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# Lure of the luxe

## The Luxury Knowledge series

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“... Luxury is no longer the privilege of the few who were born into wealth. There is now a larger consumer base, which has the money to splurge but want a real value proposition. Going forward, this will be the biggest challenge faced by luxury brands this year. ”

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# Contents

Page 4-7

**New Frontiers of Luxury**

Page 8-10

**Changing Face of Luxury in India**

Page 11-16

**Beyond Disruption: Building Success in India's Luxury Market**

Page 17-20

**Top 10 Misconceptions about Indian Luxury Consumers**

Page 21-23

**Opulence Goes Digital**

Page 24-26

**BlockChain is here to stay and it can disrupt the Luxury Industry.  
Are the Brands Worried?**

Page 27-29

**Opportunity for Entrepreneurs in the Booming Luxury Industry of India**

Page 30-32

**Opportunities are young and ripe in India's Luxury Market**



# The New Frontiers Of Luxury





*“The one fundamental truth that remains unchanged however is that ‘luxury at its heart has always been and continues to remain all about status’”*

Luxury, a hitherto ‘reserved for the elite’ phenomenon, has been undergoing a titanic shift in its core perception, mainly due to market-driven forces causing a deviation from ‘reserved for the classes’ to ‘appeal for the masses’. The democratisation process initiated sometime in the 1970s saw a major change when luxury brands started to spiral downwards with brand/product extensions allowing them to cater to what is now called the ‘accessible luxury’ space. The ideology was to target the fast-growing new money economy in emerging markets where aspirations of announcing ‘one’s arrival’ was the key driver for a luxury purchase.

However, with the advent of the millennial consumer (or Gen Y) in the early eighties, consumer behaviour has steadily and drastically deviated from the previously defined norms of luxury. The centennial Gen Z (or digital natives) are further seeking change necessitating luxury brands to take notice, innovate and offer products and services to suit their preferences.

“Millennial (Gen Y) and Gen Z consumers are proving to be the main growth engine in the luxury market, accounting for 30 per cent of luxury sales, yet fuelling a massive 85 per cent of all growth in 2017. But the younger generations are also reshaping what “luxury” is, thereby what luxury brands need to do to appeal to them,” according to Bain & Co.

A few of the trends shaping the new luxury are as follows:

### **Being over Having**

The new luxury consumer favours an ‘experience over ownership’. They truly believe in the YOLO (you only live once) theory and focus more on experiences rather than big-ticket product purchases.

### **Personalisation & Customisation**

Major expenditure shift is being diverted towards customisation. Be it products, services, holidays, homes, experiences, content and or travel. The rising popularity of reality shows, Netflix-like web series, speciality



restaurants, designer residences, bespoke clothing, footwear, cars and even weddings is growing evidence of such a phenomenon.

### **Sharing over Owning**

The sharing economy has never had it better. Luxury brands and products have had to struggle to keep pace with this growing phenomenon to avoid being sidelined. Why buy anything when you could share or rent an Uber, a wedding dress, a fully furnished apartment, a luxury sofa, and movies to even companions that would suit your mood/need/temperaments.

### **Refurbished Luxury**

For those who wish to have the feeling of their own ownership, reusable luxury has become an acceptable norm of the day. From just cars, this trend has now graduated to dresses, bags, accessories, home products and appliances, etc. Special websites have sprung up as aggregators, curators, re-furbishers who on one side assist a bored owner to help liquidate and make space for a new purchase, while at the same time help another aspirant indulge in affordable high-end luxury.

### **Green is the New Black**

Sustainability, environmental friendly, compassion for other living beings is forcing luxury brands to go back to their innovation boards. Lab-grown diamonds, artificial furs, scientifically curated leather, sustainable building materials, energy efficient homes, solar powered lights, etc are slowly but surely replacing animal skins, fox furs, mined diamonds, traditional building materials and energy guzzler appliances.



### **Craft over Brand**

No longer can a luxury brand sell itself by pure brand appeal. While branding plays its own role and is crucially important, the young ones question the necessity of paying extra just for the brand value. The craftsman, detailed crafting, rare techniques, handmade, uniquely rare creations that emit emotions, story and feelings is the order of the day.

### **The Future of Luxury Fashion**

While leather goods have always been a benchmark of the beta luxury consumer, the availability of top quality leather being scarce, luxury brands are finding 'fishy alternatives'. For their collections and fashion shows, John Galiano, Prada, Christian Dior, Louis Vuitton and Salvatore Ferragamo are all sourcing fish skin at premium prices from Atlantic Leather, a UK-based fish skin specialist company.

### **Street Fashion is Now Luxury**

For luxury fashion houses, there's a new ultimatum as they look to win over a younger set of customers — find a way or risk irrelevancy. The relaxed, casual stance of the millennial is now invading the boardrooms. Hoody style shirts, baggy pants and oversize clothing are being

offered by all luxury brands. A trend initiated by Louis Vuitton and Virgil Abloh via Supreme is being taken on by the new-look Burberry, thanks to Riccardo Tisci. "Gucci did it. Yves Saint Laurent did it. Givenchy did it. These designers — Alessandro Michele, Hedi Slimane, Riccardo Tisci, Demna, Virgil — they're all turning the definition of luxury on its head," said Yu-Ming Wu, Co-founder of Sneaker Con and Founder of Sneaker News, a streetwear specialist reporting portal. "These designers are turning the definition of luxury on its head."

### **Sneakerisation of Luxury**

Leading and supporting the forefront of this 'streetwearification' of luxury is also the trend aptly named as 'sneakerisation of luxury'. Global sales of sneakers — or trainers — rose 10 per cent to 3.5 billion euros last year, outperforming a 7 per cent rise in handbags, according to consultancy Bain & Co. From the red carpet to Oscars, from Louis Vuitton to Gucci, all luxury brands have now invaded the 'sneaker culture'. Sneakers with suits, sneakers with dresses, even sneaker stilettos heels!

### **Online Luxury Continues to Grow**

More and more luxury sales are taking place online and could make a significant impact on physical store sales in the longer term. Luxury online sales jumped 24 per cent in 2017,



reaching an overall market share of 9 per cent. Bain & Co estimates that by 2025, online sales of personal luxury goods will make up 25 per cent of the total market. In India, still at a nascent stage, online luxury sales are being fuelled by reusable luxury, rent-a-luxury product and luxury service providers.

### **‘See Now-Buy Now’ to Capsule Collections**

In order to try restricting the influx and invasion of fast fashion brands into the luxury domain, traditional luxury brands introduced concepts like ‘See now-Buy now’ a few years ago. However, the latest experiment by Burberry is around the concept of ‘capsule collections’ where smaller doses of fresh collections will be added to the stores regularly.

### **Experiential Luxury**

With experience being supreme, the physical retail has tried to keep pace with the digital onrush by bringing in aspects of virtual reality, augmented reality to on-demand luxury. Men’s wear retailers offer more than just clothes — from coffee to a soothing drink to a salon to a meal, the men are pampered with their favourite relaxant while sales may or may not occur. On the other hand, hotels, travel locations are offering virtual reality enabled appeal of five senses where one’s hotel room could convert from a beach to a mountain top environment at the push of a few buttons.

### **The rise of the Selfie Culture**

The rise of this self-obsessive, look-good-all-the-time

culture so driven by the self-obsessed selfie generation has turbocharged the sales of beauty, perfumes, cosmetics and skin care products.

### **‘Phygital’ is the New Retail**

From omnichannel retail to now ‘phygital’ retail, the humble shop has taken a quantum jump in evolution. Shoppers were offered a seamless experience with no human interaction is the order of the day. No long queues, no sales pitch, no cashiers — ‘just pick and go’ is now a reality. From Amazon go in Seattle in the US to a Decathlon store on Brigade Road in Bangalore or a WatAsale store in Kochi, India, the surreal, cashier-less, checkout-free store is now a reality. Luxury brands have so far adopted features like ‘a magic mirror to entire product history’ to iPad-based checkout to 3D size scanning, etc. The days of the seamless luxury store are not far away either.

### **Affluence and connectivity have changed everything**

Last but not the least, rising affluence and supersonic connectivity has changed everything. Luxury is no longer about the supercar, or the dream holiday or the designer handbag as is still desired by but remains elusive to many. After all, supersonic connectivity ensures all these or more on hassle-free on-demand service. Rising affluence and the amazing lifestyles made possible by connectivity have shifted the frontiers of luxury. The one fundamental truth that remains unchanged however is that ‘luxury at its heart has always been and continues to remain all about status’.



# The Changing Face Of Luxury In India





***The Indian luxury landscape is clearly experiencing strong evolutionary undercurrents that are redefining the consumer profile.***

In the past few years, luxury in India has been growing at a compound annual growth rate (CAGR) of about 25 per cent. As per a report by ASSOCHAM, the market is expected to exceed \$18.6 billion by 2016-17. Interestingly, as per Amitabh Kant, CEO, NITI AAYOG, ***the luxury industry in India has the potential to grow 10-fold from its current size and reach a top line of \$180 billion by 2025.***

The Indian luxury landscape is clearly experiencing strong evolutionary undercurrents that are redefining the consumer profile and also how luxury players need to operate in this domain.

Service areas such as fine dining, electronics, luxury travel, luxury personal care and jewellery have seen increasing revenues and are expected to grow 30-35 per cent over the next three years. Spending on luxury cars continues to rise growing upwards of 18-20 per cent. As the purchasing power of women is rising in India, luxury beauty products market is witnessing a fast-paced growth. According to Euromonitor International, the luxury product categories that have recorded considerable growth are luxury jewellery as well as timepieces, luxury writing instruments/stationery; super premium beauty/personal care products, luxury electronic gadgets and luxury tobacco.

Besides, the Indian luxury market is developing many facets. Luxury is no longer restricted to the rich and famous alone; the new age consumers, who do not typically fit into the boardroom definition of luxury consumers, are staking claims to luxury products, brands and services, but on their own terms.

***Luxury is no longer the privilege of the few who were born into wealth.*** There is now a larger consumer base, which has the money to splurge but want a real value proposition. Going forward, this will be the biggest challenge faced by luxury brands this year.

It is against this backdrop that one needs to study the key challenges presented by the changing face of luxury in India:



### **Value proposition**

One of the key challenges for the luxury industry is to establish the right “value” equation in the Indian consumer minds. Commensurate value - given the craftsmanship of the product, the brand pedigree and heritage, and therefore its impact on their status - professionally in business and in society. In a country obsessed with ‘quantity over quality’ - the ‘kitna deti hai’ syndrome cannot be ignored.

### **Targeting a first-time buyer**

India throws up surprises to one and all. McDonald has to invent a McAloo Tikki burger priced at Rs 25 and created especially for India. BMW, Audi, and Mercedes Benz have all realised the potential of this ‘first-time luxury buyer’. It cannot be ignored and yet needs to be treated well like any other luxury consumer. The definition of luxury consumer is changing rapidly in India. Intimidation created by the aura of the brand, lack of brand knowledge, enthusiasm to obtain a social status symbol are key elements that a brand needs to cater to.

### **Mental barrier to conspicuous consumption**

While a set of customers wants to flaunt its luxury purchase, there is another which is wary of conspicuous consumption. The ‘nazar lag jayegi’ syndrome drives away many a shy customer. This is a mindset issue which the brands/franchisees need to tackle. Rewarding oneself for success achieved after hard work needs to be celebrated — the Cadbury ‘kuch meetha ho jaye’ campaign says it all.

*Welcome this shy, first-time buyer with grace, dignity and respect.*



## Retail environment

More brands, more services, more customers - they all need the right retail environment. Luxury retail infrastructure is nonexistent and street-level environments are often unkempt. This forces luxury brands to generally launch boutiques in luxury malls or hotels. 'Hybrid malls' - the Select City Walk in New Delhi and The Palladium in Mumbai are the best examples of transitional customer behaviour when the customer moves up the value chain.

## Talent

With so many varied customers shopping luxury, a key challenge is talent. Cannot be too sophisticated to scare away the new customer, at the same time cannot be too ordinary to make an aristocratic customer shy away. Driving this balance in line with the brand's cultural customer experience is perhaps the biggest operational challenge for any franchisee or brand. Train, educate, invest and believe in your staff — this could be the best way to empower your talent.

## Regulatory Cholesterol

(a) Foreign direct investment restrictions are keeping brands out of India, 51 per cent foreign ownership is the limit; 100 percent is allowed but only with 30 per cent local sourcing which many brands find difficult to comply with. The recent amendment of elongated relaxations of the initial period is confusing and unclear to most. Brands fear for dilution of their name and harm to their business models.

(b) Import tariffs are high at an average 30-40 per cent, which causes simple price parity and margin issues for retailers. It is hence often cheaper for Indians to buy

abroad.

(c) The presence of "knock-off" products in the local market. The local market is much more open/susceptible to trade in fake goods. As per Assocham, the size of the counterfeit luxury goods market in India was estimated to be a whopping Rs 5,600 crore in 2015.

(d) Multiple taxes across the country maintaining a single MRP with differential taxes across states has been a challenge till date. Recent GST rollout is, however, expected to ease this by April 2017.

(e) Crackdown on big-ticket purchases by the IT department. Revision of cash transaction limits to Rs 2 lakh from the earlier Rs 50,000 could help the luxury sectors like fashion, footwear, low-end jewellery/watches; bags and accessories, etc.

However, recent reports about legitimate big-ticket purchase items being targeted by IT officials is expected to affect sales. Customers just want to avoid the harassment value and prefer to shop abroad.

(f) Ease of doing business, including the general infrastructure of roads, airports, warehouses, add further to the challenges. Besides, real estate is heavily regulated for a brand to want to build ground up.

As the disposable income of aspiring consumers in India rises, and the share of men and women as a separate category keeps further increasing, luxury and bridge brands will continue to outperform.

Brands and businesses need a conducive environment from all fronts to help create a presence and maintain a personal touch with customers across platforms. Focus on maximising the efficiency of the supply chain and human capital by training their associates will be the ones to increase conversion and retention.

The journey has just begun!



# Beyond Disruption

## Building Success in India's Luxury Market





***The luxury fashion and lifestyle market in India is one of the world's most multifaceted, exciting and tricky markets.***

The idea of luxury today has evolved into a complete lifestyle, spanning fashion, food, travel, hospitality, health and wellness, and even technology. Yet, it is also a well-established fact that 'fashion remains the fulcrum of luxury' and that all other sectors prey onto fashion as a category to drive, growth, inspiration and value additions. Hence, when it comes to luxury, the first thing that most people think of is 'Fashion', which itself is a broader concept spread across the realms of apparel, footwear, jewellery, timepieces, eyewear, fragrances and alike.

However, in the present era of democratization of almost everything, the luxury fashion industry is finding itself in a strategic dilemma. The commercial demands of business have begun to take a toll on the creative aspects of the designer community, while the rapidly-evolving business landscape is also impelling the luxury brands and retailers to rethink and adapt, as they strive to preserve themselves in the quintessence of luxury amid creative and business disruptions.

The phenomenon is prevalent the world over, including India. Importantly, the luxury market in India is still nascent, but definitely growing, and is peculiar in its own way.

### **Enduring Creative Disruption**

The very essence of luxury fashion lies in deep-rooted research; emphasis on new textile blends; inspiration – the Eureka moment for every designer; silhouettes perfected via multiple prototyping; and collections large enough to satisfy every global patron. The essence over the last some decades has got slightly tweaked, however. The luxury fashion first faced disruption way back in 1975 when fast fashion brand 'Zara' cannibalised on the very process of how luxury fashion ought to be created – in a slow, relaxed and cyclical manner.

The luxury fashion brands thwarted the onslaught by fast downscaling to introduce entry-level elements of eyewear, perfumes, and accessories like footwear, scarves, ties, belts and even bijou jewellery. Experimentations of associations/special lines for the



likes of H&M were resorted to by a few established names of the luxury fashion space.

However, the core fulcrum of apparel fashion stood the test of time until the very recent times when corporate-led brand companies began to demand 'fast fashion' from established luxury brands. This has led to further disruption in luxury fashion to date – no clear path seems to be emerging. Attempts of 'See now, buy now' introduced by a few top names like Burberry are yet to prove themselves and may not find favour among true connoisseurs.

### **Collaboration: The Way Forward?**

Caught in creative disruptions, the global luxury fashion and lifestyle brands and companies have been trying to find and define a success formula that can ensure commercial success without compromising on the carefully crafted brand positioning, ethos and value propositions. Some have gone on to collaborate with designers, artists and even hotels and auto companies to further their popularity, revenue as well as prestige.

Historically, the western luxury brands have quite frequently and successfully used the 'collaboration' methodology. The French fashion house and luxury retailer Louis Vuitton has had several such associations, while various other have also explored the genre. Here, are some of the most successful fashion tie-ups of the West.

### **Louis Vuitton X Art**

**The fashion powerhouse Louis Vuitton (LV) has been teaming up with 'Art, Artists and Artisans' for many years now.**



### The Takashi Murakami collection

Renowned Japanese artist Takashi Murakami had designed a multi-coloured monogram accessories collection in SS2003 for LV that became highly sought-after.

### The Iconoclasts collection

On LV's 160th anniversary in 2004, six art and design legends – Karl Lagerfeld, Rei Kawakubo, Frank Gehry, Cindy Sherman, Christian Louboutin and Marc Newson – co-created 'The Iconoclasts' collection, signifying their interpretation of the LV monogram into their design and product sensibilities.

### The Richard Prince-inspired range

The Marc Jacobs for LV SS2008 accessory bags and caps collection was inspired by artist Richard Prince's 'The Spiritual America' exhibition in 2007.

### The Yayoi Kusama range

In 2012, the brand released its bags-to-clothes range featuring signature polka dots by legendary Japanese artist Yayoi Kusama who is famous for her fascination with polka dots.

### The Chapman Brothers

British visual artists Jake and Dinos, popularly known as Chapman Brothers, have been tapped twice by LV. Both their AW2013 and SS2017 collections have been well-liked.

### Louis Vuitton X BMW

In 2014, LV created a special luggage collection for BMW's revolutionary sports car 'i8 plug-in hybrid' that fits precisely into its boot space. The collaboration was acknowledged as the 'pure expression of the art of travel'.



### Alexander McQueen X Globe Trotter

Alexander McQueen and Globe Trotter, two iconic British luxury brands, had launched special limited edition luggage collection that helped strengthen and accentuate both brands' appeal to their classic luxury audiences.

Over time, the trend has permeated the Indian market as well. Several Indian designers have entered into collaborations with international and home-bred lifestyle brands and/or companies, adding a new dimension to the country's luxury space. Enlisted below are some of the notable tie-ups in the Indian context:

### Rohit Bal X Titan

Leveraging each other's brand strength, watchmaker Titan and ace designer Rohit Bal introduced a range of luxury watch collection targeting the top segment in 2003, which became quite a hit.

### Sabyasachi Mukherjee X Bombay Dyeing

This was in 2007. What could be a routine branding exercise between a textile giant and couture king for its range of Bed & Bath line, the tie-up further strengthened the designer-corporate collaboration trend.



 TITANBOMBAY  
DYEING 

TIMEX

  
SWAROVSKI  
JW MARRIOTT®

### **Sumeet Verma X Judith Leiber**

This is perhaps India's most acclaimed partnership in 'true' luxury. Designers Sumeet Verma and Judith Leiber came together in 2009 to create bejewelled handbags range. It was an instant hit at a time when international luxury had just begun to surface on a wider scale in India.

### **Tarun Tahiliani X Timex**

Iconic designer Tarun Tahiliani co-created a mono-branded watches range in a tie-up with world-renowned watchmaker Timex Group. Launched in 2010, it has turned out to be one of the most long-standing and profitable fashion collaborations in India.

### **Confluence by Swarovski**

Austrian crystal maker Swarovski's avant-garde, India-inspired jewellery line has been co-created with eleven top Indian designers like Rohit Bal, J.J. Valaya, Suneet Verma amongst others. The collection, launched in 2016, is available in India, USA and Europe through various multi-brand designer stores and portals.

### **Abu Jani-Sandeep Khosla X JW Marriot**

Designer duo Abu Jani and Sandeep Khosla designed and curated the fashion event 'Wedding of the Year' for hospitality brand Marriot International at its 5-star property New Delhi in July 2017. It became one of the most appealing associations of the year, taking the collaboration trend to a whole new level of experience

and emotion.

### **Withstanding Business Disruption**

Amid creative disruptions, the luxury brands have a lot to deal with on the business front as well. Some of the long-established business models are on their way out, paving way for newer and innovative concepts. Who would have thought that luxury items would be available through virtual shops one day or that the world order would go a drastic change with the emergence of new luxury consumption centres like China, Japan and now also India, while the traditionally rich western countries will slow down? Even the consumer attitudes are now changing at a much higher pace than before.

The liberalisation of the Indian economy in the 1990s and the policy changes thereafter have been a rollercoaster ride for foreign as well as home-bred companies across sectors, including luxury. However, some sweeping developments that unfolded over the last 3-4 years have unleashed a fresh whirlwind of the transformation of the country's business milieu. Let's take a glance at them:

### **The digitisation of Financial Services & Demonetisation**

Both these government initiatives aimed at weeding out alternate economy from the system came as a big blow to various sectors. Luxury, however, was gainfully impacted during the initial window of relaxations during the demonetisation drive launched in November 2016. Cash transactions peaked for a few hours when accessories, jewellery, watches, real estate and other high-value goods ended up being replaced with stashed away cash. Thereafter,



there were mixed reports as to positive or negative impact. Most brands feel that the initial slowdown was replaced by more balanced cashless transactions, bringing in more control and ease of doing business at the storefront level.

### Goods & Services Tax (GST)

The single most key factor driving mixed emotions post demonetisation has been the implementation of GST. With multiple slabs, a plethora of paperwork and lack of clarity, GST started with a resistant trade blockage in general. Luxury brands operating in malls found their overall costs coming down due to inputs being credited for GST paid for imports and/or real estate rentals. With a uniformity of taxes across stores in various states, the margins could be healthier too. Clearly, well-implemented GST can give a boost to the luxury trade.

### FDI policy changes

While FDI was technically opened up in 2012, complex sub-clauses on sourcing norms, investment size, location, etc., had restrained brands from announcing their plans. However, recent changes in single-brand retail norms and relaxations on sourcing restrictions have been welcome by global luxury and superior premium brands.

### Ease of doing business

With several positive announcements regarding new company formation, single window clearances and faster clearances of permits, etc., India's ranking has significantly improved on the World Bank's 'ease of doing

business' index. Moody's also has upgraded India's sovereign rating to Baa2 from Baa3, putting India on similar lines as Philippines and Italy. As a collective result of the aforesaid, over 250 to 300 foreign brands have announced their plans for India.

### Creation of mass affluence

With increased focus on infrastructure development, employment generation and growth in smaller cities are imminent. Rapid urbanisation has led to increased awareness and a new demand for premium-to-luxury goods. Brands like Zara and H&M have now become household names in most middle-class families in tier II and even tier III towns. Luxury brands have begun to seep in via trunk shows, private sales and events that cater to the rich and affluent classes.

### Success in Evolving Landscape

The luxury fashion and lifestyle market in India is one of the world's most multifaceted, exciting and tricky markets. Brands and retailers that want to capture a share of this rapidly-evolving market need to learn to adapt, or risk missing one of the next greatest untapped opportunities for the luxury business. Some of the keys to success in 2018 and beyond include:

### Learn, adapt & diversify

India being a vast demography, a 'one size fits all' strategy will not work. Diverse strategies are needed to handle different demographics in order for brands to be unbeaten in the luxury sector. Luxury experiences, both in store as well as online, has become of prime importance for consumer acquisition and retention. Deeper research into the ethnicity of the region can be a great help. A region-wise marketing and communications campaign could pay rich dividends.





### Focus on brand value proposition

Indians generally are extremely value-conscious. It is fairly important for brands to communicate their value systems clearly and loudly and provide closeness, uniqueness, product and brand acquaintance with appropriate messages. They need to educate this new Indian customer on their value proposition to win them.

### Indians are digitally-savvy

Don't ignore the digital medium. The R-O-B-O (research online – buy offline) phenomenon is perhaps the deepest in India. Recent reforms towards a 'Digital India' have ensured that the power of the net is freely available to a larger populace.

### Train, educate and invest in HR

With so many varied customers, the lack of human resource (HR) talent is a key challenge. The luxury brands neither can be too sophisticated to scare away the new customer nor can be too ordinary to not make an aristocratic customer shy away! Driving this balance in line with the brand's cultural customer experience is perhaps the biggest operational challenge for them.

### Believe in the market & stay invested

India is a long-term paradise. A brand needs to be patient, keep controls in place and let the 'brand – customer' relationship evolve. There are no quick gain methods in

this market.

### Collaborate, not compete

A relatively easier method that can work in a foreign brand's favour is to collaborate with like-minded but differently skilled Indian brands and add value to each other. Recent associations between Christian Louboutin and Sabyasachi, Swarovski and various designers are a gaping example of this factor.

The Indian luxury sector is growing at CAGR of around 25 percent. Last projected at US \$18.7bn, it is expected to reach US \$180bn by 2025, as per NITI Aayog CEO Amitabh Kant. The growing number of Indians climbing up the 'affluence' ladder and many more turning 'aspirational' presents a massive market potential for luxury and 'affordable luxury' fashion companies. Significantly, the Indian origin premium-to-luxury brands are also making their presence felt. The likes of Titan and PC Jewellers have made it to the international legion of top 50 luxury goods firms that was topped by Louis Vuitton.

Hence, even as there is still some way to go for India to become the next luxury fashion destination, the good part is that the country's business environment is becoming ever more conducive to luxury businesses. The India growth story is indeed promising, no doubt!





# Top 10 misconceptions about Indian luxury consumers



2016 came to an eventful end with various upheavals across the globe. Ranging from terror attacks in Europe; the Brexit fiasco in Great Britain; the unexpected victory of Donald Trump in the USA and to the last but not the least, the demonetization drive by Prime Minister Modi in India.

All these factors have had adverse and or positive impacts on the luxury domain. Global luxury industry valued at a whopping 1 trillion Euro in 2015 (Bain & Co) registered a mere 5% growth over 2014.

***The global luxury market has reached an era of single-digit growth.***

However, as the rest of the world stabilizes, the Indian growth story is hard to discount. For most luxury brands, India has become the 'hottest marketplace'. Growing at approximately 25% CAGR, it is estimated to have reached \$18.3 billion from \$14.75 billion in 2015.

The single biggest factor contributing to this growth is the steep rise of the affluent class due to the stellar performance of the economy and the 'start up' culture. Estimates reveal that the number of HNI households have grown at a CAGR of 16% from 81,000 in 2011-12 to 146,600 in 2015-16. This is further expected to increase to 294,000 representing a total net worth of IRS 319 trillion!

While there is a tremendous buoyancy around the affluent Indian & his luxury consumption, there are clearly a few misconceptions in the minds of the marketers.

***The affluent Indian makes & spends money easily***

This perhaps is the biggest misconception going around. Making an Indian spend his money is an acid test for any brand. India typically has two types of affluent – 'The khandani raaes' (traditional rich) and or the 'New Maharaja' (people who made money post-partition in 1947). Both of them work long hours, forego a lot of personal time, make sacrifices, undertake a lot more risk & add value to the society as compared to many others. Hence, they are cautious spenders & research well before they splurge on luxury, only to seek the best. The traditional rich, being generally well-informed &



highly knowledgeable, likes to preserve his heritage and wealth handed over by the generations. The new Maharaja, on the other hand, having made the entire wealth in his own lifetime, is a cautious, hard working and extremely value-seeking customer. His erstwhile middle-class background makes him seek justification for every spend he carries out.

*Both seek respect for their time, recognition for their hard work, status and individuality – do not take them for granted.*

***All Indian Nouveau rich are conspicuously ostentatious spenders***

While this may be true for a vast variety of customers visiting luxury stores, it is a grave mistake to generalize all the nouveau rich into logo thirsty clientele. Fact remains that many of the 'valuation business' (read e-commerce boom) super-rich generation have made quick money in the past few years. Usually, of highly technical background, the back end culture they belonged to never give them any real need for all things fancy & expensive. They now wish to acquire style to suit their status, which is not necessarily loud, & logo driven. They are shy as well respectful towards others, typically will experiment with brands, products, services. Influenced by other user experiences rather than just pure sales talk in their decision-making process, they usually like to be subtle and elegant rather than loud and garish.

*Treat them with respect for their human values and admiration for the success they have achieved in a short span of time. Not many can duplicate what they have achieved in a very short span of time.*

### **Most (new) Indian affluent can't define luxury nor recognize luxury brands**

On the contrary, most of them are clear with their definition of luxury. To mistake their simplicity for ignorance can be a fatal mistake. In a fast emerging market like India, they may not recognize the brand or even get the brand name pronunciations wrong. However, each one has his own purchase motivations, which may run beyond the standard boardroom definition of luxury. They are fast learners and would like you to arrive at the value proposition of your brand quickly.

*'Underestimate yourself & overestimate the other' can be a sure shot success mantra. Inform, educate, guide and lead them to purchase.*

### **Luxury is the sole prerogative of the affluent class**

On the contrary, in a country like India, luxury is a bigger pull for various other classes. These range from the Henry, the upper middle class, the returning NRI, to the first time aspirant. (Read 'The Incredible Indian Luxury Consumer'). Luxury brands and services need to address and offer products that can draw in all such classes into their zone and create a much wider reach, recognition and goodwill for the brand.

*India is a market with a majorly unexposed population – people with rich tastes and high cultural values seek all things good in life. Expand your horizon beyond the theory book definition.*

### **Indian affluent spend more on luxury goods than services**

There can be no bigger misnomer than this. While the initial spends are towards luxury goods like watches, apparels, accessories, automobile followed by home and interior, the switch to services happens quickly. The newly acquired status needs to be shared and appreciated by near & dear ones extending into a wider social circle. Spending on beauty, fitness, entertainment, fine dining, concierge, travel, tourism etc quickly ramp up the spending chart.

***Offer compelling experiences to them and their circle of friends to enable them feel important in the eyes of their social network.***



### **Indians do not shop Luxury online**

A generally tech-oriented nation, thanks to the smartphone revolution, the customer has quickly leapfrogged into the digital space! From books to cars to homes and now even yachts are being sold online. Newer concepts like 'Pre-owned luxury'; 'Rent a luxury' are not only adding new dimensions to luxury purchases but also new customers.

***Be open to experiment and adapt to a fast evolving market.***

### **Indian affluent and Luxury is restricted to metro's**

Contrary to popular belief, the Indian affluent is spread across the entire country. Luxury brands do face a challenge with respect to setting up physical stores in every location, but servicing this fragmented market may be the key to success. The digi-wave has given many new customers to the luxury







brands. They now order through various channels ranging from wats app to facebook messenger to trunk shows conducted by brands or event companies across the sub-continent.

*Think beyond the metro's – reach out, inform, educate the affluent beyond traditional markets.*

### **Indian affluent does not refer to consumer ratings**

The sharing economy encourages one and all to share experiences, thoughts, opinions and post-purchase reactions. Once again, a typically technologically inclined nation engages with unknown brands basis not only the opinions shared by the brand website but also other uses comments and reactions. This is particularly so in the service sector. While WOM is the universal promoter for luxury goods & services, online referrals are equally important for a wider reach.

*Be true to the customer by sharing genuine advice & information rather than exaggerated claims. The customer is in all probability pre-informed.*

### **Indian affluent is not brand loyal**

While most Indian are yet experimenting with luxury brands and services, the fact remains that by basic nature Indians are generally very loyal – to their wives as well as their brands! Affluent who have done the entire trial cycle swear by the brand they settle with unless until they encounter some quality or service issue.

*Ensure to deliver product and service value every time that the customer shops with you. Do not take him for granted.*

### **Demonetization will affect luxury consumption**

Against popular belief, an informal survey with most brands across goods & services show that the affluent and the brands both have embraced the digitization drive for money transfer very well. Post an initial lull and slow down, it is anticipated that business will be back to normal very soon.

***Luxury surely is recession proof – unaffected by shocks in the economy or otherwise. The Indian affluent continues to enjoy his taste of all good things in life.***



Opulence Goes Digital





***Digital innovation and the emphasis on consumers have led to merging of fashion, technology and luxury to provide a seamless experience.***

Luxury as a segment has been a reluctant acceptor of the digital medium in general. Its touch-me-not and dominant, almost dictatorial attitude, which borders on 'you-accept-what-we-design', has always been wary of being seen as for the 'masses'. Many iconic brands have feared the vulnerability, openness, high visibility and easy accessibility that the digital world is all about. But things have started changing over the last two or three years, and we are now witnessing a trend wherein top luxury brands are engaging with consumers online like never before.

**Brands go hi-tech**

Modern shoppers worldwide view the world in a way that retailers do not completely identify with yet. This is now inspiring luxury brands to engage customers through richer digital interaction and storytelling. Burberry has been a first mover in using digital technology to increase brand awareness. They have been the first to stream their shows in 3D and have also made outfits and accessories featured in fashion shows available to order online during or immediately after the show. This is futuristic. More recently, Burberry created an innovative and technologically advanced space on Regent Street, London, where the digital and physical worlds merge for shoppers, presenting a unique experience. Here, the store employs a technology called radio-frequency ID which engages customers to try clothes in front of a mirror that doubles as a visual display. Sales executives use iPads to virtually personalise the trench coats for customers and to immediately order out-of-stock inventory.

Similarly, merging social media with the physical store, German fashion designer Karl Lagerfeld has also equipped his concept stores in London and Amsterdam with 'selfie-ready' iPads in fitting rooms. Users can apply 'Karl-inspired' photo filters before sharing the post via Facebook, Instagram, Twitter and other social media platforms.



Digital platforms like 'Mercedes-Me' wouldn't have been possible a few years ago. As a seamless integration between the vehicle and the company, it gives people a chance to have automated appointments, personal financing, co-create innovative ideas and have access to maintenance data. For example, it tracks the usage and wear of brake pads and lets the firm know before the customer does that the car needs servicing.

**Sites that hard-sell luxury**

According to new research, two-thirds of India's web users access social media daily and spend more time on it than on emails. This, coupled with India's soaring love for luxury goods, rise in high net worth individuals and the influence of globalisation, is leading to an exponential boost in online luxury platforms.

Also, according to an AC Nielsen report, almost 67 per cent of Indians in metros and Tier 1 cities check online reviews before making final purchase decisions. Key portals in the Indian luxury market catering exclusively to high-end brands such as Darveys, Genesis Luxury, Elitify, Stylebop, Exclusively and others, offer a unique platform to choose from wide collections of such brands and offer delivery at your doorstep. With luxury shopping comprising a sizeable market size in India, especially during the wedding season, Darveys has come up with the concept of wedding trousseau where a service of purchasing and packaging of luxurious gifts and wedding basics is offered to the to-be brides and grooms.



### Why brands must innovate

Digital innovation and the emphasis on the customer have raised standards across the market. This is leading to a substantial change in the velocity of customer preferences and product lifecycle. More than ever, brands need to differentiate their value proposition while developing the required managerial skills in order to simplify their organisation systems while the digital space is providing a seamless experience. When it comes to luxury, the human touch is as important since luxury is also about emotion and intelligence.

The millennial mindset is the most prone to seeking validation from peer groups and is highly responsive to digital marketing drives. From posting selfies to participating in the story of the brand, it is the next communication platform. Sharing inside glimpses will entice future consumers while promoting allegiance among existing consumers.

In short, the divide between luxury and the digital space

is all set to blur. From the digital dilemma to digital dominance, change is on its way. Issues such as malware, privacy, personalised service, attention to individual customised needs, safe and secure transactions-all of which acted as digital roadblocks-are being addressed systematically. The merging of fashion, technology and luxury has begun to take place with the launch of an Apple watch with Hermes leather strap and driverless Mercedes Benz cars.

*Fusion is the new digital luxe mantra.*



Blockchain is here to stay and it can disrupt the Luxury Industry. Are the brands worried?

A conceptual image featuring a human hand holding a glowing, circular digital coin. The coin has the word "BLOCKCHAIN" written on it in a bright, white, sans-serif font. The coin is surrounded by a complex network of glowing blue lines and binary digits (0s and 1s), suggesting a digital or blockchain theme. The background is dark and blurred, with more binary digits and network lines visible.

BLOCK  
CHAIN



*Armani Watch for \$100? Prada Bag for \$10?*

*If it sounds to be too good to be true, it generally is.*

Counterfeits are the biggest pain point for any luxury industry. As per the Global Brand Counterfeiting Report 2018, counterfeits cost the luxury industry \$30.3 billion in lost online sales in 2017. While the authorities across the world have formed task forces to fight the war on counterfeits.

As new brands adapt to technology, blockchain is one new technology that is getting rave attention from technologists and brands alike. It is already getting rave reviews as the enabling backend technology for Bitcoins. Luxury Timepieces brand, Hublot has jumped the wagon to celebrate Bitcoin's decade anniversary with a limited edition \$25,000 watch. Customers can purchase the watch in exchange for bitcoins exclusively.

In the real world, however, Blockchain as a distributed database technology is being touted as the new masterstroke that the luxury industry needs.

### **But first, what is Blockchain?**

In simple terms, Blockchain is a decentralised public ledger system that keeps a record of every transaction ever done using the technology. It uses large peer to peer network to verify and approve each transaction. Think of it in terms of Google Docs. When multiple changes are made to the same document, the tool doesn't create multiple versions of the same document. Instead, what you get is one document that has all the changes incorporated. One file that all users can view and verify. That's blockchain in a nutshell.



Now imagine that possibility in all transactions. By allowing the data to be distributed and not copied, blockchain as a digital ledger can act as a possible solution to better verify the authenticity of the luxury products, document their supply chain movement and ultimately act as the proof of authenticity for customers investing in genuine luxury products. Luxury brands could choose to invest in creating tamper-proof packaging that could be tracked remotely, devise unique serial numbers with transaction history and closely monitor the movement of the product through various stages - movement of raw materials, production, delivery and store inventory. As an end user application, it could help consumers simply scan the barcode or the serial number and get instant verification directly from the brands.

### **So What's Next?**

#### **Authenticity**

Taking a cue from major technology brands, luxury brands have now started to realise the potential of the technology and have invested in the blockchain technology themselves. De Beers is one such brand that has launched its first diamond blockchain. Tracr, a blockchain based platform built by the UK based diamond mining and trading company, will allow the brand to track the movement of its diamonds from mining all the way to the consumer to the retail store. The platform would work on data science and physical verification techniques to curb duplicity and ensure transparency in the diamond trade. With authenticity easily verifiable, DeBeer's is on its way to a lot of happy customers and improving sales.





## Trends

Another key benefit to using blockchain is the direct impact with the close monitoring of movement of the entire supply chain, from raw materials to finished goods. Using blockchain technology, brands can get real-time analysis of which raw materials are in demand and which finished goods are selling more. Brands who closely leverage technology for data insights and deep learning will be able to more swiftly respond to changing market trends. With product launch and consumption cycles becoming shorter and shorter, technology-enabled deep data insights would play a key role in cutting costs and reducing wastage.

## Sustainability

A great application of blockchain in the luxury industry is sustainability. With sustainability becoming a big agenda across industries, the luxury industry is under focus to reduce waste and adopt greener ways. Blockchain's open ledger system allows brands to monitor their resources and reduce wastage wherever possible. At the same time, customers would be assured of the product's originality and know that the brand is doing everything in its power to reduce wastage and source raw materials from sustainable sources.

## Long-term impact

Imagine this. What if you found a 50-year old Rolex watch. What would you think would be its value as an authentic vintage piece? If you are not sure, Besides

looking for an expert who can appraise the watch, you would probably approach a store and ask for verification. But blockchain could potentially eliminate this issue in the future. If the authenticity and the ownership are accessible on an open system, verifying the authenticity of products would become much easier. Since verification becomes convenient, product value would only increase over time due to transparency in ownership, maintenance, upkeep, damage information, insurance claims, and all other such relevant information. This would be beside the large amounts of investments brands would be able to avoid, previously allocated for manually resolving such issues.

The blockchain technology will inevitably distinguish early-adopting luxury brands from their competitors because of the numerous features it will provide, including certification,



encrypted digital vaults, unique smart-asset technology, ease of verification, supply chain improvements and a massive data hub previously unavailable at such scale. Not only does the technology offer better pricing and reduced costs in the long term and short term, but customers would also appreciate the authenticity and invest more in the brand at an emotional level.

# Opportunities for entrepreneurs in the booming Luxury Industry of India





*The word entrepreneur originates from the French word, **entreprendre**, which means “to undertake.” In a business context, it means to start a business. The Merriam-Webster Dictionary presents the definition of an entrepreneur as one who organizes, manages, and assumes the risks of a business or enterprise.*



– “one who undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods”.

What are the typical qualities of an entrepreneur?

- A tendency to break away from the regular and be different.
- Spot the needs/problems/ challenges and convert them into opportunities for success by being solution oriented.
- A determined mindset to innovate, create value and be continued growth oriented.
- Original Thinker.
- A Risk taker.
- Takes responsibility for own actions
- Feels competent, confident and capable
- Sets high goals and enjoys working toward them even with high personal sacrifices

### **What is Luxury?**

Luxury is an often misused term in today's world! Almost everyone and everything claims to be 'Luxury'. So what really is the meaning of 'Luxury'?

If one tries to Google the word luxury, one is thrown up with

### **What is entrepreneurship?**

A business model in which you create your own business entity and perhaps hire a few people is entrepreneurship. Over and above all, entrepreneurship is a mindset which makes you think beyond the normal. A craving, a desire and an ambition to break past the set norm and create a unique identity for oneself and his enterprise. Entrepreneurship is also a process of new venture creation.

### **Who is an entrepreneur?**

· Someone who wants to and also generates employment for others is an entrepreneur. Someone who wants to be his own boss is an entrepreneur. Someone with a vision, a passion for his product or service and a deep determination to succeed against all odds is an entrepreneur. So we can summarise that

- ‘An entrepreneur is someone who organises, manages and assumes the risk of a business entity, enterprise and or identity in either goods or services sector’.
- ‘Entrepreneurs are people that notice opportunities and take the initiative to mobilize resources to make new goods and services.’

innumerable meanings in a split second! This only means that 'Luxury is relative & subjective' – meaning 'to each his own'.

***In the words of the famous Coco Chanel, 'Luxury begins where necessity ends'.***

We can thus summarise that luxury is much beyond need – it is a desire that fuels our emotional appeal. Something which defines our social status to others besides just providing us material comfort, great quality, unquestionable functional benefits and makes us feel a part of a social set normally called 'The Elite'.

### **So what then is Luxury Entrepreneurship?**

Someone who has a burning desire to create a business venture or a product or a service which services this sector directly or indirectly is a luxury entrepreneur. An individual with an uncanny eye for detail and excellent customer service can be a successful luxury entrepreneur.

### **What are the sectors one could explore within the Luxury domain?**

Unfortunately, most people link and restrict luxury to fashion and ramp shows due to the glamour attached. There is no doubt that fashion is an essential part of luxury and is in every way the fulcrum point, but luxury extends way beyond fashion, giving an entrepreneur options to choose from areas like jewellery, watches, fitness & wellness, beauty and skin care, real estate, home and interior, aviation, yachting, automobiles to also travel, tourism, hospitality and events etc.

Luxury is thus a complete lifestyle that defines the usage pattern of the affluent class.

If one is a fashion designer or has an inclination to be beautician, traditional jewellery, boutique owner, travel service provider or even a wedding planner, it is possible for him to position himself in this niche space.

### **What are the Growth opportunities in the Luxury sector?**

Luxury in India has been growing continuously at a pace of 20 – 25 % PA for past several years. Currently, at about 18.5 b USD, it is expected to touch 50 b USD

by 2020 and 180 b by 2025. (as quoted by Amitabh Kant in February 2016). The 'make in India' movement is expected to fuel the domestic design industry towards this sector. Recent success of young Indian designers is a case in the example of this rising phenomena.

### **How is Luxury Entrepreneurship different and how can one become one?**

In the luxury space, the depth of the vision, the originality of the creative designer, the brand building process, the marketing & communication as well as the customer service orientation is completely of a different level. The aura of the brand, the magic around the intangibles, the romance & mystics behind the product which is accentuated by the impeccable service plays the key role.

Let us say that the basics remain the same, but the treatment is entirely different.

The best way, of course, is to undertake a short course on 'Luxury Entrepreneurship' to clear up one's concept and knowledge of this sector and study in depth the nuances involved in handling such a business.

Then on, if one is a creative person he can begin on his own. If one is a moneyed person, he can have his idea developed by a creative team. Alternately, there are a plethora of national & international luxury brands across sectors that are keen to reach out to the Indian luxury consumer and the fast-growing market here. One is open to exploring franchise opportunities with them.

Worldwide, there are very few schools that provide this sector of highly specialised education. At LCBS ([www.lcbs.edu.in](http://www.lcbs.edu.in)) are one such school with a clear well-defined focus on luxury education as a niche area. The scope for such schools is clearly very high since as per an NSDC report, some 5 m people are going to be required to service this sector by 2022. As a new business opportunity, this is a great investment direction for upcoming edupreneurs.



Opportunities are young and ripe  
in India's luxury market





### *India's Luxury Industry – Growing At A Rapid Pace*

Louis Vuitton, Gucci, Dior, Versace, Salvatore Ferragamo – names that arouse aspiration and a sense of achievement. And India has achieved - from its own story of luxury back in the era of the Maharajas to Louis Vuitton's India entry in 2003 to today, over **50 luxury labels** now retailing out of the Indian market through flagship stores.

Growing at a **Compound Annual Growth Rate (CAGR) of 25%**, India's luxury market has had quite a journey. In fact, last year has been a milestone when the industry touched a whopping **\$18.5 Bn from its \$14.7 Bn mark in 2015**.

While luxury cars, fashion and accessories, international hotel chains, real estate and luxury watches may be the biggest drivers of growth – other segments like beauty, wellness, furniture, travel and food are putting their best foot forward in order to appeal to the well-heeled and give them a world-class experience.

### **The Need For Trained Professionals**

Selling luxury is not the same as standing behind a counter and showing products to a customer. Luxury is synonymous with 'exclusivity' and hence, the service a brand offers when a customer walks into a luxury brand showroom has to be equally exclusive and special.

And that calls for a burgeoning need for trained professionals who are well spoken, have an



understanding of the luxury industry and specialise in selling or marketing a product that comes with a hefty price tag. Customer interaction in-store needs to be personalised and the approach unique. Sales staff plays a vital role in the way a first-time customer connects with a brand both emotionally and financially.

**Luxury brands will profit by “communicating quality, service and craftsmanship, creating authentic relationships, having docents, not salespeople, and with brand messages built on the aficionado’s love of details,” said Ms. Cara David - Senior Vice President, American Express Publishing while speaking at the Luxury Daily First Outlook 2014 held in New York.**

According to the National Skill Development Corporation, by 2020 the Luxury Products and Services market in India will seek close to 5.6 million skilled personnel.

Clearly, there is demand but do we have the supply? The answer is a big 'NO'. A lack of trained professionals is being perceived as a major hindrance to the growth of the industry.

### **Why India?**

An in-depth study by research firm McKinsey shows that the overall luxury industry is showing increasing signs of growth from emerging countries with India giving China tough competition, thanks to a slowing economy in the latter. Russia and Brazil too seem to be showing no signs of revival and the same seem to hold good for South Africa.







India's HNI and UHNI population too is growing at a rapid pace – it is estimated that **by 2020**, the wealth of **HNIs in India** will see a **94 per cent rise** as opposed to **China's 74 per cent**. This means more opportunities for luxury retailers in India leading to an increase in job opportunities as well.

### **Current Pool Of Talent**

A study by Luxury Connect Business School (LCBS) shows that approximately **54 per cent** of luxury brands/ companies are somewhat satisfied with their employees. A big chunk i.e. close to **40 per cent** is still struggling to hire **trained professionals** who understand the business.

In fact, the study also showed that it is the **younger generation** who has fewer years of experience who will drive the industry in the coming years. Almost **40 per cent** of the current manpower is young with **4-6 years of work experience**, which means there is a huge scope for those who want to start early.

Opportunity is knocking, waiting for the door of success to be opened and embraced not just for fresh graduates willing to make their mark in the luxury industry but also for Entrepreneurs who are ready to disrupt the Industry with their own luxury brand.

I truly hope that this ebook will help and guide you in your journey as a **#LuxuryIndustry aficionado or even an #Entrepreneur**. Additionally, you can access my blog at [abhaygupta.in/blog](http://abhaygupta.in/blog) and find out more about how the luxury industry is making strides in India. For any further queries or questions, I welcome you to get in touch with me at [contact@abhaygupta.in](mailto:contact@abhaygupta.in), or connect with me on any of my social media channels and I would love to hear your thoughts.

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