

# Luxury Unlimited



**UPMARKET OUTLETS:** "The Indian consumer no longer minds paying a premium for quality"

Luxury brands have begun making inroads into India over the past few years. It's only just begun, says **Bhakti Chuganee**

**T**here was a time when society ladies, CEOs and the well heeled went abroad for shopping. It made for a topic of conversation at the next party: "How pretty. New York, was it?" "No. It's just a little thing I picked up in Paree."

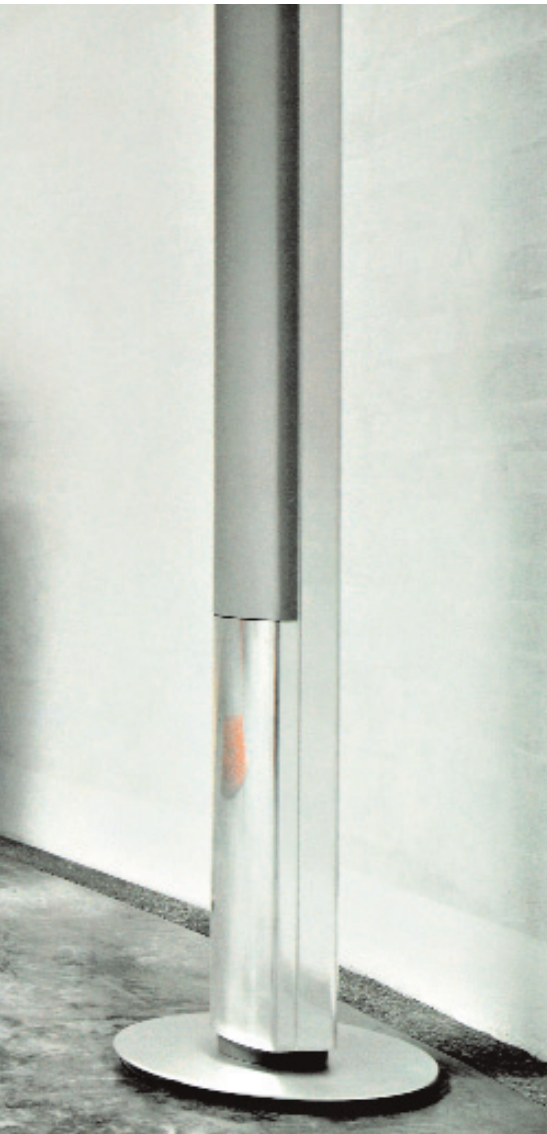
Paris today is Palika Bazaar in New Delhi or Heera Panna in Mumbai. Actually that's not quite right. You don't have to depend on the smuggled stuff any more. The makers of luxury goods have officially

flocked to India. You can find upmarket outlets dotted all over metro landscapes. Says Patrick Normand, managing director of Cartier (Middle East & South Asia): "The growth of India as a luxury products market, and its emerging potential is very obvious now especially as the economy is booming and there is a general positive sentiment towards global brands."

Look at some numbers. According to a study by the Discovery division of Mumbai-based O&M advertising, India and China

are beginning to contribute in a big way to the global market for luxury products. This global market was estimated at approximately \$69.4 billion in 2003 and is expected to grow 42 per cent to reach \$100 billion by 2008. A Technopak study puts the Indian luxury market at around \$444 million. That's peanuts, but it is growing fast.

According to the World Wealth Report 2005 published by Capgemini and Merrill Lynch, "the so-called BRIC nations - Brazil, Russia, India and China — continued to



emerge as an economic force and create wealth in the process." In fact, China is expected to slow down and its neighbours are likely to feel the pinch. "One exception is India," qualifies the report.

In terms of numbers, O&M says there were 61,000 high networth individuals (HNIs) in India in 2003. The World Wealth Report puts HNI growth in India at 14.6 per cent per annum, nearly double the global rate. With the recent stockmarket boom, this is likely to be much higher.

More than the numbers, it's the attitude that has changed. "The Indian consumer no longer minds paying a premium for quality," says Yohan Poonawala, chairman & managing director of Poonawala Fashions. "It makes practical sense to bring international fashion to India. Not only because

it's long overdue, but also because Indian consumers have shown a pronounced desire to consume. Instead of making yearly trips abroad to shop, why not make it more convenient and bring international brands to India?"

Charu Sachdev, CEO of TSG International Marketing, another importer of luxury products, agrees. "Indians have always enjoyed the idea of luxury," she says. "In fact, people have always travelled to the Europe and the US to buy upmarket goods."

The foreign trip and luxury items thus became intertwined. A luxury brand is all about image; the product does not matter so much. Thus, the early attempts to sell these brands in India did not meet with overwhelming success.

Luxury products have been available in India since the 1990s. In 1997, Mumbai-based Finex Distribution established a distribution network for Cartier and Corum. Regent Watch & Jewellery was started in 2000 with its first store at the Taj Mahal Hotel in Mumbai, followed by a store at the Maurya Sheraton in 2003. All these companies are essentially distributors who normally have sole agency rights. They also do promotion and the setting up of retail networks.

Finex today has under its umbrella around 15 brands in watches, writing instruments, jewellery, jewellery boxes, luxury mobile phones and other accessories. Managing director Raouff Ansari thinks the best is yet to come. "There has been considerable development in the commercial success of luxury brands in India," he says. "It may, however, not be as per projections or industry hopes, but that's another story. India is more about future potential."

What's available today ranges from Porsche cars, Pershing yachts, Louis Vuitton bags and suitcases, to Bang & Olufsen audio systems. And of course, the numerous clothes brands — Moschino, Cavalli, Ermenegildo Zegna and Dolce & Gabbana (D&G), to name a few.

D&G is among the fastest-selling brands at Thanks, one of India's first multi-brand retail outlets for luxury brands. The designer store in Mumbai's midtown Worli area, is the brainchild of Ashish Chordia.

After graduating from the US, Chordia worked with consultants Deloitte and Tiffany & Co for a while. He returned to

The recalibration of the import duty structures would help in maintaining global price points. Today, Indians are going abroad like never before.

India in 2002-03 and looked around for business opportunities. The luxury space beckoned. "India has 70,000 millionaires who spend \$555 million a year on premium fashion," he says. (His numbers may be a trifle higher than other surveys. But, as the man on the spot, he should know.)

Thanks retails 22 luxury brands, including Porsche, Pershing and Capellini furniture, besides clothes and shoe brands. Chloe, Fendi, and D&G are the fastest selling brands at Thanks. "The popularity follows the global trend since rich people do the same thing everywhere in the world," says Chordia.

If Thanks is the new kid on the block, Cartier's association with the country has spanned nearly a century. Jacques Cartier visited India in 1911 in pursuit of fine pearls. He also persuaded a number of Maharajas to reset their jewels using Cartier designs. The necklace, created for the erstwhile Maharaja Bhupinder Singh of Patiala by the House of Cartier in 1928 is one of the most expensive pieces of jewellery ever made.

"For Cartier and me, we both feel at home here," says Normand of Cartier. "It is not new to us." The world famous jeweller was back in India in 1997, when the curbs on luxury goods imports were eased, with its watches, pens and eyewear. The jewellery has had to wait. Cartier retails its jewellery only through exclusive boutiques. The company is now shopping for the right real estate in Delhi and Mumbai.

While Cartier turns up its nose at less tony establishments, German luxury fashion group Hugo Boss has just set up its fourth outlet, at the Leela Kempinski Palace



### TOP DRAWS

The five top purchases of the affluent consumer

- ◆ Jewellery
- ◆ Clothing
- ◆ Digital accessories
- ◆ Timewear
- ◆ Cosmetics and skincare

### CATCHING UP

Spending on luxury goods  
(per annum per affluent household)

- ◆ India \$8,900
- ◆ US \$29,000

### WHERE'S THE MARKET

The new generation affluent

- ◆ CEOs and other senior professionals in their thirties and early forties
- ◆ Entrepreneurs in new businesses
- ◆ Returning "prodigal children"
- ◆ Franchisees, and small and medium retailers

### INCREASING NUMBERS

The luxury space in India

- ◆ 1.6 million households; this number is likely to cross 3 million by 2010
- ◆ Each household earns around Rs 45 lakh (about \$100,000) per year
- ◆ The spend is about Rs 4 Lacs (\$9,000) per year on luxury/very premium goods and services
- ◆ The number of households is growing at 14 per cent per year

Source: India Luxury Trends 2006, Technopak

Hotel in Bangalore. There are two others in Mumbai and one in Delhi. "Our experience with the first Hugo Boss shop in New Delhi was good," says Raj Ramanandi, country manager (India), Bin Hendi Enterprises. The UAE-based Bin Hendi is the franchisee for Hugo Boss. It has already pumped in \$5.55 million in the four stores in India and will be setting up new outlets in Chennai, Hyderabad and Kolkata. "We feel India is ready for more Hugo Boss stores, as well as other premium brands," adds Ramanandi.

"We are taking a long-term perspective," says Sachdev of the New Delhi-based TSG International. Her company represents the Milan-based Aeffe Fashion Group, which owns and manages brands such as Moschino, Alberta Ferretti and Jean Paul Gaultier. "There are more new

millionaires in India than any other growing economy," she adds.

Poonawala is the latest entrant to tap the luxury retail space. He stocks six brands - D&G, Just Cavalli, Versus, GF Ferre, Exte and C'N'C Costume National - at his multi-brand store called Escape at the Grand Hyatt in Mumbai. "While luxury retailers are witnessing a slowdown in sales in more mature markets, industry experts predict that luxury retail in India will quadruple in the next five years," says Poonawala.

It's thus a combination of push and pull. Luxury retailers are spreading their wings to India because their home markets are no longer growing as fast; push has come to shove. On the other hand, there is every reason to believe that India will take off.

The experience of the early birds proves this. At Finex, the most popular brand is Cartier in watches, and a luxury mobile phone - Vertu - launched last year. "It has met with surprising success," says managing director Ansari. "Vertu has been successful because it is a segment creator and very cleverly occupied a space in both the mobile and luxury areas that nobody had bothered about before. Just when people thought a mobile could cost no more than \$1,111, they came along and offered one for \$10,000. And it sold."

At Thanks, Chordia says that first quarter targets have been exceeded in less than one month. "The daily footfall of anywhere between four and 15 visitors translates into an average of 60 per cent conversion to sales. It doesn't seem like much of a challenge when customers have already shown a keen desire to be the first among several hopefuls in the city to flaunt the customised Fendi crocodile bag at a stiff \$44,444."

Such heart-warming news for the retailers means that everyone is into expansion mode. Chordia hopes to add another seven tier-1 fashion brands, including Van Cleef and Arpels, the ritzy jewellery brand, to the Thanks kitty. Plans are to spread operations to six more cities by 2008. "We want to be the biggest luxury retail chain in India," he says. Poonawala plans to take Escape to Delhi, to start with. Other brands will be added to the line-up. Finex's Ansari is going to open additional stores in other metro cities in the next two-three years. Hugo Boss, as mentioned earlier, is looking at other cities. It will soon flag off the Boss

## THE INDIAN LUXURY CONSUMER



LUXURY is no stranger to India. The erstwhile maharajas and princes led a life of opulent splendour. The only way to be a part of the elite was to be born into it. The lifestyle was also associated with hunting, polo and other games of the rich. New money could never get into this circuit.

The aspiration was always there. But the princes operated in a different league altogether. The era of the self-made millionaire was yet to arrive. So small possessions, or copied fashion designs with a few geegaws thrown in, became the height of luxury. An achiever of the 1970s could only get by with a good foam mattress — no Omega, Rolex or BMWs.

This trend saw a shift, a gradual one, in the 1980s. Luxury began creeping into upper class homes through small things and symbols. The colour TV came in, the humble pen was elevated to a Parker,

successful self-made people began to be featured in magazines. The concept of luxury as a reward for achievement gained acceptance, though royalty and the aristocracy continued to remain the benchmark of the elite.

The real change came in the 1990s when more people started making more money. There was

a sudden explosion of colour and things and objet D'arts began to appear. In order to gain access to luxury and class one could just go out and charge it.

What contributed to this shift? India opened up to the world. The liberalisation process brought more than high economic growth rates. It showed the people what was possible. In the process, it has altered mindsets.

The IT revolution, and the consequent demand for Indian brainpower, has created a whole new breed of wealthy global Indians. At the other end, an increasingly open economy has created new business opportunities, which has resulted in a slew of new, extremely successful first generation businessmen. They are millionaires. They spend. They sport Vertu mobiles. But they may not even be comfortable with English.

All of a sudden, wealth is no longer the preserve of the elite.

Source: "Perspective on luxury in India", O&M

Women's Collection.

There will be hurdles on the path however. One issue is the high duty structures. "This has a serious impact on the business as we have to try to keep the price points in tandem in the markets abroad," says Poonawala. "The recalibration of the import duty structures would help in maintaining global price points." Today, Indians are going abroad like never before. Why should they buy a Cartier here, when they can get it for much less on their travels?

The other issue is the lack of appropriate real estate. For luxury products it matters a great deal where the outlet is situated. A five-star hotel works. Most of the

new malls don't: imagine Cartier nesting next to Cambridge shirts. "We have to give our customers the same luxurious experience as they get abroad," says Ramanandi of Hugo Boss.

While waiting for the infrastructure issues and the regulatory framework to become more favourable, all the luxury brands are busy building relationships with their customers. "Our strategy is more personal," says Ramanandi. Adds Normand of Cartier: "The sale is not the final point in our lexicon - it's the beginning of the relationship." The luxury brands' affair with India has also just begun. 🌿