Luxury Market In India: In Search Of Sunshine

Neha Bothra
Research Scholar
Department of Financial Studies
University of Delhi

Abstract
Purpose
India has a long tradition of luxury consumption dating back to the early 1900s with the maharajas who had a penchant for Rolls Royces and suitcases from Louis Vuitton apart from bespoke neck pieces from Cartier. After years of slowing economic growth and elevated inflation, we are now seeing early signs of a reversal in the stagflation-type environment. India’s luxury market is projected to grow by three-fold to reach US$ 14.72 billion by 2015, according to CII-AT Kearney’s India Luxury Review 2011 report. India would have more than double the number of HNIs to 403,000 by 2015 from 153,000 in 2010. The paper analyses the contemporary Luxury Retail Scenario in India, and explains how the Luxury Retail Market is yet to achieve its boom. This conceptual paper brings forth the relevance of the Indian government policies on luxury retail market. The paper also provides the behavioural account of changing facets of purchasing power.

Methodology
The purpose of this research is ‘to measure’ and it is primarily descriptive research but has some aspects of exploratory research as well and will use both primary and secondary data analysis. This study will rely primarily on deductive reasoning, since it is based on existing theories. The research methodology includes Bulletins of RBI, publications, past researches, articles, journals, reports from FICCI, ASSOCHAM, CII-AT Kearney's Global Retail Development Index (GRDI) 2011, Ministry of Finance, Government of India, Capgemini and RBC Wealth Management’s World Wealth Report 2012 etc.

Findings
In India, we believe there are three ways that luxury brands could choose to take: Grow cautiously by getting the basics right, experiment selectively to adopt a differentiated position in the market or gain first mover advantage in high potential sectors by bold ‘market making’ moves. The SME segment of consumers will fetch rich returns. Domestic production of luxury goods needs to be attempted. A few market making movements by leaders in this space will help exponentially increase growth. We can only explain the latent demand of the luxury as “the sky is the limit.”

Research Limitations/Implications: To research on luxury market in India, the main concerns are: Data is very scattered, limited and not much accessible by research scholar.

Practical Implications
The results of this study would help to create deep understanding about Indian luxury market. In the era when the majority of economies across the globe are facing financial crisis, multitude of the once successful industries are troubled by recession, there exists an industry which has experienced no sluggishness in sales due to the economic slowdown. This industry is the luxury retail sector.
Keywords: India, HNI (high net-worth individual), Luxury brands, Retail sector, Liberalization.

Paper Type: Conceptual Research paper.

“Luxury must remain invisible, but it must be felt. Luxury is simple; it is the opposite of complication. Luxury is a necessity that begins where necessity ends. Some people think luxury is the opposite of poverty. It is not. It is the opposite of vulgarity. Luxury is the opposite of status. It is the ability to make a living by being oneself. It is the freedom to refuse to live by habit. Luxury is liberty. Luxury is elegance,”


We confuse luxury with fashion. The two are not the same. Luxury is ethereal; fashion is a following and what we hope will bestow elegance on us. Fashion is ephemeral; luxury is corporeal.

Chaitainya Kalbag, Editor, Business Today

Luxury market to reach $15 bn by 2015 in India, marketers try new ways to woo buyers in non-metros.

(ET, March 21, 2013)

Louis Vuitton once made luggage for Indian royalty. Today, it is reaching out to millions of stylish upwardly mobile Indians. Indians rediscovering luxury on their own terms.

(Business Today, September 2013)

Introduction: Sky Is The Limit

Indian luxury market is a potential gold mine for international luxury brands. However, with every opportunity comes the accompanying challenges and India is no different. With thorough market research, prudent marketing strategies and the right local partner, global luxury players can unearth the sea of opportunities that India represents. Liberalization of the Indian economy has yielded appreciable economic growth rate and extensive success. It allowed people to enlarge their horizons and altered the mindsets. Besides, the industrial and IT revolution has also given birth to a completely a new set of rich, quality-conscious, global
Indian consumers. This progressively opening economy has launched a new business opportunity promoting entrepreneurship that lets the emergence of exceedingly successful first generation businessmen. Luxury became all about displaying the individuals’ hard earned currency and people turned exceptionally brand aware and brand conscious. India has been no stranger to branded luxury. The shopping lists of Indian royalty are still remembered long after princely titles have been reduced to mere courtesy. In 1926, for instance, the Maharaja of Patiala gave iconic jewellery house Cartier its largest commission to date the remodelling of his crown jewels, which included the 234.69 carat, De Beer’s diamond. The result was the Patiala necklace weighing 962.25 carats with 2,930 diamonds. In 1928, the Maharaja of Jammu & Kashmir placed 30 orders in six months for trunks from luggage-maker Louis Vuitton, including one for a shoe maintenance kit. In the 1930s, 20% of Rolls Royce’s global sales were from India. The brand re-entered India almost after 50 years in 2005. These might be stray indulgences, but they highlight the extreme contrast that followed. For close to 66 years after Independence from the British, anything remotely opulent was frowned upon as India flirted with socialism. But in the past decade, the onset of liberalization and capitalism has enabled India’s new maharajas, industrialists, entrepreneurs, professionals and the rural rich to blatantly covet all things luxurious.

Irrespective of the global economic slowdown, the luxury market in India is pegged to grow at 25% on a year-on-year basis between 2013 and 2015. And it may be worth $14.72 billion from the current level of $8 billion, reveals the ASSOCHAM-Yes Bank study. Indian luxury brands are not a fairy tale any more. The luxury market has grown at 23% since 2006. The luxury products market (apparel, watches, jewellery, spirits, and electronics) has grown at 30%, 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. In the last year, 50 luxury outlets (product stores and car showrooms) have been added to the 200 that existed, a 25% growth in footprint. The market, at 1% of the global luxury market, is still small; the luxury products market in China is $12-13 billion and Europe is 40% of the global market (Hundekari, 2012). Bain & Co. estimates India’s current luxury market at close to $6 billion and growing at 15-20% a year in a survey. However, it points out that the country is way behind China’s luxury market, which boasts of 745,000 high-net worth individuals (HNIs) compared with India’s 120,000. While China retails luxury labels through 1,100 outlets, India has 60 stores. Luxury has gone beyond Delhi, Mumbai and Bangalore to Chennai, Hyderabad and Pune, which collectively now have over 30 stores in apparel, accessories, watches and personal care. Similarly North Mumbai and Gurgaon are two new distinct catchments that have emerged.

### What’s Hot

**Number of ultra high net worth households**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012/13</th>
<th>2017/18*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100,900</td>
<td>329,000</td>
</tr>
</tbody>
</table>

**Total net worth of high net worth households**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012/13</th>
<th>2017/18*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>₹86 lakh cr</td>
<td>₹380 lakh cr</td>
</tr>
</tbody>
</table>

*Projected Source: Kotak Wealth Management & CRISIL Research
Ultra high net worth households: those with a minimum average net worth of ₹25 crore acquired over 10 years
Literature On Luxury Market And Conceptual Framework

Glyn Atwal, Soumya Jain (2012) in their book “The Luxury Market in India: Maharajas to Masses” provides strategies to guide brands entering this high-potential market and capture the luxury rupee. This volume is a collective guide based on intelligence from consumer research, expert interviews, face-to-face conversations, and most importantly, experience. It covers all aspects of the luxury journey in India, starting with its history of luxury, understanding consumption patterns and codes of consumption, analysing strategies to enter the Indian market, communicating the philosophy of luxury brands, and finally understanding India’s own luxury. It sets out to uncover strategies that will help avoid market failure and leverage opportunities to win in India. Michel Chevalier, Michel Gutsatz (2012) in their book “Luxury Retail Management: How the World's Top Brands Provide Quality Product and Service Support” explains that Luxury Retail Management is our gold-plated ticket to the glamorous world of luxury retail. Jonas Hoffmann, Ivan Coste-Maniere (2011) in a book titled “Luxury Strategy in Action” discusses the meaning of luxury and the sorts of customers that buy luxury have continually been evolving, but never as dramatically as in the past 20 years. This book provides an insight into luxury management through a strategic approach, analyzing the impact of online social networks and the role of emerging markets. Prof. Jean-Noel Kapferer, takes an experiential approach and defines luxury as items which provide extra pleasure by flattering all sense at ones. Several other researchers focus on exclusivity dimension and argue that luxury evokes a sense of belonging to a certain elite group (Shukla, 2010). Jean-Noel Kapferer, Vincent Bastien (2009) in the book “The luxury strategy: break the rules of marketing to build luxury brands” highlights that luxury is in fashion. The Luxury Strategy unveils how in any market, including B to B, a company can learn from luxury strategies to differentiate itself profitably. Robin Lent, Genevieve Tour (2009) in the book “Selling Luxury: Connect with Affluent Customers, Create Unique Experiences through Impeccable Service, and Close the Sale” praised for Selling Luxury. Their book gives fundamentals in selling and building customer loyalty. Selling Luxury is filled with ways of exceeding each client's expectations through offering a service that surprises and delights. Michael Boroian, Alix de Poix (2009) in their book “India by Design: The Pursuit of Luxury and Fashion” intend to say that a rational view of the growing Global Luxury and Fashion Brands market in India. This book unveils culturally complex and dynamic market via a series of interviews with global Luxury and Fashion Experts. Michel Chevalier, Gerald Mazzalovo (2008) in their book “Luxury Brand Management: A World of Privilege” elaborates a fascinating and comprehensive examination of the different dimensions of luxury management in various sectors. This is a powerful book for marketers, advertisers and brand managers in understanding the workings of the luxury market- how it is designed, defined and divined. Uche Okonkwo (2007) has authored the book “Luxury Fashion Branding: Trends, Tactics, Techniques” and analysed that “Luxury is a necessity that begins where necessity ends.” Luxury fashion has seeped into every sphere of our consumer society. It has become the norm to aspire towards attaining the appetizing goods of brands. Pamela Danziger (2005) in his book “Let Them Eat Cake: Marketing Luxury to the Masses - As well as the Classes”, the author explores that the luxury market is changing radically from the conspicuous-consumption consumers of the 1990s. Danziger outlines the purchase behaviour and preferences in the nine categories of home luxury products (e.g., furniture, art, antiques), four personal luxuries (e.g., automobiles, fashion), and six experiential luxuries (e.g., luxury travel, spa/beauty treatments). As businesses compete in an increasingly crowded marketplace, Danziger also describes the six key consumer trends in luxury marketing and strategies that marketers can implement to build their luxury brands.
One of the most fundamental issues in the study of luxury is the concept’s relationship to necessity. “Luxury is any expenditure that goes beyond the necessary”, as Werner Sombart begins his essay on the concept and nature of luxury (Sombart, 1992). While the notion that luxury is essentially surplus is a common one, it has been contested in scholarly debates. Two centuries before Sombart, Mandeville had tackled the definition of luxury against necessity in “The Fable of The Bees”, his controversial defence of luxury against prevailing moral views of the age. He proposed that in a strict sense, luxury is “everything […] that is not immediately necessary to make Man subsist” (Mandeville, 1732). While Mandeville can be accused of deliberately complicating or even confuse the concept of luxury in challenging what he saw as prejudiced views, his arguments can be said to foreshadow contemporary critique naturalistic or essentialist notions of need and utility (Appadurai, 1986). He lists five characteristics of luxury (Appadurai, 1986), (1) Restriction to elites by law or price (2) Complexity of acquisition – which may or may not reflect real “scarcity” (3) Semiotic virtuosity (4) Codes for “appropriate” consumption demanding specialized knowledge (5) High degree of linkage of their consumption to body, person and personality. Such a position assumes human needs, at least primary needs, to be fundamental instincts or reflexes and hence ahistorical and acultural (Mortelmans, 2005). Under the circumstances, it would not be wrong to say that the luxury market is at the threshold of a boom in India.

**Research Design**

The near study is of analytical, conceptual nature and makes use of secondary data. The key objective of this research is to attempt and assess the Indian Luxury retail market. There are diverse methods to accomplish research, relying on the purpose or research problem. Zikmund (1999) presented three basic types of research, namely: “exploratory, descriptive and causal”. Descriptive research aims at describing characteristics of a phenomenon and attempts at answering questions like “who, what, when, where and how” or market conditions, customer opinions etc. The purpose of this research is 'to measure' and it is primarily descriptive research but has some aspects of exploratory research as well and will the use data analysis. This study will rely primarily on deductive reasoning, since it is based on existing theories. The research methodology adopted in this project would be dominantly of secondary research. The pertinent data is collected from various sources: Bulletins of Reserve Bank of India, publications from Ministry of Commerce(Govt. of India), Global Retail Development Index (GRDI) 2012(AT Kearney), India Boarding 2013(TCS Report), India Luxury Review 2011(CII-AT Kearney Report), Indian Retail Market Report 2013(Deloitte Report), World Development Indicators Database 2012, World Wealth Report 2013(Capgemini and RBC Wealth Management), newspapers (Financial Express, The Business Line, The Economic Times etc) has also been included. The data collected from sources is evaluated to find out the inferences for further suggestions and recommendations.

**Justification And Relevance Of The Paper**

Amid slowdown if an emerging economy is planning and permitting the players to bring numerous brands, it might be competitive enough for them to sustain. What about the brands, rather luxury brands who are stepping in India? Are they going to make it or break it? India – the land of kings and kingdoms will have a $14.72 Billion market by 2015 as far as luxury
brands are concerned.

“Increasingly we are all living in an era, where people want their voice to be heard and brands are creating campaigns around this reality,” shares Vidur Vyas, marketing director - foods, PepsiCo India. India has an immense potential to saturate the demand of the ballooning HNIs. Denizens are not just famished for demonstrating their credentials and flaunt their success but they also want to prove what they deserve. Actually what you buy explains how much you value yourself. This is the general attitude of the contemporary money making generation towards the concept of luxury. Brands have so much to add with every subsequent innovation to serve this piece of land. Undoubtedly, Kashmir to Kanyakumari every town carries distinguished tastes and preferences to meet their comfort zone of luxury.

When the Euro zone and US are reluctant to spend, companies are on their toes and quite hopeful for this economy. The conspicuous players are in line to match the current sales of the developing economies to that of the once prosperous nations. These big houses are trying to limelight the substantial potential in emerging market of India with a special reference to tier-II and tier-III cities. The rapid urbanization has created an eye-catching market for luxury Products. To hit this huge potential several Multi-National brands are entering the market since the domestic players cannot meet the entire demand. Consumers are looking at newer ways to be efficiently served up and squeeze more efficiency from the current products. This research is very helpful to understand luxury market after the contemporary economic reforms. The relevance of this research is to link up luxe market to the urbanization, liberalization and their impact on Indian Economy.

**Research Objective**

- The study covers the following objectives:
  - To study the factors liable for increase in luxury brand purchase in India.
  - To bring forth the relevance of the Indian government policies on luxury retail market.
  - To determine the potential risk factors in the luxury retail market.
  - To discuss the sectors that hold the highest potential for the Indian luxury sector.
  - To find the cities in which luxury players are opening new stores.

**Indian Government Policies On Luxury: Regulations And Liberalization**

India has unlocked its market since the beginning of the last decade (especially from July 1991) lowering tariff and non-tariff barriers (NTBs), and liberalizing investment Policy. However, by any standard India is far less open than counterpart developing economies. Furthermore, its factor market including infrastructure sector is less efficient compared with many East and South East Asian countries with whom India competes in international market (Srinivasan, 1998). Being conscious of the large market, growing consumerism and brand-consciousness and to provide a greater incentive to high economic growth, in 1997, the Indian retail sector witnessed the first footprints of FDI with 100% FDI being permitted in cash & carry wholesale trading under the government approval route, subsequently brought under the automatic route in 2006. As a step ahead, FDI in single brand retail was permitted to the extent of 51% in 2006, while FDI in multi-brand retail remained prohibited till
recently. Despite changes in consumer behaviour and retail modernization, India is one of the few countries where FDI was prohibited in multi-brand retail (until 2011), primarily to protect the conventional retailers. This policy restricts global low-cost multi-brand retailers such as Wal-Mart, Carrefour and Tesco from catering directly to Indian consumers. Within the country, there has been significant debate on whether FDI should be allowed in multi-brand retail. The Economic Survey of 2010-11 mentioned that a segment opening of FDI in multi-brand retail is likely to do good to the consumers, but did not state the exact benefits. In July 2011, a Committee of Secretaries (CoS) had cleared the proposal to allow up to 51% FDI in multi-brand retail, which has been approved by the Union Cabinet in November 2011, although with a few riders to set up the supply chain and reduce inflation. The Union Cabinet has also approved increasing the FDI limit in single brand retail to 100% with government approval. While no parliamentary approval is needed for the decision, State Governments have the right to disallow the same in their respective states.

As a part of the economic liberalization process set in place by the Industrial Policy of 1991, the government of India opened up the retail sector to FDI through a series of steps:

- 1995 – World Trade Organization’s (WTO) General Agreement on Trade in Services (GATS) which included both wholesale and retail trade in services came into effect.
- 1997 – FDI in cash and carry (wholesale) allowed up to 100% under the government approval route.
- 2006 - FDI in single brand retail was permitted to the extent of 51%; FDI in cash and carry brought under automatic route.

With the recent changes in FDI in retail, the current regulation is summarized as per below:

**Single Brand Retail**

- 100% FDI with 30% local sourcing requirement (average over five year, at cost).
- 51% FDI with no sourcing requirements.

As far as Multi-Brand retail are concerned

- 51% FDI permitted, in cities with population >1Mn.
- 30% sourcing from MSME mandatory.
- Dependent on approval by individual states: 18-20cities with>1Mn population expected to allow FDI.

**Cash & Carry**

- 100% FDI permitted (FICCI and Booz &co. report, November 17, 2012)

India is set to increase import duties on a number of luxury items, including automobiles, televisions, high-end mobile phones, tablets, laptops and exotic foods. As part of a series of strategic tax and FDI initiatives currently being implemented by Finance Minister Chidambaram, the increases are specifically targeted at imported consumer goods that add no
manufacturing or FDI value to the country. India’s auto market has been suffering the past eight months with sales falling. However, it is the world’s sixth largest auto market and is expected to be the third largest by 2020. Luxury tax increases will mean a 100% surcharge on imported autos. A growing band of nouveau riche with an urge to splurge on luxury lifestyle is forcing retailers to redefine luxury marketing in the country by getting staff to converse in local dialect and adopt homely etiquettes. This new class of luxury consumers is not necessarily aware of the trends emerging out of the fashion houses in Paris and Milan and, often, picks up the costliest item off the shelf partly because they cannot tell between labels. They find the opulence of shops in five-star hotels and English speaking salespersons intimidating. Although the Indian Government's recent FDI policy for single brand retail is a step forward to develop the luxury sector, additionally fine modifications considering welfare of every stakeholder on fingers, is desired to facilitate the fluent entry of foreign luxury tags in India. The entire luxury market in India can be generally divided into the following sectors:


2. Services: Spas, Concierge service, Travel & Tourism (Resorts), Fine Dining (hotels and restaurants).


“In the long run, there is a lot to be gained, even though the current circumstances are not favourable. Import taxes are as high as 30-40% in India. At state levels, taxes are almost prohibitive.” – HE Mr Joao Cravinho, Ambassador and Head Delegation of EU.
Top Quality Comes At A Price: Business Of Brands

Regardless of the financial crunch across the globe, size of the High Income earner clients prolong to broaden and spend over 40% of the monthly earning on the world’s largest selected luxury brand names. In Indian context, Delhi is at the apex in spending the most on luxury brands followed by Mumbai (2nd), Ahmedabad (3rd) Chandigarh (4th), Kolkata (5th), Bangalore (6th), Chennai (7th) and Dehradun (8th) revealed by the recent ASSOCHAM survey. India's luxury market is expected to reach $14.72 billion by 2015 from an estimated $8.21 billion this year, with about 30% of the customers coming from smaller cities, according to a recent report by ASSOCHAM and Yes Bank. In a survey by ASSOCHAM and Yes Bank, about 65% respondents approved to say that tier-II cities in India are all set to be the new consumption hubs for luxury and numerous agreed that ‘ladder to luxury’ is the ultimate marketing strategy to penetrate in these towns followed by the e-retail route.

Luxury is, of course, not new to India, whose royalty has long been partial to custom suitcases by Louis Vuitton and custom jewellery by Cartier. In 1926, the Maharaja of Patiala gave Cartier an order to remodel his crown jewels - including a 234.69-carat De Beers diamond - into a necklace that weighed 962.25 carats with 2,930 diamonds. In the 1930s, India accounted for a fifth of Rolls-Royce's sales worldwide. But luxury in India is no longer the preserve of old money - it is being redefined by those whose wealth has grown in the age of liberalization. As an industry, luxury is only about a decade old in India. Luxe brands have approached the country with caution and optimism. India's demographic diversity, rich heritage and complex politics, make it a paradox. Meanwhile, the market continues to evolve. Until 2010, it was mainly inheritors of wealth who drove it, but this decade will see a shift to
new money, says a March 2013 Bain & Co report titled Small Ain't Beautiful. “There has been a change in the consumption basket,” says Bain partner Joydeep Bhattacharya (Punj and Kaushik, 2013).

Louis Vuitton, since 1854 established its first Indian store at New Delhi's Oberoi hotel in 2003; today, it has five stores in the country. In many ways, it was a trendsetter in the luxury sector in India. Soon after its entry, several big names such as Giorgio Armani, Gucci and Salvatore Ferragamo also set up shop in the country. LV India's product line - accessories, jewellery and travel-related goods - starts at about Rs 25,000 and can go into lakhs of rupees, but it still remains one of the top luxury labels in the country. It sells most of its international lines in India with the exception of ready-to-wear clothing, and women's handbags are the clear leader. Nevertheless, Louis Vuitton India is looking to open more stores, especially in Kolkata and Hyderabad (Kaushik, 2013).

In a recent interview with Business Standard, Brotin Banerjee, MD and chief executive, Tata Housing, said the luxury segment would grow as people aspired for better homes and a better quality of life. “The demand for luxury housing in India is growing due to the changing lifestyle and aspirations among young India. With rapid urbanisation and influx of global lifestyle trends, more and more affluent home buyers are looking for homes to reflect the financial and social standing,” Banerjee had said.

The Indian Government has received around 63 applications yet for opening single brand retail operations since it has permitted 100% FDI in single brand retail. Even the Swiss luxury retailer Richemont is planning for India Stores (Sikarwar, 2013).

Italian super luxury car-maker Automobile Lamborghini today rolled out an exclusive limited edition of GallardoLP550-2 for sports car enthusiasts in the country. The super sports car is priced at Rs 3.06 crore (ex-showroom Maharashtra). Lamborghini has launched only six cars, designed and manufactured exclusively for India's most discerning super sports car enthusiasts, Lamborghini India Operations Head Pavan Shetty told. Besides, the super-car is also adorned with the tri-colour stripes that run through the entire length of the car, from its front bonnet to the roof and the engine bonnet (TOI, 2013).

Sahara Group, the embattled Lucknow-based conglomerate, plans to launch an Indian luxury chain to sell 'Made in India' luxury goods in international markets such as the US and the UK. “The focus is to create the first Indian premium luxury brand, which will expose the global consumer to India as never seen before,” said Chandni Roy, who is spearheading the initiative to open luxury lifestyle stores across the globe (Rathore, 2013).

Vanita Bhatia, left her cushy bank job which was to deal with rich clients and created an on-ground fashion and lifestyle exhibition event called 'Divalicious', which provides a platform for boutiques, established designers and even fresh talent to connect with wealthy individuals. “The banking career helped me get a wider understanding of business and gave me knowledge of and access to the rich set,” says Dubai based Bhatia, who is tapping into India's growing number of affluent people. “Despite the recession, India's appetite for luxury products is only growing.” Bhatia is not the only one who has laughed all the way away from the bank. More than half-a-dozen luxury entrepreneurs in the country now are former bankers. Experts say their wide contacts and inside-out knowledge of lifestyles, preferences and tastes of the urban rich make bankers a perfect fit for luxury business. “Luxury marketing is direct. So knowing people personally helps not only in finding the right consumers for a certain product or service, but also to look for investors,” says Piyush Sinha, professor of
marketing at IIM-Ahmedabad (Rathore, 2013).

**Love For Luxury Through Charts And Data**

Very lucidly, this market is a growing star in the near future. But it would be half-done to conclude it without the diagrammatic representation. So, in order to sustain the statements made we need to discuss following graphs and charts. The graphic representations overtly explain how the total luxe market in India is escalating. India is not a matured market for Luxury Retail Market, so the luxury penetration is not very high. Although, the estimates predicted by the A.T. Kearney are optimistic. If calculations are to be believed, the demand for luxury goods is catalytic in nature with the rising GDP. As the consumers are turning brand conscious and High Net worth Individuals, the latent demand will be converted as a result. Since it gives people a sense of accomplishment, they are accepting and adopting the luxury much faster than what has always been estimated.

**Graph-4**
Luxury Market In India: In Search of Sunshine
India has a long tradition of luxury consumption dating back to the early 1900s with the maharajas who had a penchant for Rolls Royces and suitcases from Louis Vuitton apart from bespoke neck pieces from Cartier. The market has changed dramatically since then. Bain and Co. estimates India's current luxury market at close to $6 billion and growing at 15-20% a year in a survey. However, it points out that the country is way behind China's luxury market, which boasts of 745,000 high net worth individuals (HNIs) compared with India's 120,000. While China retails luxury labels through 1,100 outlets, India has 60 stores, the survey says.

**Greater China is today the world’s second largest market**

<table>
<thead>
<tr>
<th>Country</th>
<th>Personal luxury goods (2012) (Est.)</th>
<th>(\text{($} \text{bn)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>75</td>
<td>3,053,000</td>
</tr>
<tr>
<td>Japan</td>
<td>25</td>
<td>760,000</td>
</tr>
<tr>
<td>China</td>
<td>20</td>
<td>745,000</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>10</td>
<td>50,000</td>
</tr>
<tr>
<td>Brazil</td>
<td>4</td>
<td>125,000</td>
</tr>
<tr>
<td>India</td>
<td>1.5</td>
<td>120,000</td>
</tr>
</tbody>
</table>

**Number of high networth individuals (HNIs) expected to increase and drive growth of the luxury market**

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of HNIs (‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>820</td>
</tr>
<tr>
<td>India</td>
<td>200</td>
</tr>
<tr>
<td>Brazil</td>
<td>400</td>
</tr>
</tbody>
</table>

**In terms of personal luxury goods sub-segments, different markets have very different views**

- **Global 2012**: Fragrances and cosmetics (40%), Apparel (30%), Accessories (20%), Hard luxury (10%)
- **China 2011**: Fragrances and cosmetics (30%), Apparel (35%), Accessories (25%), Hard luxury (10%)
- **Brazil 2011**: Fragrances and cosmetics (20%), Apparel (40%), Accessories (30%), Hard luxury (10%)
- **India 2012**: Fragrances and cosmetics (20%), Apparel (50%), Accessories (25%), Hard luxury (5%)

*Note: Data for China and Brazil for 2012 was not available; Watches and jewellery dominated by domestic firms.*
Luxury Market In India: In Search of Sunshine

Third year in a row of double-digit growth for the personal luxury goods market: over the 200€B threshold!

WORLDWIDE PERSONAL LUXURY GOODS MARKET TREND (1995-2012E, CB)

Per capita spend (USD) on personal care across countries
Graph-10

Decision making criteria for personal care purchases

Chart-3
Findings, Limitations, Implications: Future Of Luxury

Any survey of luxury today would be incomplete without attention to huge role Asian demand has for the luxury industry Indian luxury consumption figures and patterns seem to defy standard ways of thinking about luxury. While the entire industry is worried about how to recover in the recent times, the high end luxury segment is not really bothered and showing steady growth. Retailers across the nation are struggling to clear inventories with discounts and promotions, luxury retailer are not worried, with consumers selecting their preferred choice of merchandise. According to the recent CII-AT Kearney report, Indian luxury market was worth over Rs 37,500 crores in 2010 and is growing at 20% every year. Perhaps this is why most luxury brands, noticed heavy purchases by Indians at their stores in Hong Kong, Singapore and Dubai. And they have realized the potential Indian market offers for luxury goods. As the CII-AT Kearney report suggests, the luxury market is gaining momentum beyond metros. For instance, Harley-Davidson has found buyers in the Northeast and in towns like Kanpur and Allahabad. Shreyans Group that retails Porsche and Ferrari claimed to have sold 10 Porsches in Kanpur till date. And with rates of luxury goods in India compared to the western world getting increasingly similar, customers are making high purchases in India itself, instead of making a list of things to buy, on their foreign jaunts. High-end brands are doing lot of activities to keep their clientele engaged and make them come back to purchase more. Brands such as Brioni, Louis Vuitton, Paul & Shark, Rolex and Tag Heuer offer customised signature perfumes, personalised dials in watches, and name initials on handbags and T-shirts.

So it all boils down to the fact that the luxury is here to stay and luxury companies are trying
to catch their customers young, though the youth segment does not constitute a significant percentage of luxury consumption yet. But by hooking these consumers an, these players are looking to reap benefits in the long run. And now the government’s decision to allow 100% FDI in single-brand retail will act as a big boost for foreign luxury brands. Despite challenges like infrastructure, the reach of this sector will definitely move beyond major cities, indicating a bright future.

Though their “Spread of Luxury”-model deals with luxury consumption at a national level, Chadha and Husband are mindful of the existence of different luxury consumer behaviours and segments within nations, some of which cut across national boundaries. The three tiers of luxury consumers are each heterogeneous in terms of demographic and psychographic composition. Consumption, and luxury consumption in particular, tends to be identified with leisure, personal identity and family life, but often luxury accoutrements are bought for and consumed at work.

Too cautious an approach and sooner or later, the global parent might lose interest or patience and decide to withdraw and re-enter later. It is worthwhile remembering that for a global luxury brand, India is only one of the many options available for growth. With China proving to be not only a fast growing, but also a lucrative market, companies could choose to play a wait and watch game in India, while focusing on the larger Chinese market. We believe that the right approach would be a combination approach that allows companies an opportunity to grow without losing their shirt, while preparing them for capturing exponential growth (CII-AT Kearney, 2011). In short, the challenges like lacking back-end infrastructural development, hitting the right avenues, scarcity of space that too accompanied with lucrative ambience, red-tapism and piracy. With every eliminating constraint, numerous international brands who are sitting on the fence waiting can come in and expand.

**Impediments of luxury marketing:** Availability of high quality real estate at the right prices continues to be the main concern for growth. With five star hotels losing their sheen as 'preferred' luxury destinations, and high streets still to emerge as a credible alternative, players are jostling for space in premium malls. Limited new supply on the mall front, with players in the lifestyle segment vying for quality real estate as well, continues to be a challenge for most luxury players.

The regulatory structure has largely remained unchanged over the past year. In some cases new duties and age restrictions have been introduced, which are likely to have negative impact on the luxury market. Most luxury brands would want a 100% control on their destiny if they want to consider serious investment in a country. A 100% subsidiary also means greater psychological commitment from the brand, which leads to greater awareness and understanding of the unique issues on the ground and a much greater desire to work towards changing them, all of which will be welcome consequences. Expansion is still slow, Mumbai and Delhi still the hub of action and store footprints and product distribution is still low. On the whole, however, challenges exist and are not likely to be resolved easily in the near future.

**The primary challenge** for players in the Indian luxury market is that the market is small, growing fast but not exponentially and while growth is evident, bottom line rewards are insufficient. The key question to hence think about is what could be done to liberate the constraints on growth, so that it turns exponential and while we wait for it to happen, how do we find a way to make some money? We believe there are three paths that luxury players
could choose to take in India.

1. Grow Cautiously
2. Experiment Selectively

Inordinate high duties, varying tax structures, bureaucratic delays, red-tapism, exchange rate volatility, and imposition of caveats, political and regulatory landscape are other significant challenges being faced by the luxury industry. According to ASSOCHAM, high net-worth individuals in India spend over 40% of their monthly income on some of the world's largest luxury brands. Given this demand some luxury brands in India such as Jimmy Choo have introduced an India-specific line of luxury shoes, while Chanel launched a special Paris Bombay collection. While multitudes of global brand names are crossing the fences to step in India, high rentals and lack of quality retail space have affected their expansion. Besides DLF Emporio in Delhi, Palladium Mall in Mumbai and UB City in Bangalore, luxury brands are dominantly confined to the shopping arcades of five-star hotels. So, retailers had to plan out for substituting options across India, which has resulted in the emergence of new high street locations such as Horniman Circle in Mumbai and Khader Nawaz Khan Road in Chennai and Defence Colony and Khan Market in Delhi. May be it will lead to Indian versions of Fifth Avenue or Bond Streets.

The Other Challenges

“In the long run, there is a lot to be gained, even though the current circumstances are not favourable. Import taxes are as high as 30-40% in India. At state levels, taxes are almost prohibitive.” – HE Mr Joao Cravinho, Ambassador & Head of Delegation, Delegation of European Union.

“Another big impediment in India is service. Customer service needs to make great strides before we can compete with other countries.” – Mr Vispi Patel, Group Representative, LVMH India.

“We are supportive of creating opportunities in India for employment, not in manufacturing, but only in retail, marketing, operations. Who will buy this Ferrari if 30% of its parts are made in India?” – Mr Armando Branchini, President, ECCIA & Executive Director, Fondazione Altagamma.

“Brands can’t just sit back and say we are not opening because there is no infrastructure. Brands have to be willing to contribute also like Hermes did in Mumbai.” – Mr Pankaj Renjhen, MD – Retail Services, Jones Lang La Salle.

“India has one of the best IP laws, but India is also importing a lot of fake goods from China. So India needs to enforce those laws. If counterfeiting is not stopped, it will affect domestic brands too.” – Mr Armando Branchini, President, ECCIA & Executive Director, Fondazione Altagamma.
Strategy For India: From Gucci To Bentley

**GUCCI**
This leading brand offers men’s and women’s ready-to-wear collections, handbags, shoes, watches, sunglasses, jewellery, and small leather goods.

**India Strategy:** Gucci started its operations in 2007 with boutiques in Mumbai and New Delhi. Murjani Group is the master franchisee for this brand in India. Gucci plans to have four more stores by the end of 2008.

**CHANEL**
Started in 1912, Gabrielle ‘Coco’ Chanel rose to become a force in the fashion world.

**India Strategy:** Launched operations in 2005 with one boutique at Imperial Hotel in Delhi. Also present at select Shoppers’ Stop, Lifestyle and Pantaloons outlets.

**VOLVO**
This French conglomerate is the biggest luxury brand with around 50 brands in its stable. LVMH’s leading brands are Fendi, Christian Dior, Tag Heuer, Dom Pérignon etc. LV bags start above Rs 15,000, while watches are above a lakh of rupees.

**India Strategy:** Entered in 2003 with a store in Delhi, and in 2004 opened one in Mumbai. Also has a leather shoe-sole factory in Pondicherry. Plans to open three boutiques in 2008 in new cities.

**MERCEDES-BENZ**
Formerly Daimler Chrysler, entered India in 1995. It has been the bellwether for luxury automobile here since then. It recently launched Mercedes Benz CL and S Class models. Its Maybach, priced around Rs 5 crore, is hot pick for the rich and famous.

**India Strategy:** Its Pune plant will be operational in 2009. With 20,000 Mercs on roads, it’s growing at 15 percent.

**EMPORIO ARMANI**
This iconic Italian brand was founded and owned by the fashion icon Giorgio Armani. It designs and manufactures several fashion categories and runs cafes, bars, restaurants and nightclubs globally.

**India Strategy:** Armani has just entered into JV with DLF. It would be retailed at two stores in DLF’s Emporio Mall. It is also planning four other standalone stores in New Delhi and Mumbai.

**VALENTINO**
Since 1960, the Italian designer has been creating luxury gowns with intricate detailing and tastefully body-conscious silhouettes.

**India Strategy:** Opened its first store in Aug 06. Looking for space to open stores in Ludhiana, Bangalore by 2009, also in Mumbai. Sells above 200 items a month and is growing at above 50 percent annually.
“You have to accommodate the rich and the new rich under the same roof,” says Chatwal. And that's perhaps the biggest challenge for luxury retailers in India. (Priya Sachdev Chatwal, who sells international luxury brands such as Alexander McQueen, Lanvin and Stella McCartney brands in India).

The Indian Luxury Market: Road Ahead

“Luxury is becoming a necessity, not only for the rich, but for the middle class too” – Mr DS
“India is European Union’s eighth trading partner, overtaking Brazil and South Korea. And European Union is India’s first trading partner” – HE Mr Joao Cravinho, Ambassador & Head of Delegation, Delegation of European Union.

“In the beginning, luxury brands over-estimated the Indian market, especially those who came mathematically” – Mr Piero Braga, Senior VP, Gucci – Middle East & India.

“Fashion and accessories market really opened in India in 2003. By that time, China was in its booming phase. China took two decades to really get going through. Similarly, India will also take 5-10 years to reach that level.” – Mr Vispi Patel, Group Representative, LVMH India.

“Brand should not approach a market because other markets are not working” - Mr Piero Braga, Senior VP, Gucci – Middle East & India.

“Foreign Trade Agreement with European Union is in negotiation for five years. It’s the most comprehensive FTA we are entering into.” – Mr Sumanta Chaudhuri, Joint Secretary, Ministry of Commerce, Government of India.

“India is a long term market. You can’t come here, make money, break even and then think what’s next.” – Mr Ashok Wadhwa, Group CEO, Ambit Holdings Pvt Ltd.

“Success in 10 countries is no guarantee you will see success in India” – Mr Ashok Wadhwa, Group CEO, Ambit Holdings Pvt Ltd.

**The Indian Consumer: An Overview**

“Indians are extremely sophisticated. They know what they want. You have to customize according to their needs.” – Ms Francesca Bortolotto Possati, Chairwoman & CEO, The Bauers, Venice.

“A Chandigarh consumer is different from that in Chennai. Each city is a learning experience. The difficulty is that every time you expand to a new city; you have to understand the consumer.” – Mr Marco Riggio, Director, L’Oreal Luxe India.

“Consumers in India expect a lot. Some consumers say ‘leave it with us, we’ll pay a week later’, whereas abroad, they pay upfront.” – Ms Priya Sachdev, COO & Creative Director, TSG International Marketing Pvt Ltd.

“India is less than 1% of worldwide luxury consumption, but Indians, as a nationality, are, 4-5% of worldwide luxury consumption” – Mr Armando Branchini, President, ECCIA & Executive Director, Fondazione Altagamma.

“Affluent masses are no longer at a distance from luxury. But distance has to be created to retain prestige and exclusivity, maybe through knowledge.” – Mr Sabyasachi Mukherjee, leading Indian fashion designer.

“New money wants to cling to old moneyed and be seen as old moneyed too, but not
possible. Old money dissociates itself from new money products/brands.” – Mr Sabyasachi Mukherjee, leading Indian fashion designer.

Conclusion: In Search Of Sunshine

The concept of luxe is based all upon the cues of progressiveness, quality, authenticity, being posh, aspirational lifestyle, delightful service and charm. With a diversified population of the traditional wealthy and the EMI lover middle class generation, it’s a challenge for the tag names to assess the latent demand and serve the potential market. Stepping in an EME that too with the luxe product as a brand be it domestically and from abroad is a key challenge in itself. To add fuel to the fire, another challenge is to expand in the economy in the later phase. The prime attention is to be given to the metropolitans or its time to approach tier-II and tier-III cities. Another such issue to be resolved is the sector which is seeking for the highest attention. In Indian context, luxe services are expected to face an upward trend after the demand of luxury goods’ will be aptly served. All these aspects of the market are of strategic importance. If Bain report is to be believed, the global luxury goods market in 2025 is likely be more than five times larger than it stood in 1995. The secret for winning in the luxury market over the next 10 to 15 years, says Bain, is “to get ready for Luxury 2.0”. As per World wealth Report 2013, many of the fastest-growing HNI markets are located in Asia-Pacific. India ranked second highest in the HNI list, after Hong Kong (35.7% increase). India with 22.2% growth, benefitted from positive trends in equity market capitalization, gross national income, consumption and real estate. As the economy tends to be a capitalist one, the aspiration to explain the individualism is undergoing an augmentation phase. In this market, the discounts may not be that appealing to the customers as word of mouth publicity would be. Every single consumer here is looking for the eyeballs of the big brand names. If they are ready to value the tag names’ uniqueness, they should also be reciprocated back atleast paying heed to every segment of the market. Luxury market serves the consumers who are not in search of basic need but to satisfy the psychological need, reward the success and show the opulence. These facts show the luxury market is in search of sunshine so as to grow instead of let it go.

References:

Reports
Department Of Industrial Policy & Promotion, Government Of India, 2012.
Global Retail Development Index (GRDI), AT Kearney, 2012.
Impact of FDI in Retail on Stakeholders Report, FICCI and Booz &co., November 2012.
Luxury Market In India: In Search of Sunshine

The India Luxury Summit, ASSOCHAM and Yes Bank, 2012.
World Development Indicators Database, 2012.

Newspaper/Magazine Articles
Rathore, Vijaya.(2013,March 26). Bankers are the new luxury entrepreneurs in India. The Economics Times.

Books And Journals
Atwal, Glyn and Jain, Soumya (2012), The Luxury Market in India: Maharajas to Masses, UK, Palgrave Macmillan.

Danziger, Pamela (2005), *Let Them Eat Cake: Marketing Luxury to the Masses - As Well as the Classes*, UK, Kaplan Publishing.


Press.


