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For luxury, is India the next China?

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China is undergoing a historic transformation away from capitalist values that is alarming global luxury brands. Could India offer a viable alternative? Image credit: Hems Spring 2008 ad

By [Adina-Laura Achim](#)

China is undergoing a historic transformation, and its "[capitalist smackdown](#)" has alarmed global brands, particularly in a time when supply chain chaos has created even more uncertainty. And while leaving China for good is unrealistic, looking to India as a strategic way to expand could be a winning strategy for luxury brands.

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For years, analysts have projected the rise of India as a global superpower, and not even the COVID-19 pandemic has thwarted faith in the country's long-term economic growth and stock market potential.

In a global strategy report published this September by Goldman Sachs, the American investment firm said India's stock market could grow [to more than \\$5 trillion](#) to become the fifth-largest in the world by 2024.

Additionally, direct foreign investment, political stability, and more highly-skilled workforce development have helped India accelerate its economic prosperity.

But until recently, the luxury industry has not taken advantage of India's transformation, nor did it position the country as a great equalizer to China to reduce the industry's dependency on the Middle Kingdom.

Meanwhile, some heritage brands such as Louis Vuitton, Hermès and Gucci have strengthened customer relationships and increased their profits and sales in India. But not all luxury brands managed to develop and replicate these winning market-entry strategies.

For example, [The Economic Times](#) highlights that the Indian unit of Hermès International reported a 55 percent increase in net profit at \$2.5 million (Rs 18.7 crore) for the fiscal year 2019 on revenue from operations of \$14.7 million (Rs 109.6 crore). But Christian Dior Trading India has reported a net loss of Rs 26.7 crore for the same period.

Of course, the COVID-19 pandemic has created new challenges, and luxury brands had to speed up digital transformation.

"[With] the pandemic accelerating the adoption of the digital mediums, more homegrown ecommerce portals have enabled luxury brands to reach smaller towns and fuel further demand," said Abhay Gupta, founder/CEO of Luxury

Connect, to *Jing Daily*. "In addition, distance selling, video-assisted sales and WhatsApp sales are ensuring an overall growth. India could very well be poised for a special place in the global luxury value pie."

Meanwhile, *Indian Retailer* shares Gupta's views, stating that India's "luxury industry has advanced five years in just three months."

And the luxury goods industry has also benefited from the projected rise of the country's super-wealthy population. India is already famous for the rapid pace of producing high-net-worth (HNWI) and ultra-high-net-worth (UHNWI) individuals.

Currently, India is home to 6,884 UHNWIs, and that number is projected to rise 63 percent to 11,198 by 2025, according to Knight Frank's Wealth Report 2021. India's billionaire class is also forecasted to grow by 43 percent from 113 in 2020 to 162 by 2025.

"With a fast-growing number of HNWIs, a vast youth population, a stable government at the center, and a largely aspirational demand-based economy, India is on the tipping point of much larger luxury consumption," Mr. Gupta said. "Earlier challenges of a complex duty structure, a lack of real estate worthy of hosting luxury brands and luxury skilled talent shortages are being rapidly overcome."

It is important to note that despite the massive increase in incomes in China and India and the growth of a thriving middle-class that has embraced **Western-style consumerism**, these neighboring countries have undertaken different routes to development and have significant socio-cultural differences.

In a paper published in the *Journal of Customer Behavior*, Julie Bogaert & Teck-Yong Eng argue that "India has always had wealthy elites such as the maharajas, upper class and royalty that consume luxury products throughout its consumption history."

By contrast, China's 20th-century communist ideology is in direct disagreement with luxury consumption. Conversely, luxury brands cannot develop the same market-entry strategy in India as in China, so an adaptive approach is more convenient in this case.

On the whole, India's luxury market offers a myriad of opportunities. However, it is unlikely to replace the United States and China anytime soon as the largest global luxury goods market.

The reality is that the size of India's luxury goods market is still relatively modest, standing at \$6 billion. Although, Euromonitor International forecasts that the market will be worth **\$8.5 billion in 2022**.

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