

Q&A

## India's luxury market in the shadow of COVID-19

April 10, 2020



Typically a bustling rail hub in Mumbai's business district, the Chhatrapati Shivaji Terminus (formerly Victoria Terminus) wears a deserted look as the COVID-19 lockdown continues in India. Image credit: India Today/Milind Shelte

By MICKEY ALAM KHAN

India's luxury market may not be as big as China's or most European countries, but its growing list of billionaires and millionaires is impressive. So how has the COVID-19 coronavirus pandemic affected the Indian market for luxury goods and services?

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In this Q&A, Abhay Gupta, CEO of Gurgaon, Haryana, India-based luxury consultancy [Luxury Connect](#) and [Luxury Connect Business School](#), offers insight into how India is coping with COVID-19, how luxury brands and consumers are adapting and the outlook for the business after the coronavirus subsides. Mr. Gupta is also author of an upcoming book, "[The Incredible Indian Luxury Bazaar.](#)"

Here is the interview in its entirety:

India does not seem to have that many cases of COVID-19 or even casualties compared to the West. Any idea why?

As per Wikipedia, the first case of the [201920 coronavirus pandemic](#) in [India](#) was reported on January 30, 2020, originating from [China](#). As of April 9, 2020, the [Ministry of Health and Family Welfare](#) have confirmed a total of 5,734 cases, 473 recoveries, including one migration, and 166 deaths in the country.

The country saw its biggest jump due to Delhi's Markaz Nizamuddin religious gathering held from March 13.

The reasons for the low number of cases in India could be attributed to preventive actions taken by the government as well as climatic, cultural reasons as under:

Suspension: Of all international flights with effect from March 22. India affectively sealed its borders by cancelling all e-visas as well as any inward international travel as a first step to prevent further ingress of any corona virus infected humans into the country.

Countrywide lock down March 25 to April 15: India imposed one of the world's largest lockdowns for a 21-day period, asking people to stay home and practice social distancing. The aim of the lockdown is to cut the possible

human-to-human transmission and reduce the number of cases. These are too early days to judge the impact of the lockdown, but could still play out by helping in reducing number of cases. It is widely speculated that this lockdown period will be further extended as per suggestions received from various chief ministers of different states.

BCG vaccination: Bacillus Calmette-Guerin (BCG) vaccine is universally administered in India to protect against tuberculosis. The Bacillus Calmette-Guerin (BCG) vaccine is now discussed as a possible reason for low COVID-19 cases in India. Other parts of the world are beginning to study if this could be a drug which prevents the covid affect.

Complete isolation of hotspots: Effective April 8, a complete isolation of identified hot spots in five cities has been undertaken. Localities, districts, residential clusters in cities of Delhi, Noida, Indore, Mumbai and Pune have been completed isolated, with no movement of residents even for essentials. All daily needs are being serviced by a government-controlled and -operated help line service.

Heat and humidity: It is believed that the virus may not be able to survive the hot and humid weather in India. While there is still no evidence that a rise in heat and humidity will slow down the transmission of the coronavirus, many experts feel it's still possible

Not testing enough: India has only tested about 47,951 persons. Capacity utilization across 126 Indian Council of Medical Research (ICMR) laboratories so far stands at 38 percent. We also have narrow testing, i.e. we test only those with travel history to affected areas or those who came into contact with a COVID-19 positive case. The narrow criteria help in reducing the burden on the public healthcare system, but clearly India is not testing enough.

Lack of self-assessment tests: The symptoms of COVID-19 like cough, cold, fever and breathlessness are also very common. Most Indians self-medicate or do not see it as a concern. Unless there is popular mechanism to enable people to take a self-assessment test on a daily basis, it's difficult to identify cases. These self-assessment tests should be in regional languages.

Preparedness and quick creation of makeshift isolation wards at malls, railway coaches, universities and other large spaces. The great Indian "Jugad" spirit is coming to our rescue.

How do you think COVID-19 travelled to India? Is it Indians visiting China, the origin of the virus, or bringing it back home from Europe or North America?

The COVID-19 coronavirus has definitely come to India through Indians and foreign travellers coming to India.

On January 30, India reported its first case of COVID-19 in Kerala, which rose to three cases by February 3. All were students who had returned from Wuhan, China. No significant rise in cases was seen in the rest of February.

On March 4, 22 new cases came to light, including those of an Italian tourist group with 14 infected members.

The transmission escalated during March, after several cases were reported all over the country, most of which were linked to people with a travel history to affected countries.

On March 12, a 76-year-old man who had returned from Saudi Arabia became the first victim of the virus in the country. Confirmed cases crossed 100 on March 15, 1,000 on March 28 and 5,000 on April 7. The death toll crossed 50 on April 1 and 100 on April 5.

How have luxury brands operating in India responded to the COVID-19 lockdown measures? Are luxury brands in India furloughing employees or keeping them on during this lockdown?

With all businesses and industries throughout the globe in massive chaos, there has been a grave economic impact of coronavirus across the sectors from tourism to airlines, from entertainment to education, from cruises to cars, from food to fashion and so on.

Marketers across industries are trying to redesign their business models and the luxury industry is no exception.

With store closures and customers stooping down in their homes, luxury markets have been severely hit.

In these situations, luxury brands in India are mostly operating online as currently there is no other way out.

Most luxury brands have responded positively to government directives.

Five-star hotels are also offering their rooms to doctors and healthcare workers for their in-between rest periods. Some are also converted into paid quarantine facilities.

Indian luxury brands are supporting the cause by making masks and or social activities like feeding the homeless, migrant labour through cash and kind.

In this time of crisis, brands are not furloughing employees and neither are they recruiting any new ones.

Many brands have announced salary cuts, but overall they are supporting their staff by being in contact with them constantly.

Backend staff is mostly working from home. There has been no reported furlough so far.

A few companies have asked their staff to go on paid leave.

How have Indian luxury brands and foreign brands present in the country responded to COVID-19 relief efforts in terms of donations of cash and material and equipment for healthcare professionals?

There has been a tremendous response by Indian and foreign brands towards support to the healthcare workers, medical equipment and general social causes.

From arranging corporate donations to manufacturing masks, ventilators to providing their premises for quarantine facilities, no effort has been spared.

Mercedes Benz, the luxury carmaker, has announced that it will be setting up a temporary hospital in Pune to help the authorities battle the ongoing coronavirus pandemic.

The Taj Hotels provides free meals for all healthcare workers, [petro-to-telecoms giant] Reliance group offers its hospital facilities, [automakers] Mahindra and Maruti Suzuki produce ventilators, whilst [hotel chain] Oberoi offers rooms to health care staff.

The spirit of Indians runs across religions, social classes and states.

In this time of a national- and global-level calamity, rich and poor are all donating to the PM [Prime Minister] Cares Funds from within and outside India.

Together we shall win seems to be the dictating spirit.

Many luxury brands source embroidery, textiles and gems from India. Will that business be affected after the coronavirus subsides? The sourcing luxury brands may be financially weakened after this health crisis, right?

I believe this is likely to happen.

While most retailers have cancelled their orders with the brands, the brand factories and offices in Italy have also been severely constrained due to this pandemic.

While China reports a trend of "revenge shopping" and a shortfall of merchandise due to the broken logistics chain from Italy, the exact fallout will be clear in a few months' time.

Eventually, I believe, people will get fed up and frustrated and will want to feel good. That is where luxury comes back mainstream drive in the feel-good factor.

How was the Indian luxury market performing before COVID-19 became an issue?

The Indian luxury market has been growing consistently at a pace of 20-25 percent per year for the past several years. It is believed to have been at a size of around \$40 billion, projected to grow to \$180 billion by 2025.

However, in 2019, India's GDP growth rates dropped quarter-after-quarter. S&P wrote down its growth forecast for the Indian economy first to 5.7 and then to 5.2.

Unemployment rates were steadily rising, and the Consumer Confidence Index was at a six-year low of 89.4 points.

Automobile sales were plummeting, while luxury automobile sales remained flat compared to 2018 numbers.

There appeared to be the proverbial "calm before the storm" with luxury retailers.

Jewelers recorded high sales in October to December, yet there was a broad sentiment of a dull 2020 going into the new year.

It is essential to understand that China plays a huge role in the world's luxury business today.

On the demand side, affluent consumers in Hong Kong and China form the No. 1, if not in the Top 3, markets for many luxury brands from Europe and the rest of the world.

On the supply side, Chinese manufacturing is a critical cog in the supply chain for luxury brands worldwide.

Early signs of an impact on the luxury industry were visible since the breakout in Central China in late-January.

Take the wristwatch industry, for example. Two large annual fairs in Switzerland scheduled for March remain cancelled, landing a massive blow to an already stressed twenty-something billion Swiss francs industry.

Luxury retailers in India were bracing themselves for supply delays, cancelled trade-fairs, and potential change in seasonal launches.

As if the macroeconomic conditions weren't complicated enough, two weeks ago the Indian financial system woke up to the Reserve Bank of India's takeover of Yes Bank.

The now-lifted 30-day moratorium put the brakes on banking operations of the fourth largest bank in the country.

With Sensex, Nifty [both stock market indices] and gold on a downhill, Indian rupee slipping against the dollar to an all-time low of 75, and 191 confirmed COVID-19 infections in India [*at the time of this interview April 9*], the hope for a stellar year for India's luxury businesses is all but wishful thinking.

What is the size of the Indian luxury market in dollar terms? And what about the size of the luxury goods and services consumed by Indians on their travels?

As per a report by Statista, revenue in the luxury goods market amounts to \$9.09 billion in 2020.

The market is expected to grow annually by 5.8 percent (CAGR 2020-2023). The market's largest segment is prestige cosmetics and fragrances, with a market volume of \$3 billion in 2020.

India is one of the fastest-growing outbound travel markets in the world, second only to China, making Indians a well-traveled and well-informed lot.

It comes as no surprise when the Indian traveler is veering away from the path well-trodden and looking beyond the standard run-of-the-mill offerings. This change is reflective in family travel and individual travel alike.

Fueling this change in customer mindset is the changing demographics of the Indian landscape, helping redefine the notions of luxury for the average Indian family.

India's luxury travel market is growing rapidly with an annual projected growth rate of 12.8 percent by between 2015 and 2025.

As per reports, India will account for 50 million outbound tourists by 2020, making India the 6<sup>th</sup> largest business travel market.

In addition, Indian travelers overseas are large spenders.

The usual products purchased by Indians during trips abroad includes products like watches, bags, footwear, travel accessories, fashion products and jewelry.

There is no qualifying data to measure the same but as per a statement by Altagamma, if all Indians who shop luxury overseas begin to shop in India, the market size could double.

What sort of luxury products and services do affluent Indians typically gravitate toward? What about the aspirational luxury consumers' preferences?

While within India, the tendency of high-value purchases leans towards automobiles, real estate, home decor, gold and diamond jewelry, wedding accessories and bridal merchandise.

Fine dining, hospitality, vacation spending, elaborate weddings, private villa's, wellness, beauty, skin care and high-value concierge services are much in demand.

In addition, millennials are increasingly becoming an important cohort for companies in India.

Consumer spends on high-end experiences, travel, clothes, stay and jewelry.

Millennial in India are increasingly indulging in lifestyle expenses. The aspirational luxury consumer attitudinally is an adventurous group that enjoys taking risks. They are also conscious of their appearance and how they come across to others, and value experience-based products.

Which Western luxury brands do Indians typically prefer and buy? And local luxury brands?

The taste here is varied, but generally speaking, like in the rest of the world, Louis Vuitton is considered to entry step in to luxury.

Be it a bag, a travel gear or even maybe a belt, it is absolutely essential for one to own a LV product to consider himself a luxury connoisseur of sorts.

Other brands which are popular could be names like a Christian Louboutin, Rolex, Tag Heuer, Zegna, Canali, Armani, Audi, BMW, Jimmy Choo, etc.

Amongst India-born luxury brands, the bridal section is dominated by names like Sabyasachi, Tarun Tahiliani, Rohit Bal and Suneet Verma amongst others. The Oberoi as well as the Taj group of hotels are equally popular, too.

Affluent Indians bought luxury goods on their travels overseas. That has stopped. Will it resume after the lockdown? Will COVID-19 affect the aspirational luxury market in India? Aspirational luxury consumers' jobs must be at risk, right?

I personally believe that travel will perhaps take a while to kickstart. Most businesses are now getting comfortable with digital meetings over Zoom and such applications.

Leisure travel will perhaps be very restrictive due to a psychological scare.

Hygiene, proximity and social distancing will loom large in the minds of travelers.

Life is going to change and every need or desire will be questioned through a different lens.

For the affluent, for whom luxury is a way of life, luxury goods are necessities. Nothing will change for someone who flies in his private jet to a pre-appointed destination store to enjoy the experience of pampering by a luxury brand.

Luxury may perhaps once again be the domain of the select few hedonists, aristocrats and people who enjoy and value the craft behind the brand and not just the social symbolic value.

Conspicuous consumption will be replaced by conscious, responsible and sustainable consumption.

Slow fashion may win over fast fashion.

On the other hand, the aspirational class will perhaps continue to indulge in the feel-good factor, but it may get restricted to someone who is in the upper middle income bracket.

Luxury brands may need to relook their democratized lines.

The nature of the jobs may change and employees may need to invest in reskilling, upskilling and getting further equipped.

What kind of messaging are luxury brands sending out to their Indian customers and prospects? How are they keeping the ties warm?

Most brands have been foremost ensuring the safety and mental wellbeing of their staff.

Upgrading and reskilling programs are being offered.

Team motivational sessions are being conducted by respective team heads.

Clients are being updated with brand messaging, brand social values, contributions and goodness communications.

I believe healthy engagement is being encouraged against direct sales pitches.

On the other hand, I understand, clients are reaching out seeking planned merchandise options ahead.

What next for the luxury business in India after the COVID-19 lockdown is lifted?

I believe that a wait-and-watch approach with a cautious optimism is in the air.

A drop in the 2020 sales is surely assumed, but scenario building will firm up once lockdown days are defined.

It is believed that there will be an initial spurt in sections of entertainment, wines and liquor, dining, hanging out and some shopping, too.

However, new norms that may come into acceptance with social distancing may alter the service dynamics.

With all businesses and industries throughout the globe in massive chaos, there has been grave economic impact of coronavirus across the sectors.

Marketers across industries are trying to redesign their business models and the luxury industry is no exception.

What is the outlook for luxury goods and services in India after the lockdown lifts?

After the crisis gets over, the luxury industry remains hopeful to bounce back to previous consumption levels. This is the perfect time for luxury brands to prepare themselves for the future by identifying the gaps, turning their weaknesses into strengths, and strengths into distinctive competences.

Retail tech will grow at a fast pace as new technologies will have to be introduced in all possible sectors of luxury to face the "new normal."

This pandemic may bring a major change in the consumers' mindset and the value system that underpins their luxury buying decisions.

People will become more responsible and cautious towards their luxury buying and will expect a lot from brands, which will lead towards sustainability.

The brands that would work to understand this and adapt accordingly will surely turn out to be the new champions.

I trust the luxury business is crisis-resistant and will bounce back in a new, more candid format.



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