we even compare the standing of India against BRIC countries, the India has highest number. The surprising fact is that inspite of such situation, recently it has been identified that the Indian markets has seen the increase in the demand of luxury items especially Luxury Cars. Another fact is that the demand of such cars is not only increased in Tier-I cities but has increased even in Tier-II & Tier- III cities. Now-a-days a local farmer of a city called Kolhapur is purchasing a Mercedes, a beedi factory owner from Raipur is buying a BMW, and young IT professional from Pune owns an Audi. Considering such shift in buying preference, the global luxury cars brands like: BMW, Mercedes, Aston Martin, Lamborghini, and others are now having their eye on Indian market where they see huge potential buyers and are planning to even establish their showrooms and manufacturing units in India.

Keywords : Luxury cars, increased demand, BMW, Mercedes, Government rules and regulations, population in India

1. Indian Car Market – Overview

India today is the most talked about country and luxury brand managers always has been discussed about how India is changing, not only in terms of economy but also the country's attitude, spirit and identity. Also to highlight that until presently, many international luxury brands were hesitant to enter this very market and has mentioned that they have adopted 'wait and see' approach. In recent times, opposite is the case, India is in spotlight. The demand of luxury goods has been increased tremendously and has realized that it cannot be a time to enter Indian market then the present scenario (Atwal, Jain, 2012)

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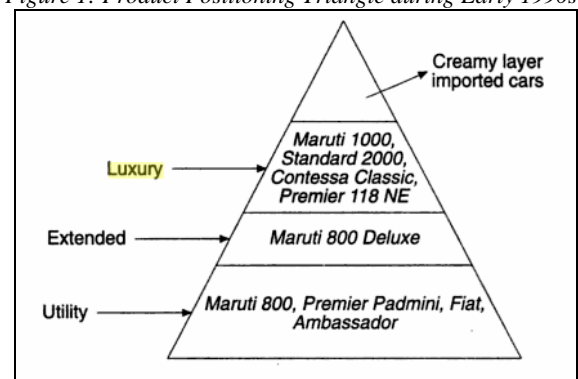
automobile company Hindustan Motors was established in 1942 and manufactured passenger cars, commercial vans, etc. In early sixties and seventies globally the automobile industry made tremendous progress, but the situation was opposite in India, the manufactures took no steps to upgrade the technology or to improve the quality of the same. The scale of operation has reached around 35,000 units per year and this figure continues for the next decade (Neelamegham, 2000)

The Indian car industry has witnessed drastic change in the consumer perception as well as in technology in early 1960s. During this period only rich people was the only segment of people who could afford it. Gradually, the change happened and owning a car became the necessity of upper middle class families it was a period of 1970s. This was also a phase when dealer network expanded.

In early 1980s, the concept of "one car for the family" has made a remarkably stand in the society and people has started demanding for more choices, style and other desirable attributes, as a result in mid 1980s Maruti 800 was launched in just INR.45,000/- .

In July 1991, with the coming of liberalization, the car market experienced the expansion and increased in the number of foreign players. The problem of high price was the major issue due to which many car finance schemes were launched.

Figure 1: Product Positioning Triangle during Early 1990s



Source: Majumdar.R, 2004, Product Management in India, PHI Learning Pvt. Ltd

In the recent years the Indian luxury market (apparel, watches, jewellery, spirits, and electronics) has grown by 23% since 2006, reaching a market size of \$2 billion. The luxury assets market-cars, homes and yachts have grown at 25%, and have a

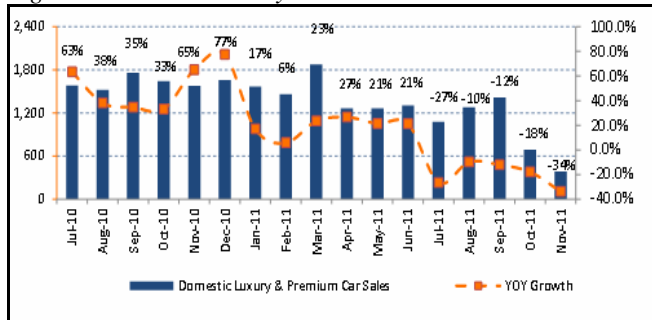
market size of \$2.8 billion. If we consider these figures on global platform them the Indian Luxury market stands to be 1% of the global luxury market, whereas the luxury products market in China accounts to be \$12-13 billion and Europe is 40% of the global market.

The growth in the luxury market in India is the result of 150,000-plus HNIs (high net worth individuals) with a net worth of \$600 billion-3.1 million households earning more than Rs.10 lakh in the top 10 cities (Mumbai, Delhi/NCR, Bangalore, Kolkata, Pune, Chandigarh, Hyderabad, Ludhiana, Chennai and Ahmadabad

If we look at the figures overall Indian Automobile Industry has shown marginal growth in FY 2012-13 compare to last FY 2011-12. According to Autobei Consulting Group (ACG) Production and Domestic sales ACG), has registered growth of 1.20% and 2.61%, however export is negative growth due to negative global environment and fluctuation.

The growth of sales of luxury cars has been accelerated since 2006 after brands like BMW & Audi entered. If we see the sales records the figures stood at 3,050 in 2006 and were estimated to be 26,000 units in 2011. According to an articles, despite the other premium brands marking their presence in India in last 2 years, BMW, Audi and Mercedes-Benz had continued to account for 85% of the premium car sales in India and BMW is leading the market for last three years.

Figure 2: Trend in Luxury and Premium Car Sales



Source: SIAM, ICRA'S estimates

Another important fact to be highlighted that as per Indian mentality that the luxury cars are usually preferred and purchased by Metro people wherein the infrastructure is much better than other cities but if we look into the indepth studies it states that the big brands like BMW, Audi & Mercedes has been experiencing that the demand of luxury cars is no longer restricted to metros now; Tier II & Tier III cities have experienced the similar demand pattern likewise in Metro city.

As per the research of Ernst & Young, last year the country witnessed the introduction of eight super luxury cars and to support the matter considering the words of Ashish Chordia dealer of Ferrari & Porsche in India he claimed that during June and December the company received 20 orders. Aston Martin is a British manufacturer of luxury sports cars and has

reported to sold 40 cars in the 18 months it has been officially present in the country.

This change in the buying pattern is a clear reflection of the changing lifestyle of the affluent class in the country. This luxury segment of India where the product range is above 25lakhs is growing at a pace of 20% or above during recent years.

Inspite of worst recession period when the world as a whole was facing steep downfall in demand then to the Indian luxury car segment grew at 23% to 6,671 vehicles according to the Society of Indian Automobile Manufacturers (SIAM). Luxury car segment accounts only for 3-4% of total car sales in India. This growth of luxury car sales is driven majorly by increased wealth-creation within average Indian population and the desire of individuals to join the millionaire-club by flaunting their wealth.

Table 1: Trend in Market Share in Luxury and Premium Car Segment

OEMs	FY10	FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	YTD FY12
Skoda	23.9%	22.2%	19.4%	21.2%	27.1%	15.3%	21.7%
BMW	14.3%	20.1%	25.4%	21.6%	22.9%	23.9%	23.7%
Volkswagen	5.7%	3.9%	1.3%	0.4%	15.3%	7.5%	11.9%
Audi	12.7%	17.4%	18.0%	21.4%	6.4%	14.8%	11.1%
Mercedes	14.6%	17.8%	19.3%	18.5%	17.5%	25.3%	18.0%
Honda	20.9%	13.5%	13.2%	12.9%	7.8%	9.3%	10.1%
Hyundai	3.3%	1.5%	1.2%	1.3%	1.5%	0.8%	1.0%
Toyota	3.0%	2.3%	1.2%	1.9%	1.0%	2.2%	1.6%
Nissan	1.6%	1.3%	1.1%	0.9%	0.4%	0.8%	0.9%

Source: SIAM, ICRA'S estimates

2. Statement of the Problem

In present scenario, the companies have completely changed their strategies and brand image as gone were the days when Indian buyers wanted to buy less expensive stuff moreover the people were not very brand conscious. But with the introduction of globalization and increase in the earning opportunity people have shown their strong inclination towards luxury cars whereas even till decade before the passenger cars were counted as luxury item. The scenario is completely opposite the cars are no more a luxury , a leap beyond in present the luxury cars are becoming necessity of every India. Therefore, it is very important to understand the change in the perception of prospective buyers and how the trend will look like in near future.

3. Literature Review

S.Ramesh Kumar studied and discussed about the consumer behavior towards the success of a brand. The consumer behavior involves the psychological process of decision making by an individual. This buying behavior involves various psychological factors such as: Perception, Motivation, Personality and Attitude. Apart from these factors, the buying

decision is also influenced by friends, family, peers, price, features and emotional appeal (Kumar, 2009)

The Indian passenger car industry was very still and had judged very few players in early 1980s. The first Indian automobile company Hindustan Motors was established in 1942 and manufactured passenger cars, commercial vans, etc. In early sixties and seventies globally the automobile industry made tremendous progress, but the situation was opposite in India, the manufactures took no steps to upgrade the technology or to improve the quality of the same. The scale of operation has reached around 35,000 units per year and this figure continues for the next decade (Neelamegham, 2000)

To minutely understand the shift in preference it is important to diagnose the consumer decision process which initiates when the customer identifies the consumption problem, which is important to solve. The difference between an ideal and actual state is actual Problem recognition. This is very crucial to understand because it motivates the customer to take action for example: Customers may want to drive Mercedes, Porsche or any other luxury car, which they want to own for their social status. All factors contributing to take a decision for the buyer are considered and evaluated.

4. Increase in demand of Luxury cars over the years:

The year 2013 has reported the highest sales of over 30,000 units of luxury cars in India. The luxury car makers have achieved the sales by launching varied models, expanding their network in Tier-II & Tier-III cities. Along with this they have offered various schemes and offers and have involved themselves in aggressive marketing activities.

The year 2013 has witnessed that German brands dominated the Indian market but many brands like: Jaguar Land Rover (JLR), Porsche, Rolls-Royce, Bentley and Aston Martin have also marked their presence on Indian roads.

Tomas Emberg, MD of Volvo Cars indicated that they have opened their showrooms in cities like: Ahmedabad, Gurgaon, Bangalore and Vizag and they are estimating that their sales will increase by roughly by 15 percent as compared to last and predicts that Volvo would be the one of the fastest growing luxury brands in India. The brand Audi has experience continuous increase in the demand since 2012 where they have recorded the sale 9003 units and have ended with the sale of 10,002 units in calendar year 2013.

Another big luxury brand Mercedes-Benz has made a strong comeback with its offensive strategy. The German luxury car brand is set to occupy the Number Two position with expected highest ever annual sales of about 9,000 units (it sold 7138 units in 2012). The company launched eight new products. Some of the best-selling products this year had been the newly-launched A-Class luxury compact and also the GL-Class luxury SUV. The new E-Class continues to be our best-

selling model this year and it is one of the most popular luxury sedans.

The year also saw new entrants such as JLR and Volvo Cars making their presence felt in the segment in the last year the company has sold close to 2,000 units in India. It has been reported that operations of Jaguar Land Rover in India have been tremendously successful through the years; the company is also planning for aggressive market penetration in India and hopes that it will receive positive response.

5. Understanding Indian Buyers

India, a country with a population of more than a billion, offers tremendous market opportunity. With the rise in the income level and the rise in the disposal income and relative increase in the propensity to consume, has lead to the entry of MNCs. The Indian Market is the most promising market in the world, so is the Indian consumer across all socioeconomic strata, regions and town classes. Rising incomes, multiple income households, exposure to international lifestyles and media, easier financial credit and an upbeat economy are enhancing aspirations and consumption (Weidmann, Hennings, 2012).

To understand the Indian market more closely, the research companies have divided the consumer –population in luxury markets into the following categories:

- a) Functional – This is those types of people who buy the luxury goods for their superior functionality and high quality. These people purchase the goods on the basis of logic rather than making an emotional decision.
- b) Rewarding – In this category, the main driving factors is the ‘status-symbol’. The decision to buy is mainly driven to showcase their wealth. The people of 35 years of age group fall into this category and are the main resource for increase in the sales of the luxury products.
- c) Indulgence – This category comprises of people who are youngest of all, mentioned above. These people are based in Delhi/NCR regions.

It is also important to understand that in India the luxury brands have to critically understand the mindset of the local people and should deliver their product value accordingly. Thus, to adopt the suitable strategy it is important for the companies to understand the consumer behaviour and buying criteria’s. Let us understand the other factor that influences the buying decision in Indian context is:

- i) **Audience Connection:** In India, Indian consumers are influenced by the famous celebrities and or sports stars. The audience sees their reflection in them. Thus, for any luxury brand to enter it is important that it has a famous and renowned Indian celebrity associated with them.
- ii) **Friends/Family/Neighbors Influence:** This is very important and influential factor for the sale of any product. In

India, a person gets influenced easily if they see the product available with their friend, family or with neighbors. Thus, the luxury brands are suggested to study the social interaction patterns of the consumers.

iii) Brand Image : Since, the people in India gets influenced easily therefore, it is important to understand that the people investing huge amount in buying a luxury car should have faith in the brand then only the significant sales targets can be achieved.

iv) Age Group: Age group has a significant role in the sales of luxury cars in India. According, to recent survey it was found that the luxury cars are bought by the people of age group of 35 years. Thus, the luxury brands have to introduce the features which are efficient enough to attract the attention of such audience.

v) Availability of Finance: This is most important factor while making a buying decision, many buyers would not like to make the whole payment in cash, and they seek some finance options. The companies should facilitate the buyer to opt easily for the loans and flexible down payment system.

vi) Availability of Spare parts and Service Centres: While, going for purchase, the brands are foreign brands , before going for buying decision the customer would like to know that where and how easily he would be able to get the spare parts and the regular services. The foreign brands who are willing to enter into the Indian market, they should understand that the luxury car’s spare parts and the services should be available at ease in all cities as Indian roads are overcrowded and at times are bad in shape. This is also very important criteria for the people before they invest in the cars.

vii) Men/Women driving preferences: Now, in India, the ration of literate women has increased, which has led to the change in the buying decision in the recent trends. For example: More males in India prefer to buy luxury SUVs, whereas a female prefers to buy more sedans , as they are more comfortable in driving as compared to SUV. This, now this has become challenging for the company to design the appropriate strategies.

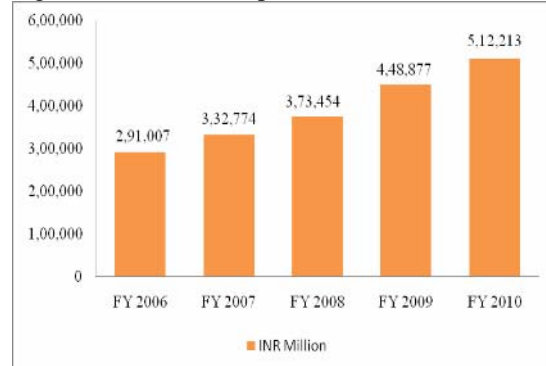
6. Factors influencing the demand

6.1 Increase in the disposal Income

The Indian economy has shown strong indication of growth inspite of a global economic meltdown. As per the report of International Monetary Fund, it has predicted that the Indian economy will continue to grow at the pace of 8% in next five years.

With the economic growth has led to the increase in the per capita income, which has held Indian Middle class citizen more disposal Income to spend on various sources.

Figure 3: Personal Disposable Income in India, FY2006-2010



Source: Reserve Bank of India

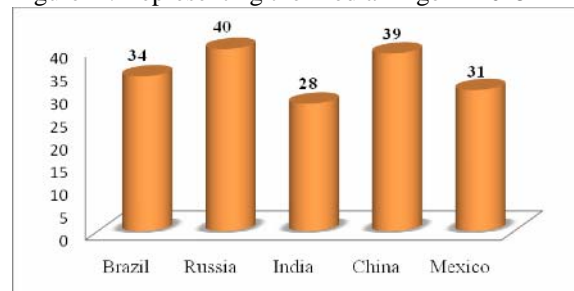
The automobile industry in India is the key component. The sector is growing at a pace of 18% CAGR and by 2016, the Indian automobile Industry is expected to be world’s seventh largest market and by 2030 it is expected to be world’s third-largest market.

The increase in the disposal income is considered to be the most important factor which has lead to this change in the buying decision. In India wherein the majority of the people are hesitant to spend huge amount in purchasing the luxury items rather they prefer to save. The reason behind the same is that in earlier days the income received by an individual was not fixed or certain. Another major reason for increased in the disposal income that presently both husband and wife have started earning , earlier female or wife’s were not allowed to work, Since, both partner earns that results in increase in the income and more surplus amount for purchasing the luxury items.

6.2 Percentage of Youth population in India

India is among the world’s youngest nations with a median age of 25 years as compared to 43 in Japan and 36 in the US. In 2025, more than 55 per cent of the population would be of working age. The number seems to be very attractive for the manufacturer of luxury goods.

Figure 4 : Representing the Median Age in 2025



Source: World Population Prospects, 2010, UN

The youth population in India is the trend setter and trend changer as a result of which automobile industry experts are concentrating their all strategies at this group and are designing luxury cars with sports looks so that more youth population can be attracted and the demand can be raised. As per the survey of IMRB, the Luxury car sales are growing at a rate of 15% per year. We can easily identify that the luxury car manufacturer has been targeting the youth generation, this is clearly evident from the type of models the company launches be it Mercedes or BMW or Ferrari. Second big reason for this change is that earlier were the days when the purchasing decision was taken by the parents but now the decisions are taken by the kids. Since, kids wants to have stuff which everyone should idolized as a result they prefer to buy luxury cars which everyone wants to own , as a result the demand of such expensive cars has increased not only in Tier- I cities but also in Tier-II & Tier-III cities.

6.3 Availability of Loan facility

Another reason for this trend change is that the ease in availability of loan from financial institutions. After liberalisation of Indian economy, growth of various foreign banks has revolutionised the industry. There was special focus on passenger and sports utility cars which contributed significantly to the GDP.

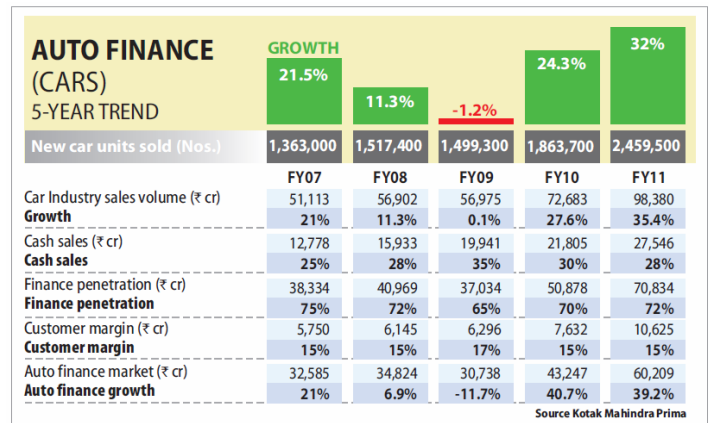
The automobile industry responded to the robust demand and had approached financial institutions to avail bank loan at competitive rates. With the availability of various easy loan options, owning a “dream car” was now a reality for even the middle class consumer. Indian banks and other financial institutions offered variety of loans such as:

- a) **Margin Money Scheme:** Under this scheme, the borrower has to pay margin money which is atleast 10% of the total amount and rest the amount has to be paid at equal monthly instalments, popularly known as EMI.
- b) **Advance Equated Monthly Instalment Scheme:** Under this scheme, the borrower can avail 100% finance. He has to pay upto five EMIs in advance and balance through post dated cheques.
- c) **Security Deposit Scheme:** This scheme facilitate the borrower to deposit the required amount known as security deposit against the loan amount and this amount is refunded at the end of the tenure . This is most widely used type of loan.
- d) **Hire Purchase Scheme:** This is an agreement wherein the car is let of rent under which the hirer has the option to purchase, pertaining to certain situations. This is the facility provided by non-banking financial institutions.
- e) **Lease Financing Purchase:** A lease is a hiring contact between the user and the owner. The

ownership lies with the owner only and the owner expects fixed amount of return on monthly basis.

The study has shown that the 75% of cars purchased in last decade is through loans. Thus, the number of sale of cars has shot up , but the question that whether it is right that the people pay of their majority of income in repaying the loan taken against the luxury cars. But, the trend will continue as the bank continues to offer lucrative offer to attract the customers.

Figure 5: Status of Auto finance in India



Source: <http://www.infosys.com/finacle/solutions/thoughtpapers/Documents/Indias-changing-automobile-finance.pdf>

6.4 Increase in number of dealerships across India

Be it the real-estate boom or the growing number of entrepreneurs, purchase of luxury cars remains the symbol of power, recognition, prestige and status and that is driving the numbers in the luxury car space in India.

Majority of the luxury cars makers are now planning to establish their showroom pan India. The reason being the same that India being home to over four per cent of the world’s \$ billionaires (according to the Forbes billionaire list) there are plenty who have the pocket to afford such cars.

Looking deeper into the fact, brands like: BMW, Mercedes, Audi and Jaguar have geared themselves to sale volumes in India. If we look into the scenario Mercedes Benz has the largest footprint with presence across 37 cities, while BMW and Audi have presence across 20 and 18 cities, respectively. Jaguar and Land Rover has 15 dealerships across 13 cities. These brands are focusing on cities like Raipur, Calicut, Dhanbad, Indore, Surat, Jalandhar too are the upcoming markets. Therefore, as a matter of fact the opening of dealers has resulted in increase in demand of luxury cars.

7. PORTERS 5 FORCES

7.1 Bargaining powers of buyers: The sector that we are dealing with is the luxury segment where the buyers are ready

to pay extra at the cost of buying a premium product. The buyers of the product are well informed and know in and out about the product before they decide the brand they want to go for. The customers no doubt have upper hand due to standardisation of industry and low switching cost among competitors, thus the buyers can negotiate the price. This is only possible in rare case; companies like BMW, Mercedes buyers are ready to pay premium price for the product. This actually lowers the bargaining power of buyers.

7.2 Bargaining powers of suppliers: The luxury brands still in India are on a verge of starting up their manufacturing units. Majorly, the luxury cars like Ferrari and others are imported and are sold. Since, the supplier's role is restricted to the time of importing; they would have been influential if the production of car body would have been in India. Keeping in view the supplier's contribution, they have some influence in determining product pricing, delivery, and distribution. If we take an example : Taizhou G&V Auto Parts Co.Ltd provide Power Steering Pump for BMW, Ningbo Fension International Trade Co.,Ltd. Forged Alloy Wheel for BMW, these are very small parts and are generally required not at first instance but at the time of service. Thus, the suppliers have moderate influential power.

7.3 Threat of substitutes: Since, it is a luxury segment that we are considering, wherein people are brand conscious and generally do not want to compromise or prefer to buy a substitute car. If we consider the probable substitutes forms of transportation which could be passenger cars or two-wheeler or bicycle, which does not compete with the likings of the people who prefer to buy a luxury cars. Therefore, this segment of luxury cars enjoys not threat from substitutes.

7.4 Rivalry among existing players: The competitive rivalry now is heating up in this industry. Earlier, was the time when buyers knew that there are only two brands that they can look forward to, if they want to buy namely: BMW and Mercedes. But the scenario has changed, now people prefer to spend on brands like: Lamborghini, Aston Martin, etc as they hardly have to pay more to acquire. Another factor being that the people now want variants in luxury cars like: sedan or sports cars, etc. This change in the taste has attracted many players to introduce competitive product in the market. Thus, the competition is moderate in this segment of industry.

7.5 Threat of new entrants: The threat of new entrants in luxury car industry is relatively low. In spite of the fact, that the margins are really high but there are numerous barriers for the new entrants. The main reason behind is that since

establishment requires huge capital investment. Since, the automobile industry requires lot of research and survey before entering the market which is not only costly but also requires experts engagement who can actually can calculate that threats and profit margins

Another, important entry barrier is the element of Brand Equity. The big luxury a brand like BMW, Mercedes, etc. has during the course of time has developed brand equity. This is the major reason why people are willing to pay premium price for the luxury cars. And for a new company it would be really challenging to create such brand equity.

8. Challenges Faced by the Industry

The Indian luxury automotive industry is exposed to several challenges the can restricts the further demand of the product. While economic slowdown is likely assumed to affect the demand of such products, but there are other factors that may affect the growth are discussed below.

8.1 Lack of development of proper Infrastructure: As discussed above that since early 1990s, the growing economy has demanded for the growth in public transport infrastructure but the setback is that the recorded growth has not matched with the expected growth. The case is same in the urban areas as well. The improper development of infrastructure in India has led to the slow growth of the sector. According to the World Economic Forum's Global Competitiveness Index placed India's infrastructure at 91st out of 139 nations which is a clear indicator about the present condition of Indian infrastructure. Another aspect of infrastructure is that of parking facility. Since, the luxury cars are too expensive, the buyer cannot afford to drive his car until and unless he knows that the car would be safe to drive on roads and there would be ample space to park it.

8.2 Increase in Fuel and Finance Costs: In order to control the negatives of inflation, the RBI has adopted tightened monetary policy and has increased the repo rates from 3.25% to 7.50%. As a result, the interest of passenger car increased to 250 basis points. The increase in the interest rates has adversely affected the sentiments of buyers. Another threat to the growth of this industry is the increase in the fuel prices .Since, 2010 the prices are increase about at unpleasant rates thus, the uncertainty in the increase in the petrol prices has speculated the demand of such cars.

8.3 Increase in number of cases of Labour Unrest: As a matter of fact that like any other car segment, this luxury division also involves labour class. In spite that the car is

imported but small parts are manufactured in India in order to facilitate the routine damages caused to the car. The effect of strike adversely affects the business of big brands. Considering the recent cases that of Maruti Suzuki, where due to strike the company has incurred the loss of near about 1,00,000 units of cars. Another example, the three month strike took place in the factory of General Motors in Gujarat again led to the heavy losses for the company.

Thus, in India with the increase in the number of strike cases, the big brands are paranoid that what if the same happens to their firm that is why these companies are hesitant to set up their manufacturing plants in India.

8.4 Government Regulations and Initiatives : In India, an individual has to pay heavy taxes even on buying a luxury car because of the fact that the individual has to pay double taxes which are levied separately by the Central Government and the state government. This is not only restricted to the residents in India but any foreign company who is aiming to establish its venture in India expensive has to pay heavy taxes, this is the major reason that why the luxury cars are most in India as compared to other countries of the world.

Table 2: Corporate Tax Rates

Corporate Tax Rates 2011-2012		
	Company with total income exceeding INR 10 million	Company with total income less than INR 10 million
Domestic Company	32.445% (30% basic rate plus surcharge of 5% plus education cess of 3%)	30.9% (30% direct tax plus education cess of 3%)
Foreign Company	42.024% (40% plus surcharge of 2.5% and education cess of 3%)	41.2% (40% plus and education cess of 3%)

Source: <http://www.indiacompanysetup.com/india-corporate-tax-rates/>

As per the current taxation policy of India, cars with a landing cost of over \$40,000 (around Rs 22 lakh) face 100 per cent customs levy, and those below that pay 60 per cent import duty. Excise duty on sports utility vehicles has been increased to 30%. As per the Finance Minister, Mr. P. Chidambaram, the reason behind the increase in the taxes on SUV is that SUVs occupy greater road and parking space and ought to bear a higher tax. I propose to increase the excise duty on SUVs from 27% to 30%. The Indian, taxation policy is very complicated and levies more taxes on foreign companies than developed

companies do. With the help of the following corporate tax policy, it clearly indicates the reason why the luxury car brands find it difficult to enter Indian market.

9. Future of the Luxury car Industry in India

If we look at the past year 2012, it was not much promising for the car makers in India, but the luxury car makers such as Mercedes, BMW, Audi, Land-Rover, Jaguar, etc. claims that their sales are still pleasant. In fact, the luxury brands are planning to make stronger their business operations in India. As per Frost & Sullivan study, the Indian luxury market is expected to touch 300,000 units a year in sales by the end of this decade. Whereas, the current market stands at a 52,000 units. The luxury car segment is expected to increase by a rate of 23.78% and the most growth area would be the SUVs.

Since, in the recent market trend it is observed that the growth in young entrepreneurs has significantly increased and they are more inclined to drive the luxury cars, therefore the demand of them are expected to rise in good numbers. It is also predicted that if we see the Indian economy trend and in the increase in the number of millionaires the demand will increase as the people will have more disposable income to buy such goods.

Super luxury automakers such as Porsche, Rolls Royce, Aston Martin, and Lamborghini are also marking their presence in India by adopting integration strategy wherein they are inaugurating new dealership stores and introducing & displaying the full variety of cars. Another independent study conducted by CLSA Asia-Pacific Markets states that the count of millionaires in India are estimated to double and may cross the figures of 403,000 by 2015. Which is a healthy indicator of increase in the demands of Luxury automakers such as Mercedes, BMW and Audi, who are shifting away from CBU operations to CKD assemblies to keep their products affordable. CKD operations are levied 10% import duty, whereas completely assembled units are charged 75% customs. Audi and Mercedes Benz in 2013 will assemble their whole luxury SUV range in their local plants.

As to add that it is expected that by 2017 would be a good year for luxury car aspirants as the customs duty on luxury cars imported from EU countries, Japan and South Korea can be reduced by up to 30 per cent if the proposed free trade agreements (FTAs) with these nations is passed and comes into existence. These agreements will definitely leads to tremendous decrease in the costs of expensive imported luxury cars and will give a relief to the importers of these cars and the buyers of those cars. Taking an example - A car that costs around Rs 80 lakh including the taxes would be available for Rs 55 lakh. This would be possible if this agreement is signed and will also leads to the more growth of luxury cars in India.

In the coming years, the Indian audience may experience the huge number of products from the German trio right from premium sport cars to luxury hatchbacks; this will lay down the path to begin the next stage of growth for their parent brands. The future of luxury cars in India seems to be

promising and further to add that Indian market is expected to be the fifth largest automobile Market in the world by 2015.

Conclusion

There is no doubt that in India the trends are changing; the people are now becoming more brand and quality conscious. The people are ready to pay premium price to buy a quality products. Gone were the days that the people use to buy on trust basis, with the introduction of internet and more press coverage now people take more informed decision and also facilitate the people to compare the models, the designs, the brands and other related features.

According to the survey conducted by McKinsey, the companies will continue to focus on HNI population irrespective the segment is growing at small pace. In spite the companies are planning to diversify their business in India as it is estimated that approx 20 million households have an per annum income of 2, 00,000 to 5, 00,000 Indian rupees which is a clear indicator that the disposal income has increased. The report also highlighted that the Ultra high net worth families in general own 3-4 cars and like to purchase new car in every 3 years which is a very positive indicator that the demand of luxury cars will definitely increase .

India is a country which has varied cultures, beliefs, customs and beliefs. In such a complicated market, it becomes difficult for any foreign brand to enter and mark their presence and creates a perception within the local audience. When we talk about the luxury cars, the big brands that come to our minds at first instance are: BMW, Audi, Land Rover, Jaguar and Mercedes-Benz. It is learnt that for any brand to design the strategies, it is important to firstly, understand the buying decision of the people and also the demographic factors are to be taken into consideration. Every country has their specific trends which are followed and then the citizens decide on which products to be purchased. If we look into the deeper picture, there are various factors that determines the consumer behaviour and these factors can get influenced by: the political policies which means the taxes and other restrictions levied by the local government, apart from this the other factors could be the brand awareness, the availability of the substitutes and another important factor that has recently got importance is the Age group and the male, female preferences.

The luxury cars in India have recently got importance in the country. These cars are basically purchased by a person who belongs to rich category and are millionaires. In past few years, there is huge increase in the number of millionaires in India and the purchasing capacity of the people has also increased. Thus, the luxury car company have taken advantage of this fact and has integrated in the Indian market and has launched cars for the millionaires. The biggest challenge that is faced by the companies are to satisfy their customers even after their product is sold , because in India the sales are affected by the word of mouth and that too the sales are influenced by what the aspirants neighbors or family member has bought as it is in accordance with their status symbol.

The big players in the market namely – BMW, Audi, Mercedes-Benz, are expected to gain in the coming decade as the government is trying sign a MOU with the targeted countries which will result in the reduction in the prices of the luxury cars, this opportunity is well awaited by these brands as more number of people would fall into the category who can purchase the luxury cars. The Indian market is the most targeted and many of these brands have even started the manufacturing in the country.

Thus, in spite of the recession in the country, still the sale of such luxury cars are recorded good and therefore, late in this year the companies would be introducing the various other higher luxury models in the country. This proves that in spite of any environmental or political factors the luxury cars has made a significant presence in the India and will continue to attract the targeted audience in the coming future as well.

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Ms.Puja Ahuja has over 5 years of experience in Teaching, Soft Skill Training and in building Corporate Relations. Presently she is associated with Indus Business Academy, Greater Noida as Assistant Professor since 2011. Ms. Ahuja holds M. Phil degree in Marketing and holds Post Graduate Diploma in Management with specialization in Marketing & HR. She has rich experience in imparting training to management students, which has helped students not only to improve their communication abilities but also has assisted in building general Etiquettes which are the pre-requisite of corporate world now-a-days. Alongside she also takes care of Placements and focuses on tapping corporate houses to hire the Management graduates at competitive packages. From the very early age she had her interest in research and aims to contribute in academics by leveraging her strong analytical skills and counseling techniques.