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Luxury in India: Top 10 trends for 2016

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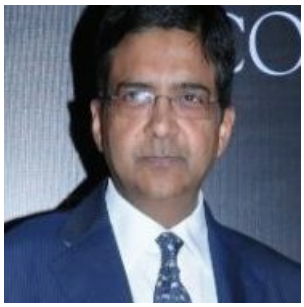

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By Abhay Gupta

The Indian luxury landscape is experiencing strong evolutionary undercurrents that are redefining the consumer profile and how luxury players will need to operate in this domain during 2016.

In the last few years, luxury in India has been growing at a compounded annual growth rate (CAGR) of about 25 percent. As per a report by ASSOCHAM, the market is expected to hit $18.6 billion by 2016 from the current $14.7 billion.

Service areas such as fine dining, electronics, luxury travel, luxury personal care and jewelry saw increasing revenues and are expected to grow by 30 percent and 35 percent over the next three years. Spending on luxury cars continue to rise growing upwards at 18 percent to 20 percent over the next three years.

As the purchasing power of women is rising in India, the luxury beauty products market is witnessing a fast-paced growth. Bolstering the increasing size of the Indian Luxury market, private equity investments in the segment are also expected to elevate.

Although the segment has faced challenges in the recent past, but the industry is looking forward to positive developments such as the addition of new luxury players to the mix, improvements in infrastructure, the advent of digital luxury, among other trends.

Luxury is no longer the privilege of the few who were born into wealth. There is now a larger consumer base, which has the money to splurge but want a real value proposition. In 2016, this will be the biggest challenge faced by luxury brands this year.

The key trends and developments one can expect to further fuel growth in this sector are :

1. Digi-lux, the new mantra: A hesitant adopter of the digital space, luxury brands today have slowly but surely started giving in to this phenomenon. A combination of physical stores, digital experiences and social media engagement is the new mantra.

The millennial consumer seeks collaborative opinions and collective influencers to finalize his purchase decision. Suddenly, jewelry to cars to real estate to services all will be sought on the Internet. "Increasing mobile and Internet penetration, mcommerce sales, advanced shipping and payment options, exciting discounts, and push into new international markets by e-businesses are the major drivers of this unprecedented growth," a joint study by Assocham-Deloitte said.

2. Step outside the metro cities: As per latest Kotak Wealth Report, just 55 percent of the total luxury market revenue is generated from metro cities of Mumbai, Delhi, Chennai and Kolkata. The balance 45 percent comes from smaller and new towns.

Despite the low outreach by luxury brands in tier 2 and tier 3 cities, luxury consumption is growing steadily due to high Internet penetration, increasing awareness among youth and growing purchasing power of the upper class in tier 2 and 3 cities.

It is stated that:

- 16 percent of revenue comes from cities such as Bengalaru, Ahmedabad, Pune, Nagpur, Hyderabad and Ludhiana

- 7 percent from cities such as Surat, Jaipur, Lucknow, Kanpur, Indore and Vadodara

- 22 percent from rest of the small towns and cities

3. Increase of HNI's: India has the fastest-growing number of high-net-worth individuals (HNI) in the world. The size of HNI and ultra-high-net-worth individuals (UNHI's) in India continue to rise and they spend a considerable part of their income on luxury brands, as compared to the middle-income segment that spends 8 percent to 10 percent of their income on luxury products.

4. Pre-owned luxury is a disruptive force: With the trend of luxury consumption changing from "having" to "being," more millennial luxury consumer wants to enjoy the luxury of owning the product, but is questioning the need to splurge on the latest collection with no clear value proposition besides being the first to own it.

Enter the pre-owned luxury seller. Sites such http://www.luxepolis.com offer pre-owned luxury at a relatively lesser price. Clearly, more such offerings can be anticipated to add to the demand.

5. Rent a luxury product: Why own it when you can experience it at a fraction of a cost? Going one step further, there are sites wanting to offer rent-a-luxury product and services.

One could look at renting cars to bags to wedding outfits to jewelry for a special occasion at much lower costs and yet flaunt as well as enjoy the brand, the product and the associated benefits. Consumers want to lap it up since it works completely well with their changing mindset as well as pockets.

6. Democratization of luxury: Brands across sectors understand that the luxury customer in India is not completely evolved. A purely intimidating approach may not help expand the base from its existing sophisticated customer.

An approach of lower lines in the hybrid mall is the perhaps the way to attract new clients and larger volumes into your domain. Examples to adopt are Armani Jeans, Brit by Burberry, Bulgaria perfumes and the Montblanc pop-up at Select City walk mall.

7. Collaborate, not compete: With the successful collaboration of an Indian designer brand (Sabhyasachi Mukherjee) and an international designer brand (Christian Louboutin), the trend is clear, maintain your core strength and do not dilute into every product category. Instead, brands should collaborate.

8. Personalize, customize, Indianize: Past offerings by International brands (Sari by Hermes; Nawab jacket by Canali) have clearly set the tone for future directions.

A luxury brand must not only personalize its offering to every individual customer, but must also allow possibilities of customization for easy adaptability. An India- centric range touches the sensibilities and draws in a fresh audience that can easily connect with the brand.

9. Make in India: With the Government of India offering special incentives and environment for fostering Indian luxury brands, the new generation of Indian designer has opportunities galore. They have the best education and global exposure to create new rules for themselves.

Also, being much younger, they are closer to the millennial mindset to connect with ease by the right offering. Success stories are Shivan and Naresh, and Rahul Misra and Nappa Dori have set great expectations in this direction.

10. Regulatory influences: That could affect the luxury landscape are:

- FDI in single brand retail: The latest initiative by the government in easing the sourcing clause on a case-to-case basis in single brand retail could see a renewed activity in luxury brands wanting to enter India.

- GST roll-out: Looming tax reforms in form of GST roll-out could substantially ease the tax pains of multinational luxury brands and help them operate seamlessly across multiple states and locations.

- Revision of cash transaction limits to 200,000 rupees from the earlier 50,000 rupees could help luxury sectors such as fashion, footwear, low-end jewelry and watches, and bags and accessories.

AS THE DISPOSABLE income of aspiring consumers in India and the share of men and women as a separate category is increasing, luxury brands in the country will continue to outperform.

Brands that can create an omnichannel presence to maintain personal touch with customers across all platforms and focus on maximizing the efficiency of supply chain and human capital by training their associates will be the ones to increase conversion and retention.

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