

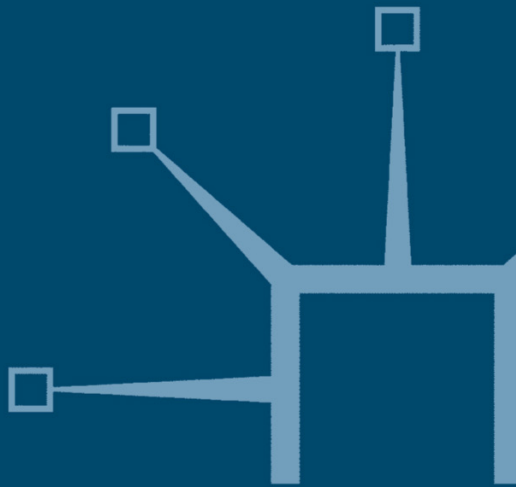
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The Luxury Market in India

Maharajas to Masses

Edited by

Glyn Atwal and Soumya Jain



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Edited by

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Foreword

India today is a case study for an evolving economy and consumption culture. We are at the tipping point at which China was probably a decade ago. International luxury managers are amazed at how India is changing, not just in terms of the usual metrics of a vibrant economy, but also by the country's attitude, spirit and identity.

Luxury brand observers for emerging markets compare India with China. There is no doubt that China is at a different stage of development today. India may still be viewed by many as being in the starting phases of maturity, but a sense of momentum is unmistakable.

I encourage international luxury enthusiasts to go and feel the nation's pulse and venture not only into the metropolitan cities of Bengaluru, Delhi and Mumbai, but smaller cities and towns. You will be overwhelmed by a young consumer class that is breathless with energy to succeed and consume the better things in life. It is this dynamic that is creating new and exciting opportunities within all sectors, including the Indian luxury industry.

It is, however, surprising that until recently many international luxury brands sidetracked India as a luxury destination. They were hesitant to commit to a market that they knew very little about. International luxury brand managers thought that the timing wasn't quite right. While many other brands had planted a foot in the Indian market, they were adopting a 'wait and see' approach. This was the past. At the moment, India is in the spotlight as demand for luxury goods and services continues to exceed market expectations.

The winners in this game will be those luxury brands that are passionate not only about India but about succeeding in India. These are players that believe in India and are embracing the country, with all its peculiarities, as a future market. There has never been a better time to enter the Indian luxury market. As a matter of fact, private domestic consumption accounts for 57 per cent of GDP in India compared with only 35 per cent in China. This goes to show how an emerging and evolving consumption culture is a defining feature of India's burgeoning middle class.

However, India is and will remain a diverse and complex market. Strategies will need to be developed and implemented that will capture this growth potential. I am often asked for advice by international luxury brands on how to succeed in India. My advice is simple – view India through an Indian lens.

The Luxury Market in India: Maharajas to Masses offers a window of knowledge into the Indian luxury market. There is probably no other book that has the breadth and depth of analysis tailored to the Indian luxury market. The book addresses today's critical issues that impact future strategies. It discusses keeping up with changes that are redefining today's and tomorrow's India.

I have pointed out to international executives that India is not different, but unique. *The Luxury Market in India: Maharajas to Masses* sets out to transform these challenges into business opportunities. Glyn and Soumya have crafted a book that goes beyond traditional business problems. Original contributions offer fresh insights and diverse perspectives that challenge previously held assumptions.

This book is one of the very few that takes a strategic and practical approach in getting to grips with luxury strategies in India. It will surely enable luxury players to acquire the necessary skills and competencies to seize the real India. India never stops changing. And we can never stop learning.

Sanjay Kapoor
Managing Director, Genesis Luxury Pvt Ltd

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In addition, we would like to extend thanks to Little less Conversation (Paris) for the design of the book cover and the following for the reproduction of images: DLF Emporio, Ermenegildo Zegna, Genesis Luxury Fashion Pvt Ltd, Giovanni Gastel, Gucci, Hublot, Le Mill, Le 15 Pâtisserie, Longines watches, Millward Brown, Mindshare, The Leela Palaces, Hotels and Resorts, The Sachdev Group, Vacheron Constantin and yoopune.

This book would not have been possible without the tremendous support of the luxury industry. *Merci.*

Glyn Atwal and Soumya Jain

Indian Metrics

INR = Indian Rupee

A lakh or lac is a unit in the Indian numbering system equal to one hundred thousand.

A crore is equivalent to one hundred lacs.

1 USD = 50 INR

1 Euro = 66 INR

(Status: March 2012)

Introduction

Glyn Atwal and Soumya Jain

In a relatively short time span of 20 years, India has moved from pavement markets to swanky malls, from frugal-minded consumers to those wanting it all, and from a population largely obsessed with celebrity gossip to one which yearns to gain knowledge. India is taking wing. It is not simply because India is set to become the fastest growing major economy in the world. The combination of a large, young working population, rising income levels, overwhelming consumer optimism and increasingly urbanized lifestyles is driving consumption growth in India.

The market potential of the world's second-largest population has not gone unnoticed. International luxury brands have India on the radar. As developed markets continue to battle economic turmoil, India offers luxury brand owners unrivalled growth opportunities. The Indian luxury market is projected to reach USD 14.72 billion in 2015 (CII and A. T. Kearney 2011). It may represent only 1–2 per cent of the global luxury market, but its market growth rate of more than 20 per cent per annum promises positive returns for luxury players. A flow of international luxury brands, from Giorgio Armani to Ferrari to Sofitel Hotels, have entered the Indian market to claim a share of the luxury rupee. Many others are waiting, watching and preparing. This is not just about today's market but a key strategic market of the future.

Indeed, recent economic projections suggest that the Indian consumer market will expand far beyond previous expectations. The success of Indian tycoons and entrepreneurs has created a class of

super-rich consumers. However, it is the burgeoning middle class in India which offers a golden opportunity for the luxury industry. According to McKinsey Global Institute (2007), the Indian middle class is expected to reach 580 million people by 2025. The growing significance of a consuming class that is willing to flex its financial muscles has led many commentators to suggest that India is well positioned to become the next China. Economic momentum and the aspirations of the Indian middle class with an appetite for lifestyle brands have created a 'desire' economy. The launch of Indian editions of international lifestyle magazines is testimony to new and emerging consumption mores. The increasing frequency with which consumers are exposed to luxury brands results in heightened desire for these brands. The market is expanding from the 'centres' of luxury – Delhi, Mumbai and Bengaluru, and is percolating into smaller cities such as Chandigarh, Ludhiana, Ahmedabad and Coimbatore. We believe that the tipping point is in sight. India has a strong cultural and historical tradition in luxury which serves as a springboard for future growth. The luxury market in India is a market from Maharajas to Masses. It is a dream for every luxury shareholder!

However, the large consumer base does not guarantee a flourishing business for international brands. In fact, the more diverse the consumer population, the harder it is for brands to entice them. India is different compared to other emerging markets in many economic, social and cultural aspects. Brand managers have found to their surprise that the gloss and glamour of a Western luxury logo does not have the same attraction in India as in China. What sets India apart is the often conflicting, contradictory and unpredictable patterns of consumption. India is not static, but is in a constant process of transition, and will continue to be so due to its large and diverse population. This is New India.

Real obstacles need to be overcome if luxury brands are to benefit from these massive market opportunities. On its 2011 Ease of Doing Business Index, the World Bank ranked India 132nd out of 183 countries; this is hardly a stellar performance. Fashion brands such as Dockers and Etam have exited from the Indian market. Luxury brands Aigner and de Grisogono have also bid *au revoir* to India. Likewise, luxury brands such as Ermenegildo Zegna withdrew from the Indian market only to re-enter with revised business strategies.

It is no secret that many luxury brands are yet to break even as they struggle to firmly plant their feet in India.

The idea of this book came about because luxury brand executives told us that they wanted to learn more about how to succeed in India. Executives were aware of India's huge potential but were often bewildered on how to move forward. The nature of India's consumer, the lingering infrastructure problems, and India's penchant for 'fusion' were just some aspects that had international luxury players confused as to the way ahead in this culturally rich country.

The Luxury Market in India: Maharajas to Masses sets out to address the salient issues that are critical to unlocking the potential of India's luxury market. This book is a collective guide based on intelligence from consumer research, expert interviews, face-to-face conversations, and most importantly, experience. Not just ours, but of our contributors, each of whom are experts in their field, and generously poured their knowledge of taming the Tiger. The book 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, magnetizing India through its own individualistic language, communicating the philosophy of luxury brands, and finally understanding India's own luxury.

Although we accept that there is no magic formula for succeeding in India, we can learn from best practice. The book provides the perspective of what that means. Expert insights elucidate strategies that will help to avoid market failure and leverage opportunities to win in India. The Indian luxury market is currently at the early stages of development, but brand managers need to be ready, as the Indian luxury market is set to fly high.

Glyn Atwal is Associate Professor of Marketing at ESC Dijon-Bourgogne, an international Graduate School of the French network of Grandes Ecoles. His teaching expertise includes luxury marketing and emerging markets. Prior to academia, Glyn worked for Saatchi & Saatchi, Young & Rubicam, and Publicis.

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leading business schools in India. Prior to *LuxuryFacts*, Soumya was a member of the editorial staff for the magazines *MillionaireAsia India* and *Asia-Pacific Boating India*.

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Part I

Understanding Luxury in India

1

Renewing India's Relationship with Luxury

Dheeraj Sinha

India and its idiosyncrasies

India is not new to luxury. It has a rich tradition of luxury since the times of maharajas. In fact, the royalty and their tales influence many cultural ideals of luxury. Even today, the palaces of Rajasthan, now converted to heritage hotels like the Udaivilas, serve as fine examples of Indian luxury. Most of the religious texts, such as the Mahabharata, are set in the times of prosperity and describe a rather opulent lifestyle.

What is new to India, however, is the market for luxury. In the last two decades, the political, cultural and financial scenario in India has been dominated by mainstream middle class consumers. All the attention and resources have been focused on understanding the mass market. While India has always had a millionaires club, most of these people have traditionally shopped on their trips abroad or depended on the informal import channel.

With rising affluence levels, the size of the premium segment, or the top of the pyramid is becoming significant. According to Swiss wealth manager Julius Baer (2011), India would more than double the number of High Net Individuals (HNIs) to 403,000 by 2015. As a result, the luxury segment in India is ready to takeoff. The housing segment, for instance, has seen several launches by builders such as Lodhas and India Bulls in Mumbai and DLF and Unitech in Delhi. Brands such as Audi and BMW in luxury sedans, Jean-Claude Biguine in spa salons, and Estée Lauder and Clarins in personal care are serving this market. On the retail front, three big luxury destinations are already in play: the

UB City mall spread across 125,000 square feet in Bengaluru; the DLF Emporio mall with 320,000 square feet in Delhi; and the Palladium in Mumbai which is spread across 200,000 square feet of up-market brand stores, salons, lounges and restaurants.

Like most other things in India, its luxury market is not an easy one to crack either. As it happened in the early 1990s, post the opening up of the Indian market, several global brands and businesses opened stores in India expecting the Indian consumers to flock through their doors. Brands realized that despite being smitten by everything foreign, the Indian consumer expected them to work their product and pricing according to them, rather than the other way round. Of course, luxury consumers are different from mainstream consumers. They are far more discerning and rather well travelled. While their behaviour is different from the mainstream middle class consumers, it is not free from Indian idiosyncrasies either.

The luxury market in India is at the same stage as the Indian consumer market was about 15 years ago. It boasts of a large consumer base that has disposable income and has demonstrated encouraging rates of growth in several categories. Clearly, the market is poised for a takeoff. However, just as the Indian middle class market came with its own idiosyncrasies, the luxury market in India unravels its own quirks.

The market is in pockets

The market for luxury in India does not chase the disposable income curve blindly. One of the reasons is that the declared incomes of individuals may not always be their real income. The biggest learning for luxury retailing in India is not to mistake the consumer's appearance for her propensity to spend. Luxury brands in the country have reported growth from surprising geographies. Many of them are from outside the key metropolitan cities. The stories of Coimbatore being the largest market for Mercedes and Mahindra launching luxury tractors for rich farmers in Punjab are not new anymore. Depending on their financial appetite and social conditioning, India is witnessing emergence of select pockets of luxury. In terms of geography, the rich agricultural belts of the north, including parts of Punjab, Haryana and Uttar Pradesh; the trading and industrial belts of Punjab and Southern India; upcoming small towns such as Pune and Chandigarh; and the suburbs of mega metros such as Gurgaon and

Noida, which are fed largely by the service industry, are some of the high-performing pockets.

In terms of age group as well, there are pockets, which are more amenable to the idea of luxury, possibly owing to the life stage and the mindset. While the mainstream, middle-aged population has a steady contribution to the luxury market, the young in India are turning out to be the unlikely heroes. Many young people in India, below the age of 30 years, have high disposable incomes, courtesy their new-age jobs in consulting, investment banking, IT and so on. Some of them also come from wealthy parentage. What makes them a good target for luxury is their outlook towards life and their mindset, which is distinct from the traditional Indians.

Brought up largely in the post-economic-liberalization era, these consumers belong to the 'no-strings' generation of India. They have lived in the times of plenty and are not burdened by the consumption guilt typical of the traditional Indian mindset. In fact, they are eager to experiment with the new and experience the good life. This is the generation in India, which wants to look good, be rich and have fun, not necessarily in the same order though. However, it is critical for this segment that luxury brands speak their language. Typical luxury brand speak, such as that of heritage, refined taste and status, may be too heavy for the generation that wants to live it light. Of course, they want to signal their good life, and the fact that they have arrived, but they want to look cool in doing so, not staid and old. Luxury for this segment needs to embrace youth values. It needs to be nimble, fun and may be a little quirky.

The other segment, which is a natural target for luxury in India, is consumers in the age group of 45 and above. In their mindset, this segment may be at the other extreme of the 'no strings' generation, but they are not untouched by the dramatic changes that India has seen in the last two decades. The partition generation, as they may be called, has lived most of their early lives in the decades that followed the political independence of India. They are the ones who have lived a cautious life, building up for a future that may not be so good. But as it happens, the future has actually turned out to be good. For them, the income is still flowing in and they have a decent wealth created for themselves during the last few decades. Most of them may have children who are performing well in the professional arena. Armed with a significant potential to spend and a mindset to

explore, the matured segment in India too wants a taste of luxury. Their luxury, however, is made up of harder stuff. They are more likely to spend their money on expensive real estate, automobiles and jewellery, instead of apparel and accessories.

In terms of both geography and demographics, the market for luxury in India is in select pockets. As discussed above, it is critical to know where these consumers are coming from, because that largely determines what they are looking for. While luxury consumers from a small town of Punjab will not go beyond known labels because unknown labels will have no social worth, the younger consumers of metros will continuously seek to experiment and look for a marriage of luxe with cool. At the same time, the mature generation of India will give more importance to taste, refinement and intrinsic value of a brand than what a 28 year old would.

Signalling the distance

India is currently a huge mass of consumers, constantly upgrading their lifestyle. Malls and multiplexes have brought together people of varied classes who would otherwise never rub shoulders with each other. The need for luxury here is also a need for the well-heeled to signal the distance from the mainstream. For instance, the High Street Phoenix in Mumbai, which was once a premium shopping and entertainment destination, has now been rendered mainstream by the Palladium, which is geographically adjacent to it. Palladium separates the rich from the mainstream with its lineup of brands such as Burberry, Hugo Boss, Canali and others.

The last two decades of sudden economic growth in India has levelled consumers of all types and united them through shared symbols of consumption. Partly owing to new work places and their egalitarian cultures, and partly because of the symbols of consumption that could be owned by anyone, the traditional hierarchies of caste and class have broken down considerably in the last few decades in India. McDonalds, with its INR 20 (less than half a dollar) burger, in many ways broke the divide between classes, so did the hypermarket chain Big Bazaar by selling affordable household and grocery items in air-conditioned environments, thereby making it attractive to all.

The next few decades will be about recreating the class differences by upgrading people to lifestyles that mark out their exclusivity.

The bulk of the luxury market in India, therefore, is in helping signal the distance from the mainstream. This segment is about upgrading people one step at a time from mass premium to the mid-luxury segment market. The big market for luxury in India is therefore between mass premium and ultimate luxury – in bridging the distance between what is desirable and what is affordable.

For example, in the luxury car segment, it is the INR 20 lac (around US \$40,000) segment where BMW plays with its X1 and Audi with its Q3 that is doing rather well. This segment is a bridge to the super luxury segment of BMW 5 series or Audi A6. Similarly, real estate projects that promise affordable luxury, selling an upgraded lifestyle with swimming pool, clubhouse and other such amenities, are coming up in significant numbers. While these residences may not fulfill the ultimate dreams of the Indian luxury consumer, they are helping him upgrade to the next level of living, and more importantly, mark his transition from everybody to somebody.

India's own luxury

It is a long drawn conclusion that products and services catering to the mainstream Indian market need to be customized to the local taste. Many brands such as MTV, McDonalds and Suzuki (Maruti) are now case studies in localizing their offerings to the Indian market. It is true that a large number of luxury consumers in India are well travelled and would like the same experience from the brands that they get globally. But it is also true that India's own signature on luxury is emerging, and its rich culture is playing a big role in it.

Culturally, the royal way of living has influenced the Indian idea of luxury. The royalty have had their own style and precedence. Indian designers, who have drawn inspiration from this tradition, are well positioned in the Indian luxury market. The market for Indian designer wear has always been significant. Indian designers such as Anita Dongre, who has six individual brands under her fashion umbrella, including a wellness spa, and Ritu Kumar with 25 outlets in all major cities in India, have demonstrated that the idea of Indian luxury has widespread potential.

In many ways, India is rediscovering its own heritage and relishing the quintessential Indian luxury experience. Brands like Neemrana and Oberoi in hotels have restored the traditional forts and *havelis*

(residences of the royalty) into luxurious vacation resorts. This experience of royalty, as embodied in these luxury abodes, is attractive for Indians in the same way as foreign tourists. Similarly, when it comes to jewellery, Tanishq (a brand from Tata) has launched Zoya, a premium jewellery collection that takes inspiration from classical motifs, expressed in contemporary styling. Some years ago, an advertising campaign by Tanishq positioned it as 'tales of tradition'.

As in many other areas, luxury in India would do well to draw inspiration from the Indian way of life. Whether it is the *sarees* by Hermès, or the *bandhgala* by Canali, there is a lot in the rich tradition of India to fuel some trends in luxury. The emergence of India's signature in its pursuit of luxury is an encouraging pattern, especially when the market is still warming up to the idea of luxury consumption. Local and traditional motifs will play an increasingly larger role in expanding the idea of luxury. India wants its luxury products and services to conform to the international class, albeit in an Indian way.

Banking on Bollywood

Traditionally, Bollywood has been the driver of mass fashion in the country. Actors and actresses have influenced fashion in India right through the 1970s and 80s. Amitabh Bachchan's side-burns and Sadhana's fringe were the benchmarks in hairstyling, so were Sridevi's *sarees* and Vinod Khanna's bell-bottoms. Even today, fashion trends from Bollywood are quick to hit the Indian markets, including the unorganized street-side shops. Fashion in these quarters is certainly driven more by Bollywood hits than the season's collections. While Bollywood's direct influence on mass fashion in India cannot be debated, its influence on the luxury consumer is still evolving.

There has also been a rise in the association of luxury brands with Bollywood, starting with *Kal Ho Naa Ho* (Tomorrow May or May Not Come), which featured a Louis Vuitton briefcase as far back as 2003. Recently, Christian Dior and Chanel attempted to leverage the popularity of Hindi cinema in 2010 movies, *Aisha* and *I Hate Luv Storys*. A Hermès Kelly bag featured in the hit Hindi film *Zindagi Na Milegi Dobara* (You Only Live Once). Most of these appearances, however, work at the level of giving a broad visibility to these luxury brands that may not otherwise be known to most Indians. These

associations get the brand known to a large audience, but not essentially influence their adoption as the Indian luxury audience has other places to look for inspiration.

The relationship of Bollywood with luxury, however, is more through the stars, less through the cinema itself. So if Shahrukh Khan sports a Tag Heuer and Aishwarya Rai escapes with a Longines, both brands and celebrities gain from each other. Magazines such as *Vogue* and the Page 3 of *Times of India*, known for its celebrity-watch, have also helped build luxury associations with the stars. The leverage here is the lifestyle that the celebrity lives, thereby inspiring others by his or her choice and not essentially the placement in the film narrative.

Conclusion

India is in a stage of rediscovering the idea of luxury. In this process, it is inspired by its tradition and filled with its own idiosyncrasies. Even though most codes of luxury have universal appeal, brands and businesses would do well to understand the details of the Indian mindset and the market. The Indian luxury market, which is growing in pockets, needs to be understood for its specific motivations. Marketers should be aware that the larger need in India right now is for signaling the distance. The big market here is in providing the bridge from the mainstream to the exclusive. Bollywood, despite its traditional influence on mass fashion, is growing up to its association with luxury. Luxury brands need to work hard at translating the latent market for luxury in India into an active one. This would mean new ways of enticing consumers and communicating with them.

Dheeraj Sinha is Regional Planning Director, Asia at Bates. He is author of *Consumer India – Inside the Indian Mind and Wallet* published by John Wiley & Sons.

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2

India's Historical Luxury Fables

Soumya Jain

India's luxury story has no beginning. There is no specific time to indicate the commencement of indulgence in luxury in India. It is a continuous fable which has barely been chronicled. In fact the seeds of historical luxury consumption have perhaps germinated into a full-fledged contemporary luxury buying pattern. The example of the celebrated and much famous Maharaja Bhupinder Singh of Patiala alludes to this behaviour.

Maharaja Bhupinder Singh of Patiala inherited the De Beers diamond, an enormous light yellow diamond from South Africa, weighing 234.5 carats. This diamond was sent to Cartier in 1926, packed in a special delivery trunk full of precious stones and jewellery. Cartier created the famous Patiala necklace, comprising five magnificent chains in art deco style, each in platinum encrusted with diamonds. In the centre, a cascade of seven large diamonds ranging from 18 to 73 carats surmounted a pendant whose centrepiece was the De Beers diamond. The finished necklace comprised 2930 diamonds and weighed 962.25 carats.

However, this illustrious Maharaja's passion was not restricted to jewellery only. Vacheron Constantin held an exhibition in 2011 to display two iconic watches which they had created for Maharaja Bhupinder Singh of Patiala. One was a 1909 pocket watch with a perpetual calendar. It also included an alarm, moonphase as a chronograph and a minute repeater. 'It is a piece truly exceptional for its time. And it was made-to-order for Maharaja Bhupinder Singh. He wanted something unusual, so we had to combine all these complications together for him', said Yassin Tag, Brand Manager, Vacheron

Constantin, Middle East and Subcontinent. The other was a ladies wrist watch, dated 1916, and a special order again (Figure 2.1). The Maharaja wanted a watch where he could see the time very discreetly. 'Usually you have to lift up your wrist to see the time on your hand. But this is like a bracelet, a piece of jewellery. And by just standing and looking down at your wrist you could see the time', explained Tag (Jain 2011a).



Figure 2.1 Vacheron Constantin Lady's Wristwatch 1916 (Courtesy: Vacheron Constantin)

The past and the present are undeniably linked in India. The desire to have diamond- and gold-laden traditional jewellery is clearly evident in the buying behaviour of Indian women today. The 'heavier' the jewellery, the more affluent the family. Likewise, the inclination to customize creations is still visible in the Indian consciousness – whether it is made-to-order Louis Vuitton trunks or luxury mechanical watches. Indians are proud of their sophisticated history and take inspiration from it to signify their refinement. To understand the current Indian luxury consumer, it is necessary to study the unique passions and lifestyles of erstwhile Indian Maharajas.

The life of a Maharaja

The lives of Indian royalty were lavish *sans* any boundaries. Money was ample with their palaces stretching into acres. Jewels were used as play things while their apparel was created with silvery or golden fabrics, and with the utmost craftsmanship. This extravagance is clearly portrayed in the words of Maharaja Ranjit Singh Gaekwad:

I feel privileged to have been born into the royal house of the Gaekwads of Baroda. My childhood was filled with the most amazing sights and experiences. When I look back at those days, it almost feels like a fairy tale. ... Living in this beautiful palace surrounded by acres of greenery that included a riding track, a full-fledged cricket ground adjacent to which was the private Princes' School. ... My father Maharaja Pratapsinhrao Gaekwad, brought us a toy train with a steam engine, which was a made-to-scale model of the Flying Scotsman. Chugging through the palace estate, this little train took us to school.

(Allen 2005, p. 13)

India's own rich craftsmanship was, and is still, unmatched. Princely, silken robes and drapes, complemented by jewellery crafted with diamonds, sapphires, rubies and more. However, Indian royalty's penchant for western brands is well-known too. Tukoji Rao II of Indore inherited almost half a million pounds worth of jewellery and doubled it over the next 15 years. He bought two pear-shaped Golconda diamonds from the French jeweller Chaumet. Ganga Singh of Bikaner ordered a belt buckle from Boucheron set with

many diamonds, rubies and emeralds, and with a central brilliant of 3.60 carats (Allen 2005).

Examples of such opulence abound. It is claimed that 3600 Rolls-Royce cars were produced in Britain between 1907 and 1947, and 1000 of these were exported to India (Times of India 2011). Customized cars were a particular passion for Indian royalty. The Cartier ‘Travel with Style’ Concours, held in March 2011 in New Delhi, showcased many such automobiles. One of them was a yellow, regal looking 1911 Rolls Royce Silver Ghost Dome Roof Limousine, which had been commissioned by Mahbub Ali Khan, Nizam VI of Hyderabad, known to be the wealthiest man in the world at his time. The body of the car was built by Barker & Co with a raised seat under a canopy – hence the moniker ‘Throne Car’. Accentuating the royal look was brocade and silk upholstery and the canary yellow coachwork embellished with silver trim and door handles (Jain 2011b).

Manvendra Singh Barwani, an erstwhile royal, who co-authored the book *The Automobiles of the Maharajas*, reasons the attitudes of Maharajas while making such lavish demands: ‘Automobiles, in the beginning, were just play things, and something to show-off for the Maharajas. It was only in the 1920s that the automobile became an object of luxury, to be customised for different purposes. India is the only country in the world, where the automobile reflected its heritage, culture, weather and religion. The automobiles of the Maharajas were created for specific purposes such as *shikar* car, ceremonial car and *purdah* car. The customisation and the special bodies made for the Indian maharajas by renowned coach builders reflected an era of opulence. Many a times, these cars were made for comfort, and many a times to show-off the wealth of the Maharaja.’

Indian royalty’s love for luxury and lavish lifestyle intensified as the British Raj gained more supremacy in India. The Maharajas and British would socialize together as the political relationship between them forged deeper roots. As early as 1740s, the East India Company was forging diplomatic ties with Indian kingdoms, and by 1820s, almost all major ‘country powers’ had been linked to the Company by treaty. By early 1940s, the relationship between Indian royalty and British Crown had become interdependent (Copland 2002).

The ‘fads’ and passions of Indian royalty only increased with time. In 1909, visiting Alwar with the viceroy (her husband), Lady

Minto was dazzled by the extravagance of their hospitality, and later recorded in her diary about 'the wonders of these Native States which open up to Westerners an unbelievable pageant of Eastern magnificence' (Copland 2002, p. 23).

The glory of Maharajas, however, started spiralling down after India achieved independence in 1947. British India consisted of more princely states than provinces, and the relation of each of these princely states with the British was determined by separate treaties and the system of gun salutes.

On the eve of independence, most of these states had signed the Instrument of Accession with either India or Pakistan while only certain states pressed for complete independence. However, due to the diplomacy of Indian leaders at that time, the three major princely states of Travancore, Bhopal and Jodhpur signed the Instruments of Accession before 15 August 1947. Even after independence, however, the three states of Kashmir, Junagadh and Hyderabad wavered, which were finally integrated later.

Democratic institutions were introduced in these states and in 1949 they were fully merged with India to form new states. Although in 1947 the royal families had been allowed to retain large sums of money, in 1949, the revenues of the states were entirely taken over by the Government of India. But in an attempt to keep the country united, the Indian Government provided the erstwhile rulers with 'privy purses', which was a payment made to the royal families for their submission, and which was determined by several factors such as revenue of the state, gun salutes given and antiquity of the dynasty.

The privy purses ranged from INR 5000 per annum to amounts in millions. Only the most important states in India were provided with privy purses above INR 1,000,000, which were Hyderabad, Mysore, Travancore, Baroda, Jaipur and Patiala. The agreements drafted included a reduction in the privy purse for successors. For some states, however, the agreement allowed the amounts to be guaranteed for the time being, but liable to be reduced later. Thus Hyderabad, which initially received a privy purse of INR 4,285,714, was few years later granted a INR 2,000,000 purse. The Government of India reduced the allowances with every succession in the family (Dass 2008).

In 1971, the prime minister of India, Indira Gandhi, motioned to abolish the privy purse. It was successfully passed as the 26th Amendment to the Constitution of India in the same year. Dethroned

and stripped of power, the Maharajas no longer enjoyed the same exalted status as before.

Trickling to the masses

After independence, a cautious India made efforts to stand up on its feet. Little foreign intervention was allowed, which hindered the growth of the Indian economy. However, there were a few attitudes that never changed. Urban Indians still got their clothes stitched specially, thus subconsciously, only donning couture. Hired helps were always required to do household work. Chauffeurs were required to drive around the men and ladies of the house.

But this was a minority population. To spread even this level of prosperity among a larger population, a major upheaval was required by the Indian government. India was a latecomer to economic reforms, embarking on the process in earnest only in 1991, in the wake of an exceptionally severe balance of payments crisis. The International Monetary Fund, thus, instructed India to undertake a series of structural economic reforms, due to which the Indian government started working on neoliberal policies including opening borders for international trade and investment, deregulation, initiation of privatization, tax reforms and inflation-controlling measures. Therefore, debt-ridden and surrounded by a bevy of problems, India finally opened up its borders in 1991 for foreign investment and truly became a globalized economy.

This encouraged the entry of multinational companies from various sectors, which provided dream jobs with attractive salaries, capturing the attention of the ambition-led youth. The opening of borders for trade and investment led to the birth of the 'tiger' economy that India came to be recognized for. These economic reforms also encouraged the development of a consumer society. The upper class was no longer ashamed of conspicuous consumption. The middle class saw this as an opportunity to climb up the social ladder. Higher income gave way to mid-budget fashion brands such as Gap, Mango, and Levi's. These 'ladder' brands slowly made way for higher brands such as Dior, Burberry, Canali and Ermenegildo Zegna, thus aiding the growth of India's luxury industry.

But while this new population of high-spenders is redefining the consumption culture of the Indian society, the erstwhile Maharajas

have not taken a backseat. They are equally involved in developing the luxury industry in India and preserving their royal traditions, history and heritage.

Implications of India's history of luxury

Indian royalty encouraged the country's rich handicraft to grow by leaps and bounds. It is this refined art and heritage that has led to the flourishing of India's luxury market. India's local luxury industry, as inspired by the past, can be majorly divided into three main sectors of hospitality, fashion and jewellery. These industries use age-old Indian traditions and crafts as a muse today and develop them into unique, rich brands. An appreciation for all things unique – a passion shared by both the royalty and the masses – has made India welcome international luxury brands with open arms.

Hospitality

Royalty in India have set the tone for luxury tourism as illustrated by Maharaja Ranjit Singh Gaekwad:

Our country's tourism industry is a good example of how erstwhile feudal families have successfully turned crumbling fortresses and palaces of the past into hotels and hospitality houses of international standards, generating employment for thousands of local people – to say nothing of tax revenue.

(Allen 2005, p. 12)

Indeed, many palaces have been turned into luxury hotels. Falaknuma Palace, earlier owned by the Nizams of Hyderabad, was recently renovated and launched as a luxury hotel by the Taj Group. Likewise, Shriji Arvind Singhji of Mewar converted his sprawling palaces in Udaipur into hotels which come under the HRH Group of Hotels. It is the flagship commercial venture of the House of Mewar and one of India's largest chains of heritage palace-hotels and resorts under private ownership. The HRH Group of Hotels offers a range of regal experiences including island-palaces, museums, galleries and car collections. According to Shriji, 'We cannot overlook or disregard our own heritage, yet at the same time, the forces of globalization are spreading their own culture and values. I think the key to success

lies in developing a synthesis of both the worlds: our heritage, our legacies of the past have to co-exist with the needs and advantages of the present' (Fernandes 2011).

Fashion

The Indian fashion sector is not less developed than the Indian hospitality industry. Veteran Indian designers such as Ritu Kumar and Abu Jani-Sandeep Khosla have been incredibly successful in incorporating India's rich and age-old textile heritage and stitching craftsmanship traditions. The designers use indigenous stitching techniques to give an ode to India's rich heritage. Abu Jani-Sandeep Khosla are much famous for their quintessential *chikankari* garments while Ritu Kumar has nurtured a unique style of her own which includes ancient Indian handicrafts such as *zardozi*, *bandhani* and *chikan* work combined with naturally rich fabrics like silks, georgettes, crepes, tissues. A newly launched Indian brand, Patine, creates garments using velvets, colourful silk linings and ethnic detailing like the old *parsi ghari* embroidery.

Indians have been regularly using the fabric *pashmina* which is quintessential to India. Wearing a *pashmina* shawl is again considered a sign of affluence in the country. *Pashmina* is a type of fine cashmere wool and the fabrics made from it. The wool comes from the *changthangi* or *pashmina* goat which is indigenous to high altitudes of the Himalayas in Nepal, Pakistan and northern India. *Pashmina* shawls are hand spun, woven and embroidered in Kashmir. Thin, but extremely warm, these shawls are desired by luxury connoisseurs around the world today.

The *sari* is evolving to remain the hallmark of Indian identity. Indian designers such as J. J. Valaya and Sabyasachi Mukherjee are developing contemporary designs and silhouettes which are still inspired by traditional motifs and techniques. The six yards of Indian *saree* is gaining much popularity across the world with international celebrities donning them for special events too. In fact, the Saree Silhouette design by Indian designer duo Abraham & Thakore has been acquired by the Victoria & Albert Museum as a part of their permanent collection which also consists of designs from Coco Chanel and Christian Dior.

Indian fashion trends have created waves around the global fashion world as well, and are still followed. The Nehru Jacket is one

prime example. Worn by India's first prime minister, Jawaharlal Nehru, for the first time, this single-breasted, hip-length suit shot to fame in 1960s after it appeared in the Vogue magazine. Obviously re-created and used by Indian designers in their fashion designs, even international fashion brands Canali and Ermenegildo Zegna have taken out special *bandhgala* creations to lure the Indian market.

Jewellery

Indian jewellery is as elaborate as it can get. Composed of gold or silver and stones such as rubies and emeralds, and weaved together to form long, multiple strands, Indian jewellery is still made using traditional craft. Designs, however, have become slightly more contemporary, but always reflecting Indian aesthetics. Indian jewellery includes making adornments for ears, the neck, arms and going on to hair, feet and even hip. Gold is still the preferred metal for Indians, as it was in earlier times. In fact, 20 per cent of the world's gold reserves are known to be used in India for jewellery, adornments and even *saris* (*The Guardian* 2011).

The craft of jewellery making was encouraged by the royalty immensely during their heydays. An example is the work of *meenakari* or enamelling. Formerly, the best Indian enamels were manufactured in Lahore (now in Pakistan) by Muslim families. Raja Mansingh of Amer, Rajasthan, invited the Lahore-based skilled artisans to his kingdom, and the intermingling of their crafts came to be known as *meenakari*. Mughal emperor Shahjahan's aesthetic vision and continued patronage also transformed enamelling into a sophisticated art. Another age-old, luxurious jewellery craft, which is much sported by Indian women today as well, is *kundan*.

Indian jewellery is also made and worn based on astrological predilections and for 'character correction'. *Navratna* jewellery was, and still is popular in India, where nine auspicious stones are used in a single ornament. These stones include diamond, ruby, emerald, coral, pearl, sapphire, garnet, topaz, and cat's eye. When visiting India, don't be surprised to find almost all fingers of Indian people adorned with rings sporting diamond or pearl or topaz. One might be to get a good life partner while the other might be to help in controlling anger! Wearing jewellery is more of an everyday lifestyle rather than something occasional for Indians.

Indian jewellery brands respect the ancient Indian crafts and traditions in their designs. Jewellery by Ganjam, for example, gets inspiration from South Indian temple architecture. Jewellery designer Roopa Vohra, when she started her brand, took roots from the Indian craft of *Thewa* and later went on to include *Kundan* jewellery as well in her collections.

Consumer attitudes vis-à-vis the past

Owing to India's past, the Indian luxury consumer is clearly divided into two categories: those who understand luxury in their true sense, and those who are standing on the first or second rung of their luxury maturity.

The first group, which includes the erstwhile royalty, early industrialists and their future generations, have been indulging in luxury since time immemorial now. They are, what we would call, mature luxury consumers, who know what they want to spend on and how much. They want exclusivity – not necessarily brands which are known – but those which strongly appeal to their charismatic personality. According to Barwani, 'Luxury to the Maharajas meant not only beautiful and intricate things, but also things that would enhance the quality of life, in the prevailing era.'

But the recent breed of luxury consumers, which is the second group, started growing after the opening of India's financial borders, and is still exploring the options available. This consumer group runs behind well-known, recognized brands – those which will instantly spell out their success to the society. They want mass appeal and brands which make it easy to show off. Barwani commented, 'The *nouveaux riches* have no idea what luxury means. They just follow brand names. The average Indian customer is still dependant on an image building exercise, rather than understanding the true value and heritage of the item he is buying.'

Differentiating between the Maharajas and the masses

Brands have to tread over a fragile line and capture both the markets as best as possible. The group of connoisseurs will easily detach themselves from a brand which they feel has 'stepped out' too much. Customized and bespoke products appeal much more to this group.

The *nouveaux riches* would, on the other hand, gladly ape what the connoisseurs are flaunting. Indeed, Cartier referred to its early connections with Indian royalty when it launched in India – especially the Patiala necklace made for Maharaja Bhupinder Singh of Patiala. Brands have to be clear on which segment they are targeting specifically. Though this restricts the consumer market, it helps define a brand and its image aptly.

Indians have always been used to faultless service – whether it is at home (considering they hire helpers to do household work) or while travelling. This has made the Indian luxury traveller more sophisticated in his or her attitude, thus demanding more from destinations and hotels. According to Vasudha Sondhi, managing director, Outbound Marketing, ‘The urban Indian tourist is hugely demanding and sometimes not in a positive way. On the contrary, younger urban Indians wish to be hands on, whether at home or work. Luxury for them is the choice of getting the job done or doing it themselves. This can be seen in many top international hotel chains especially catering to the senior corporate traveller, where the option of self check-in is also available!’

Considering India’s rich heritage and culture, which led to the two highly distinct luxury consumer groups, luxury brands are often in a dilemma on how to leverage growth opportunities. Comprehending and respecting India’s luxury history and attitudes is key to understanding today’s consumer and mindset. Quite simply, Indians like to mix Western symbols of success with their traditional symbols of heritage and family wealth. ‘India detains an exceedingly rich and powerful heritage from the past, translating it to the present and future in a singular way. Known European brands have found it difficult to establish themselves in India. There is a need for them to embrace Indian culture in their designs and attitude, rather than imposing their values’, said HH Alexandra de Kerros Boudkov Orloff, CEO, Sacha Orloff Consulting Group.

India’s luxury heritage still runs deep in the Indian consciousness. Indian consumers still know how to look for unique designs, perfect craftsmanship and silky fabrics weaved by the most exotic threads. The degree of sophistication among the consumers, however, varies. These varied consumer perceptions have been formed over time and understanding these is the key to unlocking the true potential of India.

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Part II
Unravelling the Indian
Consumer

3

The Changing Luxury Landscape

Sophie Maxwell

Luxury is by definition excessive. We don't need it, we purely desire it, but our desires change with our culture and values. We live in a rapidly evolving world where these desires change quickly and dramatically and, thanks to a growing influx of global influences, the luxury category today sees power shifting away from previous ideals and many new and different views emerging. This has given life to different takes on luxury, all based on these different cultural values and all influencing and creating new fusions with one another. In the past luxury was about one ideal. In the future it will be about many ideals.

This chapter will explore four key areas of cultural change in the world of luxury and their implications for both the Indian luxury consumer and brands wanting to attract them. By understanding these changes we can create a picture of the future that will both inform and inspire brands to develop competitive strategies.

Going global

Luxury has always been identified by inspirational creativity, precision and quality craftsmanship at the core. And while these values will remain key, combining them with brand growth, sales and succeeding in both existing and growing new markets is becoming ever more challenging. Perhaps today, the real challenge for luxury brands is to understand the reasons behind their entry into each of these new markets, and whether a creative or business vision should steer their decision making. Essentially, while staying small

and localized might be a way of retaining exclusivity, product and quality control, how many brands today can really afford to do this? For brands in the twenty-first century, globalization has brought with it the idea that a global design aesthetic is desirable, and though desire for certain brands transcends cultural and geographical barriers – particularly the ‘logo-ed’ international language of luxury – it is also hard to ignore what might be lost by overriding the richness of cultural nuances and the anti-luxury sentiment of a uniformly global approach.

The challenge in the future for luxury brands will be a pitch perfect harnessing of all cultural, societal and economic viewpoints and the ability to present them both on the global stage and to the local consumer, to ensure they feel personally considered and inspired. We are currently seeing global brands heavily targeting India as an emergent territory for luxury opportunity. Brands are embracing the creation of culturally specific products with a reverence that suggests it is a market that likes to be specifically addressed, treated individually and respected for its own rich symbolism, references and beliefs. A number of international luxury brands such as Hermès, Tod’s, Etro, Canali and Ermenegildo Zegna have been increasingly producing India-inspired collections and products, from clutches and watches to shoes and jackets. Hermès launched a debut collection ten years ago of limited edition silk *saris* and has done so once again, only this time in India.

This kind of behaviour shows the extent to which brands are looking to woo the growing tribe of young entrepreneurs and executives who are driving an exciting boom in the Indian luxury market. As Priya Sachdev, CEO and Creative Director of TSG International Marketing (which represents brands such as Alexander McQueen, Lanvin and Stella McCartney in the country) says, ‘They (the rich Indian consumers) are adventurous and want to try Indian designs even in foreign luxury brands’ (Sharma 2011).

Other luxury brands are looking at this process in reverse by trying to take the Indian culture and design it for the global audience. Much cited in the media was Louis Vuitton’s celebration of the Indian festival Diwali. In 2010, all of Louis Vuitton’s 454 stores – spanning five continents – featured the Diwali window displays. This was the first time in the brand’s 156-year history that a single festival was celebrated on this scale. A huge mark of respect from the brand

currently – and consistently – ranked as the biggest luxury brand in the world.

In today's market, it is of paramount importance that international luxury brands know which brand attributes to maximize. Brands need to create an ultimately future focused vision which includes identifying and staying true to the core strengths and appeal while at the same time embracing all new forms of expression to draw and hold the attention of consumers. For example, Burberry has used its 'English' heritage and British provenance to attract Indian consumers. As a result, Burberry has seven stores in India and is widely regarded as one of the few international luxury apparel and accessories brands that has established a national retail brand presence.

Rewriting the luxury language

Luxury branding and its traditional expression – historically, its codes – iconography, signature materials, colours and evidence of originality and craftsmanship – have given it an international status that have transcended language. In today's society, luxury has to appeal to many different human desires, meaning luxury brands are now attempting to raise the bar with new types of unique and unexpected experiences. Luxury today is as much about what is instinctively understood as what is explicitly said.

Nevertheless, this 'language of luxury' and its codes still create the most powerfully recognized and integral communication, especially in growing markets. Tiffany's blue shade, Chanel's interlocking C's, Gucci's interlocked G's – these are an individual and valuable language created by each brand to implicitly communicate its persona, values and status as well as safeguard its exclusivity (Figure 3.1).

Traditionally luxury was about empires and etiquette. It was about seduction and the allure of the unattainable and these elements became the signifiers of a brand's heritage. Consumers were introduced to the richness of their craft and expertise which guaranteed quality.

In modern times, the luxury market has been plundered as new 'premium' extensions of mass brands have enticed different markets to change their aspirations and 'trade up'. Suddenly even the most everyday products have a 'luxury' counterpart that claims to be superior but that is often only symbolized by the borrowed aesthetics of



Figure 3.1 Medium shoulder bag in black leather with embossed interlocking G and tassel detail (Courtesy: Gucci)

luxury brands. Black, silver, gold, serified typography, initialed icons, words like ‘signature’ and ‘finest’ have all been adapted and adopted to the point where they are no longer shorthand for the elite, but instead cover the nebulous divide between luxury and premium goods from indiscriminate sectors.

To protect itself, the luxury world created new sensibilities suggesting a new kind of luxury focused on the intangible, and moving away

from overt material things to more discreet and special experiences. Design houses like Bottega Veneta have placed their emphasis on design elements that defy counterfeiting by not using visible logos but instead using their signature intrecciato leather weave, created by artisanal production, as their hallmark. Céline uses colours and materials in a deliberately restrained way that completely resists the overt use of branding, and also focuses on reframing the product – rather than the brand – as the object of desire. These unique and elite experiences are a move to once again raise or push the luxury bar higher as we see interesting and intriguing new approaches to creating new visual languages for luxury in new territories.

Emerging luxury markets still have a reliance on luxury's existing, more identifiable language. Reconciling these two approaches, however, allows brands to evolve with new expressions while communicating their original characteristics. This is of growing importance and significance for all brands. Today, as the power shifts away from the West and the meaning of luxury is fragmented, truly communicating specialness and 'the real thing' is the ultimate challenge.

Luxury today is defined – and directed – by its many contradictions: it is both Western and Eastern, extreme and subtle, public and private, worshipped and discovered. As the reach of luxury grows, we can understand its power as an international force and pacesetter for change. Creating a truly differentiating expression is not just the job of a badge that can be imitated, but involves bringing the brand's values to life across all touchpoints – both traditional and new. Brands must reconsider their values and how they communicate them through unique elements – to create expressions that take brands beyond the superficial to express a truly inspiring and dramatic difference that connects and truly engages.

Brand origin vs. creativity

Historically, an important element of luxury branding has been based around the provenance of its products. Whether inherent or explicit, a reference to origin is always featured as a desirable and unique attribute of exclusive brands, from its presence on logos and labels to other forms of communication.

However, now that the audience and consumers of luxury brands are no longer traditional homegrown loyalists, but a global audience

driven by cultural diversity, the success of luxury goods is no longer just about literal roots and origin, but about the positioning of values and message.

Brands, however, do need to realize when provenance is key to the consumer. Our earlier example of Burberry is one whose modern Britishness is critical to its success. However, on the other side of the spectrum, we now see luxury brands embracing different locations for provenance.

As far back as 2005, Prada, another luxury colossus, was already openly discussing its plans to consider abandoning its policy of sourcing all its clothing in Italy and looking at moving manufacture to China (Jones 2005).

Interestingly, Prada's plans were not met with the same negativity when Burberry announced it was moving some of its production to Asia. Prada explained a creative and visionary rationale, embracing the cultures with the most expertise and heritage in the creation of different types of goods. According to the Chief Executive of Prada, Patrizio Bertelli, 'Even if a product is made in ten different countries, it could be defined by "Made by Prada"' (*The Times* 2005).

And at the end of 2010, his vision was brought to life with a new project called 'Made in ...' featuring collections identified by special labels dedicated to each country of origin, starting with 'PRADA Made in Scotland' (tartan), 'PRADA Made in Peru' (Alpaca wool), 'PRADA Made in Japan' (printed cotton) and 'PRADA Made in India' (woven leather and embroidered cotton dresses).

But while revolutionizing both the definition of its brand provenance and the ideals of the market, the project does stem from an original idea deeply rooted in the heritage of the brand. In the early decades of the twentieth century, Miuccia Prada's grandfather, the visionary Mario Prada, travelled the world in tireless pursuit of ideas and inspiration. His goal was not only to discover the most luxurious materials, exotic skins and sumptuous fabrics, but also to locate sophisticated craftsmen and manufacturers to realize his revolutionary designs. And now, using Mario Prada's strategy, Prada continues this ideology, collaborating with these exquisite artisans across the globe to produce modern, innovative designs utilizing the traditional craftsmanship, materials, and manufacturing techniques of a specific region. For this collection, the brand considered the different codes of the market it was entering and changed the fabric of several

garments from cotton (regarded as work wear) to sequins (luxury wear). And just as brands will need to embrace diversity, they will also need to look at how the brand proposition of a recognized global icon can and should translate – both behaviourally and aesthetically – in the different markets with which they choose to partner.

But it is potentially a double-edged sword. Brands need to have a presence in growing markets – as evidenced by the surge of premium luxury brands entering India. Costs of raw luxury materials have been pushed up (cotton, cashmere, leather) and brands need to economise and look for production and manufacturing territories that offer the best deal. However, balanced against this, is the need to weigh up the negative and positive consumer response to a luxury brand's source and place of origin.

Brands need to embrace the challenge of how to conquer and work with new territories as we move towards a globalized – or more pertinently global yet localized – marketplace. Chanel's recent Indian inspired *Métiers d'Art* (artisanal businesses of which Chanel owns seven) collection shows this fusion of inspiration and the new opportunity to turn tradition on its head. Entitled 'Paris-Bombay 2011/12', the collection broke free of the label's western roots to show nose rings, *bindis*, *sari* fabric and *salwar kameezes*. Of course, drawing inspiration cross-culture is nothing new, especially not for the fashion world. But the fact that Karl Lagerfeld, head designer for Chanel, has never been to India, but wanted to pay his own tribute to it, is commendable. Lagerfeld's comment to *Women's Wear Daily* that 'It's the Paris version of the idea of India' (Bumpus 2011) and his Parisian ateliers copying of Indian embroidery and craftsmanship rather than the other way, show the shifting of influence from west to east and a growing reverence by global creative leaders.

The real message here is that the future of luxury does not necessarily lie solely in one approach but in allowing luxury brands to display the kind of diverse, provocative and challenging behaviour that makes them so remarkable. In drawing influence from discovery – as was once the case historically when explorers and adventurers to new worlds introduced the ultimate in luxury – brands should continue to look for new sources of inspiration that transcends previous boundaries. Luxury needs to step away from its previous obligations to set a new benchmark in creativity, craft and idealism.

Some of the brands' most important values need to exist in new guises in the constantly evolving world that the consumers have created with their changing desires.

Showcasing societal integrity

In a world where the division of wealth is so hugely apparent, we are seeing luxury brands attempting to include 'goodness' into their offer. In the West we see a massive change taking place in the mainstream luxury sector as brands align with the changing needs, wants and desires of our society. Eco-friendly and sustainable credentials are fast becoming integral to today's luxury brand offering. For example, the 2011 Academy Awards called to consumers to buy fair trade gold and fair-mined diamonds, which was combined with the appearance of the first ever eco-luxury gifting suite. On the tails of this growing eco-luxury movement, we are also seeing a new altruistic luxury movement gaining momentum with brands upping the ante in terms of their charity involvement.

Luxury brands are recognizing the need to be philanthropic but – in reality – luxury has always been the polar opposite of charity. What is interesting now is the opportunity to bring two polar opposites together to both help charity and successfully show the altruistic face of luxury. In 2008, Prada set up The Prada Double Club – a pop-up club (bar and restaurant) in the heart of London run by Fondazione Prada, artist Carsten Höller and restaurateur Mourad Mazouz of London's African inspired Momo. The Club donated half of its profits to UNICEF and The City of Joy – a Congolese charity. It has become famed but, at the time of opening, the Club and its marketing was very discreet and only on the radar of those in the know. It wasn't about publicity and kudos for Prada, but about creating a highly desirable but synergistic venue to raise funds, and with the masterminds behind it being at the very top of the fashion, art and food scenes, the fit was perfect.

We are not only seeing this in the West. We see this in India too. Recently, luxury mall DLF Emporio in New Delhi joined forces with the global Vogue's Fashion Night Out where fashion lovers shopped until midnight with part of the proceeds going to charity. All luxury brands, both Indian and Western, opened their doors to fashion enthusiasts altruistically shopping the night away.

Luxury needs to ride on the widespread change of designing for social impact which is affecting the brand and design community and so must surely also be felt by the luxury sector which now needs to show a good soul and meaningful legacy.

Luxury, by definition, has always had a desirable aesthetic, but charities traditionally have not – although many more are now realizing their importance and significance. *Merci* in Paris is a luxury lifestyle store where all profits go to children's charities allowing the founders, Marie-France and Bernard Cohen of luxury childrenswear brand *Bonpoint* to say thank you or 'Merci'. It has played a highly influential role in changing the appeal of charity through design and aesthetic. The key to the future is a partnership between luxury and philanthropy to best illustrate the shift from receiving to giving.

Merci has become one of the most desirable destinations in Paris with its mix of constantly changing, beautiful stock of limited edition homeware, fashion, vintage books and haberdashery donated by famous benefactors. The influence of its covetable quirkiness is spreading too. A similar project is *Le Mill*, located in Mumbai, which has its own relaxed and pared down aesthetic. A multifunctional, lifestyle concept store, *Le Mill* is housed in a former rice mill in the middle of the city's gritty docks area. It includes an organic cafe, a flower shop and a book section and encourages people to spend time enjoying a relaxed and introspective atmosphere – a step beyond the usual status seeking environments created by traditional luxury brands (Figure 3.2).

Emergent behaviour embraces the fact that luxury today is no longer confined to certain categories and is being redefined. However it is not just a question of jumping on a charity bandwagon but rather understanding the power of brand design in building a new, definitive luxury status and reconsidering its implications and possibilities. Future luxury will be about many ideals and, with a new age of consumerism driven by inventiveness, creativity, discovery and giving back, luxury will need to shift from being detached and untouchable to finding inspiring ways to explore causes, blend influences and create awareness.

Luxury brands need to think differently about what luxury means, looking at a host of new creative opportunities which can appeal to the hearts, minds and desires of the luxury consumer, while addressing the greater needs of our changing society.



Figure 3.2 The Le Mill store in Mumbai (Courtesy: Le Mill)

Summary

As our world rapidly changes and evolves, the luxury industry sees power shifting away from previous ideals, with new and different views emerging. We are now experiencing new forms of future focused on luxury born from a fusion of different cultural values. In the past luxury was about one ideal. In the future it will be about many. This chapter explores four key areas, firstly, the challenge and scope of the global landscape. In the future, luxury brands will be challenged with harnessing different cultural, societal and economic viewpoints from around the globe, presenting them on both the global stage as well as to the local consumer. Next, we consider how the visual language of luxury is changing as new luxury markets emerge, with brands evolving new expressions while continuing to communicate their original characteristics. Thirdly, we explore the role of provenance in luxury, and how luxury brands are no longer simply about their literal roots and origins. Lastly, we consider the place of the luxury brand in a

world that is governed by social impact and in a world where the divides between rich and poor are so apparent. This chapter provides an overview of cultural changes in luxury today.

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4

Real Lives, Real Luxury

Prashant Saxena

Brand practitioners may know the demographics and ‘profile’ of the Indian luxury consumer, but do they intrinsically understand the emotions, attitudes and degree of attachment which consumers have for luxury brands and services? There is a need to identify the different thought processes with which urban India consumes luxury. Semi-structured interviews were conducted to gain in-depth and contextually rich insights. The outcome of the study was a collection of factual short stories. These are real stories told by real people that uncover the aspirations, reasoning and societal influences of contemporary luxury consumption. The following three stories of four luxury consumers, each of whom are in a different situation, narrate how they seek and treat luxury in their own unique way. These anecdotes, to make them more refined, are riddled with our own observations too.

From aspiration to addiction

The road burns and smells of fresh charcoal while the auto driver cribs to charge more. Welcome to the highway situated near the upmarket Vasant Kunj locality in Delhi. My eyes wander as I desperately search for any man-made structure to guide me towards my first luxury destination – the DLF Emporio mall. I was interrupted by the query of the auto driver who points towards the mall and asks if that’s the building I am looking for. I said ‘Yes!’

DLF Emporio mall reminded me of the locations used in the title song from the Bollywood movie *Aisha* (inspired by Jane Austen’s novel, *Emma*), steeped with numerous product placements. Just

like the brand-struck protagonists of the movie, I walked past the Louis Vuitton and Dior stores to enter a café strategically located in the heart of the mall and waited for Angelique, the retail head of a famous international watch brand. After a coffee, Angelique arrived, and minutes later did the suspicious mall-guard, who obnoxiously sensed danger as I fished out my dictaphone to record, what was going to be, an intriguing account. Spatially, we had to pack bags and move to the nearby DLF Promenade mall, while time-wise, Angelique's story took us about two decades back.

Eighteen years to be precise, Angelique was just another young dreamer living with a middle-class family in Calcutta (now Kolkata). What differentiated her from other romantics was risk. Angelique tasted success on her own by quickly jumping onto the high-flying, alien looking yet exciting job opportunities. Be it working as an air-hostess for the first private airline in India or shifting gears to kick-start an upcoming retail store. Without any background knowledge or experience, she took risks that paid off in a huge way.

The dreamer in her fuelled her to go places and earn notches higher than her peers. Angelique surfed the big retail waves with a single plank – confidence. Whether it was working in her eighth month of pregnancy or months away from family, time was never a barrier on her road to success. Justifying the law of karma, she made it big in a short span of time and started heading a well-known home décor brand very soon. The corporate ladder became flat for her and climbing up the management hierarchy soon became effortless.

The fruits of success are quite addictive, but when combined with luxury, the amalgamation is lethal. She tasted Jimmy Choos and Montblancs early on and soon couldn't help but enamour her persona with enticing luxury brands. The dreamer in her played and replayed the motion picture of her personal success while sitting cozy in the lap of luxury.

During leadership stints with various luxury brands, Angelique was given a 'look-allowance' to walk-the-talk the brand. Luxury slowly crept in and graduated to being an addiction. She started justifying it as a habit of buying quality products which turn into classics. The addiction opened the floodgates for various luxury brands to compete for everyday consumption, ranging from bracelets to bags and rings to rain boots. It took no time for Angelique to have the best of luxury brands fulfill her everyday needs. For her, the addiction was

about being able to live her dream everyday, through her prized possessions. Dreams and addictions, therefore, led and lent into each other.

The need to be in such a dream world has lent itself to the creation of many unique products. Angelique belongs to the selective band of exclusive members who live their dream via consumerist metaphors of addiction. With a real life success story behind her, the dream (of reliving it) is not common too. She realizes it and appreciates the presence of luxury brands and addicts around them. For her the motive defines the panaché of carrying the addiction.

The out-groups, including her family, have often criticized this raging need of Angelique's. Without any regret of lying to her family about the actual cost of her latest pair of Gucci shoes, Angelique walks into the office where her boss secretly aspires to emulate this great luxury master.

The chromosome effect

As I waited for my interviewee, a young girl named Ritu Mishra, in the busy market of Vasant Vihar (previously considered an upmarket shopping and entertainment area), the nostalgia of my very first multiplex theatre experience cajoled me to walk towards the bustling queue for tickets. Showcasing its contemporary side, the shopping area was armed with an eclectic mix of local and international brands, which were being sold off from the shelves at neck-breaking speed. Needless to say, the fashion fiestas of nearby colleges, experimenting schoolboys and the hand-in-hand couples raided the local dealers to bargain over stylish goods. As a faithful tourist who settled long ago, Ronald McDonald sat there comfortably, reinforcing 20 golden years of globalization. Luxury, real or genuine fake, was no stranger to the consumers around.

Expectantly, Ritu arrived with an unexpected (and bored) tween-aged younger brother, filling in his entrusted role of protecting his sister from the stranger. Sitting in a corner of a café, I started the friendly interview. As Ritu started to dive deeper, it became an engaging conversation between a freely expressing recent college graduate and an avid researcher looking for sparks of insights.

The conversation warmed up to tales of her father travelling around the world and how she lived in a family of four – her mother,

an elder sister and a younger brother. In 1990s, her lawyer-dad was the first from the Banaras based cultural-Brahmin family, to venture abroad and start his own business. As the natural rule of osmosis, the hospitality industry and his personality influenced each other marking the onset of his personal taste development. He wore Armanis and Guccis while experimenting with self-expression and as modes to fit in to the who's who of the business. On the other hand Ritu, influenced by her mother's middle-class ideology, lived a frugal lifestyle while completing her schooling in Delhi.

Dealing with this paradox of maternal frugality and ostentatious luxury from paternal side, teenaged Ritu experienced a conflict between being penny-wise and enjoying the good things in life. She could not help but ask her father to explain the opposing nature of co-existence of middle-class saving rationale along with brands which shouted 'elite'. Her father, to give an example, narrated an anecdote of a judgemental client who appraised him while he came out of the arrival gate of the airport, and how the uncertainty of doing business in a client's mind was always comforted by her dad's Louis Vuitton suitcase. In his words, the ostentation was an instant connect with the client which ironically brought the fat cheque, which was saved and spent carefully by her mother. The saying that 'you are known by the company you keep' today means people and brands alike.

Growing up under the constant pressure of Indian parents' high-grade expectations, uncompromising moral values and minimal indulgence, Ritu's rainy escapades consisted of the Guess watches bought by her foreign-returned dad. Fluctuating in between the extreme scales of flamboyant brand exposure and personal conservative values, Ritu and her elder sister grew up to be two very different consumers with their own set of consumption-beliefs and meanings.

The daughters depicted the unconventional mix of parental luxury chromosomes. On one side there was frugality while on the other side stood the ambition of being like 'them' (the elite) – first to fit in and then celebrating the success born out of being in the elite.

Knowing her history of luxury values, I now furthered to understand the specifics of the kind of products that acted as milestones in Ritu's personal journey to success. Her eyes lit up as she described the next in line being a self-rewarding aspirational-laden BMW while proudly displaying her first prized possession – a Gucci watch.

Her short-lived joy from the dream narrative quickly turned into revulsion as a black BMW (ironically parked outside the café) owner, in an unlikely assortment of Nike shoes and Louis Vuitton bag, entered the café. Ritu switched gears to express her strong views on how the commoditization of luxury through genuine or fake has affected her. She recounted various episodes of witnessing luxury 'misfits' and how mid-range brands, such as Ed Hardy and Zara, were caught like a city-wide flu every time she came back to India (after having moved to Canada four years back).

She went on to explain why people, who truly deserved it, should adorn luxury. Her justification for deserving luxury lied in 'earning' it as something special and becoming above 'normal' people. Simply put, people should not have it if they haven't worked hard enough towards it.

Learning an important lesson about her lack of control in the uneven democratization of luxury, this 22-year-old was coming to terms with the losing lustre of her luxury trophies that are often held by the undeserving. Starting and well forward in the luxury journey, she walks along the bustling streets of brand-judging Delhi. She looks inwards to her hardworking self and smiles at the paradoxes around who lay claim to luxury without earning it. Beauty of a brand indeed lies in the eyes of the beholder.

Till brands do us part

To someone alien to the concept of arranged marriages, the ubiquitous Wikipedia defines it as 'bringing together of two people who are said to be compatible'. In India, the in-house consultants, ranging from worried parents to praise-seeking uncles, aunts or professional matchmaking services, often perform such compatibility analysis. Internet is not lagging behind either. By instantly hooking millions of prospects, matrimonial websites are doing a phenomenal business in the estimated market of 80 million dollars.

In order to hedge any risk cropping out of the uncertainty involved in an arranged marriage, and also the lack of pre-existing love in between both parties, heavy parameter mapping takes place before the matchmakers draw the compatibility results. Major factors contributing to these complex compatibility calculations involve matching caste, educational and family background, astrological details,

height and even skin colour. Once a favourable conclusion is drawn, the prospective bride and groom meet briefly, under the scrutiny of their parents, before agreeing and committing to the alliance.

The process of any arranged marriage mirrors a typical loan transaction in a bank. The background of the debtor is everything. With rise of contemporary consumption culture, brands are often seen as an extension of self. Clearly, a Louis Vuitton bag carried by the bride won't match with its Chinese counterfeit wallet in the groom's pocket. Educational details are fine, but what about brand knowledge? Who wouldn't want her engineer husband to talk confidently about the material of his elegant Omega strap at a cocktail party? Even simpler, how can anyone rationalize a luxury purchase to her penny pinched partner if the reasons for purchase do not go beyond utilitarian benefits? Clearly, in the world of materialism, things can go wrong if the luxury heritage and related brand attitudes of the couple are not matched.

Vishal, a Chartered Accountant from Haryana, and Sonal, a princess from a province in Jodhpur (Rajasthan), is one such couple. Vishal belongs to a family where buying and selling of agricultural land is the main business. Due to heavy migration in the capital city of Delhi, the government decided to expand the city borders to include the satellite cities of Gurgaon, Faridabad, Noida and Ghaziabad. As a result, massive eight-lane highways slashed through the fertile agricultural lands ensuing heavy government compensation to the sellers. A son of one such astute businessman, Vishal quickly graduated from wearing Levi's and driving a Santro to sporting Ferragamo belts and riding luxury SUVs. Not surprisingly, this sudden graduation in taste came without any history of brand heritage.

Quick money often leaves various gaps in the lives of the *nouveaux riches*. One such gap is mismatch in social networks of the person involved. Leading two lives in such networks – professional and personal – Vishal had to actively manage his consumption habits. Working in a local real estate firm, dominated by frugal middle class co-workers, Vishal, the lone luxury enthusiast, found himself as a misfit in his professional in-group who hardly knew names of the brands he owned. Having developed a taste in brands since childhood, Vishal always read fashion and luxury magazines and aspired to own brands since the 1990s. His in-groups' bewilderment at luxury, however, established a firm belief in him that any

kind of ostentation would certainly exclude him from his circle of co-workers.

Life changed for Vishal after office hours when he socialized with his friends. This circle was typically surrounded by more brands than the number of people in it. Vishal's way of deriving exclusivity, in professional and personal networks, was both subtle and bold. While avoiding riding his Harley Davidson to work, he secretly felt proud of sporting a Breitling watch and carrying a Montblanc pen, as his co-workers just couldn't guess the price of his possessions. Creating preferences within the luxury hierarchy also, Louis Vuitton, being carried by every other friend, was definitely out of his exclusive list. While fitting in, through different ways, with his in-groups and feeling exclusive in his lifestyle, Vishal lived a 'well balanced' life until he met Sonal.

Vishal, dressed in a white Zara shirt, could only have a hint of what he was committing to when he met Sonal, wearing Jimmy Choo and a Tarun Tahiliani dress, during their first arranged meeting. While she appreciated his dressing sense, he was pleasantly surprised and charmed by her brand consciousness. Biting reality, Vishal told Sonal that he may not afford to buy her Jimmy Choo(s) all the time, but whenever he could, he will try to. Smitten by his raw honesty and refined fashion sense, Sonal quickly agreed to marry him.

Coming from a fraternity where Gucci, Dior and Armani are a way of life, Sonal's consumption habits were soon frowned upon after marriage. Even today, she is often dismissed as being too 'high-class' in her taste. The friction between her new-money in-laws and her old-money habits is evident. The root of the problem lies in the insecurities of her in-laws who live in denial of Sonal's heritage and try to dominate her to soothe their never-bending ego. Like an accommodating Indian housewife, Sonal tries to appease her new social network by never insisting on having anything luxurious from them and also toning down her luxury habits. Unlike Vishal, Sonal doesn't have the luxuries of living a post 5 p.m. after work life with friends and be herself. But, as retaliation to the behaviour at her new home, she feels exclusive of her brand heritage when her in-laws pronounce Chanel as 'Channel' and Hermès as 'Herrmess'.

The only partial comfort for her is that she decided to live her entire life with Vishal. Vishal, torn between comforting the inferiority complex of folks back home and his personal admiration for his

wife's taste, has been unable to smooth out the friction at home. It's only in their Harley rides that they enjoy the endless stories of her family, friends and the glue – luxury brands. In her relationship, the little luxuries that she buys is often done with Vishal's opinion. She completely trusts the taste of her well-read husband who may not know the brand but can definitely comment about the product fit with her wife's personality.

This marriage, like any other, has its share of complications. Here though, the complications are born out of consumption behaviour and in-group anxieties. Vishal and Sonal have quarreled owing to the different heritages to their luxury perceptions, but found resemblance in the very core of luxury, by appreciating the commonalities in individual tastes – something which goes beyond the time of involvement with luxury.

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5

Contemporary Lustre

Melanie Puddick and Priya Menon

After breakfasting and instructing her maids on details of the dinner party she is hosting that evening, Leela slips onto the back seat of her chauffeur-driven Mercedes and goes shopping for Dior stilettos, a bag from Fendi and an outfit from Indian luxury couturier Tarun Tahiliani. Next stop is a purchase for her husband, a Mumbai-based businessman with interests in shipping and hotels. From a small showroom facing the Arabian Sea, she is attended by three sales assistants before picking out a perfect white kurta, made of hand-loomed khadi and decorated with intricate stitching known by cognoscenti as chikankari.¹

Of course, Leela isn't her real name, but Leela is real in every other respect. Fuelled by economic growth, wealthy Indians represent a source of enormous potential for global luxury brands.

But, as this book amply illustrates, India is a marketplace that poses significant challenges to luxury brands. Indian luxury consumers have distinctive characteristics, informed by regional differences, culture, levels of wealth and experience. Generalization in any market is a risky business. In India, it can prove fatal to a brand.

The chapter will draw upon insights into the luxury market in India that will give a critical analysis of the motivations of the luxury consumer. These insights will help luxury brands to develop effective targeting strategies that will unlock the massive potential of one of the world's fastest growing economies.

The manifestations of luxury

Internationally, luxury presents itself in many different ways. Yet it is consistently linked to craftsmanship and design, to rarity, exclusivity

and to an appreciation of beautiful things. It can be defined as the best of the best, the quintessence of human ability.

Of course, consumers purchase luxury goods and services for many different reasons. At its simplest there is a variation between the consumer who is concerned with what other people think of them, and the consumer who focuses on how the item makes them feel. Luxury consumers can also be divided by whether they desire more to 'fit in' with others, or to set themselves apart.

Our research suggests that the luxury consumer typically falls into one of four broad types (Figure 5.1):

- People who show: characterized by conspicuous consumption and a desire to show off.
- People who can't be shown up: for whom a purchase is linked to status anxiety and a need to 'fit in'.
- People who show they know: demonstrating their refined taste to others that share this knowledge.
- People who know: whose luxury consumption is *only* for pure personal enjoyment.

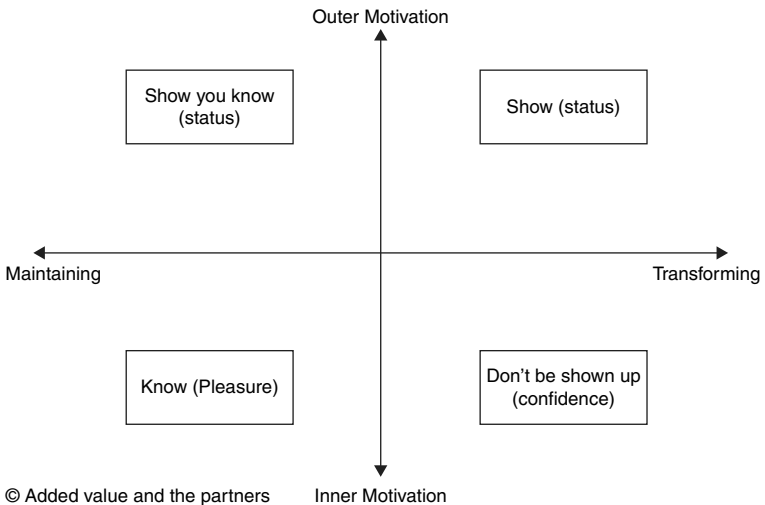


Figure 5.1 Attitudes to luxury

It is possible to view the individuals in these four groups as journeying through a kind of luxury consumption lifecycle. As they pass along the way, they evolve as their confidence in luxury and their contact with it increases.

At the beginning of the life cycle, consumers use luxury to gain confidence, focusing on how they feel and how it can change them (Don't be shown up).

On the second level (Show), a luxury consumer typically buys the best-known brands and particularly heavily-branded items, such as watches to demonstrate their wealth. This is often especially done to show others who don't have the same level of wealth, but who do recognize these status symbols. There is little point being discrete when the intention is to show the world how well you have done.

At a third level, consumers are still concerned about show, but they are much more selective about who they want to show off to. The 'Show you Know' group are often seeking acceptance from other luxury consumers whom they aspire to be. Brands are less well known and branding less obvious, but they are more sought after as a result.

At a final level, a consumer will rise above what other people think and buy luxury things simply for comfort, for reward, for pleasure and because they appreciate beautiful things. This stage is usually representative of the most mature consumer in the most evolved luxury markets.

An international study carried out by Added Value, 'DNA of Luxury' identified the lifecycle of consumers in established and emerging markets (Figure 5.2).

The research study sought to capture the 'centre of gravity' of the luxury consumer in each market. For example, it revealed that consumers in the UK (pre-economic crisis) believed they 'knew' their luxury – and many of them were enjoying showing it. By comparison, Japanese consumers (traditionally among the most knowledgeable about luxury brands) would wear that knowledge with discretion. What is particularly interesting about India is that because there is an inherent cultural appreciation of some forms of luxury, consumers are moving through the stages of luxury consumption relatively quickly.

So why is this lifecycle faster and different in India? And what does that mean for luxury brands?

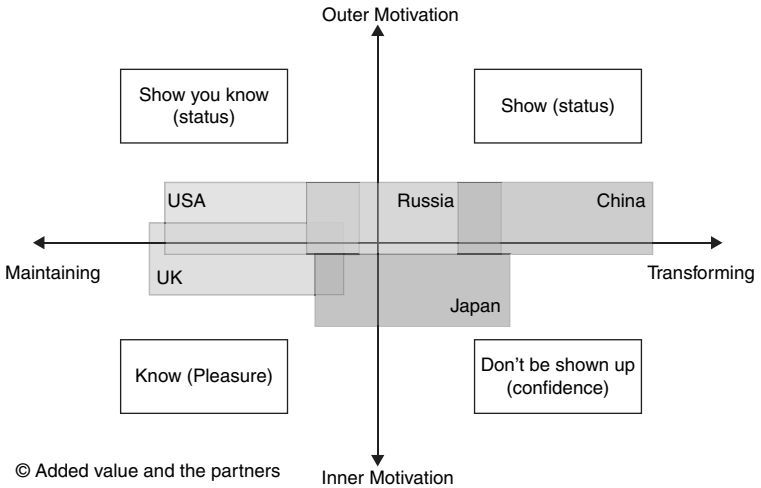


Figure 5.2 Attitudes to luxury by country

Getting to grips with India

There are a few rules of engagement that luxury brands need to understand at the outset about India. Firstly, value-conscious shopping is ingrained into Indian culture. Indians know the price of items in different markets and they will absolutely shop around for the best deal. The luxury consumer here is no exception.

Culture plays another dimension in the way that the average Indian is used to personal service in their daily life. When it comes to luxury shopping, this demand is therefore even higher; much more than what most Western luxury brands are used to – or often able to – deliver.

Finally, Indian luxury consumers do not buy many ‘Western’ luxury products in India itself. Partly, this is due to limited infrastructure. But it is also because they consciously choose not to. For many Indians, luxury is considered to be more luxurious if it is purchased abroad. Buying brands from their native places of origin means more prestige.

Rooted in the Indian culture is an understanding of the value of products that are precious, exotic, rare and hand-crafted. Until very recently brands and their logos in ‘the Western sense’ have not been

a part of this appreciation by the Indian luxury consumer. As a result, our research found that the Indian market has a sizeable percentage of 'Know' consumers, who are very established in luxury, but who have never purchased luxury brands *per se*. Equally, there are plenty of 'Show' consumers who exhibit conspicuous consumption, yet they overtly display their wealth and status by the amount of luxury items they consume, rather than the brands they adopt.

In addition, Indians are less individualistic than many Western cultures. The outer motivation is often more about demonstrating 'belonging' rather than demonstrating 'uniqueness'. For example, decision-making about important luxury items may often be shared with family or friends. Take a woman buying jewellery. It is natural in India that she will invite her mother, or perhaps an aunt, to join her because they 'know' jewellery. Group decision making is of particular relevance when purchasing luxury items for a wedding.

Flashy north, subdued south

Arguably, one of the biggest factors facing luxury brands is how they engage consumers in different regions of India. Spending power in India may be distributed equally across the country's various geographies, but luxury behaviour differs significantly.

The willingness to indulge in luxury spending is most obviously found in the north of the country. This distinction bears witness to distinct regional differences in how people communicate their status in society. The conspicuous consumption of northern consumers is epitomized in the colloquial expression of '*Show Sha*'. These individuals are more likely to use lavish possessions, such as jewellery and cars, to demonstrate what they have. By contrast, their southern counterparts are more understated. Here, a successful person (particularly from the upper classes) may be worth millions of rupees, but that wealth may be deliberately kept under the proverbial radar. Intellectual strength has been historically prized by southerners. This may also explain a greater tendency towards more 'Know' and less 'Show'.

Sanjay Kapoor, Managing Director of Genesis Luxury, remarked during the Confederation of Indian Industry (CII) Luxury Goods Forum 2010 that they get calls in their stores in North India asking about when the stores will be most crowded, so that they can come to shop at that time. On the contrary, they get calls in their stores in South India, asking when the store will be least crowded!

Weddings are important events for families the world over. In India, they have a deep cultural significance, as well as considered to be one of the primary touchpoints with luxury. Typically in the north, the festivities surrounding a couple's nuptials will last for days. Large numbers of guests will be invited and flamboyant entertainment provided. According to a Mumbai-based high-society wedding planner, 'India's well-to-do have always spent a lot on weddings, but over the past two decades we have seen more and more people gain access to this prosperity. Now they are a chance to exhibit wealth and status, and an opportunity to show yourself in a certain light' (Raval 2011). A wedding in the south is often more subdued and understated.

Luxury in the present, steeped in the past

To better understand luxury consumption in India today it is helpful to look back into India's past. India has always had a strong tradition of rich display. This can be traced back to the days of the Maharaja dynasties. They enjoyed fabulous wealth, living in grand palaces filled with beautiful hand-painted murals on the walls, silk carpets on the floors and stunning pieces of finely crafted furniture. According to HH Alexandra de Kerros Boudkov Orloff, CEO, Sacha Orloff Consulting Group, 'True luxury is not new to India – European luxury brands who try to conquer India's high growth potential market segmentation are!'

Because of this history there is a deep connection to opulence throughout the country. This manifests itself in a genuine appreciation of high quality materials. Take silk, for example. A broad cross section of Indian consumers is knowledgeable about the fine silks that are used to make items, such as the iconic *sari*. They also have extensive knowledge on items such as expensive pigments, which are used to colour walls. Then there are diamonds, gold, precious and semi-precious stones that are extensively bought throughout India – and not just by the elite. Consequently, almost half of the population claims to own a luxury item, most usually jewellery (MasterCard Worldwide 2011).

Embellishment and decoration has always been a sign of wealth and prosperity throughout history and complements traditional Indian attire. Thus what may constitute 'luxury' jewellery to a Westerner is more of 'a norm' to even a middle class Indian. This is not the only disparity. For example, 'couture' and 'bespoke' are being

re-explored and re-discovered by many markets. But Indians, typically, have always been used to getting their wardrobe tailor-made from a scratch. Likewise, personal service is considered a luxury service in Europe. In India, it is expected, especially when it comes to 'high value purchases'. When a woman is interested in purchasing a *sari* or jewellery, she will expect the proprietor to visit her – not the other way around. The desire to look good is also fuelled by the love for celebration that has always been a part of the traditional Indian luxury lifestyle. The exquisitely planned and flawlessly executed events are central to the identity of upper class Indians.

Today in India, like other emerging nations where wealth exists among a developing class, luxury can endow individuals with power and status. The modern-day aristocracy of India includes the fabulously rich.

In Mumbai, the Ambani family is one of the most powerful in the country. Their estimated wealth is US \$43 billion, derived from industry and petrochemicals. They reference luxury codes in their lifestyle. Their home rises up over 27 storeys on one of the wealthiest and most expensive residential streets in all of India. There is a health club, a swimming pool, a ballroom and a 50-seater cinema. Three helicopter pads have been installed on the roof. 160 vehicles can be accommodated on the ground floor (Burke 2010). The house takes the form of a contemporary Maharaja's palace. It displays trappings of a king's home, with guest quarters, servants' quarters and lavish spaces for entertaining. This is a modern take on a traditional luxury lifestyle and one which wealthy Indians aspire to (Woolsey 2008).

The Western gaze

In India, one mark of sophistication is to own and use western brands. They want to be surrounded by sumptuous experiences, living their ideal life surrounded by fine gold, silk, marble and crystals.

Western luxury brands that are admired in India fall into two categories – the classic and high fashion brands and the faster moving contemporary ones. The former comprise the likes of Chanel, Gucci, Balenciaga, Christian Dior, Louis Vuitton and Prada. Those in the latter include Armani, Versace, D&G, Moschino, Calvin Klein, Hugo Boss and Ralph Lauren.

Indian consumers have started gravitating towards goods and services that connect with their changing aspirations. The arrival

of Western luxury brands in India came with the section of Indian society who were wealthy and privileged enough to travel. But while Western consumers might purchase a Louis Vuitton bag because of the brand's alluring heritage story and high-level craftsmanship, their Indian counterpart will put more value on the ability the item has to indicate cosmopolitan status. Owning it will show that they are not just playing on the Indian stage, but on an international one too.

The craft of handmade luxury

India has a strong tradition of craftsmanship and an enviable wealth of quality raw materials. When an Indian consumer buys a Western brand name, those intrinsic values of quality and craftsmanship are already a given. As a consequence, they want something more from that brand: the connotation of a sophisticated identity and a dynamic global lifestyle. This is magnified when it comes to the luxury consumer. It is exemplified in their attitude towards craftsmanship.

In Europe, craftsmanship is more about the distinct story of the object: Chanel's quilted handbag and Louis Vuitton's monogram suitcase. In India, craftsmanship is rooted in a strong connection to the past. For example, if an Indian consumer wants to purchase a traditional finely knotted silk rug they will be buying into a strong sense of provenance and expertise, typically passed down through generations of families. Perhaps the item will come from a specific village in Kashmir where the same family of craftsmen have been making the very same design for centuries. That item becomes about a region, a family and a revered tradition.

Value and legitimacy

Indian luxury consumers may be willing to pay for luxury goods, but they are unashamedly value-seeking. With import duties of up to 30 percent, luxury goods are often far cheaper outside India. So when Nita Ambani, wife of the steel mogul Mukesh Ambani, went shopping for 25,000 pieces of high-end Japanese crockery, she did not go to the Noritake outlet in her affluent southern Mumbai neighbourhood. Instead, she ordered from a Noritake store in Sri Lanka, where the dinnerware for her new US \$1 billion home would be far cheaper (Malviya and Dasgupta 2010).

Developments in the rarefied world of luxury goods have always been closely linked to tourism. For the nineteenth-century world elite who went on their grand tours of Europe, returning home with perfume from Paris, glass from Venice or finest Spanish leather became part of the identity of a worldly savant. Today, travel opens up similar horizons to wealthy Indians as a luxury signifier. Buying a luxury item from the source of its design and manufacture conveys a heightened sense of legitimacy.

Indians have a 'macro perception' – a knowing perception – about the sources and origins of luxury goods and luxury categories. So when they look at their own map of luxury, India is firmly rooted as the region for clothes and jewellery. Paris may represent a top destination for fashion, but the ready-to-wear collections of the French fashion houses are often not luxurious enough. For a buyer that places stock upon tailor-made items, the European standards of luxury clothes do not always measure up. The *sari* is a vital part of Indian culture, so too couture is an essential luxury category where the consumer strongly favours Indian designers.

For instance, while Western fashion brands are establishing a presence in India, it is still high-end Indian designers such as Ritu Kumar that are synonymous with exclusive bridal wear, evocatively feminine designs and timeless style. 'Indian consumers are very difficult, they need everything customised', comments designer Ritu Kumar. 'This is why Indian designers score over international.'

French international brand Hermès launched a collection of silk printed *saris* in India to coincide with Diwali in 2011. Although their name and credibility as a true handcrafted luxury brand makes luxury consumers pay a premium for their products, media reports suggest that these particular *saris* were not appreciated by the Indian consumers and cognoscenti. Despite widespread media coverage, it was reported that only six of its 28 limited edition *saris* were sold after four weeks of launch (Sethi 2011).

The Indian luxury consumers' purchase patterns

There is no doubt that wealth is being created and spent in India. However, purchasing decisions are not homogeneous given the vast population with varying income levels and different attitudes.

To give a broad perspective, a study conducted by CII and A. T. Kearney (2011) found that luxury consumers are devoting

a greater share of their rupees to the purchase of jewellery. This decision is mostly fuelled by the increasing price of gold and diamonds which has helped to underline the long-term investment value of jewellery purchases. This is followed by the automobile category which reported a growth rate of 36 per cent. This is clear evidence that luxury consumers want to enjoy status and pleasure in the fast lane!

Interestingly, hotels and fine dining were the next categories. Fine dining reported a growth of 40 per cent, thus proving that the value of experiential luxury is increasing in relevance. And this is finally followed by the apparel and accessories sector.

The trend, however, differs for ultra high-net worth individuals (HNIs), as studied and documented by Kotak Wealth and CRISIL Research (2011). The ultra high-net worth household was defined as one having a minimum average net worth of 250 million rupees. Considering this income bracket, it was reported that ultra HNIs first give importance to and spend a significant portion of their overall expenditure on customized holiday packages – owing to their hectic work lifestyles. It was reported that it is not uncommon for ultra HNIs to move into a five-star hotel into their own city for a weekend of relaxation and disconnect from everyday reality.

Luxury watches come as the second most sought-after purchase by ultra HNIs in India, while the third, and the most obvious category, making headway into the ultra HNI category is jewellery. With ultra HNIs, these luxury purchases are mostly ‘planned’ and take the family’s consensus into consideration – whether it’s for a family holiday or a highly digital and sophisticated camera.

Other categories which are attracting Indian ultra HNIs are luxury cars, household electronics, and apparel and accessories. Apart from spending on lavish weddings, the rich are also looking towards chartering and owning jets and yachts for private parties. It is indeed no coincidence that Mumbai is hosting its 6th International Boat Show in 2012.

Where luxury consumers shop

A luxury shop such as Bungalow Eight in Mumbai sells homeware spread across three opulent floors. The first room that a customer enters has a huge dining table laid out with all the trimmings, crystal

ware, gold cutlery and enormous vases. Owner Maithili Ahluwalia has lived a life between Paris and India for decades and displays her savoir-faire in an environment that echoes a beautiful house and its contents.

At fashion destination Ensemble, luxury shoppers browse through elegant pieces by iconic Indian designers such as Anamika Khanna and Sabyasachi Mukherjee, which are displayed alongside Tarun Tahiliani's refined silhouettes.

Meanwhile, with a window on the West, entrepreneur-owned The Sachdev Group, operates a multi-brand boutique in Delhi and Mumbai. The shop, ironically named Kitsch, stocks labels such as Alexander McQueen, Stella McCartney, Diane von Fürstenberg, Lanvin and Halston Heritage.

Malls are few but are expanding. DLF Emporio, resplendent with Italian marble, burnished wood, and gleaming brass detailing, is a luxury mall in New Delhi, which caters to a growing shopper elite. Other malls frequented for some luxury shopping are The Collection, UB City in Bengaluru and Palladium Mall in Mumbai. But on the whole, as in decades past, some of India's best shopping is still found in its five-star hotels. For instance, Joy Shoes, synonymous in India for quality leather footwear and accessories, is exclusively available at the Taj Mahal Palace Hotel in Mumbai. Likewise, Gazdar that is renowned for its quality gemstones and finely crafted jewellery is also located in this exclusive setting.

Compared to their peers around the world, the elite buyers of India do not have the same amount of choice and availability of goods. Therefore, it makes them travel, which as we have explored, provides the opportunity to procure exclusive components of a contemporary luxury lifestyle. Much of the wealthy in India travel abroad frequently. They have access to high-end shopping venues across the globe – whether they are department stalls such as Harrods in London or Le Bon Marché in Paris or the various shopping festivals organized across the world.

Indian luxury buyers value the shopping experience abroad because it gives them the chance to secure not just a wider choice but the latest arrivals. Pricing for luxury items abroad are much more competitive than in India, where real estate costs and tax laws add higher margins.

India's luxury consumer typologies

Apart from differentiating Indian luxury consumers as per motivations of purchase, they can also be categorized as per their psychographics in four main groups:

Aspiring epicures

Working in industries such as law, property or finance, this consumer is likely to save up for a status piece such as a Chanel bag or a Rolex watch. There is pressure upon their disposable income. Male and female, they are not rich, but want to be part of that world. They plan the purchases of one or two pieces per year set as a conscious reward.

These consumers are savvy about branded goods and attracted by iconic brands. They would love to be part of the luxury world if they had the money and resources. With an eye on the cost of items, they tend to research goods carefully before purchasing them. Men in this group are allured by Rolex, with all the connotations of power and class. Women will choose a monogram Louis Vuitton status piece, as well as items from fashion houses such as Gucci and Chanel. They will buy into access points provided by the brands. For example, diffusion ranges, such as DKNY Jeans or Gucci sunglasses. Burberry, Boss, BlackBerry, Armani and Audi are also among the brands admired by this group.

Hostesses

This group, consisting of exclusively female consumers, is supported financially by husbands, boyfriends or sons. Either not working or working in a capacity that is periphery, such as supporting their husband in his business venture or philanthropic work, she gives a lot of importance to networking and keeping up with her social set.

In contemporary India, this type of woman could equally come from inherited wealth, as much as new money. Common to both possibilities is a confidence in the way that she spends it. Money is not a consideration. It is paramount instead for Hostesses to define their place in the social sphere. Luxury is a key card to play here – and she uses it to stake her claim to her position in the circles in which she moves. Brands she admires include Louis Vuitton, Gucci, Chanel, Longines,

Prada, Salvatore Ferragamo and Burberry. Hostesses wear diamonds and buy the Nakshatra and De Beers marques. They also spend on Indian designer labels, including Vikram Phadnis and Sabyasachi Mukherjee. They are up to speed on what the latest fashions are – and they know how to access them. Perhaps they have a close relationship with the local boutiques in the city, so that they can be recognized as being at the forefront of changing trends. Fashion, beauty and leisure brands are high on this woman's radar. They are attracted to fast moving concepts in both international and local brands.

Fast trackers

Ambitious and striving for more in life, these consumers are in their career prime. They work hard to achieve success at work and the money that accompanies that aim. Often in their 30s and 40s, this group encompasses high achieving male and female consumers. They have reached a point where they are confident about positioning luxury as a key element in their lives. Whatever their background, they have a capacity to take risks and are driven by career success. On the ascent, this group has an aggressive attitude towards money and the commercial world. They do not sit back and enjoy their wealth. Instead, they move on and look to the next challenge.

These are discriminating global citizens. They are well informed, technology dependent, design-conscious, ambitious, demanding of themselves and others. Being commercially minded means that they are conscious of the money that they spend on luxury, but recognize its significance. They are attracted to brands that are synonymous with leading a successful business life. Fashion and accessories brands will include Tag Heuer, Hermès, Armani, Prada, Tom Ford and Apple. They will also spend on other elements of luxury that are supportive of their lifestyle, such as hotel brands like Taj, or private members clubs. For these people the point is not owning luxury *per se*. In fashion terms, they are keenly aware of the value of being the first off the blocks and in lifestyle terms, of living life to the full.

Proven entrepreneurs

These are the people who have reached a position in their lives and careers where they feel proud of their achievements and comfortable in their wealth. They are in their 40s, 50s or older. They have

made their money often through unconventional routes including entrepreneurship. With at least one business of their own, they have a keen eye on the shifting horizon and may be sponsoring up-and-coming business people.

A good example of this type of consumer is flamboyant personality Vijay Mallya. He has a huge collection of antiques spread across homes in 16 countries. An unconventional risk taker, he has family businesses of airlines and liquor production.

These luxury consumers have made their money fast, so tend to be opinionated and non-conformist in everything they do, including their purchasing. They will spend money on things they enjoy, irrespective of whether it has a strong brand association or not. Whether their area of interest is wine or watches, these consumers are confident in their own opinion. As keen business people they are likely to spend on club membership, luxury travel and dining. They are not afraid to spend their money on a range of luxury lifestyle items including private jets, fine wines and second homes.

Three luxury pillars

The recipe for a successful luxury brand is a balance of three key pillars: one part product and two parts brand.

The first is the product rarity and it is perhaps the simplest to understand. The luxury item must have some kind of product superiority over others to show why it is better with the ability to be beautiful, unique and precious. However, even so, it is usually the brand that permits the full price premium.

The second is brand soul drawing on the product's background – its heritage, history and provenance – and the 'myth' behind the brand which creates desire and a sense of timeless value.

The third is what we call 'cultural cool' – the elements that make a luxury brand culturally relevant today. To ensure success with modern luxury consumers it is essential to find the perfect balance of these three.

Many global luxury brands are failing to maximize their potential by not building up their relevance in local markets. Cultural cool has to be earned and judged by the consumers. Some brands have lost their cultural cool and, having sought to trade on their past alone, are now realizing that this is not enough to succeed with today's

luxury consumers. Cultural cool is an opportunity to ensure a brand resonates among local audiences and adds a new, contemporary dimension to an acknowledged past.

Today culture can be both global and local – some trends, brands and celebrities are followed almost everywhere. So is it enough to follow the global culture? We don't think so. While trends exist internationally, how they are expressed can vary enormously according to local cultural variations.

The value of brand storytelling

Apart from the three overall pillars, luxury brands need to deliver on both functional and emotional promises. To tell their story, luxury marques need to ensure all the elements of that story relate to the target market and appeal to their desires in an interesting and relevant way. So how should luxury brand marketers in India communicate this brand narrative?

Exclusively theirs: Fast trackers

Because these consumers are mobile, living and leading fast-paced lifestyles, luxury brands that offer them things to help support their lifestyle will win. As they travel frequently, brands looking to connect with Fast Trackers would do well to connect with them in these spaces and provide an experience to enhance their busy lifestyle.

These consumers like to have the latest products and are particularly attracted to limited editions. Craftsmanship resonates especially when it demonstrates a superior quality. For example, Vertu's phones have a screen which uses the same material as NASA uses for spacecraft equipment. As they are business minded, aspects of the brand that support entrepreneurship are particularly attractive, and can encompass ideas such as networking clubs, concierge services and exclusive reward schemes.

Proven luxury: Proven entrepreneurs

Luxury products and services that are simple yet impressive resonate with this group. They enjoy the sense of hand-picked, tailor-made, individual experiences. Famously, billionaire wife Nita Ambani was inspired by the contemporary Asian interiors of the Mandarin

Oriental in New York. She consulted the architecture firm behind the iconic hotel to design her 27-storey house in Mumbai.

Proven entrepreneurs are looking for high-quality materials. They are more interested in luxury goods as an experience to savour and enjoy than to make a statement. Brands need to tap into their desire to experience a luxury lifestyle to the full. For example, Rémy Cointreau can structure a make-shift bar and serve well-prepared cocktails to cater to the needs of the Indian socialites.

It's personal: Hostesses

These women want to have the latest on-trend items. They thrive on exclusivity and having personal relationships with high-end stores. Brands need to cultivate that personal relationship with this consumer. Hostesses want access to someone that no one else has. Beyond shopping and hostessing, she is also very much engaged with the social status pursuit of philanthropy, and astute brands will tie into this lifestyle direction. Companies need to show what the brand is doing on those levels and even affiliate with some of the causes supported by these consumers.

Dress to impress: Aspiring epicures

As these individuals can only afford one or two luxury items a year, brands need to position themselves as the one desirable product they need. Celebrity endorsement has a significant role to play here.

Aspiring epicures are pre-disposed to viewing fashion as a good asset. Therefore, brands need to communicate products as investments rather than purchases. Online fashion stores such as designer discounter Outnet, and fashion forward retailer Net-a-Porter, could potentially succeed in the Indian market because they give people mass access.

With this group it is important to be watchful of controlling the fake market. However, brands would also do well to market smaller items that allow consumers to buy into the brand without spending a fortune.

Lessons for luxury marketing in India

Based on this analysis of the new luxury consumers in India, what practical steps and lessons can brands take to secure growth in this luxury market rich with opportunities?

Optimizing an individual opportunity

Being luxury but generic is not enough. Luxury consumers in India need to experience personality, purpose and personalization. This is a customer who has energy and appetite and is ready to indulge if the menu is right. As people in India grow in affluence and confidence, luxury will become less about possessions and more about individual experiences. They will look for luxury products and services tailored to their needs.

The importance of heritage

The faith in heritage is still strong and Indians have stayed attached to their roots and traditions while becoming global. Luxury codes need to reference local culture and use a language that is familiar to them, as well as embodying the bold, global lifestyle many of these consumers aspire to. For example, for an Indian woman, her culture is very important and her *sari* collection has a strong meaning for her. What does that mean concretely and practically? It is a woman wearing a high-end *sari* with a Prada bag and Jimmy Choo shoes.

Connecting with a digital age

While the 'modern Indian' is no homogeneous type, they are a digital generation. The growing youth segments are digital natives and respond well to experiences with a technological dimension. Increasingly, they expect to be able to access content and services on their mobiles, e-readers, handhelds, tablets and laptops. There is a willingness and desire for adopting the latest and newest creations and brands – to be at a leading edge with luxury. According to Abhay Gupta, Executive Director, Blues Clothing Company, 'What is important about the online media is that it can reach where I cannot go physically. Maybe it is only brand awareness, but it is helping them to understand more about me, understand my philosophy, and one day they will come into my store.'

Delivering more than service

It is not just fashionable status and craftsmanship the Indian consumer responds to, but exquisite service provision. Particularly important is the way sellers manage the buying experience before and after a purchase. And both the older generation and the newer are very discerning. They are looking for quality as well as the best in

class even in terms of service. They will not compromise on quality whether it is in a bar, restaurant, shop or airline.

Tapping into a love of celebration

The new generation of Indian luxury consumers clearly expresses its desire to break away from the previous generations. However, many cultural mores remain the same and a love of celebration is one of them. An Indian spends approximately one fifth of the wealth accumulated in a life-time on a wedding ceremony. At times like this, luxury consumption is a symbol of their generosity and a badge they wear proudly. Whether they are old money, new money, the rich, the famous or a combination of all four, the Indian consumer wants to invest hugely in ritual moments of celebration.

It's not just about the big cities

To date, luxury brands have focused their resources on building their presence in the major cities of India. However, there are opportunities for luxury brands beyond the likes of Delhi, Mumbai, Bengaluru and Chennai. Regional cities are growing fast and affluent consumers are growing in tandem with them. For example, trunk shows for Judith Leiber's handbags and accessories in Ludhiana and Chandigarh were regarded as being a huge success (Joy 2009).

The bottom line

It is evident that luxury in India is moving fast. Looking towards the future, *Economic Times* columnist Rama Bijapurkar writes about the eternal dilemma of understanding this contemporary consumer: 'Welcome to new Consumer India, where people experience continuity with change, and the new, the old and the remixed happily coalesces into one complex whole' (Bijapurkar 2009). Bijapurkar's observation is valuable: India is many things to many people.

The potential market for luxury in this vast and energetic country is huge. Indians love ornamentation, display, to be pampered and recognized for who they are and what they have achieved. However, there are clear regional differences and distinct typologies that must be considered within the overall cultural context of the country. But one tantalizing thread runs through Indian luxury consumers: whatever the lifestyle they lead, or the social grouping

they are part of, Indian consumers are ready to be captivated and seduced.

Epilogue: The middle class prize

In a wealthy suburb of Delhi, a young family lives in a three bedroom, three-bathroom apartment in a newly built development, a BMW is parked in the garage. The man of the house works in a management role for a multinational accountancy firm. In the evenings, after eating a traditional meal, everyone gathers in front of a 42-inch Sony flat screen TV to watch the latest episode of their favourite soap, or the next series of 'Who Wants to Be a Millionaire'.

In the Indian city of Bengaluru, suited men and high-heeled women hurry to work over grassy lawns, neatly decorated with purple flowers. Among the upright towers of the shiny office blocks is a domed statement piece. Inside the offices, many of them signposted with the recognizable logos of major corporations, scores of software engineers write codes and analyse systems. The professionals working in these glassy corporations wear their aspiration on their sleeves, expensive watches, elegant handbags and diamond jewellery.

These individuals are India's middle class.

Earlier generations of Indians, no matter what their economic level, would put an emphasis on saving. Today's population is happy to spend. With credit much more readily available, the saving culture is changing, and there is no negative taboo around spending. This segment wants to be able to afford whatever they desire.

'Luxury goods awareness is growing exponentially in India and the new aspiring middle class will lead the growth story forward', Sanjay Kapoor commented at the CII Luxury Goods Forum 2010. 'The mindset of the discerning customer is changing slowly to suit our lifestyle.'

Rapid growth in emerging countries such as India means that, for the first time in history, more than half the world is middle-class. The National Council of Applied Economic Research (NCAER) estimates that high income households outnumbered those in the low category at the end of 2009–10 (Iyer 2010). The surge of the middle class in India is changing the shape of the income pyramid and redefining consumer dynamics.

Far from a homogeneous group, middle-class people vary hugely by background, profession and income. In India, the upper segment of this broad group is by far the one most likely to have an interest in and desire for luxury brands. While it is little surprise that this group is drawn towards luxury, the size of the segment will stun many observers.

Attitudes are changing in India towards spending, but most of the country still believes in investing for the rainy day. So investment in a palatial house will take precedence over Burberry handbags. Buying gold, which has the possibility to appreciate in value, still seems more sensible than a Salvatore Ferragamo suit. However, having children studying in good schools, having memberships of elite clubs, a luxurious house and an über expensive car are the pathways to the future. These are the basic symbols of demonstrating status.

Although the focus of our chapter is on the luxury consumer, tracking the development of the middle class in India will be essential in order to unlock the potential of the luxury market in India. McKinsey Global Institute (2007) reports that the Indian middle class will increase to 41 per cent of the population and India will become the world's fifth largest consumer market by 2025. To say that it represents an enormous opportunity for brands is an understatement – and a challenge for another occasion.

Common to all of these monied elite is an interest in luxury. They wear couture, live in opulent houses, holiday in deluxe resorts, and sit behind the wheels of illustrious car marques. Changing gear and speeding ahead, India is moving into a commercial future that glitters with logos and signature statement pieces.

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Note

1. A famous and much desired stitching style inspired by craftsmen in Lucknow, India.

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6

New Consumer, New Luxury

Thomas Recchione and Akash Misra

Luxury is interpreted by different people in different ways and needs to be examined in broader terms in India than elsewhere. In India, something as simple as a cappuccino at one of the branded cafés that are cropping up all over the country, has many traits of a 'luxury good' since it is considered unique, offers a new level of quality, has an element of refinement, and which only a small percentage of the population will permit themselves to purchase.

While India is already the 9th largest economy in the world, the country only ranks 135 out of 183 countries in terms of GDP per capita (IMF 2011). This means that the annual per capita income of US\$1527 puts a typically priced US\$3 cappuccino at a branded café in Mumbai out of reach for most Indians.

Further, the US\$3 drink is also *relatively* more expensive to other things that the same money can buy. This is because, on average, the cost of living in India is lower than in other countries. India is the 3rd largest economy in terms of GDP at purchasing power parity and per capita India ranks 127 out of 183 countries (IMF 2011). Basic goods and services can be obtained at a relatively lower cost than in other countries lending the consumption of a cappuccino at a branded café a greater air of indulgence.

Equivalently, an individual in India can be considered wealthy at a much lower level of income, in sharp contrast to more mature markets. In India, someone earning US\$40k per year is in the top 2 per cent of the population. These consumers may not be able to afford a Prada handbag, but in the Indian context they are luxury consumers that seek out new products, services and experiences that

are superior to the ordinary. And this segment of the population provides a huge market opportunity for brands with a compelling value proposition.

A new luxury paradigm

A trend that originated from the United States is the phenomenon of 'New Luxury' and is defined by Silverstein and Fiske (2003, p. 1) as 'products and services that possess higher levels of quality, taste, and aspiration than other goods in the category but are not so expensive as to be out of reach'. The authors suggest that New Luxury cuts across many categories and includes brands such as Starbucks, Victoria's Secret and Godiva. This phenomenon is not exclusive to developed markets. The growing mass affluent segment in India has become seduced by an array of brands that fall into the New Luxury category. These are consumers who are willing to pay to enjoy the pleasures of New Luxury if the brands are able to offer the benefits that they seek. According to Ashutosh Munshi, Consumer Practice Lead at Edelman India, 'The emerging mass affluent segment, that is moving into luxury consumption, exercises more care and discrimination in what they buy. In this group, young professionals bring the most receptive minds to luxury brand messages and make the most rewarding targets.' It is no coincidence that Starbucks is set to enter the Indian market through a 50-50 Joint Venture with Tata Global Beverages.

The emergence and popularity of e-commerce portals is witness to the trend of New Luxury. Consumers want to experience the allure of luxury, but at a lesser price than what it is usually sold at. Discounts going up as high as 70–80 per cent on e-commerce portals draw these young consumers to luxury brands. The relatively untapped online luxury market offers new and significant opportunities. The scope is truly impressive as the Indian non-travel related e-commerce market has an estimated value of approximately US\$1.5bn–US\$2bn and is projected to grow five-fold or more by 2015 (Munish and Jopson 2012).

While there are many e-retail portals focusing on the fashion and services market, one company seeks to make New Luxury brands radically available to consumers in India by enabling them to shop online directly from international websites. Shopyourworld.com identified a supply gap in the market where affluent Indians were doing a lot of their shopping abroad due to limited choice in

India. It is even the case that there were widespread media reports of Bollywood stars arriving in India with suitcases filled to the brim with luxury branded items.

The portal gives Indians access to products across all categories, including electronics, computers, fashion, accessories, home appliances, and mobile phones, from leading online e-commerce sites such as Amazon, Macy's and Bloomingdales just to name a few. Electronics currently comprises the greatest share of sales. However, as the online shopping experience improves (facilitated by technological developments) and as consumers become more comfortable shopping online, sales in other categories are growing significantly. Sandip Shah, CEO of Shopyourworld.com, believes this trend of technology-favored, online sales will shift in the near future, 'Currently, a general shift is occurring in online purchases, from the technology sector to fashion apparel as Indian consumers' comfort levels with ecommerce shopping increases.'

In many cases customers take advantage of online sales on international websites that offer products at prices below the prices of the same product in India. On Cyber Monday, the Monday immediately following Black Friday and Thanksgiving, Shopyourworld witnesses a sales peak in line with the online retailers it makes available through its platform. Their top selling fashion brands can all be considered New Luxury and include Armani Exchange, Juicy Couture and Ralph Lauren.

The emergence of New Luxury in India is impacting present and future consumption patterns across all sectors. While Shopyourworld makes products available to affluent consumers that are in under-supply in India, the demand for other items that cannot be imported such as food products or dining experiences is also increasing rapidly. The following three mini-cases look beyond traditional luxury goods categories to new brands in the gourmet retail food and dining category that seek to offer higher levels of quality, taste and aspiration.

Nature's Basket

India's colossal retail food industry is second only to China on a global scale and is set to reach a value of US\$330bn by 2015 (India Food News 2011). Food and dining is a vital part of Indian culture and its cuisines are vastly varied with respect to the different sub-cultures,

traditions, regions and lifestyles that exist within the country. As the number of affluent Indians and disposable incomes grow, the trend towards a culture of gourmet and healthy foods has emerged as a distinctive feature of upper-class lifestyles. People returning home from more trips abroad has also helped broaden consumers' minds with respect to international cuisines.

The Godrej Group, established in 1897, has a diverse portfolio including real estate, FMCG, industrial engineering, appliances, furniture, security and agriculture. It remains one of the most trusted company names in India. In 2005, the Godrej Group added a new brand to their list of companies, Nature's Basket.

Nature's Basket was initially developed as a concept store aimed at creating a platform which provided Indian consumers with high quality, locally produced goods encompassing fruits, vegetables, and other farm and organic products. Godrej Group's strong, long-lasting relationship with local farmers (through their extensive agriculture sector) gave leverage to set up the new venture. What set Nature's Basket apart from other food retailers was their ability to provide consumers with non-traditional vegetables (thus deemed 'exotic') such as broccoli, diverse mushrooms, varied herbs and many more that were not readily available in India.

In 2008, Nature's Basket identified a gap in the market for localized stores that provide Indians with a much expanded assortment of gourmet food items. Previously, the items to be stocked could only be obtained abroad or in international hotels at very high prices. Nature's Basket thus added the 'gourmet' sector to the Indian retail food market.

Product range

Today Nature's Basket offers an extensive range of gourmet food products in its 19 stores in India. Their long list includes meats, vegetables, beverages (including alcoholic), cheeses, breads, confectionary, sauces and cooking aids. The food chain stocks its shelves with a wide selection of international brands, unavailable in the Indian market, as well as local brands. Shoppers will not find cheaper prices here as compared to other neighbourhood stores. Nor will they find an overload of promotional deals aimed at making the customer think more about the price and less about the product. Their philosophy is very clear – come to our store and you can walk away with a

similar basket of goods as one would in New York, London, Milan, or Paris, and pay roughly the same.

It is common for customers to walk out of the store with a basket of goods greater than US\$100. The shopping list might include Illy Espresso Ground Coffee for US\$9.35, Lindt Swiss Classic Milk Chocolate 100g for US\$5.54, or Granini Apricot Nectar Juice (1 liter) for US\$5.43. The total is often surpassed if customers purchase from the delicatessen counter that includes lamb, cold cuts, pâtés, sausages and even caviar or make their selections from the wine & beer section.

Items for sale are generally well known products or brand names with high awareness in the West but often don't have their own market presence in India. While Nature's Basket likes to offer tastings in their stores, the core customer is either experimental to try many purchases for the first time or has some sort of prior familiarity with them from his or her time abroad. Considering that many customers return 3–4 times per month, the Nature's Basket core shopper is affluent and in the Indian context at least, somewhat of a *gourmet*.

Service experience

Nature's Basket is strategically placed in high streets of India's metros. Affluent consumers, who live in these premium residential catchments, have faster access to Nature's Basket. All their stores are currently stand-alone which gives customers a sense of exclusivity that they yearn for. In addition, the staff adheres to a strict principle of delivering exceptional customer service. The staff, being recruited from hospitality and culinary backgrounds, is well versed in culinary knowledge. They offer nutritional tips on various food products as well as specialized recipes that customers may like to try out. Events such as wine appreciation, tea appreciation and food workshops are hosted with leading nutrition experts and chefs regularly, not only to inspire, but educate customers about international food products and trends.

Nature's Basket's offering is also unsettling some ingrained shopping habits. Indian households, particularly in the affluent segment, are accustomed to employing staff to help with household chores. The norm has been to send helpers to the market to buy groceries and household-related items. But according to Mohit Khattar, Nature's Basket's Managing Director, 'many of our customers also

come to Nature's Basket because they enjoy browsing the items on offer and seeing what's new. Shopping for food items has become an enjoyable experience rather than a chore'.

Le Pain Quotidien

Founded in 1990, Le Pain Quotidien ('the daily bread' in French) is a bakery-café that serves fresh rustic breads and quality food items made from local ingredients. Products on offer include a wide variety of breads, soups, salads, tartines, hot dishes, desserts and home-made beverages. Le Pain Quotidien's universal concept of a rustic, farmhouse atmosphere and the communal table is deeply embedded in its DNA and is a part of all their 150 stores operating in over 19 countries.

The expansion into India was seen as a market growth business opportunity. Ahimsa Brands, the exclusive licensor and partner of Le Pain Quotidien for India, identified the following key segments in the food and beverage market in the country: high-end restaurants in 5-star, international hotels that also offer high quality breads and related food; high-end, stand-alone restaurants of Indian and international cuisines; and independent, stand-alone restaurants that typically offer Indian cuisine. There was a clear gap in the market. Many well-travelled Indians, when returning home to India after enjoying a croissant at a quaint coffee shop in the West Village in New York, were asking: 'Why do I have to go to a hotel in Mumbai to get the same?' For Ahimsa Brands, Le Pain Quotidien was the perfect answer and the first outlet was launched in a heritage building in Mumbai in 2011.

Location

The location chosen played an important role in building Le Pain Quotidien's success story because it was in an affluent area of Colaba, with heavy foot traffic and frequented by visitors from many other areas in Mumbai. However, Anish Malhotra, co-founder of Ahimsa Brands, does not think location is as important in India as in a market like New York. In a city in India, it is important to get the area right, but in a city like New York, the position on the block can make or break the restaurant. Indian customers are surprisingly willing to spend a significant amount of energy, time and money in order to

travel to reach a particular dining location as long as the experience can be considered 'worth it'. For instance, it is not uncommon for someone in Mumbai to travel from Bandra to Colaba on a Friday night facing heavy traffic for 1–2 hours to reach a particular restaurant. The irony, according to Anish Malhotra, is that today, 'Indians suffer through heavy traffic which significantly reduces their quality of life to reach an intended dining destination that is supposed to increase their quality of life. But in the future this is expected to change as customers will demand restaurants such as Le Pain Quotidien to be located closer to home. The future for us is to target catchments in close proximity to our target segment.'

Affordable fine dining

Le Pain Quotidien's philosophy, in terms of its pricing strategy, is to offer a dining experience at 'affordable' prices. The Mumbai outlet is not only viewed as a profit centre but also has elements of a flagship store, through which it is expected to project a positive brand image to facilitate future expansion throughout the country. Customers in India are considered highly value oriented and the aim is to build loyalty among patrons through a strong value proposition that would only be diminished by higher prices. Customer appreciation of the ambiance, service and quality of food should significantly outweigh the cost so that positive word of mouth can carry the brand forward.

Menu offering

Breakfast items, such as bread and spreads, eggs, omelettes, French toast, crêpes and Belgian waffles are found on the menu, along with an array of other choices. Contrary to popular belief that a food chain entering the Indian market has to alter its menu significantly, Le Pain Quotidien did very little of the sort. Certainly, they didn't face the difficulty of having to strike a key item such as beef off the menu because it's not central to their offering. But many questioned whether Indians had a demand for their pillar product, Western bread. While there was some uncertainty, they found that the existing offering of the restaurant blended very well with local tastes. Anish Malhotra gives two reasons for the ease of adoption. Firstly the breakfast and brunch items offered overlap with the traditional Indian breakfast, which is hearty and generally includes eggs.

Le Pain Quotidien's emphasis on bread, eggs, vegetables and pastries, while differently prepared and presented than in India, appeals to locals. Secondly, the average patron has a high income level and has travelled abroad, making him or her familiar with non-Indian food and providing him or her with a sense of desire to consume it on a regular basis.

Le Pain Quotidien's retail business is thriving for the same reasons. A customer can also purchase 'pantry' items including various breads, jams, fruit preserves, coffee, chocolate spreads, vinegar and olive oil. Many consumers shop at the restaurant and then offer the items to guests at home.

The entrepreneurs that introduced Le Pain Quotidien to India saw that Indians desired the brand and offering abroad and brought the same experience to them in India. Only some warm dishes such as toasted tartines and other hot entrées have been introduced to further appeal to Indian tastes. To ensure profitability by competing with other comparable restaurants, it remains open for dinner. Typically the restaurant closes at 19.00, but in Mumbai it closes at 23.30 – another indicator of how locals long for higher-end dinner options to dine at.

Le 15 Pâtisserie

Le 15 Pâtisserie could be one of the many traditional pâtisseries that are characteristic of *le savoir vivre* in France. In fact, Le 15 Pâtisserie, otherwise known as Le 15, is not in Paris, but in Mumbai. With retail outlets in Worli and Lower Parel, Le 15 brings a taste of French bakery culture to urban India. The pâtisserie was launched by the young entrepreneur Pooja Dhingra following her studies at César Ritz in Switzerland and Le Cordon Bleu in Paris. The first outlet was opened in March 2010 which offered a selection of cakes, cupcakes, éclairs, tarts, truffles and the signature pastry, macaroons. Customers include influential corporate clients such as the French Consulate, Alliance Française, Louis Vuitton and L'Oréal, tycoons and celebrities, and a large section of India's urban upper middle class, who seek to indulge in the pleasures of New Luxury – French pâtisseries in India. The success of this venture can be attributed to instilling a sense of culinary adventure that well off Indian consumers have not previously experienced.

Authenticity

The sense of authenticity is not just the French name that is named after the 15th arrondissement where the founder lived during her training in Paris. It is also the pastries that use quality ingredients and French culinary techniques to create the ‘real thing’ baked from scratch. There are, for example, 8 varieties of macaroons – chocolate, pistachio, lavender, rose, passion-fruit, hazelnut, coffee and Fleur de Sel. Moreover, Le 15 collaborates with French chefs to work on new product innovations. However, it is the attention to details that gives an authentic impression. Items are packed delicately in paper boxes that are a common feature of French pâtisseries. According to Pooja Dhingra, ‘The core of any luxury brand is attention to detail. We start at a very basic level where we focus on creating the best user experience in terms of product handling. That means an extraordinary amount of time and energy is spent on everything from the paper inside the box to the little stickers that hold the box together’ (Figure 6.1).



Figure 6.1 A Le 15 Pâtisserie box (Courtesy: Le 15 Pâtisserie)

Innovation

Le 15 has built a reputation for culinary innovation. Le 15 launched macaroons in Indian flavours such as *Kaala Khatta*, chilli, *chai*, *paan* and *kacchi kairi*, and *kulfi* that give an essence of quintessential Indian tastes from everyday food items. Another innovation was limited edition Valentine's Day Cointreau macaroons. The Cointreau Macaroons, which are filled with Belgian chocolate ganache and a dash of Cointreau, were presented in pink cocktail shakers. According to Pooja Dhingra, innovation is also about customization, 'We customize not only the packaging for our customers, but also the product. The macaroons can be made in special colours and flavours to suit the client.' Le 15 is also exploring innovative channels of communication in order to engage with customers to develop a stronger emotional bond. Its official website has a blog that includes recipes and a guide to Paris, but it is the culinary workshops such as Chocolate Love hosted by invited chefs that create an authentic and memorable experience.

Conclusion

India's economic expansion has brought large increases in personal wealth and created space for New Luxury. The ventures profiled in this chapter are examples of brands that can appeal to and be accessed by a larger majority of the Indian population, but whose first entry into the market entail a focus on the very affluent segment of the population. The big opportunity is still to be harnessed: taking market share among the emerging middle class.

Success in India today bodes well for the future of the companies we have profiled as the customer base is growing rapidly. And the expanding number of affluent consumers that frequent Nature's Basket, Le Pain Quotidien or Le 15 Pâtisserie create peer groups and reference groups for brand-conscious and aspiring consumers. These customers seek out a better lifestyle experience and are willing to trade up as they believe it is worth a higher expenditure. At Nature's Basket, Le Pain Quotidien or Le 15 Pâtisserie they can find luxury within reach.

The case studies illustrate that companies can be successful in India today by offering a distinctive functional advantage that is emotionally relevant and are positioned at the top of the market. They stand

for consistent high quality and offer a meaningful and engaging experience that can make a difference in the lives of their customers. Collectively, these brands and others, have set the New Luxury bandwagon in motion, as day by day more products and services are becoming locally available, meeting the lifestyle aspirations of the New Luxury consumer. The business opportunities of New Luxury are huge as it is open to be consumed by a growing number of new and confident middle class consumers.

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Part III

Taking the Business Step

7

Crossing the Indian Threshold

Rahul Kapoor

A land of many mysteries and contradictions, India is one of the five most coveted emerging economies today. And, as is evident by now, robust growth of the Indian luxury market has attracted the interest of international luxury companies. With a sprawling selection of luxury malls, boutiques and flagship stores, it seems to be an easy concept to grasp for entry. It is, unfortunately, not as straightforward. India is a far cry from London, New York, Paris or Milan. Not just in terms of the culture, infrastructure, taxes or trade and legal definitions, but also in terms of consumer behaviour. Brand managers need to consider an optimal market entry approach for India and analyse a range of strategic issues. This chapter sets out to guide luxury marketers in developing an effective market entry strategy that can make the difference between market success and failure.

The consumer rigmarole

Targeting, understanding and zoning the ideal customer is the first step to creating a space in the market. What sets India apart is its large and diverse population, with each having their own individual demands and perceptions, making it difficult to search and pin-point the model consumer.

Essentially, luxury brands need to identify and define two socio-economic groups – the first group being those who will be able to afford and appreciate the brand, and the second group being the aspirational group who can eventually become potential customers. The perception of the brand, however, that it portrays to these

targeted customers is crucial, as a 21-year old woman shopping for Zara today would be looking at Dior tomorrow. Even in an emerging market, luxury brands need to be careful to not outgrow their customers too early after their entry in India.

The luxury market in India is structured similar to other countries around the world in terms of income segregations and brand affinity each stratum has. However, there are key differences that are specific to the Indian market. In India, a brand is not just assessed by its price, but also by its availability and social recognition.

The Indian consumer relates to four kinds of brands within the luxury domain.

Haute luxury: These are firms which pay the utmost focus on craftsmanship, exclusivity and a high level of customer service with limited creations produced and a tooth combed clientele list. Brands such as Cecil Purnell, Van Cleef & Arpels, Hayari Couture, Angelo Galasso among others, are haute luxury brands which do not invest in mass marketing techniques, but focus on word of mouth and heritage marketing. These are brands for which even billionaires and Ultra High Net Income Individuals (UHNIs) have to wait. Many of these brands claim to choose their clients instead of the clients choosing them.

Luxury: These are high-quality and high-priced brands focusing on superior products with certain limited edition pieces produced in quantities to satisfy core demand. Including brands such as Louis Vuitton, Prada, Christian Louboutin and Versace, most regular luxury consumers will own an item from a brand within this category. These brands target the affluent *and* High Net Individuals (HNIs) while positioning themselves to be accessible to everyone.

Prestige brands: Internationally, these brands may have a different classification. Prestige brands look at larger scale production pieces, where the brand name, design aesthetics and retail price are key considerations. Such brands include Porsche Design, Ralph Lauren and Diesel. The HNIs are the starting market for such brands and have a high potential to trickle down to the upper-class masses.

Fashion brands: Being 'everyday' closet staple brands, this category is not actually just defined by what the brand offers, but also by how the average consumer feels. This extensive list includes Tommy Hilfiger, Gap, Armani Jeans and Ed Hardy. These lifestyle brands target those who are able to currently afford an item from their large selections, be it at full price or at sale.

Entering the Indian gates

Appointing a local partner is seen as the safest way to enter India instead of experimenting aimlessly and without knowledge on tackling the complexities of the market environment. Choosing a partner depends on the kind of arrangement a brand is employing to enter the Indian gates. Market entry, however, also depends on Foreign Direct Investment (FDI) legislation that sets out to regulate foreign investment. It is imperative that international luxury players understand the conditions of FDI before finalizing a route of entry.

Foreign Direct Investment constraints

In a series of changes, the Indian government has slowly opened up the retail sector, through Foreign Direct Investment (FDI). In 1997, FDI in cash-and-carry (wholesale) with 100 per cent ownership was allowed under the Government approved route. A second wave of liberalization in 2006 permitted 51 per cent investment in a single brand retail outlet. In 2011, the Indian government proposed and approved 100 per cent FDI in a single brand provided international brands source 30 per cent of their requirements from Indian small industries, village and cottage industries, artisans and craftsmen. 'Small industries' would be defined as industries which have a total investment in plant and machinery not exceeding US \$1 million.

This has created a dilemma for international luxury players. Do they opt for the benefits of 100 per cent FDI or the disadvantage of buckling under the 30 per cent local sourcing condition? Coming through a 100 per cent FDI in India would allow a greater level of control and exposure to the market without the rose tinted glasses of the managing local partner. In addition, the 100 per cent investment would allow brands to invest in brick and mortar, as the level of investment a local partner would make in a retail space would be limited in most cases, due to financial restraints and contractual risks.

However, the 30 per cent condition comes at a high cost for international luxury brands. The significance of brand origin is key to the brand equity of many European luxury brands. This means that they need to keep sourcing and production local to the country of heritage in order to ensure quality and authenticity. Darshan Mehta, president and CEO of Reliance Brands, said, 'A bureaucrat's delight, a business person's nightmare. India's cottage industries are not equipped to even produce H&M quality goods, forget catering to luxury brands' (Shiware 2012).

Though, in comparison, in 2009, many shoppers at the likes of Selfridges in London noticed a large number of items with the 'Made in India' label with costs on par with 'Made in Italy' labels. A brand by the name 'Crucifixied' produces all their knit and cotton t-shirts in India. Jordon Sharma, CEO, commented, 'For us manufacturing in India was difficult. Not because of the quality control issues, but quantities, as we only produce 250 pieces a year for a selected clientèle. Our tailored t-shirts are made of finest modal Qiviut blends with prices starting at £285.'

Market entry modes

In the context of the latest FDI ruling, the three market entry options most suitable to target the Indian territory are the following:

Franchise agreements: This is most certainly a fast and cost-effective track for international brands to penetrate the Indian market. Within the fashion segment, Lacoste and Mango have entered India through such an agreement. Though known as a License agreement, the actual products by fashion brands are at times manufactured locally. In the luxury sector, Blues Clothing Company has the franchisee for Versace and Versace Home in its fold. The Bird Group also has franchisee agreements with Porsche Design, Van Laack and Bally.

Distribution agreements: A number of international luxury brands have given exclusive licences and distribution rights to Indian companies. Through these rights, Indian companies can either sell the products through their own stores, or enter into shop-in-shop arrangements, or distribute the brands to other retailers. This route has been the choice of many brands to test the Indian



Figure 7.1 A suit by Ermenegildo Zegna (Courtesy: Ermenegildo Zegna)

market and some of the most successful partnerships have been formed this way. While the vendor works on manufacturing the products, the distributor is responsible for purchase and resell. An example of this kind of arrangement is the partnership between Marigold Group and Judith Leiber. Many watch brands, too, work through a distributor agreement.

Joint ventures: Joint ventures (JV) have increasingly become a popular choice for international luxury brands. Reliance Brands Limited, for example, has joint ventures with Diesel, Ermenegildo Zegna, Paul & Shark, and a few mid-range fashion brands. This mode of entry allows brands a greater degree of control to build a long-term market presence and capture the pulse of the local market (Figure 7.1).

Reality check

A number of international luxury brands have been forced to revise their market entry strategies. The reasons cited are varied but it seems that the most common reason can be attributed to a lack of strategic planning and a breakdown in partner relationships.

Gucci is an example of where greater control was required by the brand. Gucci partnered with the Murjani Group as a franchisee. The expected returns were not achieved due to a combination of factors such as the high cost of retail space and high import duties. According to Mohan Murjani, Murjani group chairman, 'Luxury brand owners went wrong in their estimate of returns. For example, brand owners estimated they would clock US \$1000 worth of sales per store square feet, while in reality, they could only manage about about US \$500' (Thaindian News 2009). Consequently, the Murjanis sold their 'agreement' to Ashok Wadhwa's Luxury Goods Retail who converted it into a 51:49 joint venture.

Choosing a partner

An international luxury brand can choose from over 15 companies in India such as Bird Group, Blues Clothing Company, DLF Brands and more emerging everyday, to enter India through JV, distributorship or franchisee. When it comes to haute luxury, there are two companies that are renowned to handle such creations. One is Excedo Luxuria while the other is Shreyans Group which, though not dedicated, has a key haute luxury brand, Van Cleef & Arpels, within its group. Shreyans has also introduced other luxury brands in India including Maserati, Ferrari and Net Jets.

International luxury companies need to choose a local partner, who can not only bring the brand to the country in terms of legalities, but also proposition it and create a relationship with consumers. However, the choice of partner should not only fulfil the 'hard' factors such as financial criteria but also the following 'soft' factors, which are too often overlooked in India.

Mindset: The potential partner needs to understand the product and its creations. In case of luxury brands, while appreciating that the creations may carry a mass appeal, they are not for everyone. An haute luxury brand, on the other hand, will consciously want to choose its clientele rather than the other way round. These brands create products with a smooth blend of exemplary service and exclusivity.

Commercial understanding: An haute luxury brand is faced with the dilemma of determining the trade-off between growth and

exclusivity. Haute luxury brands will generally choose market exclusivity, at least for the formative years. The partner should be able to explain why exclusivity means limited creations and justifies a waiting list. Luxury brands, however, need a partner, who can tow the fine line between growth and exclusivity, since higher visibility and a larger aspirational base is important for these brands.

Sales process: Any brand would like to have selected, appropriate retail space within a territory such as India to add value to its brand equity. Currently, with the lack of prime locations in India, no haute luxury brand would ideally be placed in the luxury mall, DLF Emporio. The sales process would have to be handled on a by-appointment basis, with each client being individually catered to. This can be a cumbersome task if the partner does not understand the logic behind this strategy. Luxury brands, as mentioned before, demand higher visibility. Therefore, local partners need to maintain retail spaces, though in highly selective and luxurious atmospheres.

The next roadblocks

International luxury brands, however, face a set of complexities that can derail the chances of a successful entry strategy. The potential pitfalls are numerous but we have identified India's undeveloped retail infrastructure, the exorbitant structure of import and custom duties, a failure to understand operational costs and lack of trained manpower as key issues that are of particular significance to the Indian market.

The retail dilemma

Getting appropriate retail space in India is one of the primary problems which brands and their local partners battle over when entering India. The Indian retail sector is still very much fragmented with just under 95 per cent of its business falling to the unorganized retailing divide. According to the marketing manager of a global luxury fashion brand, 'Having only one store in India makes it extremely difficult for us to create a market. Even if I promote my brand to increase awareness, where do I tell the customers to buy it from?' Unlike in other markets such as China, luxury companies are under immense pressure to find suitable retail space that is necessary to establish a market presence.

India has not witnessed any multi-brand luxury department or retail stores such as Harvey Nichols or Saks Fifth Avenue, because under the current regulatory structure, retail trading (except for single-brand retailing) is prohibited. The lack of suitable properties in India is an additional obstacle. Luxury brands, falling under the organized retail category, are continuously in the search for suitable retail space, which is usually not easy to obtain. Brands, therefore, need to consider a broader range of retail options. For example, luxury brands could consider joining efforts with another brand and work together on creating a shared retail space. It will give customers more than what meets the eye in choice and the brand can have a lower running cost per square foot in the process.

Product pricing

Price is another potential pitfall for international luxury companies. Retail pricing for luxury goods in India is an average of 20 per cent more than London for example. The reason for this is higher import and custom duties. With steep import duties of up to 30 per cent, in addition to clearance and local taxes (applicable in certain states only), certain product categories, such as haute horlogerie, can face a landed 'duty and tax' cost to retail outlet of 40 per cent. The wine and spirits market faces even greater levels with duty of 161.8 per cent plus local excise duty of 30–200 per cent. For example, the Louis XIII Rare Cask cognac, which costs 10,000 Euros in European markets, costs around 25,000 Euros in India. Likewise, a luxury watch will cost 30–40 per cent more in India compared to Europe or US. In contrast, China's import duty on watches is less than 10 per cent. India's overall duties, import levies, taxes and tariffs are confusing and overtly high compared with China.

In certain instances, a finite number of clients would be willing to pay the increased cost for their purchases. However, a substantial number of prospective and existing clientele travel more frequently, giving them the chance to shop in more evolved retail atmospheres such as London, where not only is the price more friendly, but choice is also greater. Thus, pricing can become quite a contentious issue when deciding to enter the Indian market.

Unless a brand is able to provide the client with a value added service, in addition to the product they are paying for, it is best to work on keeping the product price as close to the internal international

price index. Certain brands, such as Louis Vuitton, have a blend of products of which some are priced marginally in comparison to London while certain editions are still around 15 per cent more. Multi-brand retailers such as Kitsch, by The Sachdev Group, absorb a certain percentage of the tax and tariff in order to ensure the products are competitively priced (Gupta 2011).

Operational costs

International luxury companies often fail to understand that the costs of launching in India need to be factored to reflect local conditions. Let us consider three examples to illustrate this. First, not only is appropriate retail space limited in India, but also priced steeply as compared to other international markets. Observers point out that in the case of 5-star hotels, the high retail space costs do not justify the limited footfall. Second, promotional costs, whether advertising, publicity, celebrity promotions or events, often exceed the original planned budgets. International brand managers have often been taken aback at the cost of hosting a Bollywood event which means extravagance that is unique to India. Finally, although staffing costs are comparatively lower than developed markets, the required cost of training a relatively inexperienced pool of talent can impact the bottom line.

Lack of trained talent

Luxury, being a niche and new corporate field in India, means that there is a lack of trained manpower in the country. Not only is there a dearth of institutes which could give the required skills training, but also a shortage of experienced professionals. Customer service and training is essential to the success of a brand. It not only includes giving a sales pitch, but also how you make the sales pitch which matters.

A luxury brands and services customer of Excedo Luxuria, aged 50 years, commented, 'At my age, it is sometimes difficult to learn new things. I did not complete my schooling which means I have learnt many things as I live. When my son was recently getting married, we wanted to do something special for the *baraat* (grooms entourage and procession). That was when I saw a pair of what I thought were black velvet shoes. On enquiry, one of the directors insisted on coming home to see me. He spent five hours personally explaining how these shoes were made of Black Pony skin and how it was sourced. The shoes were not just shoes anymore. I also used to pronounce

Tourbillon as 'Too Billion'. No retailer made the effort to correct me before, probably because they didn't want to offend. But when the same director corrected me, the fact he had gone beyond what any other brand would have done, means I have a bonded with him and I know I can trust what he says.'

Giving a minimal, basic training certainly adds to the financial and time cost of the international brand coming to India. But it is well-worth it in the long run.

Outlook

Despite the recent 100 per cent allowance of FDI in single retail, international luxury brands will continue to rely on the expertise and knowledge of a local partner. Unless there is a change in FDI legislation that will exclude the 30 per cent local sourcing condition, there will be no significant change in the status quo in the near future. International luxury brands, will however, be seeking to develop longer-term strategies and stronger relationships with their partners in order to unfold the full potential of the Indian market.

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8

Luxury Retailing in India

Sudeep Chhabra

The story of luxury retail in India during the last decade has been nothing less than a revolution. The collaboration of developers, retailers, designers and authorities has transformed the luxury retail landscape. This chapter will track the growth and performance of the luxury retail industry in India, including strategies to create successful organized formats to match changing consumer trends.

Organized retail in India

For many decades, the Indian government protected local retailing from foreign competition. The retail market, as well as the retail real estate market, thus, remained comparatively less developed. Overall, the retail landscape in India, even today, is characterized by owner operated local shops (traditional mom and pop stores) and by local street markets. Real estate company, Cushman and Wakefield (2010) estimates that nearly 80 per cent of Indian retail undertakings continue to be small family run establishments.

However, there has been a continual development of retail and shopping centres in India over the last 10 years. According to a report released by the real estate company, Jones Lang LaSalle (2011), NCR-Delhi and Mumbai constitute approximately 70 per cent of the total retail space (contributed by shopping centres) in India, housing 127 of the 192 shopping centres currently operational in the country. 94 shopping centres, encompassing a total retail space of 37 million square feet, are expected to become operational by the end of 2012 across the top seven metropolitan cities of India.

Interestingly, Mumbai and NCR-Delhi account for only 43 per cent of this new supply.

The creation of a modern shopping and retail culture has been driven by a consuming India characterized by a desire for new products, services and shopping environments. This need, matched equally by retailers and shopping centre developers, has transformed the nature of luxury retailing in India. The retail revolution, as characterized by shopping centres in India, has evolved across the following four distinct phases (Jones Lang LaSalle 2011).

Initiation phase

The initiation phase in 1999–2002 was characterized by the creation of the first climate controlled retail environments. The country's first shopping centre, Spencer Plaza, opened in Chennai in 1990. This was followed nearly a decade later by Mumbai's Crossroads Mall and New Delhi's Ansal Plaza in 1999. This initial phase was essentially dominated by manufacturers establishing their presence in retail including key domestic players such as Bombay Dyeing, Raymond Group and Bata. However, a landmark within the luxury sector was the opening of India's first Ermenegildo Zegna store at the Crossroads Mall in 1999.

Expansion phase

This was followed in 2003–7 by a phase of expansion in organized retail including the openings of malls in tier 2 cities and diversification in terms of size and formats. This represented a new beginning in the retail business as pure play retailers such as Pantaloons, Shoppers Stop and Lifestyle entered the Indian retail market. Most new retailers in this phase belonged to the apparel and other fashion related categories.

A significant tipping point during this phase was the liberalization of the Indian economy and the opening of entry opportunities for foreign brands and retailers. The introduction of Foreign Direct Investment (FDI) legislation in 2006 allowed single brand foreign retailers to take up to 51 per cent stake in a joint venture with a local firm. The first generation of international brands to make an India entry included McDonald's, Benetton, Levi Strauss, Adidas and Reebok. It also opened the way for luxury brands such as Chanel and Hermès to enter the Indian market. However, the evident lack

of premium spaces led the early luxury entrants to restrict their presence to star category hotels in New Delhi and Mumbai only.

Adaptive development

The third phase of adaptive development in 2008–10 was characterized by expansion followed by consolidation. Large industrial conglomerates such as Mahindra & Mahindra, Tata, Reliance, Aditya Birla and Essar entered the Indian retail arena. A prominent feature of this phase was the introduction of lifestyle and premium shopping centres. DLF Emporio in Delhi and UB City in Bengaluru opened in 2008 that gave birth to the luxury mall concept. This was followed by the opening of the high-end mall, Palladium, in Mumbai in 2009.

Opportunity retailing

The fourth phase, which started 2010 onwards, is opportunity retailing. A key characteristic of this phase is the development of a lifecycle management approach to achieve sustainable performance. Luxury malls are filling up spaces as brands look at going beyond the five star hotels. Increase in luxury penetration is evident by the newly opened Oberoi Gurgaon (Delhi NCR) that features a luxury retail arcade of 50,000 square feet. There are also media reports of a luxury retail space being developed by DLF on the Golf Course road in Gurgaon (Delhi NCR), on the lines of DLF Emporio, by 2015.

Luxury malls

Following the introduction of 51 per cent FDI legislation in single brand retail, there was a considerable amount of interest being generated towards the Indian luxury sector. But being restricted to the luxury arcades of five star hotels in New Delhi and Mumbai, footfall and visual impact was low, catering to a select well-travelled clientele familiar with the repertoire of international luxury brands. The chaotic high street, limited quality real estate space availability, and a need to create a suitable environment to facilitate luxury shopping led to the creation of premium and luxury malls.

DLF Emporio

DLF, one of India's largest real estate major, launched the luxury mall DLF Emporio in Vasant Kunj, New Delhi, in late 2008 (Figure 8.1).



Figure 8.1 DLF Emporio, New Delhi (Courtesy: DLF Emporio)

The opening of this mall was widely seen as a game changer in luxury retailing and created momentum towards designing retail formats specifically for luxury brands. International luxury brands were able to connect with DLF Emporio due to a combination of the following hard and soft factors.

Brand mix

Unlike DLF's earlier malls, DLF Emporio is a leased mall. This ensured that the management was in control of the correct tenant mix. An almost equal collection of international and domestic luxury brands (75 international and 111 Indian) are spread over four levels. It was imperative to achieve an appropriate brand mix to create the perfect luxury shopping environment.

Infrastructure

Being a luxury mall, the management had to ensure that the infrastructure underlined the luxury feel of the mall. The experience of a luxury destination from arrival to departure and various softer aspects of the surrounding area were developed. The roads to entry

were carpeted time and time again, considerable lighting and landscaping was carried out and an entire eco system to support luxury retail was created. This included producing the mall's own electricity which followed green principles of waste water management.

Aesthetics

DLF Emporio was designed by architect Mohit Gujral who created a unique shopping experience using rich effects such as Italian marbles, brass detailing, artful lighting, and larger than life chandeliers. Retail spaces are generously proportioned with high ceilings and large display windows to showcase merchandise. Suzy Menkes (2009) observed, 'A sweeping stretch of marble floor ending with a fountain, palm trees lining the generous spaces and escalators soaring up to the dome's roof – this could be a luxury destination in Dubai or Hong Kong.'

Experience

Shopping in India is seen as a leisure activity for the entire family. DLF Emporio offers an array of amenities in order to enrich the shopping experience including art galleries, a delicatessen and cafés. Indeed, the mall has an award winning fine dining restaurant, featuring six world cuisines, called Setz (designed by acclaimed interior design firm, Super Potato). The annual calendar is peppered with art shows, wine and music appreciation evenings, fashion shows, luxury car displays, star visits, jewellery exhibits and many firsts in opulent, invitee only events and shows. Maserati, for example, displayed its Quattroporte model for a fortnight at the mall. Becoming the venue of Vogue's Fashion Night Out in India further made it a magnet for aspiring luxury customers, luxury loyalists and socialites.

Orientation towards detail

Each aspect of the customer journey was mapped which enabled the management to adapt the mall's service delivery to the needs and expectations of the luxury consumer. This included details such as relaying the porch with stone that would make it easier for women in heels to walk; maintaining a staff dress code; and offering valet parking, a fully equipped Concierge desk with facilities of currency exchange, ATMs, baby strollers and personal bag carrying assistants. The aim was to please and pamper the luxury customer. The softer

and often critical aspects of choosing the right staff for excellent levels of service, fresh flowers, scented soaps and plush towels in the washrooms added to the overall luxury experience.

High street

Luxury malls such as DLF Emporio in Delhi and UB City in Bengaluru have been the obvious choice for retailers in the absence of any viable high street. However, the development of a luxury high street in India marks a new trend in luxury retail as marketers look at overcoming limited luxury retail infrastructure. According to Sanjay Kapoor, managing director, Genesis Luxury Fashion Pvt Ltd, 'We should develop places such as Connaught Place in New Delhi and Colaba in Mumbai, which are landmark heritage shopping districts, into luxury high streets just as Milan, Paris, London, New York have developed their prime shopping areas into luxury market spaces' (Sapna 2010).

A pioneering example of a luxury brand optimizing a high street location in India is Hermès. Following stores in luxury hotels in Pune and Delhi, Hermès became the first international luxury brand to open a stand-alone store on an Indian high street in August 2011. The exclusive 5000 square feet two-level flagship store is located on Mumbai's Ballard Estate high street in a heritage building opposite the Asiatic Library.

This raises the question whether the high street can be a viable option for the luxury industry? According to a COO of an international high-end fashion brand, the high street can offer key advantages versus a luxury mall, 'Consumer shopping habits and the popularity along with the brand synergies on a high street, which have developed over years, is sometimes invincible. There is no other reason to explain a Champs-Élysées or 5th Avenue still commanding the highest rentals. Lately, the face lifts on some high streets in India have led to a regained interest as well. It is also not a fact to be ignored that the true and distinct freestanding grandeur and expanse is perhaps best created on an appropriate high street. Both the façade opportunities as well as the architectural benefits that come with an existing structure or the modification possibilities are truly there only in a non-mall location. Furthermore, if it happens to be colonial or heritage location, it can truly add a lot to the brand presentation.'

The development of luxury high streets in India will be a further catalyst for retail and consumer growth. The democratic nature of high street will help luxury brands to reach out to a larger consumer base, offering more opportunities of visibility and footfalls, eventually aiding in educating potential consumers while the current consumer browses through and shops for a larger range of products. However, if the high street is to become reality in India, there are a number of important issues that need to be addressed.

Location

Opportunities for luxury high street retailing in metropolitan cities are limited. In New Delhi, upmarket retail space is concentrated in Connaught Place and Khan Market. The same holds true for MG Road in Bengaluru and Breach Candy, Colaba or Link Road in Mumbai. The extent of this problem is reinforced by Sanjay Dutt, CEO (Business), Jones Lang LaSalle India, 'In most cases, we are talking about small residential buildings or old tenanted commercial buildings where luxury retail is being created. In the process, the format of luxury retail gets compromised, and therefore there are rather limited opportunities for retailers to do meaningful business in such locations. The overall atmosphere that they would ideally wish to embellish their stores with can simply not be created. The customer does not get the feel and ambiance of luxury shopping, even if he or she has access to the brands' (Dutt 2011).

Legal

Transparency and legality are additional concerns. In cities such as Mumbai, many prime locations which could be used for luxury retail have tenancy issues. They are privately leased, and sub-leasing is not permitted in these locations. If the original lease-holders do sub-lease these properties, the tenancy is not legally bound and therefore unprotected. The sub-leasing tenant becomes a franchisee of the retail format on paper, while it is the master franchisee who conducts the actual business on-site.

Cost

A key issue is whether the footfalls of the store justify the high rentals. Luxury consumers expect convenient facilities such as accessible parking space when visiting luxury stores. Sometimes, locations are

not able to supply such basic services. The footfall versus rental cost is therefore a key concern. Rentals vary from INR 450–550/square foot for a strategic high street location, and in luxury malls, they tend to range from INR 350–450/square foot. Strategic high street locations in the right catchments such as Khan Market in Delhi or Breach Candy, Kala Ghoda and Colaba in Mumbai, are in limited supply, which will continue to make them extremely expensive for luxury retailers.

Emerging retail channels

To tap into the high growth potential of India, luxury companies continue to broaden their reach. For example, Ermenegildo Zegna opened a store in Hyderabad in November 2010 – its first store outside Delhi, Mumbai and Bengaluru. This has made the Italian luxury fashion brand accessible to customers in new geographic areas. Likewise, brands are opening multiple stores in one city to be able to cater to large populations. Due to the high population and traffic problems in major metropolitans, travelling from one point to another can be an enormous hassle. Burberry has seven stores in India with three being located in Delhi NCR. However, retail options are too limited to fuel the ambitious expansion plans of luxury brands. Luxury malls are numbered while the process of opening a store in a high street is lengthy that involves overcoming complex bureaucratic hurdles. The need to be more accessible and have a larger footprint is driving luxury retailers to look at new and alternative retail channels.

Multi-brand

Apart from addressing the problem of inadequate space, selling luxury brands through the multi-brand format has many benefits in India. Since Indians love to browse before finalizing a purchase, multi-brand stores prove to be a boon for them. Although only a limited range of products can be placed in the multi-brand store, it can be an apt way to introduce the brand to the Indian market and gauge initial response.

One of India's first luxury multi-brand stores, Thanks, was opened in 2005 in Mumbai. A concept by Shreyans Group, the store today includes collections by brands such as Dolce & Gabbana and Van

Cleef & Arpels. Indeed, a host of international luxury brands such as Stella McCartney, Diane von Fürstenberg and Alexander McQueen, preferred to enter through the multi-brand store concept, Kitsch, by The Sachdev Group (Figure 8.2). The latest in the multi-brand retail concept is Les Petits, a specialty store for children in the age group of 0–8, homing brands such as Fendi Kids, Baby Dior and Miss Blumarine at their DLF Emporio store. Another specialty multi-brand store is Parcos, which is owned and managed by House of



Figure 8.2 The Kitsch store in DLF Emporio, New Delhi (Courtesy: The Sachdev Group)

Baccarose, a company promoting and distributing skincare, cosmetic and fragrance products by premium brands such as Elizabeth Arden, Shiseido and Yves Saint Laurent.

Travel retail

India is a relatively new travel retail market with enormous potential. Huge investments have been made to upgrade airports in Delhi, Mumbai, Bengaluru and Hyderabad. This has been seen as creating a significant retail opportunity. Luxury brands are expanding their footprint at key airports across India, thereby reaching out to frequent travellers and millions of first time travellers, who are looking for premium products in all accessible locations.

A success story is DDFS, a joint venture company between Delhi International Airports Ltd, Indian Duty Free Services and Aer Rianta International. The duty free retail operator at Terminal 3 (T3) at Indira Gandhi International Airport (New Delhi) has become an important channel for luxury brands such as Montblanc and Swarovski. As the sixth largest airport in the world, T3 has evolved as an important retail destination. In fact, it was reported that the Delhi Airport is the most attractive retail location in India as it generated sales of INR 5000 per square feet per month in 2011 (SME News 2012). It is anticipated that the success of travel luxury retail at Delhi Airport will be replicated at Mumbai's Chhatrapati Shivaji International Airport (CSIA) Mumbai as it embarks on an ambitious plan to develop and upgrade its airport infrastructure.

E-commerce

The presence and continued launch of e-commerce portals in India is evidence that online shopping has taken off in India. The actual market size of e-commerce, however, is still miniscule as compared to international counterparts. The growth rates are nevertheless significant, albeit from a small base. According to industry data, the current market of e-commerce in India is approximately US \$10 billion (IAMA 2012). But with different levels of adoption, it is projected that the e-commerce market has the potential to grow US \$125 billion – 260 billion by 2024–5. The latent demand is immense.

This has created new opportunities for luxury e-retail. Luxury brands are able to offer the convenience of online shopping to the

time starved luxury consumer and reach out to new and potential customers in tier 2 and 3 cities.

Interestingly, it is Indian rather than international luxury companies who have been the most active in developing an e-retail platform in India. For example, jewellery brands Mehersons, D'Damas and Gitanjali offer the possibility to purchase jewellery online. Mehersons even offers a live chat service. Luxury fashion companies are also seeking to make optimal use of this ubiquitous sales medium. For example, Indian brands Ritu Kumar and Hidesign offer an e-tailing service through their websites.

Online shopping clubs

Discount and flash sales websites such as Fashion and You, The Private Sales, Brandmile and 99labels are changing the face of online shopping in India by offering high fashion and luxury brands. These online shopping sites introduce international designers and lesser known foreign brands to young professionals and the fashion conscious youth in India. Online shopping site Qvendo claims to sell a selection of high-end brands that are not available in India.

One of India's leading online fashion retailer sites is Fashion and You, launched in early 2010, as a 'private shopping club' where a select group of members take part in 'flash sales'. High fashion 'distress inventory' (usually off-season products) are available at discounts of up to 80 per cent. Brands featured include a selection from mainstream (Adidas) to luxury (Burberry). The club has a membership base of 2.7 million and has recently raised US \$40 million venture capital to finance future expansion plans (Vardhan 2011).

Other online selling portals are in the making. However, not all of them sell luxury or high-end brands. The scope of more players entering the market is huge provided they improve on collections available, logistics, customer service and delivering an outstanding virtual experience.

Outlook

The current state of retail infrastructure is restricting growth within the Indian luxury sector. The lack of quality retail environment, high rental costs, often not clear in ownership, cluttered and crowded shopping streets means that the reach of luxury is quite limited.

There are, however, growth opportunities for luxury retail. As per the 2011 GRDI (Global Retail Development Index), the outlook for India remains positive. India was rated as the fourth favourable retail environment (A. T. Kearney 2011). Luxury brands will continue to penetrate the key metropolitan cities, but they also need to branch out to tier 2 and tier 3 cities. The challenge to find suitable retail locations will lead to strategies that are specific to the restraints of the Indian market. Luxury brands will need to consider all options. The dynamics of luxury retailing in India is however changing. Alternative retailing methods such as travel retail, multi-brand concept and e-commerce should be utilized in addition to stand-alone stores. High streets need to be explored in a larger way. Lessons from the fashion sector may be an inspiration. For instance, a growing number of mid-range brands have experimented with stand-alone stores in unconventional retail destinations.

Retailers and developers need to drive luxury retail forward. This will involve the development of best practices within an Indian context. Key to future success is providing a well-planned space made with the best of materials, a blend of Indian heritage and Western sensibilities, a luxurious ambiance complemented with constant innovation in terms of events, inventory management, appropriate store sizing and improved management and servicing techniques. Luxury brands, however, need to ensure that expansion, in whichever format, is matched with the values of the brand.

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Part IV

Wooing India

9

Delivering a Luxury Brand Experience

Lulu Raghavan

Brand is an experience

India's growing tribe of old and new luxury consumers is more traveled, more discerning and more demanding than ever before. Gone are the days when multi-national companies could get away with introducing outdated models or having limited product selection for the Indian market. And it is no longer sufficient for companies to ride on the halo of their global brand images while selling to Indian consumers.

This is certainly not to discredit the equity in brand names and logos that luxury companies have so carefully and strategically cultivated over the years, but to highlight that in the Indian context, it is the delivery and the entire experience of the brand that will be much more critical than just the product alone and the 'badge value' of owning it. Indian luxury consumers might notice the Louis Vuitton logo and be enticed by an impressive lifestyle ad in a glossy magazine, but it is their experience of the Louis Vuitton brand across all interactions that will shape their perception of the brand. And ultimately, positive perception is key to driving purchase and loyalty, and therefore long-term business success.

Due to high import duties on luxury goods in India, it is all the more critical for companies to deliver an outstanding brand experience because, in most cases, the luxury product *per se* can be purchased at cheaper prices in destinations like Hong Kong, Singapore or Dubai. One way for luxury brands to increase their chances of success in India is to think of the brand experience as the 'customer's journey' – the

interaction between the customer and the brand through the lifecycle of the relationship from awareness and consideration to purchase and loyalty. Taking such a holistic view allows a deeper and more nuanced understanding of luxury customers' needs at different stages and enables brands to deploy various strategies to design a differentiated and relevant brand experience.

Market challenges

It is worth revisiting some of the key challenges posed by the Indian market before we examine the lifecycle of a consumer's relationship with brands. India is truly an idiosyncratic market for a vast array of social, economical, cultural and political reasons. Global giants such as Coca Cola, GM and even Kellogg's initially did not meet with success in India. One of the key reasons cited for their failure was the lack of deep consumer understanding and practical insights about Indian consumers' emotions, habits and lifestyles. For example, Kellogg's found it very difficult to sell cereal to Indians when they first entered the market mainly because the key consumer insight that Indians like to start the day with a hot meal was entirely lost on them. Within the luxury brands context, while the lack of high-end retail space is cited as the biggest challenge, there are at least three things that marketers should be aware of.

First, luxury consumers in India are not a homogeneous, easily characterized group. There are various types of Indian luxury customers, each with different attitudes and mindsets towards wealth, lifestyle and luxury brands. Beyond the traditional rich group of Indians, there is a new generation of affluent consumers who are also a diverse group consisting of newly minted CEOs and other senior corporate professionals, entrepreneurs in a myriad of new businesses such as IT and telecommunications, returning 'prodigal children', franchisees, retailers and others including politicians, bureaucrats and media personalities. What luxury means to them varies from luxury being functional to it being a reward or an indulgence. The degree of inward and outward orientation towards the 'badge value' of luxury varies amongst these sub-groups. Luxury brands should study all these luxury customer typologies to uncover unmet needs and wants that form the basis of how to differentiate their brand experiences.

Second, sales staff at the retail store has the power to make or break the shopping experience. Many consumers, especially the new generation ones, will not have a lot of knowledge about the luxury brand and will depend on the staff to provide this information and also facilitate the buying process. The traditional rich and the globally travelled consumers will expect nothing but the highest level of service from sophisticated and well-groomed staff. Companies must invest heavily not only in training sales staff in the basics but also coach them on how to handle first time luxury buyers. Staff must not be either ignorant or arrogant about which customers they choose to serve when someone walks through the door. Anecdotal evidence suggests how potentially lucrative buyers have been turned off due to improper behaviour of the sales personnel sometimes purely based on their attire. A further negative impression cited was the lack of knowledge about the brand or products. Given that Indians love to share experiences, an unsatisfied consumer can quickly disintegrate the reputation of a brand via his or her circle of influence.

Third, luxury brands in India manifest a 'lack of attention to detail' mindset. The quality of finishes at the retail store or even how a purchased product is gift wrapped may not meet the highest global standards of these brands in terms of perfection – particularly in India. It is frustrating for customers as well as those who are used to top notch brand experiences in cities such as New York and Paris and don't quite get that same experience from global brands in India. So in a sense they feel like they are paying so much more for far less quality in the overall luxury brand experience.

Changing the rules

While these significant challenges to creating superior luxury brand experiences in India do exist, they are not insurmountable. What it required is some highly innovative thinking to create one or two aspects of the luxury brand experience, that are powerful in igniting customer excitement, so as to elevate the brand and also allow it to take a few liberties in other aspects without the fear of displeasing consumers. For example, British Airways (BA) created a special check-in service for its business-class customers at the Chhatrapati Shivaji International airport in Mumbai. As soon as the business-class

traveller entered the terminal, he or she was whisked into a special designated area. The check-in was very smooth and the traveller was escorted through security and immigration straight to the main lounge. Because BA created this hassle-free check-in, the traveller was willing to forgive other blips such as delayed bags which BA was famous for in India. This does not mean that BA deliberately fails in other areas but they managed to do at least one thing in a very memorable and relevant way. This was truly differentiated because no other international airline at that point had created such a special check-in experience for its valued customers.

This example shows that while it is difficult to perfectly manage all of the customer's interactions with the brand, finding one or two powerful interactions can amplify the overall experience and positively impact the brand.

The customer journey framework has immense practical value to better manage and influence the customer's perception of the brand. It allows a helicopter view of all the touchpoints impacting the brand experience. The marketer can then drill deeper into any particular stage of the journey and better understand customer needs at that stage and how the brand or competition is responding to those needs. And most importantly, it allows the marketer to make key strategic decisions on choosing where to amplify the delivery of the experience and make a real difference to the brand.

Customer journey

Figure 9.1 shows the luxury 'customer journey' framework – plotting all stages of the customer's interaction with the brand – starting from awareness (knowing that the brand even exists) to explore + consideration (thinking of buying) to purchase (going online or to a store) to post-purchase (staying loyal or not).

For each stage, generic touchpoints are listed for luxury brands to consider. The next level is to plot the needs of different customer types at each stage. For example, in the awareness stage, the traditional rich Indian customer would be looking for reassurance of the global brand values within the Indian context while first time luxury customers may really be looking to understand and appreciate the credentials of the brand. Once the stated and unstated needs are plotted, brands can then determine their response to the different needs.

«Customer Journeys»

This graph will display the complete customer journey with all concerning touch points and phases of purchase

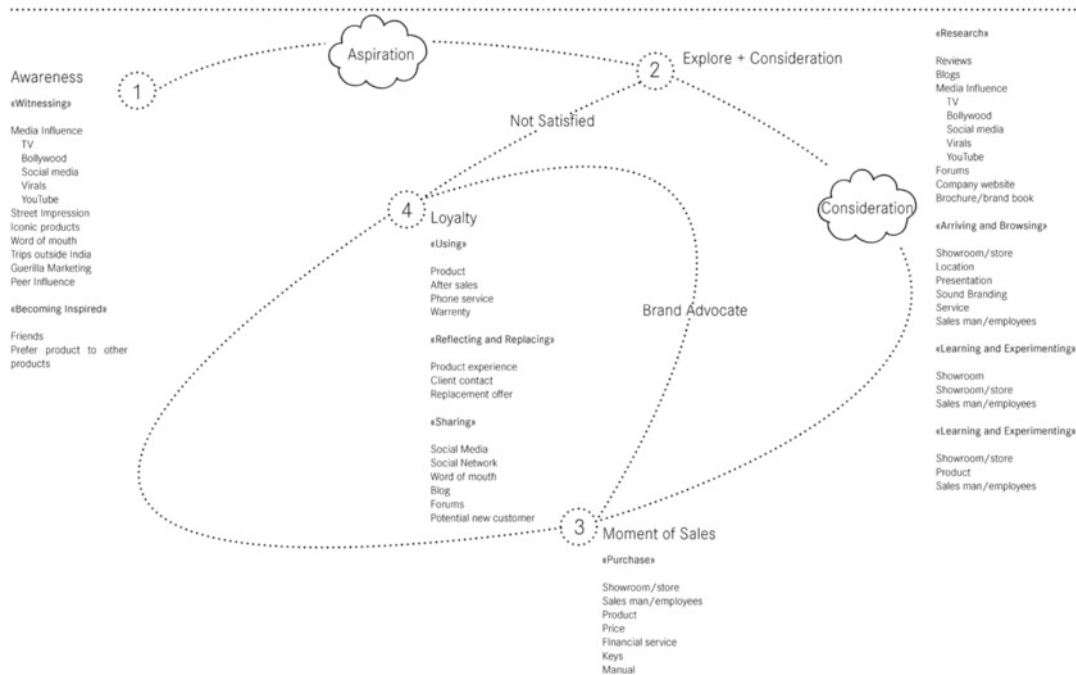


Figure 9.1 Customer journey framework

Some marketers also like to plot how their competitor's brands are responding to needs and creating various touchpoints for customers. This enables them to identify areas of opportunity for delivering an outstanding experience that competitors are not focused on and therefore can be differentiated (Figure 9.2).

It is not possible to excel at all stages and at all touchpoints in the customer journey. Brands have to thoroughly understand the entire journey and then choose where they want to amplify the experience of their brand. The following four high-end brands placed a greater emphasis on certain parts of their customer journey to best suit their brand strategies. These mini cases demonstrate innovative tactics and strategies to generate awareness, increase the chances of consideration in the exploration stage, elevate the purchase experience and create undying loyalty for the brand.

Generating awareness: Dior

The iconic French brand Dior has adopted a very unique approach to generating awareness for its brand in India. Their brand ambassador and representative is not an internationally recognized celebrity or even a Bollywood star but an Indian socialite with an impressive list of potential Dior customers. Kalyani Chawla is not only VP Marketing and Communications at Dior India, but in fact, its walking talking brand ambassador who recruits customers with the same ease and élan as she sips her champagne. She not only understands the world of über-luxury globally, especially how French brands work, but also has deep insights on luxury retail in India having been associated with the Indian brand Ravissant.

Usually dressed only in Dior, Chawla is a total personification of the Dior brand. She has smartly positioned herself in the highest society circles to be the 'go to' person for the latest tips in fashion, style and even entertaining. Tapping into her personal extended social network, Chawla has been able to generate tremendous awareness and aura for the brand with the right target clientele. What's also interesting is that she has become a very accessible part of the Dior story in India, increasing the brand's relevance and appeal. Her intimate relationships with customers means that she is able to get first hand and frank comments on Dior's customer satisfaction levels. Such constant product and service feedback allows for better

«Customer Journeys»

This chart can be used to identify the fields of improvement in order to achieve a winning customer journey

	1 Awareness	2 Explore + Consideration	3 Moment of Sales	4 Loyalty	
Customer Needs					
Touchpoints	<p>«Witnessings»</p> <ul style="list-style-type: none"> Media Influence TV Bollywood Social media Virals YouTube Street Impression Iconic products Word of mouth Trips outside India Guerrilla Marketing Peer Influence <p>«Becoming Inspired»</p> <ul style="list-style-type: none"> Friends Prefer product to other products 	<p>«Research»</p> <ul style="list-style-type: none"> Reviews Blogs Media Influence TV Bollywood Social media Virals YouTube Forums Company website Brochure/brand book <p>«Arriving and Browsing»</p> <ul style="list-style-type: none"> Showroom/store Location Presentation Sound Branding Service Sales man/employees 	<p>«Learning and Experimentings»</p> <ul style="list-style-type: none"> Showroom Showroom/store Sales man/employees <p>«Learning and Experimentings»</p> <ul style="list-style-type: none"> Showroom/store Product Sales man/employees 	<p>«Purchases»</p> <ul style="list-style-type: none"> Showroom/store Sales man/employees Product Price Financial service Keys Manual 	<p>«Usings»</p> <ul style="list-style-type: none"> Product After sales Phone service Warrenty <p>«Reflecting and Replacing»</p> <ul style="list-style-type: none"> Product experience Client contact Replacement offer <p>«Sharings»</p> <ul style="list-style-type: none"> Social Media Social Network Word of mouth Blog Forums Potential new customer
Competitive Response					
Our Response					

Figure 9.2 Customer journey touchpoints

selection of products, fine tuning of the experience and overall more satisfied customers. She has, in this manner, slowly and surely built a community of Dior loyalists (Vasudev 2011).

Beyond Chawla, Dior also over-invests in the ‘awareness’ stage of the customer journey by doing two more things very well: product placements and PR. On the product placement front, Dior scored a real coup with the Bollywood film *Aisha*. Sonam Kapoor, the lead actress, sported more than 60 Dior dresses and accessories. She also carried her Lady Dior purse throughout the movie. And the male lead, Abhay Deol, wore Dior suits as well! With PR, Dior has been very aggressive securing 20 magazine covers in 2010 alone (Vasudev 2011).

With such investment in awareness building, it would be expected of Dior to have a dozen or so stores in India. They actually have only two – one in Mumbai and the other in Delhi. But the brand is well prepared to grow its presence in India, and having invested so much in awareness development will give it a huge advantage in its expansion plans.

Maximizing purchase consideration: Audi

Like Dior, Audi, the German car brand, is also investing heavily in creating awareness and pull for the brand through advertising, sponsorships and publicity. But what the brand has really excelled at in India is to create an engaging experience for customers who are exploring and considering buying an Audi. This has been done both offline through the design of their dealerships and online through a very innovative 3D campaign for their new A8L launch.

Audi Mumbai West showroom, for example, is an experiential personification of brand Audi. Potential buyers feel the sportiness, progressiveness and stylishness of the brand throughout the experience and not just in the cars themselves. The spacious showroom is minimalistic in design and very luxurious in feel. Every detail has been taken into account (from what flowers should be used in vases to the kind of coffee served) to ‘craft’ a very Audi brand experience for customers. The design is based on what Audi calls a ‘terminal’ concept that combines the efficiency, performance, luxury and environment themes that Audi stands for. The façade of the showroom is a unique honeycomb aluminium-front with the full line-up of cars

clearly visible from the main road. The design also salutes Audi's roots in motor sports by having the back wall of the dealership in a rounded curve simulating the turns of motor sport racetracks. The display areas for the cars and the accompanying product information have been designed to maximize customer interaction with the products without the need for a salesperson. Buyers can drop off their children in the play area or stop at the cafeteria for a snack. They can also browse the store and buy a variety of Audi branded merchandise, a small consolation even if they cannot afford the car! (Audi 2010, Narayanan 2011).

Audi took a very innovative approach to the launch of its A8L model. The brand created the world's first integrated 3D campaign to get potential buyers to live the brand even if they could not physically test drive the vehicle. In addition to a brand film which shows the car in all its beauty using 3D, they also created a microsite where users can further explore the car and learn everything they want to about the model. Traffic to the microsite was driven by a direct marketing campaign in which custom-made, high-quality Audi anaglyphic 3D glasses and a 3D car brochure were sent to prospective buyers inviting them to explore the new model online. The film and the web experience can be further explored in showrooms on touch screens and 3D screens.

Such an approach to the customer experience truly enhances the attractiveness of the brand in the eyes of its potential customers. Audi has been able to strongly differentiate the experience of its dealerships in line with its brand values to drive greater affinity and therefore sales success in India.

The buying experience: Hermès

Deciding to side-step the biggest challenge of being a luxury brand in India, which is infrastructure for retail, Hermès made a strategic decision to invest in a stand-alone flagship store in Mumbai. This is quite unlike other luxury brands who typically choose to be in either a high-end shopping mall like DLF Emporio in Delhi or in a five-star hotel like the Taj or The Oberoi. This is also a departure from the brand's own strategy to date – its first two stores are located at The Oberoi in Delhi and the Ista Hotel in Pune. It appears that Hermès has understood the paramount importance of creating a retail store

experience for its Indian customers, on par with its stores in London, Paris or New York, including every parameter like spaciousness, product range and even quality of service.

Located in the historic Ballard Estate in South Mumbai, the 5000 square feet space is a true homage to the spirit of the brand. Spread over two floors, the store is spaciouly laid out with ample room for exploration and intimacy with the full range of Hermès products, from the ragingly popular Birkin bag to the specially customized India *sarees*. The staff are neither intrusive nor pushy, yet they seem to be right there when a consumer has a question. They are equipped with the brand knowledge to answer customer queries impressively and with a surprising level of sophistication for a typical luxury brand sales person in India (Sahni 2011).

Hermès has also replicated its global model of including an art gallery in its flagship store in India. This is indeed a very brand savvy move as it enables a stronger connect with the target customer who is time-starved, cash-rich and seeking cultural inspiration. Soaking in some art and sipping coffee in the upstairs café of the store warms the customer up to the brand. The customer becomes emotionally involved with the brand, giving it an experiential symbolic meaning. Customers can always buy a small piece of Hermès before they leave the store. There is always the selection of fragrances and scarves for that.

Hermès has full control over the design and implementation of the desired brand experience. The brand is able to 'live' the brand's philosophy and truly delight the Indian luxury customer who has often been disappointed by experiences other brands deliver.

Building loyalty: Harley-Davidson

Most luxury brands in India forget about their consumers the moment a transaction has been completed. Harley-Davidson, however, organizes rides and events through HOG (Harley Owner's Group) in India which gives bike lovers a full brand ownership experience. The Harley Owner's Group is the world's largest company sponsored motorcyclists' club. It has 1.3 million members in over 130 countries. The dealers become the sponsors of local chapters of HOG that is essentially a forum for bike owners to meet, interact and enjoy their die-hard passion for biking through a shared community. There are

currently four chapters in India – Delhi, Mumbai, Bengaluru and Hyderabad (Goyal 2011).

Through HOG, Harley is able to forge a deep loyalty with its customer base, creating conditions for them to easily recruit interested friends into the Harley fold as well. And they have a ready made platform – the Harley Boot Camp – which is a fully immersive brand experience designed to create high levels of aspiration and design for the brand (The Economic Times 2009).

In a similar vein, Harley Rock Riders is another initiative that brings together even more riders, potential and existing ones. The event conceptualized by Harley-Davidson India and Rolling Stone India presents a music platform that combines live rock music with the values of Harley-Davidson. The Indian customer belongs to a state of mind rather than a particular demographic profile. The development of an ongoing and holistic brand experience facilitates this brand relationship.

Many luxury brands are distributed through local dealers in India. The result, however, is that consumers do not always receive the same high-quality brand experience they get elsewhere. Often the salespeople are not trained to serve the luxury customer. From spares to servicing, the official presence of the company in India is a big plus when it comes to providing after-sales support to Harley owners.

The Harley example shows that investing in loyalty, and being the catalyst of a consumer-passion community, has a multiplier effect on brand awareness and affinity.

Summary

Experiential marketing views consumers as emotional beings, focused on achieving pleasurable and meaningful experiences. These experiences can be achieved through brand interactions or touchpoints. The customer journey model can guide marketers to develop a competitive and differentiated luxury brand experience. The mini cases of Dior, Hermès, Audi and Harley-Davidson demonstrated that the focus is on customer experiences by creating synergies between meaning, perception, consumption and brand loyalty. The ability to develop and implement innovative experience design has evolved as an important core capability for luxury

brands. Luxury brand marketers that go beyond product excellence and market experientially will achieve a sustainable competitive advantage in India.

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10

Fitting in India

Glyn Atwal and Shaziya Khan

India is a country of stark contrasts and contradictions. Traditional norms are increasingly meshed with influences of modernity. Gandhian values deeply rooted in the echelons of Indian consumer society are set against a backdrop of Western consumerism. A complex web of influences is transforming Indian society and is creating a new identity. This is New India. The implications are widespread and significant. A number of international lifestyle and luxury brands have entered the Indian market with great optimism, only to exit confused and frustrated. The allure of a Western logo has not always been sufficient to win over the luxury rupee. Luxury brand strategies, that may have been successful in other emerging markets, are not always transferable to the context of India. The challenge of decoding the DNA of India's market is forcing luxury marketers to take a step back and rethink their tactics and strategies. This chapter sets out to guide luxury brand marketers on how to connect with the Indian luxury consumer and avoid the pitfalls of this complex market.

India's historical code of luxury

India has a long historical association with luxury. A study by the economist Angus Maddison (2007) revealed that by the end of the seventeenth century, India accounted for 23 per cent of the world's entire wealth. Anecdotally, there are intriguing references to the consumption of luxury in India from many centuries in the past. Reports of India's wealth exist in Alexander of Macedonia's conquest

in 327 BC. These recounted imports from India of gems, silks, and spices at the height of the Roman Empire.

India has an unbroken culture of personal adornment spanning thousands of years. When it comes to indulging in international luxury brands, Western designers such as Cartier have designed for Indian royalty since the early twentieth century. The unique relationship between Maharajas and luxury was clearly evident within the luxury automobile sector. Rolls Royce, especially, benefited from this relationship, and custom-built cars for the Maharaja market.

India is culturally rooted in the Maharaja concept of luxury, which defines how India consumes luxury even today. 'Durbars' or spectacular public events, palaces and fortresses for a truly grand standard of living and hospitality, indulgence with elephants, horses or Rolls-Royce automobiles, heirlooms and jewels custom-made for occasions and personalities – these traditionally defined the culture of India's consumption patterns. Former royals and nobility are still looked up to for their unique style, class and tastes. This small elite is, however, joined by new consumers for luxury including:

- India's 'old money', industrial families and dynasties, for whom luxury is a way of life;
- The new breed of successful entrepreneurs – *nouveaux riches* – who are eager to be seen;
- The 'gold collars' of the corporate world, who earn substantial salaries, but still show shades of the frugal Gandhian mindset;
- The young and fresh Business Process Outsourcing (BPO) generation for whom earning money and spending it is their new religion.

This unique combination of an existing history of luxury consumption and a new and growing audience for luxury makes India so appealing as a luxury market. We propose that there are key 'fitting in' drivers that we believe will unlock the potential of luxury brands in India.

New aspirations

Indian life values

A classification of 'life values' identified with 25 nationalities, developed by Millward Brown, shows that Indian society displays

a distinctive cultural identity (Figure 10.1). The framework is based on two key dimensions. The axis from outward looking (Adventure and Exploration) to the more inward (Safety and Conservatism), and the axis spanning from ego (Self Interest and Image) to selflessness (Conscience and Spirituality). Although, we accept that India is a diverse country and the framework is not exclusively based on luxury consumers, 'life values' can be used to gain an insight into the mindset that drives the Indian consumer.

It is of interest to note that although most of India is governed by conservative social norms, Indian consumers are driven increasingly by a sense of change, risk and creativity. Here, consumers who feel that 'having fun' and 'excitement' are more important than 'tradition' and 'certainty', are oriented towards adventure and exploration. This is underpinned by JWT India's proprietary tool, Brand Chakras™, that proposes certain *chakras* or 'playgrounds of desires' will be more dominant for some consumer segments than others.

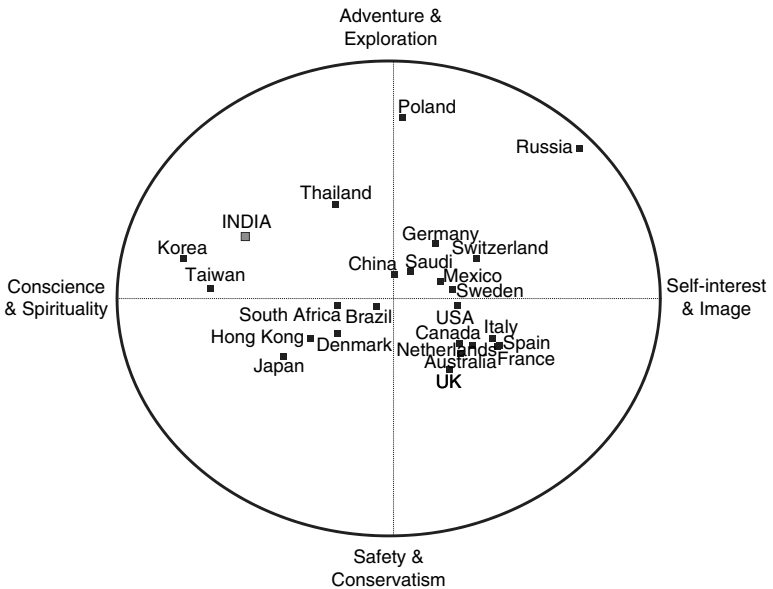


Figure 10.1 Brand life values (Courtesy: Brandz study 2007 by Millward Brown for WPP Group)

Luxury consumers have a drive to achieve success, a pursuit for pleasure and a desire for creative expression. This search for new lifestyle experiences is clearly evident in India. For instance, industry research forecasts that wine consumption is expected to grow 25 per cent annually between 2011 and 2014 (RNCOS 2012). Indeed, Dom Pérignon opened its first Indian lounge in New Delhi enabling luxury consumers to experience the brand in a lifestyle setting. As Schmitt (1998, p. 11) argues, 'Sophisticated customers want products and marketing campaigns that dazzle their senses, touch their hearts and stimulate their minds; that they can relate to and that they can incorporate into their lifestyles.'

It may appear contradictory, but Indian consumers are focused less on their own needs and more on the needs of others. Those who choose 'tolerance' and 'helping others' over 'achievement' and 'influence' would veer towards 'Conscience and Spirituality', rather than 'Self-interest and Image'. This predisposition suggests that Gandhian values are still at work in contemporary Indian society. The implications are significant. Luxury brands need to strike a balance between transporting the values of image and appearance with those of positive virtue. For example, Montblanc had to deal with the fallout of protests and widespread negative media coverage following the launch of a gold and silver limited edition pen engraved with the image of Mahatma Gandhi. Criticism abounded. These critics claimed that the pen, with a retail price of US \$24,000, was in conflict with the philosophy of Gandhi. In the event, Montblanc was forced to discontinue the sale of the pen following a decision made by the Indian High Court in December 2009. It was found that the pen was in breach of the Emblems and Names Act of 1950 that bans the use of the name or pictorial representations of figures such as Gandhi (Kazmin 2010).

Indian DNA

The aspirational mindset of the luxury consumer has been a consistent theme throughout this book. The Indian proverb, '*Jitnee lambi chadar ho utna hee pair failana chahiye*', meaning 'limit your spending to your earnings' is arguably a saying more appropriate to the past rather than to the present or future. Contemporary Indian society is questioning and indeed challenging traditional consumption patterns. Sinha (2011, p. 171) identified the Transitional Generation

as a generation of consumers who have transformed the meaning of Indian consumerism, 'They want to fly high with their feet on the ground. They want to sail while still anchored in the harbor.' We argue that status, and thus aspiration, means different things to different people. Luxury is experienced differently at different life stages, based not only on spending power, but also on past personal experience.

The Aspirational Matrix (Figure 10.2) graphically displays four distinct types of luxury consumers based on two dimensions. On the first axis, intensity refers to the strength of emotional feeling towards luxury brands. On the second, individuality refers to the extent the consumer conforms to luxury trends. Luxury brands need to identify the desired aspirational target and align luxury brand symbols with these underlying aspirations.

- Status is a *raison d'être* for consumers who are likely to follow trends and have a low emotional connection to luxury brands. These are consumers who belong to the 'because I've made it' segment. Consumers want an emblematic value, and Omega's campaign

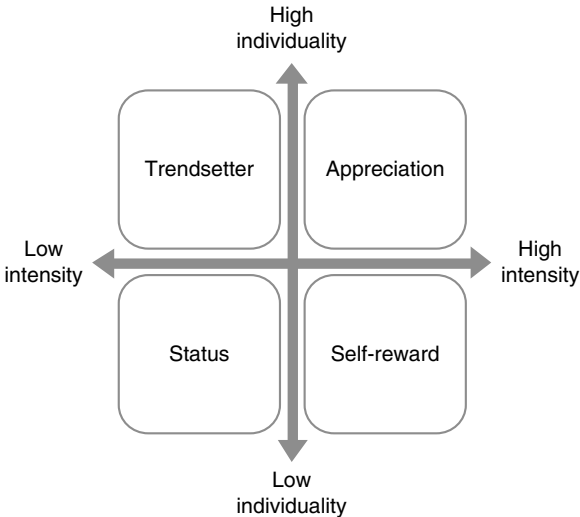


Figure 10.2 Aspirational matrix

featuring previous brand ambassador Shah Rukh Khan with the headline, 'What are you made of?' is able to tap into the consumer's willingness to display flash status and an aura of self-confidence.

- Consumers who display more individualistic traits follow the 'because I want to be me' sentiment. These are trendsetters who demand recognition particularly within their social circle of friends and acquaintances. They are essentially 'in the know' and want to stand-out in order to make a statement. These could be brides who are opting for diamond jewellery or women who choose to wear platinum jewellery for a particular social event, instead of the traditional trend of wearing gold.
- Consumers who have a strong feeling towards a luxury brand and are more willing to conform belong to the 'because I'm worth it' segment. Consumers wish to reward themselves for getting where they are today. This is about belonging and also about self-gratification. For example, Glenfiddich, while launching a new product – the Snow Phoenix – held an event in New Delhi titled 'The Spirit of the Pioneer.' The brand recognized and awarded six Indian pioneers from different fields. This event, ultimately, sent out the message that Glenfiddich is for those who believe in themselves and have the strength to achieve their ambitions.
- The final segment represents global consumers who appreciate luxury for extrinsic as well as intrinsic values. Luxury has a personal value for them. These are consumers who fall in to the 'because I value it' segment. For example, non-mainstream watch manufacturers such as Vacheron Constantin are appealing to those who do not need to demonstrate status but prefer exhibiting taste, knowledge and sophistication.

Indianizing the West

A constant theme that was identified in our research was the condition of 'Indianness'. Indianness reflects an identity that represents a fusion between Western influences and locally rooted values. A striking example is the popularity of luxury theme based weddings that sets ritualistic traditions within a Western celebratory context.

Luxury brands that believe their global appeal will inevitably entice the Indian consumer will be misguided. Global brands can still promote their global credentials but they need to be credible within an Indian context. This is not just about painting a Bollywood gloss but re-engineering brand relevance. The following dimensions of Indianness demonstrate how luxury brand practitioners can capitalize on this opportunity.

Authenticity

Luxury consumers value India's rich and strong culture of luxury. Luxury is embedded in tradition, rooted in ancient traditions of craftsmanship and celebrated in the era of royal patronage. The significance of these cultural codes was emphatically illustrated when we asked focus group respondents to illustrate the meaning of luxury using magazines as props.

Marketers of global luxury brands need to consider how they can leverage and fit into this historical royal dynasty in order to deliver a regal experience of today. For example, guests staying at the Rambagh Palace (Taj Hotels Resorts & Places) sleep in the genuine chambers of the former Maharaja. According to the official website, 'Rambagh Palace allows guests to partake of a wealth of experiences that resound with the memories, luxuries and extravagances of a by gone era, that luckily has not entirely disappeared.' Authenticity can also be staged or recreated. Cartier, for example, launched a limited edition Santos 100 Taj Mahal watch, whose dial featured the Taj Mahal and its surrounding grounds using diamonds, hand-engraved gold, mother of pearl, onyx and emerald. However, it is interesting that the re-creation of authentic luxury experiences can also create an impression of extraordinary experiences that are more authentic than the real thing. The restaurant Dhaba at The Claridges in Surajkund (New Delhi NCR) is a re-creation of a North Indian highway eatery that includes a truck mural, rustic interiors, thatched ceiling and walls that replicate the mud-painted texture of a village hut.

Made for India

If global brands integrate Indianness as part of the product and service offering, they will be perceived as being more culturally relevant. The fashion sector has been proactive in creating a 'Made for India' tag. For example, Etro launched a special, limited edition

India Jacket as part of the Autumn/Winter 2011 collection. Canali designed a *bandhgala* (closed neck) jacket, inspired by jackets worn by India's first prime minister, Jawaharlal Nehru (Figure 10.3). As part of the wedding season collection in 2011, the Spanish brand Lladró also celebrated Indianness with a limited edition range of porcelain Indian sculptures handcrafted in Valencia. However, the 'Made for India' proposition should not just be about features, but also about



Figure 10.3 Canali Nawab jacket (Courtesy: Genesis Luxury Fashion Pvt Ltd)

benefits. According to Ambi M. G. Parameswaran, Executive Director & CEO, DraftFCB + Ulka Mumbai: 'Indian luxury could mean a little more "value driven" luxury. For example, even a luxury car brand like Mercedes sells more diesel cars in India due to fuel costs and fuel efficiency. That may be the unique part of the Indian luxury market. So a luxury brand may appeal more to Indian consumers if it can somewhere trigger a value perception; for example real silver buckles in the handbag.'

Purchase occasions

According to McKinsey (2007), 40 per cent of Indian mass-market consumers said that their most important shopping occasions were for special events such as weddings and religious festivals. It is estimated that the Indian wedding industry is valued at over US \$20 billion and is growing at 20 per cent annually (Raval 2011). Anecdotal evidence suggests that weddings are becoming more opulent and lavish. This is a massive opportunity for Western luxury brands, particularly in fashion, jewellery or hospitality. For example, it is suggested that weddings account for 50 per cent of the Indian jewellery market (Chakrovorty 2011). Add on Diwali and Akshaya Tritiya (Indians believe that it is auspicious to buy gold on this day) and you can get a sense of how important special events are to the jewellery sector. However, it seems that many Western brands simply do not fathom this. Indian brand Ravissant can make special silver cutlery for the groom's family if a consumer so desires. Yet, examples of international brands that offer an exclusive wedding service are the exception rather than the norm. For example, Moët Hennessy can instruct their in-house chef to create a menu harmonized with any of the wines or champagnes that a customer has purchased from them for a wedding event. There is certainly a vast scope for international brands to leverage these culturally important purchase occasions.

Local positioning

The competitive environment in India is very different when compared to other developing markets such as China. A key characteristic in India is that global luxury brands are competing against an array of local brands. A review of the Indian edition of *Vogue* (November 2011) revealed that there were advertisements for 51 Indian brands

compared to 66 non-Indian brands. In stark contrast, the Chinese edition of *Vogue* was dominated by advertisements of international luxury brands with just four advertisements of Chinese brands. Many of these local Indian fashion, jewellery and hospitality brands have long traditions and are well-established. Moreover, many of these brands are trusted, evoke positive memories and are held in high esteem. Parameswaran from DraftFCB + Ulka Mumbai notes, 'What is true is that Indian consumers are willing to accept Indian brands, put them on the same pedestal, as long as they provide the core values.' International luxury brands need to consider a competitive positioning, vis-à-vis Indian luxury brands, which provides the allure of their global standards that is relevant and compelling within the local competitive environment.

Interacting the Indian way

The essence of Indianness has to be executed through the various cultural touchpoints that Indians regard as sacrosanct. The challenge for luxury brands is to consider the extent of maximizing opportunities through these unfringeable cultural channels. Luxury brands need to interact with Indian consumers the Indian way.

Touch and feel

Indian luxury consumers love to browse. This is seen as a fundamental part of the shopping experience. Consumers like to see and touch and deliberate before committing. Sales staff must be trained to facilitate this browsing ritual Indian consumers customarily follow. However, this browsing experience can also be extended outside the in-store environment. For instance, the diamond jewellery brand Forevermark creates an online experience in which it is possible to try on pieces of the Millemoi collection virtually.

Friends and family

Luxury consumption is a family affair. Indians shop as a family and extended family members are frequently consulted before a purchase is made. Interestingly, the success of champagne brunches hosted in luxury hotels can partially be attributed to the feeling that brunch is an occasion for the family to spend time together (Mansukhani 2010). Brands need to appeal to all those involved

in the decision-making process and create positive word of mouth in order to influence brand preference. This is of particular relevance given the increasing impact and influence of social media. According to Malini Agarwal, a celebrity blogger, 'All brands should realize the potential of digital marketing and use innovative ways to create communities around their product. The ones who do that best will undoubtedly become leaders in the luxury fashion race!'

Fun and fantasy

The Indian luxury consumer wants to be entertained. The brand space is a playground for theatre. For example, the Burberry store at the Palladium Mall in Mumbai entertained guests to a private virtual showing of Burberry's Spring Summer 2010 collection on 3 × 3 metres high definition screens that was central to the 'Runway to Reality' event. This is not just about the buzz, excitement and glamour; it helps brands build a relationship with the consumers. For example, A. Lange & Söhne welcomed watch collectors for a cocktail evening, themed 'Unmatched Craftsmanship', which included a live presentation of watchmaking techniques.

Specialness and stature

The luxury consumer wants to be made feel special. This could, of course, be said about all luxury consumers across the globe. However, this facet of luxury marketing was expressed not as an explicit need, but more of a 'right' by Indian luxury consumers. According to one participant of a focus group, this desire was about 'wanting royal treatment'. This specialness needs to go beyond the normal practices of customer service. For example, The Leela Palace Udaipur offers a personal butler service that attends to every request, from the moment of check in, to the time of departure. Luxury has become democratic but the discerning luxury consumer has a desire to be treated as unique.

The 'fitting in' journey

The modern Indian luxury market is currently in its early stages of development. The super-rich elite may be familiar with international brands as they have travelled regularly to destinations such as London, Paris, Dubai and Singapore. However, for the emerging

luxury consumer, until recently many luxury brands were virtually unknown. Consumers are slowly gaining their first experiences of international luxury brands. They may have seen a Porsche Cayenne on the Mumbai-Pune highway, watched a TV commercial for Montblanc, read about Burberry's latest collection in newspaper supplements, browsed through a review for an Audi R8 online, chatted to friends and family about the merits of Chanel cosmetics or tested Giorgio Armani's latest fragrance. This is, for many, a time of discovery. This raises the question of how luxury brands can deliver experiences of discovery. We propose the following four key steps.

Awareness

The first step is brand awareness. Brand familiarity leads to brand credibility for the aspirational consumer. If the luxury brand is known, it is a safer option for emerging luxury consumers who desire a logo that will give them immediate social acceptance. An iconic logo serves as a ticket to becoming an instant member of a 'privileged' society. Luxury brands need to invest in brand visibility to reach out to today's Indian luxury consumer, as well as younger and future luxury consumers. High impact brand exposure is giving the luxury brand 'permission' to play a role in the consumer's life.

Education

The second step is brand education. Consumers need to understand the attributes and values that are associated with the luxury brand. According to Natacha Dzikowski, Executive Director at Luxury Arts, TBWA Paris, this is about 'education via experimentation'. This can be achieved through formal or informal channels that will foster dialogue between the brand and the consumer. For example, the Gucci Artisan Corner was a custom-built workshop that was showcased at the Gucci stores in New Delhi and Mumbai. Visitors gained a theoretical and practical insight into the craftsmanship that is involved in producing a Gucci leather item. New media can also be an effective channel to deliver an educational experience or 'edutainment'. For example, Sopexa India launched an iPhone application called 'Uncork France' exclusively for the Indian market that educates wine drinkers about French wine regions, grapes and food, and wine pairings.

Access

The third step is luxury access. The luxury brand needs to break down physical and often psychological barriers to help consumers access the branded world of luxury. For example, small and medium Indian business owners (and their families) have been identified as an underdeveloped and a potentially lucrative target segment. These are consumers that enjoy significant spending power, yet lack a luxury lifestyle. The challenge for luxury brands is to entice these consumers to access luxury, and create memorable moments for them to experience the luxury brand. This is also of significant relevance for younger consumers who will be future luxury consumers. New media can give high-end fashion and luxury brands access to this so-called Facebook Generation. Malini Agarwal explains how her blog, MissMalini was able to bring fashion brands closer to the consumer, 'We've done interesting innovations with big Indian designers where girls got to try high fashion and one girl even got to keep her dress based on an online poll. This not only showcased the fashion brand, but made it that much more accessible by showcasing it on real people, not just stick-thin models.'

Relationships

The final step is brand relationships. The luxury brand needs to 'lock in' the consumer and build a long-lasting and meaningful relationship. An interesting tactic is being employed by many luxury brands: the development of the shopping-at-home concept. This seems to be a reflection of the past when merchants visited the homes of the aristocratic elite. The home shopping concept enables luxury customers to enjoy personal and intimate attention within the privacy of their homes, while developing brand integrity. It is reported that 30–40 per cent of Salvatore Ferragamo sales in India can be attributed to such home visits (Dutttagupta and Dewan 2010).

Diamond Bride

India is in the process of self-discovery. It is emerging as a brand itself. 'Vibrant energy, confidence, creativity and purpose characterize Brand India today' (Millward Brown 2011). India has rediscovered its voice on the global stage and this is reflected in the expression of contemporary luxury. The Indian fingerprint needs to be an integral

part of the luxury brand identity. The following case example of Diamond Bride demonstrates that local insights drive business success (Khan 2008).

No Indian bride is complete without the inclusion of a gold accessory in her mien. Gold jewellery is a traditional and auspicious part of Indian weddings and has been passed from generation to generation. The more the bride is adorned in gold, the higher is the status of the family. Gold jewellery is gifted by parents as a form of '*stree dhan*' – literally, woman's wealth, and her insurance against exigency.

Diamonds did play a significant part of Indian weddings, but was it possible to create preference for diamond jewellery over gold jewellery? This was the challenge presented to the advertising agency, JWT Mumbai when it was briefed to develop an advertising concept for Forevermark, the branded diamond jewellery of The Diamond Trading Company (DTC).

Since research showed that the main decision maker when purchasing jewellery was as much the bride as the mother, the main protagonist of this concept was the 'diamond bride'. The concept aimed at communicating with the bride directly instead of her parents – while convincing the audience that diamond jewellery at weddings was about high status, as well as a mix of style, happy informality and confidence. To put it simply, diamond brides are happy brides. The diamond bride is moulded in a different way as compared to a gold bride, who is dutiful and shy at all times. The diamond bride, on the other hand, is expressive.

The advertising campaign shows a bride bedecked in diamond jewellery. Once the ceremony is complete, the husband puts *sindoor* (red vermilion powder which is a traditional mark of a married woman in India) in her hair and the diamond tiara falls into place. The newly-wed bride then whispers in the groom's ear: 'You may now kiss the bride.' Since kissing the bride is not a custom in India, this can be perceived as a sign of self-expression – and only a diamond has the self-confidence to do that. Diamond jewellery, thus, confers legitimacy, along with a sense of modernity that gold jewellery has traditionally failed to convey.

The campaign had a dual purpose of impressing upon the audience to leverage weddings as a purchase occasion, and also to evolve Indian weddings. After airing the campaign, it was found that 73 per cent of brides were willing to replace gold with diamonds for their

wedding jewellery and 95 per cent of brides related to the protagonist and said 'this is a vision of the bride I want to be'. In 2007, sales of diamond jewellery continued to grow 20 per cent. However, wedding diamond jewellery had grown at 30 per cent over the same period.

Luxury brands that market 'the Indian way' will be able to gain a tenable competitive advantage.

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Part V

The Message and the Medium

11

The Communication Dilemma

Glyn Atwal, Shaziya Khan and Douglas Bryson

In this fast media age, luxury brands face a paradox in how to communicate to the emerging class of luxury consumers in India. The dilemma facing luxury brand marketers is determining the optimal trade-off between accessibility and exclusivity. Do we target communication to the mass and aspirational consumers and risk losing some of the mystique and aura of luxury? Or do we favour the mystique of luxury and risk disconnecting with a potentially lucrative customer segment?

Beyond the push and pull of marketers' and advertisers' agendas, and beyond the particular category context, this chapter presents a strategic direction for luxury brand communication to the emerging and mature luxury consumer.

Luxurification

Luxury has always been a defining feature of Indian cultural tradition. A classic example has been the allure of gold which has been able to transcend all socio-economic segments of Indian society for centuries. The ritual tradition of gold consumption is still as strong as ever; India is the world's largest market for gold jewellery, representing 746 tonnes of gold in 2010 (World Gold Council 2011). Gold is still very much valued as an investment for the future. The World Gold Council's 2011 advertising campaign used the tagline, 'This Diwali, don't just spend. Invest' to stress the everlasting value of gold. However, consumers are starting to re-evaluate the meaning and value of luxury. Luxury is no longer just about the value

of the raw material. Luxury has evolved to reflect peoples' extrinsic and intrinsic values, as well as enduring quality. Gold jewellery is increasingly appreciated for the aesthetics of its design. It reflects owners' personality, attitude and spirit. Moreover, it represents the emotional and symbolic value of the gift occasion. Enter the luxury brand which is more visibly able to transport these values to the consumer. Luxury jewellery brands such as Tribhuvandas Bhimji Zaveri (TBZ), Notandas & Sons and Ganjam are developing distinctive brand identities. Consumers are acquiring brand preferences in which they choose to buy or not to buy a particular luxury brand. Decisions are often made on whether the luxury brand is coherent with the consumer's values and aspirations. This is not just about consumer choice; it is consumer empowerment. This phenomenon is evident in a diverse range of categories from jewellery to fashion to hospitality to automobiles. According to Vishakha D. Doshi, Director of Marketing and Communication, Entrack, the sole distributor of Montblanc India, 'Montblanc's products are family heritage; they can be passed down to generations. They have emotional value attached to it. Our products do not change with fashion – they are timeless. Indian consumers are always looking for something of this kind. It also makes a perfect gifting option. We all understand how exchanging of gifts with family and friends in India is valued and is an extremely common gesture. All of the above motivate consumers to buy our products making them aspirational.' We refer to the paradigm shift from the marketing of 'luxury products and services' to the marketing of 'luxury brands' as the process of *luxurification*.

Drivers of luxurification

Accelerating affluence

Luxury brand consumption in India is now moving from the affluent *classes* to the affluent *masses*. Traditionally, luxury was consumed by the aristocratic elite. The emergence of 'mass affluence' means that the aspirational consumer is no longer at a financial distance from luxury. The term 'mass affluence', however, should not be interpreted within a Western context. Luxury is now entering the democratic domain. According to the McKinsey Global Institute (2007), the Indian middle class will increase from approximately 5 per cent in 2005 to 41 per cent of the population by 2025. Although there are differing definitions of what constitutes the middle class

in India, an interesting observation is that the middle class is the fastest growing segment of the population. This represents a large segment of consumers who will eventually step up into the affluent section and embrace changes in lifestyle and consumption patterns. According to Ambi M. G. Parameswaran, Executive Director & CEO, DraftFCB + Ulka Mumbai, 'As we get into the next decade we will see more and more money going into the hands of what I call the 'Post-Liberalisation' generation. These people are now entering their late 20s and early 30s; they have not seen large scale shortages; have seen increasing income levels and unlimited supply of brands and products. This post-lib generation will define how Indian markets will behave'. This evolution presents significant opportunities for premium and luxury brands as the amount and variety of discretionary spending increases.

Aspirational DNA

Increased spending power and a shift in consumption values has led to what we have defined as the 'aspirational generation'. Garment exporters, media executives, multinational bankers, IT programmers, well-heeled corporate wives or successful entrepreneurs, all share a common trait. They want the world to know how quickly and how far they have climbed up the social mobility ladder. The luxury brand serves as a symbolic expression of this achievement. The fast pace of economic growth has become a catalyst for a steep change in consumption patterns. Aspirational consumers are 'premium-ising' or upgrading their social status via so-called 'ladder' brands as their personal financial situation improves. In consumption terms, this involves a shift from mass market (e.g. Garnier) to premium (e.g. L'Oréal) to affordable luxury brands (e.g. Lancôme).

Consumer empowerment

Aspirational consumption patterns in India are driven by a deeply ingrained belief that life is good and will only get better. The Nielsen Global Online Consumer Confidence Survey (2011) reports that India has the world's highest consumer confidence index. Indian consumers are optimistic about the future and their personal finances. Furthermore, the increasing willingness for consumers to finance 'badge value' items using credit cards and personal loans is evidence of the growing need for instant gratification. According to

the Reserve Bank of India (RBI), the value of credit card transactions increased by 22.15 per cent during the financial year 2010–11 (Business Standard 2011). This is not just a big city phenomenon. Euro RSCG's Prosumer study, *The Bounty Syndrome*, suggests that trends that define contemporary India are being formed in smaller cities or so-called Tier 2 markets (Wharton School 2008). Luxury brands are starting to follow and capture the luxury rupee in these new geographical pockets of consumerism. For example, over half of car dealerships are outside Mumbai, Delhi, Bengaluru, Chennai and Hyderabad (CII and A. T. Kearney 2011). Consumer empowerment clearly exists beyond the metropolitan cities as e-commerce takes off in India. Indeed, 58 per cent of the membership of the Indian shopping portal, Fashion and You, originate from non-metropolitan India (Vats 2011).

Luxury space

The physical presence of luxury brands was traditionally confined to the select and privileged few. A physical barrier had created a luxury cocoon in which luxury stores were located within the secure but often inaccessible surroundings of luxury hotels. That was the past. Luxury brands have since found new retail spaces that have given luxury brands a channel to reach out to a wider audience. Luxury and high-end malls such as UB City in Bengaluru, DLF Emporio in Delhi and Palladium in Mumbai have created a retail playground for the luxury consumer. Luxury is no longer off-limits but physically accessible. Consumers are now able to experience a postmodern feeling of luxury consumerism with comparative ease.

Luxury media

The launch of *Vogue India* in September 2007 revolutionized the media landscape. Lifestyle and fashion magazines such as *Harper's Bazaar*, *Elle* and *GQ* have since become platforms for luxury brand communication. This media-cultural phenomenon has been extended to the mainstream and to digital media. For example, the daily newspaper *Hindustan Times* covers showbiz news coupled with luxury references such as featuring the Bollywood actress Kangana Ranaut at the launch of Trussardi eyewear in India. In short, the media has become a source of inspiration and aspiration for the emerging luxury consumer. Consumers are not only becoming

familiar with luxury brands but are gaining the necessary confidence to become luxury consumers in their own right.

Deluxurification

A parallel, paradoxical development contrasting *luxurification* in Indian consumer society is the trend of *deluxurification*. As luxury brands reach out to newer affluent and aspirational consumers, luxury brands risk eroding their exclusiveness, which helped them to be perceived as luxurious to begin with. Although it is acknowledged that deluxurification is clearly evident in developed markets, the symptoms are also noticeable in India. Yes, luxury brands are still difficult to find given the underdeveloped infrastructure of luxury retail. For example, there are only four Louis Vuitton stores in India compared to 36 stores in 29 cities across mainland China. Luxury brands still represent a significant financial sacrifice for the majority of the population including the 'affluent masses'. However, our research findings suggest that the inner-driven perception of luxury is challenging luxury brands on how they should communicate a dream value proposition.

Drivers of deluxurification

Deal seeker

Numerous research studies document that Indians are one of the most price-sensitive set of consumers in the world. According to a Nielsen research study, India has the highest proportion of price-sensitive shoppers (88 per cent) across the 12 countries surveyed in the Asia Pacific region (Gale 2011). Indeed, a MasterCard Worldwide (2011) study reported that a third of Indians buying luxury goods take advantage of local sales. Our research also confirmed that the price-value mindset is relevant for the Indian luxury consumer. As one luxury consumer stated in a focus group discussion, 'We love to get a good deal.' Store managers of upmarket jewellery and fashion stores mentioned in interviews that it is not uncommon for consumers to barter and demand discounts. Luxury consumers are willing to shop around for the best deals, and the Internet has become an effective search mechanism tool. Luxury consumers, including those at the higher-end of the income scale, are often attracted to Dubai or Singapore to get a better deal on luxury brands. This has tempted

many luxury brands to be drawn into price promotions and discounting such as Diwali jewellery promotions to incentivize the deal conscious consumer.

Acceptance of fakes

Counterfeits may give the young and aspirational Indian consumer who is unable to afford the genuine item a first experience of what it feels like to own a luxury brand, despite its unauthenticity. Street markets such as Sarojini Nagar and Lajpat Nagar in New Delhi are known for the abundance of fake fashion brands such as Armani, Gucci or Chanel. However, our research has underlined the belief that fakes are good value. A staggering 40 per cent of luxury consumers agreed in an online survey that counterfeits are as good as the real thing. One respondent in a focus group admitted that she had the financial means to buy an authentic designer brand but opted for a fake as, 'it looks just like the real thing'. The implications here are significant. The increasing social acceptance of fakes risks the dilution of the brand image of leading luxury brands.

Mass media

Widening media exposure has given luxury brands mass appeal. For instance, Montblanc and Tag Heuer have used television and billboards in their brand advertising campaigns. Media dollars have undoubtedly helped to increase brand awareness and establish a brand positioning to stretch out to existing and potential future consumers. Media planning will try to ensure that the brand is targeting the right people at the right place at the right time. However, it is not uncommon for luxury brand TV commercials to be in the same break as a TV commercial for Maggi products! The same scenario applies to the Bollywood media frenzy that involves nonstop media coverage. Bollywood has become synonymous for luxury lifestyle trends. The integration of luxury brands (exclusive) and Bollywood (popular culture) makes it often difficult for luxury brands to be experienced in the desired media context.

Celebrity culture

A related trend is the overwhelming magnetic attraction of celebrity culture manifested by Bollywood. Luxury brands are using celebrities as an effective short-cut to personify their brands. It seems that

every A and B grade Bollywood star is jumping on the luxury brand bandwagon. Celebrities may have universal appeal but can luxury brands break through the celebrity clutter? For example, cricketer Sachin Tendulkar, who has equivalent stature as that of footballers David Beckham or Zinédine Zidane, is a brand ambassador for Audemars Piguet. Tendulkar is also a celebrity endorser for a diverse range of brands from Canon to Raynolds to Adidas to Aviva. The list goes on. Here is a brand ambassador for a luxury watch manufacturer *and* Coca-Cola (Sachin Tendulkar was incidentally the brand ambassador for Pepsi for 10 years!). Many luxury brands do not enjoy exclusivity and are meshed with the associations of mainstream brands.

Brand confusion

Luxury brands are failing to communicate key brand characteristics that define their exclusivity, and which should ideally fuel the desire to own them. For instance, perceptions of superior quality, craftsmanship and service are being undermined at the expense of status and image. Subramanyesaw (2010) points out that when premium brands are offered at a discount, they become interchangeable. Our online survey found that 43 per cent of respondents agree that luxury brands are of significantly higher quality than non-luxury brands. Consumers are failing to value and appreciate the attributes that are distinctive to luxury brands. Many premium and fashion brands are positioning themselves as *luxury light* which is undermining the dream value of real luxury. L'Oréal India's website states 'L'Oréal provides affordable luxury for people who demand excellence'. In fact, our research found that many Indian consumers perceive, what are normally considered mainstream fashion brands, such as Benetton and Mango, as luxury brands.

Re-Luxurification

The tension between the forces of *luxurification* and *deluxurification* demands that luxury brands need to consider the strategy of *re-luxurification*. Marketers need to widen the perceptual gap between luxury brands versus premium, fashion and lifestyle brands. Prestige and exclusivity has to be driven by psychological distance and communication can be a powerful tool to create that sense of distance. According to an Urdu couplet, 'If you have it, it is

like mud; if you lose it, it becomes like gold' (*Duniya jise kehte hain, jadu ka khilona hai; mil jaye to mitti bhai, kho jaye to sona hai*). This implies that if something is within reach, you do not value it as much as you value something that is far from you, or beyond. This 'distance' needs to be incorporated into the role of luxury brand communication.

Creating the connotation of 'distance'

Emotional distance

Luxury brands should not play the discounting game and fall into the commoditization trap. Luxury brands need to be immune to pressures of communicating monetary value. For example, Jaguar advertises the XF Diesel S with a bold reference that the price starts at 48.26 lacs rupees. A true luxury brand is recession proof. Indian consumers may be value driven, but they also need to be driven by fantasy and emotion. BMW's slogan in India, 'Sheer Driving Pleasure' attempts to evoke an emotional reaction. The print advertisement for BMW X3 underlines this sense of personal pleasure: 'Joy is extraordinary everyday. Joy is the all-new BMW X3.' This is a significant point of difference for luxury brands. The dream of owning and driving a luxury car such as a BMW or Jaguar should be more prominent than a value for money proposition.

Cultural distance

International brand names are often mispronounced by Indian buyers. A person who can afford to buy a Montblanc may ask for it as 'Mount Blank'. Yet, this unfamiliarity with French, German or Italian names underpins the cultural distance in the eyes of buyers. The emphasis of the brand origin does not mean that international brands should ignore local associations. However, if the origin of the brand is perceived as the fingerprint of the luxury brand, discreet references to the country of origin could help denote cultural distance. Audi uses the claim *Vorsprung durch Technik* to underline German technical leadership. Interestingly, brand fans are also co-creating content. A spoof TV commercial for Lancôme was uploaded on Youtube showing the Bollywood stars Shah Rukh Khan and Kajol from a famous Bollywood scene, which ends with a French voiceover, 'L'amour de Trésor. Lancôme.'

Historical distance

However, cultural distance can also be implied within a historical context. The Canali Nawab collection uses images of royal patronage in its advertising to convey a sense of cultural history and tradition that is relevant, yet distant in contemporary India. Another example is the Cartier 'Travel with Style' Concours d'Elegance. The sponsorship of this heritage motoring event conveys Cartier's historical roots and associations with the Maharajas and Nizams of the past. Historical distance is very difficult to imitate and can be seen as an important attribute of authentic luxury.

'In the know' distance

Celebrity endorsements of luxury brands can be a powerful expression of the desired brand personality. Although Bollywood is certainly a source of universal aspiration, marketers and advertisers need to consider if the celebrity is bigger than the brand. This should not be about a battle for the big names. Do brand ambassadors offer a distinctive point of difference for the luxury brand? For example, Rolex uses 'unconventional' brand ambassadors in its advertising campaign, for example the Spanish tenor Placido Domingo who is known to those 'in the know'. Such examples are relatively rare in India. However, Swiss watch manufacturer, Carl F. Bucherer had appointed the Indian photographer Atul Kasbekar to be its brand ambassador.

Media distance

The media environment is an important communication tool. It has an important spill-over image effect, particularly for luxury brands. Luxury brands need to consider a trade-off between reach and impact, in order to ensure that the luxury brand is not operating within the mainstream. The sponsorship of prestigious events is an opportunity to be seen in the right places which can convey an aura of prestige. For instance, Tag Heuer is associated with polo events in India which reinforces the notion of distance.

Intellectual distance

Luxury brands need to focus on deeper and superfluous meaning in order to achieve an intellectual point of difference. The involvement with arts and culture is an effective vehicle for luxury brands to achieve this distance. The jewellery brand Ganjam sponsors Indian

classical music concerts 'Flights of Fantasy'. Similarly, advertising campaigns can be devised where one has to 'get' to tell a tale of distance. It is an intellectual distance in which you get it or have to struggle to get it. For example, Montblanc's 'Write destiny' advertising campaign explores on the idea that a Montblanc pen is meant for those who have the power within them to write their own destiny.

Knowledge distance

Our research suggests that knowledge is a source of status for luxury consumers. According to one focus group respondent, 'Luxury shows that I have knowledge and taste'. Vacheron Constantin hosted a photographic and horological presentation at The Oberoi in New Delhi which showcased some watches that were owned by an Indian Maharaja, and which enhanced the knowledge of watch connoisseurs. This distance can also be about practical knowledge. Lancôme hosted skin care consultation sessions with specialists at the Lancôme Boutique in New Delhi that gave pragmatic, yet specialist tips about skin care.

Terrace-effect distance

Luxury brand communications can send a message that the brand is not for 'everyone'. Ladder brands can here be effective to connote a sense of distance. The brand portfolio of Taj Hotels Resorts and Palaces offers a range of guest experiences. Taj is the flagship brand that delivers the epitome of luxury guest experience while less opulent options are offered by Vivanta by Taj Hotels & Resorts and The Gateway Hotel. Club membership can also send a message of aspirational distance even amongst the elite. For example, The Belvedere is a members-only club at the luxury hotel Oberoi. Membership is exclusive and is accorded by invitation only. Likewise, limited editions of Indian specific designs can denote different distances of luxury from accessible to virtually inaccessible. For example, in recognition of the first ever Formula 1 Grand Prix in India in 2011, Hublot, Tag Heuer and Richard Mille launched special edition watches (Figure 11.1).

Implications

As the luxury market in India continues to grow and develop, luxury brands will broaden their appeal. The historical financial distance



Figure 11.1 Hublot F1 King Power India watch (Courtesy: Hublot)

that evoked a real sense of prestige for luxury consumption is diminishing. The dilemma facing luxury brands is how to strike the balance between reaching out to the masses while retaining the aura of exclusivity.

Prestige needs to be therefore imagined or created via deliberately 'distance oriented' communication strategy. Luxury brands need to 'speak' to the classes in order to 'sell' to the masses. This psychological distance can be reinforced in different ways, giving marketers and advertisers a rich palette for creating effective communication

strategies. This role of imagining distance to evoke prestige needs to be consistent with all communication touchpoints and coherent with the sentiment of the new luxury consumer in order to give a new and powerful logic to luxury communication.

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12

Creating the Hype

Kinjal Medh

On her maiden visit to India, the newly appointed foreign minister of Pakistan, Hina Rabbani Khar, attracted widespread media coverage. It wasn't politics, but her Gucci sunglasses and Hermès Birkin bag, which made the headlines. It was clear that Gucci and Birkin had made their maiden appearance in several million middle-class Indian homes which had probably never heard of them before.

Advertising, public relations, promotions and events have all been used effectively to promote mass market products to the growing Indian middle class. But how should companies promote their luxury brands in India? This chapter sets out to guide marketers on how to build an image, create a desire and evoke the need for possession of these brands.

Luxury marketing challenges in India

It is generally acknowledged that the US \$5.8 billion luxury market in India is perhaps much smaller than what it can be. Certainly, when compared to China, the Indian market seems to be performing below expectations.

This raises two important questions. What are the key factors that are keeping the luxury market still in its infancy? What implications do these factors have on marketing inputs and efforts?

A finite customer base

Estimates peg the customer base of high net worth individuals (investable assets of US \$1 million or more) at 153,000 households

(Capgemini and Merrill Lynch 2011), which, given India's large population, seems miniscule. Even this base is concentrated largely in the three big cities of Mumbai, Delhi and Bengaluru. In fact, a McKinsey (2008) research study found that five neighbourhoods in Mumbai and Delhi and one in Punjab account for 65 per cent of potential luxury customers in India.

However, this phenomenon is changing gradually. The democratization of luxury means that the middle classes are aspiring to become owners of luxury brands. Interestingly, according to a NCAER study, the middle class currently owns 49 per cent of total number of all cars in India (NCAER 2010). It is estimated that nearly 30 per cent of the business for big city luxury retailers comes from smaller towns (Saxton 2011). A. T. Kearney (2011) predicts that in the next 5–7 years, 7 new towns will get added to the 'Luxury Map of India'.

In a vast and highly diverse country like India, brands need to use marketing techniques which effectively target the luxury consumer among a sea of mass consumers.

Absence of a luxury market infrastructure

India is at least 10–15 years behind China in terms of entry of luxury brands into the country. In fact, Cartier launched its first and only store in India in 2008, while Tom Ford's first store was opened as late as 2010. Modern retail is a relatively new phenomenon and the infrastructure and support systems required to promote luxury brands is underdeveloped compared to other emerging markets.

Initially, most luxury brands preferred to open outlets only in five-star hotels in key metropolitan cities, thereby making them accessible to a narrow band of customers. This was followed by some brands setting up outlets in malls, sharing space with multitude of mass market brands. It is only in the last few years that high-end malls such as DLF Emporio in Delhi and UB City in Bengaluru have come up to provide a more appropriate ambience.

The absence of retail for luxury brands also means that most brands are 'tucked away' and would need a planned shopping trip for them to be seen or experienced.

Planned shopping

A MasterCard (2011) survey reported that most purchases for luxury items are planned in advance, with 63 per cent of Indian consumers

considering the purchase before buying it within 6 months. This was also the case for ultra-high net worth individuals for whom shopping for luxury products is more a planned than an impulse purchase (Kotak Wealth and CRISIL 2011).

A significant proportion of purchases are reported to be during 3–4 months of the year, typically referred to as the ‘festival season’ or the ‘wedding season’, ranging from October to January. A MasterCard (2011) survey found that 58 per cent of luxury purchases are linked to special occasions.

This nature of ‘occasion led purchasing’ is often for gifting purposes and therefore a pre-determined budget or price plays an important role in the final purchase, sometimes reducing the importance of the brand in the purchase decision.

Value-seeking mindset

Indian consumers have a strong desire to maximize value and seem to go slow when the perceived value of the brand exceeds their expectations. The value seeking Indian consumer doesn’t necessarily seek a low price, but wants to make sure that the purchase should be ‘worth it’.

Let us consider the following example. In the unorganized market for jewellery, the consumer’s trust has been in the family jeweller, their source of adornments for more than a generation. When Tanishq, India’s first jewellery retail chain was launched, the customer response was initially subdued despite the company being from the highly respected Tata Group. It was only after the company supplied ‘karat meters’ to all its outlets that the business really moved forward. This karat testing finally convinced the consumer about the authenticity and therefore the real value of the metal in their jewellery. Today, Tanishq is India’s largest jewellery brand with over 179 stores in 79 cities. Indeed, Tanishq was ranked as the most trusted brand within the jewellery category (Trust Research Advisory 2010).

Companies have launched products and models to match the Indian customer’s price expectations. Loosely called Bridge to Luxury, these product lines often straddle the price points between super premium and luxury price bands, making it easier for customers to acquire prestigious brands. BMW, Audi and Mercedes Benz have launched models around the INR 3 million price tag which are

positioned at the lower end of the price spectrum. Tag Heuer has similarly introduced 'bridge models' to appeal to this value mindset, hoping that over a period of time, customers will eventually upgrade to more expensive models.

This value seeking behaviour often results in luxury customers seeking discounts and promotional offers, sometimes even haggling and negotiating across the counter. This is not just to get the best deal, but also satisfy the need to justify it as a 'smart purchase'. For the retailer, this is often used as a 'clincher' to break the customer's indecisiveness or avoid postponement of purchase.

Promoting luxury brands

Given the early years of luxury brand retailing in India, most brands have common communication objectives. A majority of luxury brand marketers agreed in our online survey that the most significant challenge of communication campaigns was building awareness to expand the base of people beyond those who have travelled abroad or are exposed to international trends, especially the 'newly rich'. Given the discreet nature of retailing and limited presence on the high street, even those consumers who are aware of the brand need to know where it would be available.

This raises the question on how to best leverage promotional techniques in order to develop brand equity that will deliver long-term profitability.

Advertising

As in developed markets, luxury brands tend to avoid the TV medium due to its unfiltered and mass audience base. There are, however, notable exceptions. Automobile and jewellery brands invest in TV advertising with the objective to create image and glamour while reaching out to the mainstream. However, it is the emotional appeal of the medium that has given TV an important function. Montblanc and Tag Heuer have used TV advertising campaigns to create a brand story and establish a stronger emotional connectivity with current and future consumers.

Print advertising plays an important role in building awareness about the brand and its retail presence. India has a very well developed print magazine industry with several publications addressing the

upper end of the market. Indian editions of international publications such as *Robb Report*, *Vogue*, *GQ*, *Harper's Bazaar* or Indian ones such as *Verve* have a reasonably large readership among English speaking, metro audiences. These publications are not only targeted but also create the right editorial environment for luxury brands.

Newspaper advertising is generally expensive and also leads to wastage. However, some of the leading newspapers come out with periodical 'glossy' special supplements which are industry specific, showcasing premium brands, especially watches, automobiles and jewellery. One example is *HT Splurge* which is published by the *Hindustan Times*.

Measuring the return on print advertising investment, however, is a challenging task. Advertising impact can be measured based on usual criteria such as brand awareness and image attribute ratings. But brand managers need to consider alternative and verifiable methods as well. According to Abhay Gupta, Executive Director of Blues Clothing Company, 'We have a customer feedback form at all our stores. Our sales staff gently encourages clients to fill it or dictate answers. This is then collated by my marketing team to gauge actual responses generated for every print media advertisement released'.

Going forward, one of the major challenges for luxury brand marketers is the limited reach of quality and well targeted print publication options when it comes to promoting brands beyond the top metros. The absence of print titles in regional languages was mentioned as a constraint by many luxury brand marketers in our online survey.

Public Relations and events

Public Relations (PR) and events appear to go hand in hand as one feeds off the other. These events get covered extensively in dailies as well as magazines, blogs and social media sites. It is not uncommon for signature events to be covered on prime time television. Contracts are often signed with lifestyle television channels to ensure exclusive media coverage. Most luxury brands focus on the following PR opportunities.

New brand and product launches: Depending on the nature of the events, these can range from being grand in design and scale to shop openings or even simple photo-opportunities for media.

For example, when Louis Vuitton opened a store in Mumbai, the brand hosted an event at a billionaire's home. The house was converted into a party venue. Special menus and champagnes were flown in and the dinner was held on the pool which was covered with Plexiglas. In addition, Mumbai's most famous landmark, The Gateway of India, was spectacularly lit up to mark the occasion (Wharton School 2001).

Dignitary visits: Dignitary visits usually combine with launches and are also extensively covered in the media through special interviews and features. When Hermès launched its flagship store in Mumbai, President of Hermès for India, Bertrand Michaud, gave interviews to many established media outlets. Furthermore, Hermès, being a much awed-at brand in India, was able to secure a large number of features.

Associations and sponsorships: Associations with and sponsorships of signature events is another way brands attempt to create a favourable impact on its core target group. Golf and Formula 1 racing are the chosen sports for a number of luxury brands. Tag Heuer promotes itself through the Tag Heuer Precision Golf Tournament. It also blocked corporate boxes at the inaugural Formula 1 racing championship in India and launched a special 'India Racing Edition' watch.

Celebrity tie-ups and endorsements

Luxury brands organize parties, and invite local socialites, well-known business executives and Bollywood celebrities to gain positive media coverage. These party pictures are usually published on 'Page 3' of the dailies. Organizing 'Page 3 parties', as they have come to be known, and inviting the 'in' crowd of celebrities, is seen as a must-do when promoting brands in India. Being visited by local celebrities, these parties pull the media easily. It helps to get the brand name out in the right social circles and create a sense of hype in the mainstream media.

According to Gupta, 'They help in creating a buzz among the target audience directly and indirectly. Those who attend the party talk about it and word of mouth plays a key role further. Those who do not attend get inspired by the Page 3 coverage and come into the store to examine the new product/collection launched.' However,

Gupta advises that luxury brands need to approach these events strategically, 'Soft, gentle, subtle and non-repetitive has to be the essence for luxury brand parties. Do a few, but be the ones to be watched out for, and talked about', he said.

Direct and database marketing

Many luxury brands maintain basic data on their customers and some additionally have details on their walk-in prospects. However, most of these are small to miniscule in terms of numbers. Events at the outlets as well as outside are leveraged to build databases.

Given data quality and data maintenance issues in India, most brands are willing to co-operate with non-competing brands. It is not unusual to find an Indian jewellery or fashion brand launch a co-promotion with an automobile company. In addition, a few brands 'rent' lists from airlines of their first and business class passengers, high-end credit cards databases and celebrity lists which can be made available via a few event management companies.

According to Rishab Suresh, Marketing Manager – Indian Sub Continent at Rémy Cointreau, 'Database marketing is certainly even more targeted. But the down side is that probably a lot of other brands and websites have the email ids of the same high net income individuals (HNIs) and they keep receiving e-mailers from all. HNIs then tend to ignore or avoid these e-mailers.' When creating the e-mailers, he advises brands to keep it short, engaging, and highly visual to encourage the receiver to explore further.

Co-promotions at a local level are not unheard of either. In Ahmedabad, when a consumer made a high-value jewellery purchase, the jeweller arranged for her family to go around in a chauffeur driven Porsche for a full day. It was a win-win situation for both the jeweller and the Porsche dealer who conceived the promotion to get access to high net worth clientele.

Fashion weeks and luxury fairs

The Indian fashion industry has grown immensely, especially in the past decade. Mumbai's Lakme Fashion Week, for example, which is organized by IMG, attracted participation from approximately 78 designers and 190 buyers in March 2011 (Dutt 2011).

Indian fashion weeks are also evolving in terms of the various verticals that are launching continuously. Apart from the Spring/Summer

and Autumn/Winter weeks organized by the two major companies – Fashion Design Council of India (FDCI) and IMG – other versions such as Resort Wear Week, Bridal Week, Couture Week and even a Kid's Week have been launched. Different city versions of fashion weeks are being organized as well, for example, in Jaipur, Bengaluru and Kolkata.

Fashion weeks are accepted as an important event by the Indian consumers. They follow the fashion weeks and select their next 'wish list' based on these shows. However, to create an aspirational image, it is advisable for brands to be selective in terms of the reputation of the show.

India has a small share of luxury fairs as well. Fairs like Luxurion and industry specific trade fairs are emerging as regular features in the calendar.

Digital media

The digital and online medium is being increasingly leveraged by luxury brands to showcase their range, build their database and strengthen relationship with existing customers. However, most international luxury brands in India do not have India specific channels and options.

While luxury brands have created Hong Kong and China specific versions of their official websites, Indian traffic is being routed to the international sites. Since all the sites are visually heavy and are slow to download, the absence of servers in India slows down the traffic further, making the online experience tardy for Indian customers. Contrast this with Indian jewellery or designers' sites which offer much better connectivity, Indianised range and shopping in Indian rupees. This is an opportunity that international brands need to exploit as the market expands.

Going beyond their own websites, Indian and international luxury brands could leverage the potential of India-specific online media too. Suresh, who has worked with the online medium extensively to promote his brands said, 'The online medium is important because the social fabric of India is changing. People are increasingly spending more and more time on laptops, computers and mobiles.' Being an online medium, the reach of luxury websites such as luxpresso.com, and fashion and lifestyle portals such as vogue.in, is wider and they appeal to the younger Indian audience.

Suresh expands on the benefits of online medium vis-à-vis print medium and says, 'One of the main advantages of online is that it's a viral media. It can be targeted as well through the kind of portals/websites you choose to do your marketing through. The online medium is more cost-effective as well. And since you can easily direct people to your website, Facebook and Twitter pages through the online medium, it's comparatively easier to measure return on investment.'

India's web population, in fact, engages with the online medium much more than just to stay updated with the latest. According to a Google study, 65 per cent of India's internet users turned to the web before deciding which vehicle to buy, ahead of its counterparts in Europe and the US. Luxury cars, in fact, saw a 141 per cent increase in search volumes between January 2010 and May 2011 in India (Business Standard 2011).

So while many luxury brands do invite the online media to their launches and events, there is a need to use the online medium in a more active and creative way to be visible and interact with their current and potential consumers.

A fine balance

Luxury marketing in India is fraught with challenges and obstacles. The market is at a nascent stage and there is already an intense competition among several brands for the relatively small customer base. India has the potential to emerge as one of the largest luxury brand markets in the world. Acknowledging the need for marketing in India, however, a fine promotional balance needs to be struck.

Awareness vs. familiarity: There needs to be a fine balance between how 'known' the brand makes itself to its potential consumer. Making Indian consumers simply aware about the luxury brand name and its key attributes will encourage them to seek the brand, experiment and 'play' with it, slowly slipping into their trusted brands list if they like it. Over-familiarity, however, may make them 'discard' or snub the brand, taking it as a desperate attempt at luring customers. Therefore, at all times, it is imperative to keep an approachable, yet elite image in front of the consumer.

Affordability vs. exclusivity: Brand images have to be built making them seem value-for-money, and at the same time, ensure that they retain their premium-ness. The profile of customers that a brand caters to has to be defined and filtered constantly. The brand has to maintain a distance from its non-ideal customer even if they have the financial means to buy the product. In India, while consumers may have the money power, not all fit into the desired psychographics of a brand's consumer.

International vs. Indian: Indian consumers are still allured by 'all things foreign'. Hence, when promoting products and models custom-made for the Indian market, brands need to create a balanced communication strategy, talking about the key global attributes of the brand as well as the characteristics of the India-specific product. When Bottega Veneta launched a shimmering India special Knot Clutch, a sterling plate was included inside the clutch specifying that the clutch was for India, but made in Italy. The same characteristics were iterated in media reports as well.

National vs. local: One of the biggest challenges for any international brand in India is the country's sheer heterogeneity. As brands venture into smaller towns the challenges will grow. Adjustments will be required in terms of communication strategy. Factors such as luxury retail (or the lack of it) and consumer expectations might be very different from region to region and from city to city. For example, since Delhi is more attuned to 'show off', the more easily recognizable labels are picked off the shelf in this city. Mumbai, in comparison, houses cosmopolitan and discerning consumers, who buy less for the label and more for the actual functionality and need for the product. Thus, while celebrity reports might be more successful in Delhi editions, articles highlighting the uniqueness of the brand will be better received in Mumbai.

Conclusion

Being home to a highly diverse and large population, it is imperative to invest in promotion if luxury brands are to succeed in India. Strategies, to be effective, need to go beyond building brand

awareness and connect emotionally with the Indian luxury consumer. Marketers have to ensure that all brand messages are credible, relevant and sustainable within a local market context. What's more, all promotional interactions should be crafted to underpin the luxury brand's uniqueness and distinctiveness. An integrated but balanced promotional mix will ensure qualitative results.

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13

Bollywood and Luxury

Roasia Virq Ahluwalia

It came as no surprise when Bollywood filmmaker Yash Chopra was awarded the honour of Ambassador of Interlaken for his contribution in making Switzerland a popular holiday destination for Indian tourists. Switzerland saw a flood of Indian tourists post the release of his films *Chandani* and *Dilwale Dulhania Le Jaayenge*, to the extent that a train named 'Yash Chopra Train' was inaugurated by Jungfrau Railways and a suite was named after Yash Chopra at the Victorian Jungfrau Grand Hotel, which, of course, is a rare feat as King Louis XVI is the only other person to have a suite named after him.

This was just the beginning of a love affair, which transcended time and became a signature landscape for hundreds of song and dance sequences for Indian films, hence exposing the Alpine landscape to Indians across the length and breadth of the country. Even today, Switzerland remains a favourite destination for young Indian honeymooners. In that sense, no amount of country tourism marketing could have achieved the results that Bollywood delivered for Switzerland.

Likewise, not many people in India would have looked up Prague on the internet as a holiday destination till the autumn 2011 release of Bollywood movie *Rockstar* which was filmed mainly in the Czech capital. In a similar vein, it was reported that Spain Tourism received 600,000 enquiries from India following the release of the film *Zindagi Na Milegi Dobara* (Ambwani 2011). The trend of marketing foreign destinations in India through movies has encouraged country tourism boards to offer rebates and free stays and, in some cases, even offer to pick up production costs to filmmakers wanting to shoot

there. This is a small price to pay for the huge benefits such destinations are getting by being in Indian films.

Bollywood has a mystic and magnetic attraction that is difficult for many non Indians to comprehend. It seems, however, that every brand is embracing Bollywood in one way or the other. This challenges luxury brands to develop an effective celebrity management strategy. This chapter sets out to discuss the influence of Bollywood on the Indian luxury industry and how luxury brands can leverage this opportunity.

Bollywood metrics

It is generally acknowledged that there are few things that appeal more to Indian consumers than Bollywood. Movies in India are almost a religion, evoking hysteria, prompting prayers and leading to mass adoration of movie stars (Jhunjhunwala 2010).

The massiveness and popularity of Bollywood can be understood from some simple numbers. India is the world's largest film industry in terms of number of films produced and the ticket size. The film industry was valued at approximately US\$1.8 billion in 2010 and it is expected to grow by 9 per cent p.a. till 2015. Indian movies such as *Ready*, *Singham*, *Rockstar*, *Zindagi Naa Milegi Dobbara* and *Delhi Belly* grossed revenues in excess of INR 80 crore on average (Deloitte 2011).

Incidentally, the movies *Zindagi Na Milegi Dobara* and *Rockstar*, featured a gamut of luxury brands on the screen. And considering the craze that Indian audiences have for Bollywood and its idols, the impact of Bollywood, and hence, these placements, are unmatched. This is reinforced by celebrity blogger Malini Agarwal, 'Bollywood may be mainstream, but the aspirational value of Bollywood's biggest celebrities is universal.' According to a global survey conducted by Synovate (2009), 79 per cent Indians look at or read about luxury brands via pictures of celebrities in magazines or on TV.

However, the impact of Bollywood goes beyond the box office. Bollywood is literally everywhere. There has been a growing integration of Bollywood on TV, be it top film stars hosting TV shows, movie promotions on reality shows or just the Bollywood theme being used on TV (KPMG 2011). This has translated into an entertainment industry that is built on non-stop celebrity news, gossip and speculation. The demand for Bollywood content has resulted into Bollywood TV

channels such as Zoom TV, E24 and UTV Stars. Interestingly, Zoom TV is the leading channel in the youth channel category and is the number one brand on Youtube in India (Hegde 2011). There appears to be no slow down in this Bollywood tsunami. A Bollywood theme park, *Kingdom of Dreams*, opened in Gurgaon (Haryana, India) that immerses visitors in a hyper-reality Bollywood experience.

The love affair

Bollywood's love affair with luxury goes beyond tourism. Style has come a long way since the time Bollywood actress Aishwarya Rai Bachchan first wore, what was widely reported, a disastrous parrot green *sari* at the Cannes Red Carpet. Today, Aishwarya Rai Bachchan is seen in nothing less than Giorgio Armani, Elie Saab or Sabyasachi Mukherjee. Roberto Cavalli, Halston Heritage, Alberta Ferretti vie for wardrobe space with Manish Malhotra, Tarun Tahiliani and Rohit Bal. Gone are the days when sexiness personified was the Indian actress of the 1980s, Sridevi, seen in a slinky chiffon *sari* in the romantic blockbuster *Chandni*. Today's Bollywood stars and aspiring starlets would not step out of the gym without donning a Juicy Couture tracksuit for fear of being shot dead by the fashion police. What film stars wear is tracked and emulated by thousands of fans and makes fashion news in glossies and gossip columns in tabloids across the nation. Hence, every minor and big star has realized the need for fashion stylists, whose job is to source brands that these celebrities can don for events, movie premieres, appearances and photo shoots.

Traditionally, Bollywood projected vibrant colour, madness and extravagant fashion sense – a lot of times quite hideously unique – which always overcame taste and artistic costume direction. But movies have started to reflect the growth of fashion consciousness across urban India. Before the advent of international luxury brands in India, it was Indian designers who provided wardrobes to film stars. Now stylists scout for international luxury brands and even pair them up with Indian ensembles. Karan Johar, one of the most successful producer-directors in Indian cinema, was quoted in *New York Times* saying, 'We've gone from no information, no aesthetic, no awareness of fashion to a place where we thrive on fashion' (Shah 2011).

This, however, is quite a recent phenomenon which has progressed with the growth of the luxury industry in India. Bollywood and



Figure 13.1 Longines Ambassador of Elegance, Aishwarya Rai Bachchan, in a print ad by the brand (Courtesy: Longines watches)

celebrities, till now, endorsed more mass brands than luxury. One of the first instances of a Bollywood celebrity endorsing a luxury brand is that of Aishwarya Rai Bachchan's association with watchmaker Longines (Figure 13.1). Brand expert Harish Bijoor was quoted in *Financial Express* saying, 'In the early days, in-film placements were all about a brand of tea painted on a tea shop in a fight sequence, or the banner of a brand of *pan masala* on stage when the college event was being filmed. But now things have moved on. The price tag of products

that are being placed has progressively moved up from a Rs 14 packet of branded tea to a Rs 33 lakh Mercedes Benz today' (Datta 2009).

I am too sexy for my Choos

As the Jimmy Choo and Christian Louboutin clad toes of Bollywood divas are seen stepping out of their Audis, Mercedes Benzs or Lexus' onto the red carpets of Filmfare, Stardust, IIFA and other such award nights, there is a flurry of activity within the paparazzi as they fall over each other to click these priceless red carpet pictures. These will be much-sought after by publicists for luxury brands and the press. Who wore what outfit with which pair of shoes and handbag is going to be the most talked about subject in the glossies for the next couple of weeks. Brand managers and bloggers will get to work posting these images on social media sites and every available web promotion platform in the country. Stylists will be commenting on the hits and misses of the season and style destinies will be made or broken for the divas and the brands they donned until the next season of red carpet comes back.

Yatan Ahluwalia, a leading image consultant, fashion stylist and specialist on men's style and grooming, says, 'Bollywood actors like to flaunt the label they are wearing. Society pages in newspapers, film magazines, self-appointed fashion critics and news channels regularly mention, comment and judge what an actor wears both on- and off-screen. Wearing luxury brands to award nights, film premiers and festivals such as Cannes is just as important as being there. This has recently extended to include branded clothing for young star children as well. A lot of actors also use high-end colour cosmetics, grooming and hairstyling products.'

Interestingly, it is not just the stars who are leading this movement for luxury brands. A significant user group is the wives of leading Bollywood stars. Would a demure woman in a *Kanjivaram Sari*, accompanying her husband to a film premiere till a few years back, have captured the fancy of fashion media? Quite doubtful! Apart from a few film magazines and gossip dailies, there is no recollection of seeing such ladies anywhere. Then came the personal stylists and converted the wives into style divas seen only in Lanvin, Alexander McQueen and Dior gowns while clinging onto Bottega Veneta Knots.

Bollywood endorsements

Using celebrities to promote brands has many benefits. Crutchfield (2010) observes that celebrity endorsement ‘has the power to instigate and inspire, enlighten and enrage, entertain and edify the consumer’. According to Mindshare (2007), celebrity endorsements are key to gaining attention by breaking clutter and establishing a brand’s desired imagery that will lead to improved purchase intentions. As Ambi M. G. Parameswaran, Executive Director & CEO, DraftFCB + Ulka Mumbai notes, ‘Even the most discerning customer likes to know that someone like Shah Rukh Khan endorses the products they’re buying’.

Traditionally, celebrity ambassadors are chosen based on a combination of factors such as popularity ratings, perceived image and past success. However, Mindshare (2007) proposes a celebrity equity pyramid that gives a ‘mScore’ which is defined as a best measure for celebrity pull in the mind of the consumer (Figure 13.2). This score is based on the evaluation of how the consumer rates the celebrity based on familiarity, interest, acceptance, attraction and favourite.

This suggests that luxury brands need to consider a celebrity for endorsement based on the mScore and persona fit. This therefore implies that it is not a necessity to use Bollywood celebrities who are



Figure 13.2 Celebrity equity pyramid (Courtesy: Mindshare)

constantly in the limelight. For example, Bollywood actress, Sonali Bendre Behl, who is no longer a mainstream Bollywood attraction, is the current brand ambassador of Omega in India. Luxury brands, can in fact, explore a wider range of celebrities since portraying the right image should be of more priority than gaining unfiltered mass appeal.

In the movies!

In-film placement for luxury brands started big with Indian director Karan Johar's movies of the earlier decade. The lifestyles depicted were upper middle class. Hence it was only appropriate that the protagonists stepped out on the streets of New York with Louis Vuitton and Dior handbags. That was the beginning of a movement and it was not long before brands such as Louis Vuitton, Dior, Prada and Burberry became household names in India.

The 2003 released Indian movie, *Kal Ho Naa Ho* featured a character carrying a President Classeur monogrammed briefcase by Louis Vuitton. Tikka Shatrujit Singh, the Indian advisor for Louis Vuitton, acknowledged that the movie did help the brand gain exposure across India. 'Movies create a lasting imagery, and a beautiful star carrying a bag creates a lingering impression', he said. 'India has a young population. Movies are an important messenger of change, style and sophistication. Bollywood has become like Hollywood, in terms of its emphasis on appearance, and as a fashion brand, it's important to align ourselves with this change', he iterated. Singh also mentioned that the company had added two full-time employees in Mumbai to handle Bollywood requests (Shah 2011).

Much later in the 2010 movie *Aisha*, the main character wears designer clothes and spends a lot of screen time shopping in luxury boutiques, which left more of an impression on viewers than the actual plot, if there was one beyond this. Everyone remembered her Jimmy Choo shoes and Dior bags and her fetish for owning luxury brands.

It is not just the younger actors and actresses of Bollywood who are patronizing these brands. Luxury brands are finding the right fit for their image across a section of Indian film stars. A striking example of a successful Bollywood association with luxury is Shah Rukh Khan's nine year association with watch brand Tag Heuer. Tag Heuer watches and accessories were used to complement Khan's role in the movie *Don 2*. Jointly, they promoted Tag Heuer's latest limited edition watch,

Monaco V4. The relationship between the actor and Tag Heuer has yielded unparalleled benefits to both the brand and the superstar.

Building relationships with Bollywood

An example of how luxury brands are establishing deeper relationships with Bollywood stars is Canali and Indian actor Anil Kapoor. Kapoor was one of the most commercial Indian stars of Bollywood in the 1980s and 1990s. He has re-invented his image today into a suave 50+ star who has international appeal and recognition after his associations with blockbuster movies such as *Slumdog Millionaire* and *Mission Impossible 4*. The actor was invited as guest of honour by Italian luxury brand Canali to Milan for their Spring/Summer 2012 showing, which was inspired by India (Figure 13.3). The brand honoured Kapoor by also hosting a lavish dinner in a private museum in Milan. Kapoor and Canali's full grandeur was talked about in the Indian press for weeks and months after. A relationship hence developed between the celebrity actor and the brand and Kapoor carried it further by donning the brand for many red carpet appearances internationally. Kapoor says, 'The Canali franchisee in India (Genesis Luxury Pvt Ltd) and the Canali family got in touch with me and asked me to be the guest of honour at a Canali event in Milan. Owing to the tradition and the heritage of the brand I was interested and I accepted their invitation. The association makes me a friend of the brand. However, I am not the brand ambassador.'

It is indeed interesting to observe that brands are not only looking to find suitable brand ambassadors, but are also working towards nurturing and building relationships with established artists from Bollywood who in a way compliment their own heritage and values. This is so because, very clearly and evidently, Bollywood is a major influencer today. Fans want to emulate their role models, which makes these fans a huge market for brands.

Image consultant Ahluwalia adds, 'Most Indian actors carry, wear or sport luxury brands to boost their image and social status. Luxury labels are a push up for Bollywood actors, especially since quite a few of them come from rather modest backgrounds. Like elsewhere in the world, luxury brands in India become iconic if a leading actor endorses it. They both seem to work as buoyant forces for each other depending on what stage either of them are. Having said that,



Figure 13.3 Indian actor Anil Kapoor at the Canali showroom in Milan (Courtesy: Giovanni Gastel)

brands don't need to rely only on Bollywood to make their presence felt, establish branding or create an identity in India. Other possible avenues are sports men/women, sports events, runway shows, advertising campaigns and other media promotions.'

The increasing role of luxury brands in movies

As the size of the luxury industry grew in India, so did the associations with films and film stars. Mentioning the Bollywood release *Zindagi*

Na Milegi Dobara again, the main protagonist in the film could have been an Ostrich Hermès Kelly bag, which was woven into the script for the entire length of the movie. The movie yet again depicts the lives of upper middle class youth in India who wear international luxury brands, live ostentatiously and travel globally. The movie's plot is about three friends who decide to travel across Spain for a brief holiday before one of them ties the knot. One of them picks up the Kelly while the other two friends discuss the bag as a prized possession and treat it as if it is a real co-passenger. The bag also gets a name '*bagwati*' and is given respect through well-written, humorous and witty dialogues. This became the most remembered aspect of the movie. Soon everyone was speaking of '*bagwati*' as if it were a person in the movie. While one may argue that most people who are not familiar with Hermès bags may not have realized what the bag means, the point of its exclusivity and hence the respect being bestowed did not miss anyone in the audience. Burberry was close to heel in placing a product on the female lead character, Nargis Fakhri, in the Bollywood release *Rockstar*. Very discreet, yet it was clearly noticed. This film, mainly shot in Prague and Italy, again depicted the lifestyle of a young upper middle class elite Indian girl whose character was well entrenched with the ownership of Burberry products.

Bollywood and luxury are inseparable as consumption of luxury brands increases in the country. The Confederation of Indian Industry (CII) and Economic Times (ET) Dialogue 2011 conference gave attention to this love affair by initiating a panel on the topic of Bollywood and its influence on luxury consumption. It was concluded that Bollywood is indeed big in India and Bollywood ambassadors have a direct impact for the success of a luxury brand. Cricket and Bollywood are the two passions of an average Indian and stars are given iconic status. Needless to say, people do follow trends associated with their favourite film stars or cricketers. All brands, whether falling in the category of masstige or prestige, understand this basic fact. Luxury being a slightly newer industry in India, of course, has started signing on stars to endorse their brands. Whether ambassadors or discreet references, it is all happening now across traditional and new media channels.

Another factor helping the case of Bollywood is that movies reach the remotest corners of the country where no other media glossies do and almost everyone is hooked onto this media. Indeed, some of the wealthiest Indians still reside in tier 2 and 3 cities. Brands have

grappled with ideas to reach these affluent sections hidden away in the vast landscape of this country, where unlike China, there are no luxury malls yet. Movies seem to be the best form of educating and influencing these audiences about brands and luring them into wanting to acquire these coveted labels. Fashion media's alliance with movie stars further pushes brands into the homes of the lusting Indian population. It is almost suicide for fashion magazines if they do not feature a Bollywood celebrity donning expensive and glittering wear from top fashion and luxury brands.

How much is too much?

The relationship between luxury and Bollywood seems to be flourishing, yet there is an element that we cannot choose to ignore when it comes to this relationship. That is one of relevance. According to Millward Brown, celebrities appeared in 24 per cent of advertisements in India compared to 15 percent in the US (Crutchfield 2010). A celebrity endorsement strategy for luxury brands must ensure that brand instills credibility and authenticity. According to Ambi M. G. Parameswaran, 'Bollywood can play a useful role in building traction for luxury brands but the flip side is that there are just too many brands chasing the handful of top stars. Some of them endorse almost 20 brands ranging from undergarments to luxury watches.'

The notion of relevance must also be expressed in terms of the desired brand story. A brand should not be placed in a movie without any strategic consideration. It has to be placed in the right context of the situation. We elucidate this statement with the help of an example. Another Bollywood movie released in 2011 has a scene where the actress was seen carrying a handbag by a prominent luxury leather goods brand. The bag chosen was plain and had no branding. The non-logo branding came as a blessing in disguise as this placement struck disaster. The hand-stitched leather bag has been the symbol of quality for decades and a person who is probably parting with hard-earned money, needs to be assured that their money is not only going towards a logo, but the quality and heritage behind the brand. Coming to the movie, the bag tears in a scene, the script was unclear whether it was slit open by highway thieves or just fell apart, without the actress having a clue about what happened either and

she ends up losing all her money and belongings leaving her to the mercy of strangers. Is this the right context for any luxury brand?

Summary

There is no doubt that Bollywood plays an important role in the domain of luxury brand marketing. The pulling power of Bollywood strikes an inner chord among Indian luxury consumers. Bollywood celebrities are admired as a role model and inspiration not only for style, fashion and lifestyle but also for life values. There is synergy between Bollywood and luxury brands. This means that there needs to be a strong connection between the associations of Bollywood and the luxury brand. Yet this relationship needs to be managed across all brand touchpoints. Bollywood does not guarantee automatic success for luxury brands. Ipsos Mori (2011) found that 39 per cent of Indian adults compared to 17 per cent in the UK would stop buying a product if a celebrity associated with it had engaged in 'personal misbehavior'. A clear warning for every luxury brand manager.

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Part VI

India's Own Luxury

14

Luxury Living

Himadri Roy Chaudhuri

The concept of luxury is incredibly fluid as it varies significantly across time and culture. In the past, it was associated with castles, champagne, caviar or clothes. But nowadays, with increased affluence, luxury boundaries are getting redefined and are no longer solely reserved for the elite. People are enjoying much more material comfort in comparison with previous generations. Simultaneously, new forms of luxury consumption are evolving which include the elements of experience and particularly taste, to invoke perceptions of individualism and exclusivity which often surpass the importance of monetary value (Chaudhuri et al. 2011). Surprisingly, this trend is also evident in emerging markets and India is no exception. This phenomenon is no better exemplified than in India's luxury real estate sector.

The business of making a home

Home is a fundamental construct that represents the emotional and meaningful relationship that consumers form with a space. It occupies a special symbolic status: the myths, narratives and fantasies that surround a home and legitimize the human efforts that go into building bigger and better structures across the globe are also symbolic of our access to scientific knowledge, industrial prowess and prosperity.

In India, housing has remained a volatile issue, caught between conflicting philosophies of being treated as a public good or being traded for a profit in the market. The Government's 2007 housing policy, however took a position to liberalize the market. This paved

the way for foreign investment and strategic business development within the real estate sector. According to Cushman & Wakefield (2010), residential demand for the period 2010–14 is estimated to be approximately 4.25 million units. Jones Lang LaSalle (2010) reported that the market value of investment grade real estate in India under construction increased from US \$69.4 billion in 2006 to surpass the US \$100 billion mark in 2010. This offers a tremendous opportunity for any marketer.

It is noteworthy that home making in India has been largely a life-time individual project yet localized in terms of material and design. Till recently, 'readymade' homes were not directly available through the market. However, the traditional individual efforts are now gradually being replaced by organized marketing efforts in supplying residences. Corporate houses, having diversified business portfolio, are showing a keen interest in the realty business. Beyond the simple rationale of demand and supply, the market now provides the logic of good-life and consumers express their new-found opulence through better and bigger homes. Hence, marketing efforts are not limited to the physical construction and supply of homes, but involve building Unique Selling Propositions (USPs) around aspirations for an opulent life, well-being and the uncompromised consumer self-image. Through these instruments, marketers are enhancing their product-value, thus seeing the emergence of the era of branded homes.

Genesis of gated communities

The cities and metros in India (as in other developing nations) are densely populated and are usually inhabited by people drawn from different parts of the country. According to McKinsey Global Institute (2010), India's urban population will increase from 340 million in 2008 to 590 million in 2030 and as a result between 700 to 900 million square metres of residential and commercial space will need to be constructed a year.

Along with the upwardly mobile, rich middle class, Indian cities are home to a very large number of skilled and unskilled migrant labours. With high population density, urban areas suffer from a range of economic and social issues from poverty to poor public health. Space is available at an astronomical premium. For instance, one acre in Mumbai can cost between US \$4 million to US \$30 million (Bahree

2010) and numerous individuals are therefore forced to reside in cramped, relatively inexpensive housing which are short in every aspect of a decent living.

The line separating the middle class and the migrant workers (we have to keep in mind here that India scores high in Hofstede's power distance index) has become increasingly permeable. This is visible in existence of mixed neighbourhoods despite having intentions to the contrary, and the uneasiness among the middle class fuelled by an increase in wealth and status, security concerns and lifestyle aspirations.

Meanwhile, as a solution to housing problems, unorganized local entrepreneurs started to build small multistoried buildings. They initially created excitement among the middle class buyers but eventually it turned out to be inadequate given the high degree of factors such as unfair trading and poor quality delivery. Further, these structures fell far short of the 'global' lifestyle aspirations of the middle class.

In the given context, the market was ready for branded housing solutions in the form of Gated Communities (GC). The birth of the modern luxury gated community was born. Akin to Brazil's 'Condominio Fechados' or Argentina's 'Barrios Privados', the Indian gated community offers city dwellers the security and prestige of being a member of a residual community. In other words, gated and packaged in boundaries but wide open in ambitions and luxuries.

Appendages of residential luxury

Planned GCs are now mushrooming, to use the cliché, and are fast becoming consumable icons across the country. Visitors to Mumbai are often overwhelmed by the so-called Shanghai effect. It is impossible not to notice that the city is under construction. The skyline of Mumbai is changing as luxury apartment buildings tower the city. Outdoor advertising boards and magazine advertisements are enticing the city dweller to upgrade their personal space. For example, a print advertisement in *Vogue India* (November 2011) promotes Prestige White Meadows that 'offers a rapture of first class privileges and amenities that rival the best in the land'.

These compound units are well-appointed with well-built infrastructure, offer a variety of private services for their clientele and

also creature comforts such as in-house power plants, movie theatres, shopping facilities, wireless internet connectivity and more. Special technologies, which were hitherto inaccessible such as climate control system, central water purification plants and access controls are within reach. There are even mass transit public vehicles in form of air-conditioned buses.

GCs are resplendent with facilities that create impressions of opulence, comfort and well being. Forms and design are devised to evoke statements of contemporary style and exclusivity. Many GCs sport their own elite standard-size football and cricket grounds, 'Olympic-size' swimming pools, or golf courses. The overriding aim of GCs is to attain maximum self-sufficiency and minimum dependence on outside services.

Although GCs have a relatively short history, their number are rapidly increasing and are high on demand and as already stated, big business conglomerates are also into the business of realty development. The prices of these premises have increased significantly. According to Knight Frank (2011), Frank's Prime International Residential Index reported that Mumbai recorded the second highest price change in 2010. Shanghai headed the ranking with a price increase of 21 per cent while Mumbai recorded a 20 per cent increase in 2010. In terms of luxury marketing pricing, Knight Frank (2011) ranked Mumbai 25th in an international ranking. Luxury living has its price. For example, luxury apartments in Greater Noida cost INR 50 lakhs upwards and villas in excess of INR 80 lakhs. However, the ceiling is perhaps not accurately known and these price tags are unprecedented in the country's context.

The GCs also leverage the city dweller's craving for association with nature. Almost as a rule, the GCs are elaborately green and ornate with trees, water bodies and even a full 'forest'. These are articulated by positioning statements such as, 'nurturing environment', 'wisdom and beauty in nature', 'finest gifts of nature', 'inspired by nature', 'close to nature', to create a better brand experience. Another interesting feature is that many GCs sport water bodies of varying dimensions from roof top swimming pools to private lakes. Personal sauna and jacuzzi are other additions to add the feeling of well being. It is extremely important that GCs permit its clientele to inoculate themselves from the sterility of city-life yet enjoy a comfortable existence.

Manav Goel, a manager in a well-known engineering tools company, residing in a Gated Community in Faridabad (Delhi NCR) concurs that facilities and security abound in GCs and ‘societies’. ‘There is high security; daily necessities and medical facilities are easily available and within reach in the complex itself; children can enjoy in a lush kids park; maintenance workers are easily obtainable, quick and just a phone call away; extra facilities like swimming pool, clubs, games club and skill classes – everything is on hand when needed. Moreover, we also enjoy the society of like-minded people who stay around us and enjoy major festivities with them. As compared to stand-alone homes, GCs are a definitely more comfortable and luxurious option.’

A luxurious example is the residential complex *yoopune* in Pune that is being built by Panchshil Realty. The 228 apartments, that span 17 acres including a rainforest retreat, are scheduled to be completed in 2014. The complex will include the usual range of leisure and recreational amenities such as cinema, swimming pool, tennis courts and tea lounge. However, a unique feature of *yoopune* is the collaboration with renowned brands such as the French designer Philippe Starck, American landscape architect Bill Bensley and Six Senses Spas (Figures 14.1 and 14.2).



Figure 14.1 Living room in *yoopune* (Courtesy: *yoopune*)



Figure 14.2 Sit-out in yoopune (Courtesy: yoopune)

An even more luxurious complex is World One which is being built by the Lodha Group in Mumbai with residences priced at INR 7.50 crores and upwards. World One, having over 117 storeys, will become the world's tallest residential tower. To be completed in 2014, World One will be concurrently premiered in New York, Tokyo and Mumbai. One of the features that this tower will have is an open-to-air observatory called '1000' – aptly located at 1000 feet above the city – allowing residents to enjoy views of Mumbai and the Arabian Sea. World One will include about 300 homes, including three and four bedroom World Residences, lavish World Villas with their own private pools and a limited number of luxurious duplex World Mansions. World One will have kitchens furnished by Bulthaup, and bath fittings by Antonio Lupi, Dornbracht, Gessi and Villeroy & Boch. It has also agreed to a collaboration with Six Senses Spa for its residents along with concierge services by Quintessentially.

The realtors have been successful in developing a rapid urbanization process, outside the immediate city limits and hitherto unexploited suburbs. In the process, infrastructure, support processes, employment and social conditions have witnessed a sea change in

most parts of the country. Justifying this is Apeksha Jain, a food blogger living in a society complex in Noida, 'When you sit on your balcony with a cup of coffee and a lovely view in front of you, being away from "civilisation" is worth it. And the security that gated complexes provide, along with things like water and power backup, and maintenance workers at your disposal, takes a lot of hassle away from the daily chores of life. As far as shopping and activities are concerned, south Delhi is only a 30 minute drive away. I end up going to Delhi at least 3-4 times a week to buy things I don't get here, or to eat out on weekends. So I don't miss Delhi at all!'

Marketing takeaways

Planned residences are being developed at an accelerating pace which simultaneously combine the power of nature and technology. Although the 'luxurification' of residential property is not a new phenomenon, the market development and the opportunities offered are unprecedented. With more and more consumers entering the market, managers must note that 'new luxury' goods have flouted conventional wisdom that suggests the higher the price the lower the volume. Rather these new luxury goods sell at higher prices and at higher volumes than traditional luxury goods (Yeoman and McMahan-Beattie 2006).

Therefore, the implication for real-estate marketing is to create a brand equity or value for which the consumer is willing to pay extra. Marketers should view luxury as the main factor differentiating a brand, as a central driver of consumer preference and usage. In order to understand the 'extra value', it is important for marketers to identify the following key factors from a consumer perspective.

- Adequate importance should be attached to the abilities of the consumers as they have substantial desire, interest, intelligence and knowledge (it's all there on the Internet – moreover they are very high on social capital) to explore and evaluate alternatives.
- Consumers are looking for enduring terminal values rather than small attributes. High net worth Indian consumers are as sophisticated as their counterparts across the world. Creating substantive value propositions are thus an imperative. Giving out

a car for every apartment purchased is far less value generating than a terrace with a rock garden. Additionally, it is advisable to under promise and over deliver rather than doing the reverse.

- Luxury consumption, especially in context of the GCs, is more of immersing the consumer with flawless experience and taste than a set of mere functional benefits. Although the market for luxury GCs is growing, it always remains unstable. Efforts to create and communicate experience should be the priority.
- Space Branding is in its infancy in India. Hence, it is important to identify, create, communicate, and maintain a distinct character and meaning for each offering. Luxury means driving as well as controlling aspects of aspiration, accessibility, and availability. For example, Lodha Fiorenza is using the celebrity interior designer Jade Jagger to market its signature residences.
- Customization is likely to be the next big draw and opportunity for the marketers of GCs. Currently buyers often spend about 15–25 per cent of the original value for customization (Hans 2011). Unique, individual expressions are always important for luxury consumers and a residence is the most important appendage for the same. Creating appropriate quality in such a value chain will be of supreme importance.
- Target niche segments and communicate a differentiated proposition. For example, Jaypee Greens Sport City, a 2500 acres residential area, is focused on leisure and sports that includes social clubs, a motor racing track and a cricket stadium.

Summary

As already stated, luxury adds art to functionality. But that is impossible without meticulous brand planning and quality delivery process. These largely depend on how the subtlest signals from the consumers are deciphered and translated into a product design. Communication forms the key to the success of any luxury product where statements of power, style, comfort, art and indulgence should be conveyed vividly.

Real estate marketers can look for a significant premium with their offerings in terms of superlative value delivery and finding newer market segments with value added service to protect their margins in a highly competitive but fast growing market.

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15

The Rise of Indian Luxury Brands

Ashok Som and Sushanta Das

The four BRIC countries (Brazil, Russia, India and China), account for approximately 18–22 per cent of the world's luxury market. The luxury market is growing at a rate of 20–30 per cent annually in these countries, and it is estimated that they will comprise approximately 36 per cent of the global luxury market by 2015, boasting also the largest base of luxury consumers.

While emerging Asian nations such as China and India have recorded impressive growth in recent years, they have not built impressive luxury brands. Nevertheless, the growing importance of the region will demand the presence of stronger regional brands, ushering in an era in which regional companies will pursue a growth strategy rather aggressively. It is thus critical for companies to tackle the next stage of their evolution and be able to globalize in a sustainable manner. However, different companies are exploring and following a variety of strategies and approaches in regard to these markets. It is, therefore, imperative to understand two aspects: first, the dynamics of the BRIC markets; and second, the logic and strategy of companies that have either successfully globalized or have been contemplating globalization efforts in recent times, while the US and countries in Europe continue to grapple with economic uncertainties.

The BRIC countries are very unique in terms of their market evolution, infrastructure, and government policies, to name just a few distinguishing factors. Consumers in these markets are also quite unique in their outlook and attitudes towards luxury. Russia's wealthy now seek knowledge and experience. India is currently seeking how to

spend its wealth. Brazil's luxury consumers are discerning. And each of these types of consumers are present in China, where different consumers are at different stages of luxury consumption evolution.

Consumer expectations are also quite varied in these countries. Chinese luxury consumers want outwardly visible and status-driven products. Theirs is a market which is largely driven by what is referred to as the 'Logo' strategy. Indian luxury consumers look for stylish and well-crafted products which are complemented with luxury services. The distinct phenomena seen in these two countries become evident when we assume an historical perspective. Historically, China has been largely defined by communalism. In response to this, consumers exhibit a behaviour called Release Phenomena, a situation that occurs when a long term boundary or restriction has been removed, resulting in exuberance and an urgent need to experience and own all the good things in life. India, on the other hand, has a rich history of art and craftsmanship and has served as an inspiration for many luxury brands, such as Cartier. Because of this, consumers do not feel obligated to own luxury brands. It becomes evident that the Logo strategy is not adequate for winning over Indian consumers. Heritage, craftsmanship and values are important factors in relating to an Indian consumer and in creating long-term relationships. Similarly, in Russia, consumers expect luxury products that demonstrate a balance between tradition, modesty and wealth. And in another quadrant, luxury consumers in Brazil look for product extensions and appreciate exclusive, limited-edition products.

In addition to a solid understanding of pre-existing tendencies and patterns, being aware of potential and unexpected rising trends in the BRIC countries is essential for emerging luxury brands.

Consumers in these countries have become more and more conscious of the quality, value and significance of luxury. While in the past they purchased Western luxury brands to demonstrate their economic success, today they are increasingly aware of what they are able to produce and consume on their own, independently of these western brands. As a result, we are seeing an increasing number of brands from emerging markets beginning to compete with global luxury brands. In India, for example, the Gitanjali Group has developed 18 luxury jewellery brands. The Tata Group has developed the Tanishq jewellery brand, which is now the leading high-end jewellery brand in India, in direct competition with Cartier, Tiffany and

Bulgari. These local brands possess the distinct advantage of having been developed with local cultural values in mind.

The particularity that distinguishes India from other emerging markets is its vast and centuries-old cultural legacy in clothing, jewellery and accessories. International luxury brands have now recognized the value of creating Indian-inspired items to demonstrate a connection with the taste and lifestyle of the locals. Can this strong heritage, that touches so many luxury product categories, contribute to the beginning of an era of home-grown Indian luxury brands?

India has historically been a country rich in culture and outstanding heritage, but whose population has lived in desperate poverty. Not more than 30 years ago, as many as 90 per cent of Indians lived on less than one dollar a day. Like China, India is going through a remarkable transformation, but along a different path. Research from the McKinsey Global Institute (2007) shows that, within a generation, the country will become a nation of upwardly mobile middle-class households, consuming goods ranging from high-end cars to designer clothing. In two decades, it will surpass Germany as the world's fifth largest consumer market.

In India, sales of luxury goods are expected to triple from US \$5.75 billion in 2010 to US \$15 billion by 2015. During the past year, the Indian luxury market has grown 20 per cent, according to the report 'Luxury in India' by CII and A. T. Kearney (2010). The jewellery, electronics, fine dining and automobile sectors have registered the strongest momentum, growing between 30 per cent and 40 per cent in the past year. Apparel, accessories, wine and spirits have continued at a constant increase of around 25 per cent to 30 per cent.

As emerging nations have recorded impressive growth in recent years, this has created significant market opportunities not only for international, but also for local luxury brands. This is particularly the case in India. Many Indian luxury brands are being marketed aggressively and are expanding rapidly in the domestic market. The rise of Indian luxury brands in the domestic market can be attributed to the distinctive consumer perception of luxury. And owing to India's strong heritage in craftsmanship, quality and diversity of indigenous luxurious materials, many luxury brands have taken birth in India. Moreover, their reach is not restricted to India. Indian luxury brands have entered the global stage. This raises the question if these brands can compete on the global stage? And how they can best leverage

these global market opportunities? It may be worthwhile to look at some of the rising Indian brands and to earmark possible strategies that may propel some of these brands onto the global stage. This chapter will track the rise of Indian luxury brands and offer an insight to a changing luxury brand landscape.

Local to global

Indian luxury brands face a highly competitive global market as they compete against established luxury and lifestyle brands. If they are to succeed, we argue that Indian luxury brands will need to fulfill the following three conditions.

Desire for quality

Building an international luxury brand almost always requires building a strong presence in a domestic market and then using that as a platform to push onto the world stage. It requires a major shift in a corporate's strategy and philosophy. A luxury brand is more than just a name or a logo. And while marketing is an important part of branding, it is only one part. Companies need to think about quality, as well as design, style and all other aspects of a customer experience that together make up the brand. According to marketing consultant on emerging markets, Kamini Banga, 'Unless the "Made in India" brand can stand for quality, it will be difficult to have Indian luxury brands compete globally.'

Desire for the exceptional

An important factor is that marketers need to think about what will differentiate the brand from competition. According to a McKinsey study (2010), about 30 per cent of Americans, Europeans and Japanese are more likely to pay full price for an item that is a classic. The report states, 'With luxury purchases becoming more deliberate, consumers expect more.' This requires Indian luxury brands to connect with the consumer's desire for the exceptional.

Desire for brand origin

Country of origin remains a key feature in luxury consumption. Such symbolic and emotional attributes have been shown to be important determinants of consumer preferences within the luxury

sector. The country of origin remains, however, an unwanted burden for most high-end Asian brands because of the perception of low quality. India has been traditionally associated with negative perceptions such as poverty and caste differences. The blockbuster movie *Slumdog Millionaire* only helped to underline these deep divisions. However, the western world's perception of India is changing. For example, India has created a world-class reputation in the manufacturing, hospitality and IT sectors. High profile success stories of Tata and Infosys have helped to reposition India as being innovative, creative and competent – one step ahead of western companies. Can this have a positive impact on emerging Indian luxury brands in international markets? Can this be played as a competitive advantage? Eventually, yes.

Planting a firm foot

The following brand cases demonstrate how Indian brands have been able to connect with the luxury consumer's desire for quality and the exceptional that transcends boundaries. These are brands that have integrated their origin into their brand identity.

Ganjam

Indian luxury jewellery brand Ganjam is among the few jewellery brands in the world which has a house (workshop) of artisans and remains in the hands of the original family. With a heritage stretching back over a hundred years, Ganjam has carved a niche for itself as a master of jewellery design and production. The company was established in 1889, and can be traced back to the Vijayanagar Empire. Ganjam Nagappa founded the company in Bengaluru in 1889 and was appointed jeweller to The Maharaja of Mysore, and by the early 1900s, he was invited by the King of Nepal to train his goldsmiths. The jewellery crafted by Ganjam has been desired and worn by Maharajas and Maharanis and continues to grace the men and women of modern India and countries beyond. Inspired by South Indian temple architecture, these pieces with sheer intricacies of design and flawless craftsmanship are true to their traditional roots. Carnatic jewellery is not merely gems and gold crafted into ornaments, but an aspirational symbol of human spirituality over the centuries. This is what drives Ganjam to preserve and continue the extraordinary tradition.

This legacy of fine and exquisite craftsmanship has sustained the excellence with which Ganjam is associated today. Expertise in diamonds, precious gems and traditional Carnatic jewellery has made Ganjam a cultural reference of Indian jewellery design. In creating these refined and elegant pieces, Ganjam has ventured into new terrains: not just in the use of precious gemstones, where it is one of the very few Indian jewellers to use only hand-selected, 'f' colour diamonds in all its jewellery, but also in the introduction of new weaves and techniques to India. The emphasis on innovation, design, quality, craftsmanship and heritage has made Ganjam jewellery not only fascinating but also highly desirable, as it combines the best in international trends with the richness of traditional Indian craft: fine jewellery that is born in India and designed for the world, truly a contemporary classic.

Ganjam's flagship location is in Bengaluru, where it was founded. The company operates through directly operated stores in New Delhi and in Mumbai's Taj Mahal Palace, a popular destination for luxury tourists. The brand also promotes itself internationally. A private exhibition of handmade and heritage jewellery was held in London in June 2011. The company launched a line of jewellery to appeal to the Japanese market in 2010. Although the collection retained the 'Indian essence,' the line was modified to meet customer expectations in Japan and create a contemporary treatment. The company planned to use this venture, pursued in collaboration with Japanese Citizen Jewellery, to enhance their brand awareness and presence in the Japanese market. Ganjam also expanded its reach to the United States.

The challenge for the brand has been to handle the paradox of maintaining a balance between the classic and the contemporary in terms of designing – from creating jewellery with deep historical religious significance to crafting cultural pieces with references to the contemporary world of today. With a tagline 'Heighten you senses', the brand aims at creating an exclusive image among high-end consumers, but is yet to face the test of time of being globally accepted against brands like Cartier and Van Cleef & Arpels.

Manish Arora

Manish Arora is one of the most contemporary designers of the fashion world. This star has flashed the light of his talents in many

parts of the world and has, hence, made a mark and created his own style of working. He plays with colours and cuts to create magic. The designs of Manish Arora are different and unique. He always tries to pick up a theme or a character before designing for the shows. Bright colours are the main feature of his designs.

From the catwalks of New Delhi to some of the most coveted in Paris, his career trajectory is desired by every designer today. The Mumbai-born, New Delhi-educated designer, who has been a mainstay on the Indian design scene for many years, made his international debut at London Fashion Week in 2005. It has been a roller-coaster ride ever since with acclaimed shows in Paris and a host of successful new lines, including the diffusion label Fish Fry and Indian by Manish Arora, as well as his eponymous label Manish Arora.

Known for his richly ornamental style and eye-popping palette, Arora often digs deep into his heritage for inspiration. His biggest validation came in early 2011 when he was named the creative director of iconic Franco-Spanish label Paco Rabanne, becoming the first Indian to head up a major international fashion house. Arora divided his time between New Delhi and Paris, where he designed two collections simultaneously for his own brand and Paco Rabanne. Paco Rabanne and Arora recently parted ways as the brand expressed gratitude to Arora for his creative energy in helping to revive the brand. The challenge is to focus on Manish Arora the brand and not the designer and to be internationally known both as a designer and as a brand along the likes of Tom Ford.

Today, his work is regularly seen on the likes of Lady Gaga, Katy Perry and Nicki Minaj, and the list of Arora-ites continues to grow. Manish Arora stands for innovation, craftsmanship and unconventionality.

The Leela Palaces, Hotels and Resorts

The Leela Palaces, Hotels and Resorts were established in 1987 when the company's first hotel opened in Mumbai. For more than 25 years, The Leela has become a highly reputable, award-winning luxury hospitality organization. In the last decade, the hotel group has doubled in size and grew from four hotels to eight when the Chennai hotel was recently opened. Three new hotels are planned to open in Agra, Asthamudi and Jaipur.

Brand recall for The Leela among guests and consumers in India is very positive, but outside the country, the brand is virtually

unknown. Dramatic changes in design (notably a blend of traditional aesthetics and contemporary styling in Bengaluru, Udaipur, New Delhi and Chennai) are elevating the perception of the brand. The Leela Palace New Delhi, for example, is located in the heart of Chanakyapuri near the capital's prestigious Diplomatic Enclave. It is the first new hotel to be built from the ground up in New Delhi in 30 years and the most expensive hotel ever built in India, at an estimated cost of US \$400 million. It is also the first hotel in New Delhi to receive LEED Platinum certification. The Leela aims to create a buzz about the brand nationally, and also positively position the group globally as a brand on the move in India.

As the company moved towards its 25th year of owning and operating luxury hotels, the family ownership determined it was time for a thorough brand evaluation and possible repositioning. In 2010, The Leela reached out to Paris-based Landor to re-develop a brand identity strategy that included the creation of the company's first design and style manual.

The challenge that The Leela faces today is to differentiate itself from its competitors and balance luxury with value in an ever-changing luxury environment. It has engaged in identifying and actively communicating with key audience segments for the discerning affluent market, from the baby boomer with the means to indulge in the very best life has to offer to the younger, moneyed 'next generation' which aspires to the same standard of living. The goal is to harness the power of The Leela by managing and controlling the corporate and brand identity of the group, and heightening awareness in target domestic and international markets. Along the corporate identity journey, milestones include a call-out in four 'ownable' brand territories: Indian – Luxurious – In harmony with nature – Graceful (Figure 15.1).

The Leela stands for 'The Dynamism of New India', a sensory and energizing emotional experience. The Leela is about Indian expression without guilt, celebrating and bringing alive the richness of a new, rising India, proud of its heritage and looking forward to inventing a greater future. The brand is at its best when providing its guests an overwhelming sense of warmth and welcome. The corporate and brand identity with new advertising, as well as their official website's re-launch in April 2011, are effectively elevating The Leela's position nationally and globally.



Figure 15.1 The Leela Palaces, Hotels and Resorts visual driver

The global streak

The above examples of Ganjam, Manish Arora and The Leela Palaces, Hotels and Resorts demonstrate how Indian brands can succeed in international markets based on market success in their home land, combined with a focus on its historical and cultural traditions. However, this route may not be as effective for all Indian luxury brands.

The following two cases demonstrate how Hidesign and Forest Essentials collaborate with international luxury conglomerates as a key strategic component of their international strategy. The rationale is not only to attract investment but to acquire the necessary know-how and expertise in order to succeed in international markets.

Hidesign

Hidesign was founded in 1978 by Dilip Kapur in Pondicherry, India. The company specializes in leather goods and markets them as affordable luxury. The brand has seen huge success since its humble beginnings and now has over 60 stores in India and a distribution network across more than 20 countries, including the US, UK and Australia. Hidesign goods sometimes bear the mark of Indian influence, but the designs are quite classic. The company has been trying to improve brand perception and bring it up to compete with other luxury brands. One strategy has been to set up joint ventures with companies such as Braccialini in Italy. Also, in March 2012, Hidesign launched a new collection in collaboration with Italy's Alberto Ciaschini, titled 'Alberto Ciaschini, Handcrafted by Hidesign', in order to move into the luxury segment.

The second strategy has been to invite investment by international conglomerates. In 2007, it was reported that LVMH acquired 20 per cent of Hidesign and was considering choosing Hidesign to perform repairs to LVMH products sold in India. Also, this would allow LVMH to have a mid-range brand in its portfolio that could compete with America's Coach or Italy's Furla, as well as offer the Japanese consumer an affordable alternative to Louis Vuitton. However, the tie up has far reaching implications for Hidesign's global expansion plans. It will essentially give Hidesign access to LVMH's valuable expertise and know-how of handling global brands. According to Dilip Kapur of Hidesign, 'There is a big difference in saying we are an international brand in the sense that we are available internationally, and saying that we are an international brand that is recognized internationally. How do you move from this to that? I think we need partnerships for that. We don't have the knowledge and would have taken too long to find our way. That's why we decided to accept this offer of help, in a way, from Louis Vuitton' (Venugopal 2010).

It is generally acknowledged that consumers often perceive Hidesign as a UK brand, meaning the brand is not openly associated with India outside of its home country. However, since India does benefit from international recognition for its leather industry, the Indian association might not be harmful to the brand. Hidesign has also extended into other sectors such as hospitality. The brand's tremendous success domestically as well as abroad has forced the company to expand production aggressively, as well as increase its

international retail presence in a very short period of time. According to Kapur, 'We open one factory every two years. We are looking at opening another plant in either south or east of India' (*The Economic Times* 2011).

Forest Essentials

The investment of international luxury companies represents an emerging trend in India. In the same vein, in 2008, Estée Lauder acquired a minority stake in the *ayurvedic* cosmetic company Forest Essentials. Forest Essentials is a unique Indian luxury *ayurveda* cosmetic brand that was launched in 2000. The unique selling point of the brand is that it combines the traditional aspects of cosmetics made according to *ayurveda* with a modern element: lighter textures and pure essential oils as opposed to regular *ayurveda* products, which are messy and uncomfortable. This makes the use of these products light, pleasurable, and utilitarian. The brand has 18 stand-alone stores across eight cities around the country. Their products can also be found in leading five-star hotels including the Taj, Hyatt, ITC and Intercontinental.

Clearly, the idea behind Forest Essentials is to build a niche, prestige brand that advocates the use of luxurious *ayurvedic* products. Even though it is tied to the culture of India, the brand aspires for a global appeal and therefore the product packaging and store design are not ethnic Indian.

The collaboration with Estée Lauder has given Forest Essentials access to sophisticated technology and the highest standards of quality. Additionally, they can utilize Estée Lauder's network of research and development centres around the world. In our opinion, Forest Essentials has carved a place for itself in the market as a distinctive luxury cosmetic brand, but is still at the 'implementation' stage. Therefore, there are many efforts that can be made in order to increase its impact on the cosmetics industry in India and internationally as well.

The success of luxury brands is mainly determined by their ability to innovate and provide affluent consumers with a unique and bespoke brand experience. Currently, the company largely supplies to hotel chains and spas, which makes up about 60 per cent of its revenue. In the short-to-medium term, the company must gradually move its focus towards retail. This will help to penetrate the growing Indian retail market and enhance product credibility among an

affluent younger consumer base. There are now more layers of luxury than ever before to match new levels of affluence. Generally speaking, buying power in developed economies as well as in emerging economies has been on the rise.

The developed strength of the brand will thereby act as a strong foundation to propel it into the relatively more mature international market. More and more consumers around the world are interested in beauty products with a natural heritage, and Forest Essentials has the opportunity to be among the first from India to be launched internationally in this segment.

Know-how and capability from unexpected quarters

One fascinating development is that the power of distributors has become stronger, as the emerging markets increase in importance. For example, Mercury in Russia is by far the dominant player for watches, jewellery, cars, and many other luxury items. In the Middle East, Damas and Rivoli have a very powerful integrated distribution and retail network. And in China, there is Xinyu Hengdeli, which is a publicly listed company. Groups like Swatch and LVMH have taken stakes in these companies. The L-Capital investment in Genesis Luxury Pvt Ltd and Fabindia in India is the latest event in this chain of inter-related activities across the BRIC countries. The natural next step, which is already starting in some cases, is that these big groups will extend their activities into Europe and the United States. The BRIC countries are moving from being consumers of luxury to being full-fledged luxury players, by building their own brands, investing in Western brands and expanding their distribution networks. It is expected that such tie-ups will bring in expertise and knowledge of how to handle global brands.

Some other interesting events are Hermès' launching of Shang Xia, a local luxury brand in China, and Chanel's Asia-centric collections. Shang Xia's opening in Shanghai is surprising, to say the least, considering that it is the first time in its history that Hermès has created a brand, and it is the first time in its history that it will incur revenues from products made in China. Hermès maintains that the move is motivated primarily by the wealth of the Chinese culture and its manufacturing tradition. Hermès has announced that the second Shang Xia shop will open in Paris. Similarly, Chanel has

launched specific collections with the Chinese consumer in mind. The latest look is a long, slim dress in a rich, opulent fabric, slit to the thigh on each side to give a glimpse of a contrast lining. That this style borrows from the traditional Chinese cheongsam is probably not a coincidence. It is equally remarkable to note that Hermès has created a limited edition collection of *saris* made in France which are exclusively available in India. Luxury house Bottega Veneta has a limited-edition 'Knot India' clutch to its credit, which blends conventional embroidery with a signature Bottega weave and has 'India' embossed on a sterling plate inside, just below 'Made in Italy'. In December 2011, Gucci introduced two limited edition bags for India, which are exclusively available at their three Indian boutiques. Both bags, in fact, feature an 'India Exclusive' metal plaque inside.

Will we see some regional Indian brands break into the global arena soon and stand tall amongst the likes of Cartier and Ritz-Carlton? Which business model will succeed? What will be the bottlenecks? Will the markets evolve in an anticipated and expected pattern or will they change in an unpredictable way, requiring new strategies for future growth? More importantly, how should Indian luxury companies plan their presence across the key markets of the world? Time is the most critical factor. It should be invested adequately for a brand to grow to its full potential.

Outlook

The rise of Indian brands on the global stage is testimony to the emergence of Indian luxury. We see no reason why the concept of Indian luxury does not have the potential to go beyond the traditional categories of jewellery, hospitality, fashion and wellness. We ask provocatively, if Western luxury consumers will ever be enticed to buy Indian wine? The answer may be surprising as premium wine is not associated with India, but Nashik based Sula Vineyards, India's first wine brand, is overcoming country stereotypes by ensuring that it meets quality standards. Sula Vineyard won silver for its Sauvignon Blanc at Decanter World Wine Awards in 2011. Moreover, its Rasa 2007, Dindori Reserve Viognier 2008 and Riesling 2009 were awarded 88 points on erobertparker.com, an independent wine reviewing website by leading wine critic Robert M. Parker, Jr. The brand has

indeed an international following and has a presence in 15 countries including Germany, US, UK and Japan.

Do these occurrences hold relevance for an Indian luxury brand? They do. Firstly, it allows the brand to observe and learn a global brand's strategy from an arm's length and refine its global footprint. Secondly, it allows a brand to understand its own local market strengths and capitalize on it further. Thirdly, these aspects allow an Indian brand to realign its merchandising mix to captivate a global audience. Additionally, it helps refine the sourcing and manufacturing aspects of the business to be more in line with global standards.

The time needed to build a global brand is shortening, thanks to faster communications, more pervasive media and new media. While Japanese companies took 40 years, and South Korean companies took 25 years, Indian companies might only need 10 to 15 years. Based on the trends that are seen amongst some Indian brands, we feel that India should be able to develop global luxury brands, much faster than other BRIC countries. There will be a mix of failures and successes, but failures can be largely avoided by playing on the strengths of the origins of authentic Indian luxury.

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Recognizing the Future

Glyn Atwal and Soumya Jain

We mentioned at the beginning of this book that the luxury market in postmodern India is experiencing the first stage in its growth. As India enters this new era, marketers need to be prepared for the next phases of development. The social and economic fabric of India is changing fast, leaving India a complex, unpredictable and sometimes confusing market. Tomorrow's India will be a very different India to that which we observe today. The challenge will become greater as new consumers emerge and old consumers mature. However, the long-term rewards of this potentially massive market will continue to stimulate interest and attract investment. So even as brands presently struggle to gain a foothold in the country, luxury marketers need to start identifying future influences if they are to stay ahead of the game. We have identified the following factors that we believe will impact the Indian luxury market in the years to come.

Redefinition of luxury

Luxury consumption will increase in terms of absolute market size, maturity and complexity. The world of luxury will expand to include broader swathes of society, including first time consumers such as young urban professionals, Punjabi farmers, and small and medium business owners. Consumers who are not based in the metropolitan cities of Delhi, Mumbai and Bengaluru, will not want to miss out either. Luxury shoppers will adopt a brand that will match their financial restraints and lifestyle aspirations. New entrants into the world of luxury will start valuing the acquisition of luxury brands

as a way up into the social hierarchy, while the current consumers will slowly move up the ladder as they increasingly appreciate luxury for its internal benefits and craftsmanship. As existing consumers mature, they will start seeking haute and bespoke luxury brands for the experiential value that they can deliver, coupled with unrivalled aesthetics and quality. Luxury will become more personal for these consumers, and deriving true pleasure will become a driving force of luxury consumption in the future.

Culture of lifestyle and luxury

Luxury has traditionally enjoyed an aura of exclusivity and status in India. This is changing in terms of how consumers are embracing luxury as a language of self-expression. This is particularly prominent amongst the so-called 'Facebook Generation' and young urban professionals, increasingly conscious about the image they wish to project to the outside world. This is leading to new and different consumption habits. The essence of luxury will be less rigid in the traditional sense and become largely elastic and flexible. First, consumers will continue to trade up to buy a luxury brand that will be mixed and matched with mainstream brands such as Zara to develop a unique personal style. It will not be uncommon to see professional women donning a Zara jacket with a Burberry bag. Second, these consumers will also be more likely to buy fake luxury fashion brands as well as authentic luxury brands in order to create the right look and image. Third, consumers will mix local inspired styles with Western fashion to create a fusion of an Indo-Western look. Finally, consumers will seek new luxury consumption occasions that go beyond traditional events such as weddings and festivals, which will also encompass untapped product categories such as interior design. A universal theme here is experimentation and style that will create an even more vibrant culture of fashion and lifestyle.

Female empowerment

A double page advertisement in the women's magazine *Femina* (November 2011) urged women to 'Face the world with confidence'. The advertisement was for Botox which is one of the many beauty, cosmetic, fashion and jewellery brands that are targeting a segment

that has been traditionally ignored by advertisers and marketers alike – women. The new urban woman will represent a new growth opportunity for luxury brands. The rationale is simple: empowerment. Only 20 per cent of India's urban women work, but in a traditionally male dominated society, the evolving roles and growing influence of women is changing the balance of power. A sense of independence (not only financial) is enabling women to make their own choices. A survey found that 42 per cent of highly educated women in India earn as much as or more than their spouses, compared to just 25 per cent in the United States (Hewlett and Rashid 2010). This changing dynamic provides women choices ranging from marriage to careers and how to spend money. In short, increasing numbers of women have a desire to succeed on their individual terms. They know what they want from life. This self-belief will have a positive impact within the luxury sector, in particular within sectors such as fashion and beauty. Women are shaping their own identities and luxury brands will play an increasingly important role in facilitating this transformation.

Brand responsibility

Corporate Social Responsibility (CSR) has often been regarded as a Western phenomenon. This is misleading. Increasing prosperity and awareness of social and environmental issues combined with the historical influences of Gandhian values have left an impact on consumer sentiment. Luxury consumers in India want to be associated with brands that make efforts to be responsible and ethical. Brands will come under increased scrutiny and will be required to be answerable for their actions. Some luxury brands are starting to implement CSR activities as part of a longer-term strategy. Hidesign is an eco-friendly leather goods brand that has carved out a niche for itself. The brand launched a competition 'Art of Reuse' to mark World Environment Day in 2011. The contest challenged participants to create new designs out of leather scrap provided in the 'Art of Reuse Kit', which were made available at all their stores in India. This activity strikes a positive chord with modern luxury consumers. As Okonkwo (2007 p. 304) states, 'The current luxury consumer is also interested in brand stories related to ethics, morality, corporate social responsibility and other ways that the brand provides substance.'

Brand India

India is regarded and celebrated as being 'cool' by a large majority of its population. Success stories of India's influence globally have instilled a sense of national pride. This new confidence in the country will place greater competitive pressure on international luxury brands to adopt a 'Made for India' strategy. Brands which are able to connect emotionally and culturally with the Indian luxury sentiment will be better adapted for this environment. Internationally, Brand India will change the perception of the country. Local and international consumers will start recognizing 'Made in India' as a label representing high quality, creativity and authentic luxury, replacing the earlier perception of India as a land of inferior goods. Indian luxury brands such as Hidesign and Lecoanet Hemant have found growth opportunities in international markets. Likewise, international brands will no longer write off India as a place of manufacture of luxury goods. Whether it be Jaguar, Prada or Louis Vuitton, we predict India will evolve as country of inspiration and craftsmanship.

Global standards

The emphasis for many luxury brands in India has been focused on getting hard factors, such as distribution and brand image, in place. As luxury brands get established in the marketplace, consumers will not only expect, but come to demand, the same or even better service delivery in India than in other parts of the world. Brands will therefore need to invest in delivering global standards of service. For example, Indian service engineers at BMW's dealerships in India have been trained at BMW's training centres in Singapore, Malaysia and Germany. There will also be a need to focus on the development of soft skills. The recruitment, training and management of employees as brand ambassadors will be critical in ensuring that the values of the luxury brand are seamlessly communicated to the customer.

Reverse learning

Indian managerial know-how within the luxury sector will be increasingly valued globally. The acquisitions of Jaguar by Tata and Escada by Megha Mittal are just two examples of how luxury brands, which have been bought by Indians, have not only retained their heritage, but

also sustained success after the acquisition. As the International Herald Tribune (2012 p. 18) commented, 'Tata Motors should be rightly proud of the success it has achieved in reviving Jaguar Land Rover's fortunes.' International players will be able to learn novel best practice from Indian stalwarts. For instance, Deshpandé and Raina (2011) observe how the organizational culture at the Taj Group has given the company a distinctive and competitive advantage within the hospitality sector. Luxury skills and competencies will start travelling from East to West, with consumers being the ultimate beneficiaries in both markets.

The story of luxury in India is not breaking news. History is repeating itself, albeit, in a more evolved way and with a larger consumer base. Yet, the road to success in India is not a straight one. Necessarily, it is rather convoluted. Luxury brands will continue to learn in this complex market and grow. Capturing a place in the Indian market will require not only intelligence combined with intuition, but a long-term commitment and desire to turn dreams into reality. Errors will be made and fortunes also. Welcome to India.

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