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The Luxury Roundtable: Does the Luxury Business Need a Rethink?

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INTRODUCTION

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This is the first luxury Roundtable of the country and probably of the world. Four years ago, in the 25th year of strategic partnership between the Indian Institute of Management, Ahmedabad (IIMA) and the ESSEC Business School, Paris, we came up with the idea of doing something different and new in the field of luxury management in India. ESSEC Business School has been the leader in luxury education for the last 15 years. The recent economic downturn has proved very clearly the importance of emerging economies in the business of luxury. This timely joint programme, which started in 2008, focuses on luxury education in two continents, Europe and Asia; two countries, France and India; and two cities, Paris and Ahmedabad. Therefore, although the Advanced Management Programme in luxury essentially happens one week in France and one week in India, more particularly in Paris and Ahmedabad, the learnings from the programme can be generalized for almost all the emerging countries.

The programme throws light on how to do business in the more developed countries. While two countries are looking at two different contexts, the learning from the programme is applicable across the world and to all kinds of product categories. From that perspective, we are essentially domain-agnostic and country-agnostic. Considering the requirements and the new challenges faced by the companies in this sector in India, the focus is on India. In fact, today we are emerging; ten years from now we may be emergent and France may then be an emerging economy. The whole programme is therefore designed from that perspective.

What we found was that even ten days of interaction with the participants of the programme, who were from the industry, was not actually enough. Therefore we

KEY WORDS

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decided to create a platform where people could meet more frequently. Our initial target was the alumni but in order to add value to our joint efforts, we thought of involving the industry also. Our gut feeling led us to believe that we could take home key lessons from a discussion-based conference that threw light on the perception of luxury industry in the world and specifically in India. The discussion could lead to personal experiences and a mix of academicians and practitioners could bridge the gap of knowledge creation in the luxury business.

For this Roundtable, we picked up some key issues on for discussion. Do we look at India as a luxury market? Have we really undergone a change? What have we learnt from all the experimentations that have happened over the last two years? From here onwards, do we really take a jump? Are we in a different orbit of luxury market today as compared to what we were two years ago? The answer seems to be definitely 'Yes,' but it is not a clear and simple 'Yes.'

This Roundtable is meant to concretize some of our thoughts on the luxury market.

Luxury Consumers in India: Finding the Needles in the Hay

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Does the luxury business need a rethink? I would try to talk about three aspects of luxury wherein we do operate on a paradigm which is not only largely different from the Western world, but also different from the Asian success stories — of Singapore, Malaysia, and Hong Kong.

A luxury market like Singapore which is far bigger than India in terms of business is smaller than an Indian Metropolis. In three or four hours, one can cover all the stores of Singapore, the entire market, in fact all the destinations. The same task in India would take me six days if I just go about visiting my stores, taking commercial flights from City A to City B or C. One of the biggest key difference in terms of approach from a marketing perspective or from a business perspective, very simply is the fact that India is geographically wide – very wide. And, the actual luxury consumption is not small here. In fact, the country has quite a large number of luxury consumers who are unfortunately spread over a wide terrain creating a unique problem of marketing or sales. There are a lot of needles and there is a lot of hay. The challenge is to find those needles in the hay.

> We have a hangover of Gandhian philosophy. Consumption, in the traditional Indian sense, is not good. We are supposed to feel guilty of consumption. We believe in investing. So, convincing somebody about the value of a particular Louis Vuitton Bag or a Tag Heuer watch and making him pay the kind of price they demand becomes much more difficult.

The second key problem arises from the fact that we have a hangover of Gandhian philosophy. Consumption, in the traditional Indian sense, is not good. We are supposed to feel guilty of consumption. We believe in investing. So, convincing somebody about the value of a particular Louis Vuitton Bag or a Tag Heuer watch and making him pay the kind of price they demand becomes much more difficult. The second big difference lies in the dynamics of marketing. About three years back, we suddenly noticed a lot of luxury malls coming up; the general thumb rule was to open a big store, get the best furniture, the best visual merchandising, pay for the most expensive staff and the store would be succesful. This combination works very well in China. Rent the biggest possible store, create the biggest façade, which may cost somewhere around few million euros and the store is bound to be successful. Unfortunately, in the Indian context, it did not work. There were two problems – One, that Indians did not understand consumerism and secondly the rich people like needles were well spread in the entire country. Any business model which says "I will come, create a big store, and be successful," will not work. It won't work because there would be many needles in a big spread. Any retail model which thrives on one big store in Bombay, one in Delhi, will not work – you need many stores to cover the country and you need a lot of money to educate people on brands and luxury. I have been associated with Tag Heuer, which has been universally accepted as a marketing success in India. We entered the country ten years back, created a fairly big business and for most non-believers of luxury business in India – we are a profitable business today. It may not be comparable to what a China gives, or to what a Singapore gives, but we still are a profitable business. It has taken us seven to eight years to establish the distribution network which runs over 30 cities; we sell through 75 multibrand outlets. We have stores in places like, Guwahati, Jalandhar, Amritsar, Indore, Nasik. It took us eight years to become a brand in India. We invested in media, in events, and above all in Shah Rukh Khan to make it happen.

Any retail model which thrives on one big store in Bombay, one in Delhi, will not work – you need many stores to cover the country and you need a lot of money to educate people on brands and luxury.

The third complication arises with respect to compliance. We have a very complicated administrative structure. The government cannot, for obvious reasons, support a 'luxury industry'. Not only in terms of taxes and duties which everybody talks about but also in terms of the way business is conducted. In terms of its various nitty gritties, compliance becomes quite a significant issue for anybody trying to get into this business. The dynamics of various government organizations around you could be quite a sizeable factor in deciding which way you want to operate and how you want to operate in India.

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I would reiterate the keys to success. Firstly, it is obviously a distribution game; and so, one will have to figure out the distribution correctly. Secondly, we have to be very clear about the fact that Indians do not understand luxury. In a traditional sense, we don't consume, we prefer to invest. So, one would need to come up with some marketing idea to educate people on that. Thirdly, one has to keep an eye on the way compliance works. It is a very complicated web of rules and regulations.

Logic of Luxury in Emerging Markets

Ashok Som

We will try to understand the logic of luxury in emerging markets. Brazil, Russia, India, and China (BRIC) today account for approximately 18-22 per cent of the world's luxury market. The luxury market is growing at 20-30 per cent in these countries and it is estimated that BRIC will contribute approximately 36 per cent of the global luxury market by 2015 and is predicted to have the largest base of luxury consumers. It is true that the emerging markets have not been hit as hard as the industrialized countries.

The recent financial crises of 2008 revealed that luxury industry is not immune to crisis. The crises originated in the financial industry in the US, Western Europe, and Japan and they have been the most affected by the crises. Also as we all know, France is the originator of most of the luxury brands followed by Italy. But their most important market after the continent of Europe is Japan, which has been hit substantially by the crisis. The country that is actually bearing the burden of the crisis or is turning around the crisis for luxury goods is China. Russia has wealth, knowledge, and experience in luxury; it sees potential for luxury products consumption in two of its cities, Moscow and St. Petersberg. For China, it is an entirely different story; it is the growth engine of today's luxury industry, the growth being exponential in the last 6-7 years. Although we have always seen China and India as the dragon and the elephant, the Chinese luxury consumers want outwardly visible and status-driven products. The Chinese consumers are exhibiting a symptom called "Release phenomena" — a situation wherein a long-term boundary or restriction is removed thereby creating an exuberance and the urgent need to experience and own all the good things in life. It is a market which is largely driven by the 'Logo' strategy. The Indian luxury consumers on the other hand are value-conscious and are constantly on the look-out for stylish and aesthetic products and services which are complementary in nature. Craftmanship and values are important for relating to an Indian consumer and thereby, creating long-term relationships. Thus entry and business development in India are a big challenge for most luxury brands. Only Louis Vuitton can boast of having profit in the luxury space in the Indian luxury industry. Consumer expectations are also very varied in the BRIC nations. The Chinese luxury consumers want mostly outwardly visible and status-driven products which in the luxury parlance is called the 'logo strategy.' The bigger the logo, the more the tendency to show off. The Indian luxury consumers are different – they are more conscious and probably look for customizing their needs. Thus what the Chinese consumers would want today is not what the Indian consumers would want today. Similarly, in Russia, the consumers expect luxury products to have a balance between tradition, modesty, and wealth. And interestingly, Russian consumers usually have been seen buying goods that have much higher prices than they are ordinarily sold at because they like to show off that they can spend that amount of money for a valuable product. Thus, consumers in these countries have become more and more aware and conscious of not only quality but also status.

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Brazil, a country that is very rich, having ample natural resources including precious stones, has another story to tell. It has more than 180 million consumers and very strong financial management, which has played an important role in keeping the foreign investment from leaving the country. The luxury industry in Brazil is bolstered by the presence of ample natural resources, including precious stones like emeralds and tourmaline, which enable businesses like H Stern to be fully integrated from mines to retail. The fashion industry in Brazil is particularly dynamic and can produce everything internally, but so far it has focused on the domestic market. However, given the local know-how for building brands, we may see the emergence of more Brazilian brands building international businesses. There are a billion of customers here and the potential for these customers for the luxury goods is a huge landscape where there are challenges, strengths, and weaknesses.

The ***first*** key challenge in these markets is education and knowledge about the luxury industry. Our experience has shown that education has made a difference in the luxury industry and those who know the product would like to compare, contrast, see, and experience what they like before they buy. It is indeed important for the luxury industry to understand the demand and the market as there is no global strategy for the industry in general. The ***second*** challenge is the size and population of these countries. BRIC countries are the most populated in the world. If we take these four countries together, it is close to more than 3 billion people, which is half the world's population. These countries have some brands which have been very successful in the past, though they have not been known globally like the French or the Italian brands. It may not however be true that consumers from these countries would only like brands which are from the developed nations of the world, e.g., France and Italy. The ***third*** challenge is distribution. In countries like France and Italy, one might have witnessed 3-4 high-streets, where most of the luxury shops are located. For instance, Place Vendôme, Avenue Montaigne, rue Cambone in Paris, which are known as centres of luxury shopping. But in countries like China, India, Brazil, and Russia, not many exclusive luxury destinations can still be found.

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To come back to our key question of logic of luxury in emerging markets, it has no easy answer. Hermes launched Shang Xia, a local luxury brand in China – a brand that would be made in China, for China, and sold in China. With its first boutique in Shanghai, it was the first time in its history that Hermes created a separate brand and it is also going to be the first time in its history that it would incur revenues from products made in China. Exclusivity, limited production and high quality manufacturing in France have been part of its DNA since the brand was set up. Unlike Louis Vuitton or Gucci, Hermes has had, strategically, a much slower rhythm of expansion for preserving exclusivity and maintaining its position of a true luxury brand. Chanel, on the other hand, 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. In a sense, we see some companies following entirely diverse strategies in the same emerging market. One brand made a product for a particular market thus clearly distancing its original product from the local market while another brand adapted its product to the local market without distancing its brand DNA. Lastly, India is a market for tomorrow and hence what should be the strategies the companies here need to imbibe and follow in order to succeed in this market? The path would not be easy for the luxury brands.

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Hence my questions for the Roundtable are: Which model would succeed? What would be the bottlenecks? Would the markets evolve in an anticipated and expected pattern or would it change in an unpredictable way wherein new strategies would have to be devised for future growth? More importantly, what are the learnings for India? Would companies say that they needed a different brand for Indian consumers or would they adopt the global brand for the Indian consumers?

Louis XIII: The Niche Inside the Niche Market

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I represent a luxury brand called Louis XIII. It is a special product — a 100-year old cognac, a bottle of which has an MRP of Rs. 2 lakh. You can imagine the reaction of the customers in India where with Rs. 2 lakh they can buy two 'Nanos'! What is important to understand is that the Cognac market is a niche market and Louis XIII is the king of cognacs. As a group, Remy Cointreau came to India just a year ago. I joined the company a year and a few months back. Till now we have only been distributing our products through a distributor. This itself shows that our company has realized the importance of being in India. We have missed the boat a little, and still there is a lot of catching up to do; yet it is never too late, and what is most important is that the market is absolutely right.

> After the recession, everyone is only talking about how legitimate the products can be. Because a consumer will invest only if he/she knows that a product is legitimate; that it is not here just today and going to vanish tomorrow.

Quickly getting to the cognac market, just to give some idea about the numbers, we measure the liquor segment in cases, a case having twelve bottles. Cognac in fact is a type of brandy. The Indian brandy market is 23 million cases in total. This includes the whole spectrum of brandy right from the McDowell's to the up-end Cognac. In this scenario, if I was to get cognac in, it is interesting to note that the cognac market is only 10,000 out of the 23 million cases. So, people may be really wondering why are we here in such a market where brandy is so huge and cognac is only 10,000 cases. There are two ways of looking at it. One is to consider India to be a whisky market and therefore you flee thinking that cognac is too small. Alternatively, one may think that India is all about whisky, so why not bring cognac in? Why not give consumers something new? India has spending power; we all know where India is heading; so, why not try something different? That is what our logic is. Here I must add that within these 10,000 cases, again cognac has different categories — the base category, the VS, which is around Rs. 1,800-2,000 a bottle on one end and a Rs. 2 lakh Louis XIII on the other. You can imagine, out of these 10,000 cases, how small Louis XIII market would be. So, aptly this is a niche inside the niche market. The universe of reference — for us Louis XIII — is a luxury product. It is not just a cognac, but the king of cognac.

In school, we had learnt that luxury is all about heritage — authentic having legitimacy. After the recession, everyone is only talking about how legitimate the products can be. Because a consumer will invest only if he/she knows that a product is legitimate; that it is not here just today and going to vanish tomorrow. Louis XIII has been here for over 135 years. The speciality of Louis XIII lies in the fact that it is a 100 year old cognac, a blend of 1,200 different *eaux-de-vies*[1]. These *eaux-de-vies* are aged between 40 to 100 years. Our cellar master today blends cognac that was aged about 100 years back. So, you drink a century in a bottle. Apart from that these are aged in barrels that are 100-year old. The decanter itself is a hand-blown Baccarat crystal one; it takes around 60 hours to make one decanter and the neck of the decanter is 24 carat gold. An empty decanter sells for approx. Rs. 15,000 to 20,000. A 30 ml. bottle of Louis XIII is priced at Rs 20,000. Last week, we had some guests from France and I had been taking them out on market visits, to most of the outlets where Louis XIII was available — the Taj, the Mauryas, and the Sheratons — the bottles were half empty or less than half. This was really encouraging. In fact what is strange is that in J W Marriott in Bombay, a peg costs Rs. 39,000. It is amazing to see the movement of price levels in these hotels. In terms of target, all luxury goods are looking at the same set of people who have resources and the capacity to spend. But what is interesting is the need stage – the 'text book' luxury needs including emotional, gifting, celebration, show-off, which I must focus on.

> All luxury goods are looking at the same set of people who have resources and the capacity to spend. But what is interesting is the need stage – the 'text book' luxury needs including emotional, gifting, celebration, show-off.

We had recently organized a dinner in Chandigarh — the whole idea was to convey the message that having a bottle of Louis XIII worth Rs. 2 lakh is something that one should be proudly talking about and sharing with people. If we notice carefully, Punjab has that sort of a culture. In terms of marketing, what is im-

[1] *Eaux-de-vie* is the French word for water of life which is a cognac.

portant is to be visible, present in legendary places, like the Leela and the Taj. The new Leela that is coming up in Chanakyapuri is buying a limited edition of Louis XIII worth Rs.15 lakh (1.5 mn) – called the rare cask. This would be the first hotel in India, and just the fourth property in the world to own Louis XIII rare cask with an MRP of Rs. 70,000-75,000 a peg. That is the kind of market opportunity we have in India. If someone has a Louis XIII, he should feel the moment; drinking Louis XIII should be a moment to cherish forever. When you are talking of luxury; when you are paying so much for that moment, you have to get the feeling of wow! You should feel something special, different from the others. For this, education becomes very critical. Cognac, being a very small market, makes it all the more important for us to educate people. Of course, single malts are in, but it is getting passé now. Everyone knows single malt; they now want to know the next new thing. So, we are trying to educate on both fronts — the end consumer and the hotel outlet because at the end of the day when you enter the Taj, it is the outlet steward who would be selling the concept to you. The best way of selling Louis XIII in our experience as of now has been through intimate gatherings of 20-25 people for whom tasting Louis XIII is an entirely new experience. Private dinners are arranged at the most luxurious venues with the 'right' kind of people that gives them a networking opportunity, while following the full ritual of tasting Louis XIII. It works in smaller intimate gatherings; it may be a soft sale but one to one.

> In terms of marketing, what is important is to be visible, present in legendary places, like the Leela and the Taj.

A couple of months back, we were present at the launch of Bugatti Veyron – the legendary sports car. In India who can ever drive a Rs.16 crore Bugatti? There were about 50 people for the launch and we served Louis XIII because that is the target market we were looking at. In India, the rules for liquor are very tough and it cannot really be advertised openly. Public relations is our main tool to get the message across, get people excited, get them to know about Louis XIII. One of the things we have been doing is trying to build advocates of the trade or media. We had taken a couple of people to Cognac in France early last year. They went to the *chateau*, tried Louis XIII; they saw the whole experience.

> When you are talking of luxury; when you are paying so much for that moment, you have to get the feeling of wow! You should feel something special, different from the others.

This is big for us. I would like to summarize the only learning that we have had till date. The core principle of luxury is about telling stories. Our product is so special that there are many stories attached to it — The name Louis XIII — Why did that happen? Why are some bottles of a particular shape? We felt story-telling would be the best way to popularize such a brand. The end consumer picks up a few points and of course has something to talk about to his friends while serving Louis XIII. That is what luxury means for us and that is what Louis XIII is all about.

EPOCA: Bringing Italian Luxury to India

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I want to start by adding a bit of perspective on what luxury really means and I would split the discussion into broadly three aspects. When we say luxury, there is a product side to it, which basically includes categories like apparels, accessories, watches, and jewellery. Then there is the asset aspect which includes the luxury cars, luxury homes, etc. The third aspect of luxury is services, luxury services. I am going to focus in particular on the product side of luxury.

We run a format called the Epoca, a luxury format, probably not like the Louis XIII, but one that operates in the luxury space — somewhere between luxury and premium. The idea of Epoca evolved to make a luxury item more accessible in India – to take luxury to the next layer. We largely deal with the product side of apparels, accessories, footwear, etc. In terms of numbers, Epoca's market may be expected to be somewhere between $1.5-2.5 million. Not very big, in fact a bit disappointing for the company. However, the positive aspect is the high potential of the market which is growing at 30-35 per cent. Even in the year of recession, in 2009, the market was growing at a healthy 18-20 per cent which is a reasonably good sign. This is broadly the space that we operate in. We offer a model that would make luxury more affordable for the consumer. We mix up the current collections with the best-sellers of the previous collections. The reason why this model was evolved was because — firstly, we thought that the Indian consumer was extremely value-conscious, not necessarily price-conscious; and secondly, we thought that fashion in the Western world is very different from the fashion in the Indian world, but Indians eventually catch up. In fact, the fashion quotient is catching up and the gap is narrowing but there is still a gap. How do we address these gaps? For instance, a particular design which is being released in Italy today will definitely come to India, and even become popular here, but it will take some time. From our experience, the time could be a year or six months before it typically gets adapted. For example, a short dress which is released in Milan will get custom-made with a legging in India over a period of one year. So Indians adapt in terms of wearing that particular outfit, but it takes time. So, we said, "Let's give that particular product some time to be adapted into the Indian market. Let's not do it immediately." Perhaps launching something which has been released internationally simultaneously in the Indian market may not be right.

Fashion in the Western world is very different from the fashion in the Indian world, but Indians eventually catch up. In fact, the fashion quotient is catching up and the gap is narrowing but there is still a gap.

Our experience with Epoca has so far been fairly interesting. But if we look at the retail market in general, and luxury in particular, the opportunities are immense, however not without a couple of bottlenecks. One very big problem which most of the people in the luxury space face is with regard to real estate, the right destination to be able to run luxury formats. Internationally, there are very distinguished locations for such formats, but in India, locations are not very well-defined. Even if they are, sometimes the costs are so prohibitive that viability suffers. The second challenge we have seen is manpower, skill power. If we look at luxury space today, we realize that the kind of talent and training which is required barely exists. The third thing I think is the regulatory aspect – the duty structures and the tariffs are still very high. That becomes another constraint in our operations.

One very big problem which most of the people in the luxury space face is with regard to real estate, the right destination to be able to run luxury formats.

Within the luxury space, within fashion, an appropriate model for India has not yet evolved. I feel, a large part of the players are still struggling to sort of discover what that right model is. India is a unique market. Customization for the Indian market is very important. We have not seen anybody do that. In fact, 95 per cent of the international brands have not done it. Of course, there have been exceptions here and there. We are not China. Ours is a very different market.

Within the luxury space, within fashion, an appropriate model for India has not yet evolved. I feel, a large part of the players are still struggling to sort of discover what that right model is.

One more thing that I would like to share is that the paradigms are completely changing for luxury. Buying a pair of Rs. 25,000 shoes is not a luxury anymore. A customer who can replace his Rs. 40,000-50,000 mobile phone every year is also spending Rs. 25,000 on a pair of shoes, and he doesn't blink an eye! We are talking about consumers who are very young, probably very freshly employed at the entry stage of their career, who are willing to spend that kind of money. So, signs are very encouraging at our end but it is again like the needle in the hay.

The market is concentrated on the one hand, but very scattered on the other. We have got a couple of customers from Coimbatore who have come and shopped extensively with us and asked why we do not think of having a store there. So, there are buyers everywhere. There are pockets, and there have to be novel ways of reaching out to these customers. We decided to proactively approach our customers and see what reactions we got. Our team just picked up the phone and called up some of the HNIs in Delhi for a private show in merchandise. Based on some basic homework, we asked questions like, "What's your taste? What colours you typically like? What sizes you typically wear?" And, we got a phenomenal response. What I want to emphasize is that the Indian market in that respect is very different; and so, there have got to be different ways, preferably new ways of reaching out to these people. The market surely exists.

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Do Social Media Enhance Consumer's Perception and Purchase Intentions of Luxury Fashion Brands?

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Social media is the buzzword for many brands – not only luxury brands, but even the others use communication tools such as Facebook, Twitter, chat forums, web blogs, podcasts, youtube.com, brand websites, and applications for smart phones/iphones, etc. In fact, luxury fashion brands have increasingly invested in social media over the past few years. Today if you go to Facebook, you will find all the brands having at least one Facebook page each. Some have so many pages that it is difficult to figure out which one is official and which one is unofficial. So, my question is: Does social media really enhance brand perception and eventually purchase intention of the consumers for luxury fashion brands? If it does, that would be a fantastic investment. If it does not, then the question is: Why then do we invest in social media in the first place? What is the use of social media for brands?

Social media is extremely popular especially among the young adults (under 40 years) who have actually grown up with the new communication technologies that are also progressively very intuitive and user-friendly which in turn increases their popularity. Everybody under 40 owns a Facebook account, owns a smart phone like iphone or Blackberry and surfs the Facebook or Twitter everyday. I looked into some of the key brands that have invested heavily in social media to see how they communicate to the consumers. And, their communication was not consistent across brands. For instance, the web site of Gucci clearly indicates the social media platform they use – Facebook on one side and Twitter and You Tube on the other. But for some brands like Chanel, it is really difficult to find out; and only after going to the Chanel News section, one gets some indication that they are on Facebook and Twitter. So, it is like looking for needle in the hay to find out if they have something.

Social media is not just something you delegate to the intern in the company who has been hired for six months to set up the Facebook page and put some pictures in it.

That is not enough. If you invest, you have to communicate to all; you should in fact be proud of your social media investment. In the case of Chanel, for example, if they had fantastic applications on iphone, why didn't they communicate on the front page of their website? Why didn't they put up the information in their catalogue and instructed downloading of their Chanel applications? Instead of being proud, it seems as if they are almost ashamed to be on social media. If it is such a taboo, then why invest in it? If you don't believe in it, don't do it. If you believe in social media, then do it and be proud of it and communicate through your catalogue and bags that you give out — put up the address in all those applications. Today most of the iphone applications, e.g., for Chanel, Burberry, Hermes, are spread through word-of-mouth. There is no official communication and yet they have a fantastic application.

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My study covered 13 different brands, focusing mostly on luxury fashion brands, the bunch consisting of French, Italian, and English brands, both small and large. – Large brands like Chanel, Dior and so on and small brands like Stella McCartney and Emilio Pucci, another small Italian brand and so on. And I looked at nine different forms of social media including Facebook, Twitter, Chat forums, Web blogs, YouTube and iphone application, etc. The study used an online questionnaire to collect responses from 354 young adults and measured their perception and purchase intentions of the 13 luxury brands that invested in social media.

The luxury fashion brands included: Armani, Burberry, Celine, Chanel, Dior, Dolce & Gabbana, Emilio Pucci, Gucci, Hermes, Miu-Miu, Prada, Stella McCartney, and Yves St Laurent. Table 1 shows the demographics of the sample and Table 2 reflects the respondents' usage of social media in general.

Independently, we also collected data on how actively those fashion brands have been investing in social media. The findings showed a very low awareness of the luxury brands activity in social media (Table 3) and consequently their usage. The findings also showed no impact of social media investments on consumer's perception (Table 4) and purchase intentions of luxury fashion brands (Table 5).

I received one interesting input when I asked a respondent if he was aware of the brands that were active in social media. The highest response rate came from Facebook, YouTube and online shopping web site. It is not just enough to have a Facebook; it has to be made interesting — with animation, updated news, and response to questions posed by people. The most active ones are that of Burberry, Dolce and Gabbana, Gucci and Pucci and the least active ones are Celine and Miu Miu,

Table 1: Sample Social Demographics

Sample size:

- Completed questionnaires: 354 (resp. rate: 65%)
- Nationality: 52% French

Male	150	42%
Female	204	58%

- 87% shop online regularly
- 86% use Facebook frequently
- 82% visit brands' websites at least several times per month
- 64% use YouTube frequently
- 53% use smartphone/iphone apps

Age	Response	%
18 or less	1	0%
19-24	222	63%
25-29	84	24%
30-34	22	6%
35-39	13	4%
40-49	7	2%
50 or more	5	1%
Total	354	100%

having just one page. The brands that are most liked are the classic brands like, Armani, Burberry, Chanel, Dior, Hermes, and Prada. I also asked them how they perceived those brands because social media is universally a hit today. So it should actually enhance the perception of their brand image. But surprisingly, 35 per cent of the people still perceive Burberry as an old- fashioned brand though it is one of the most active brands in social media today. Last summer, Burberry had a fashion show that was broadcast live on 3-D screens in some major cities across the world – in London, Dubai, Paris, and Brazil. They are super active and very creative, yet they are perceived as old-fashioned. Similarly, Hermes is also perceived as an old-fashioned brand. I would like to ask them: If money is not the issue what are the chances of their buying the brand? The brand that most would buy is the brand that they like. So, there is a strong correlation between liking and purchase intention.

One of the learnings from this study was the significance of the investment strategy in social media. It should be a carefully thought-out long-term strategy – like any other business strategy. It should try to answer these questions: What exactly do you want to achieve? What goals have

Table 2: Respondents' Usage of Social Media

Question	Never	Several times per month	Once per week	Several times per week	Once per day	Several times per day	Responses
Facebook	20	21	9	25	67	212	354
Twitter	250	37	17	23	13	14	354
Chat forums	202	69	20	30	15	18	354
Web blogs	132	95	33	46	26	22	354
Podcasts, Web Feed, RSS Feed	166	77	40	33	23	15	354
Brand websites	63	131	57	66	22	15	354
Online shopping websites	46	150	56	76	15	11	354
Youtube.com	12	71	46	108	55	62	354
Iphone/smartphone applications	122	30	16	29	16	141	354

Table 3: Respondents' Awareness of Luxury Brand Activity in Social Media

#	Question	Facebook	Twitter	Chat Forums	Web Blogs	Podcasts/ Web feed/ RSS feed	Brand websites	Online shopping websites	YouTube.com	Iphone/smart phone applications
1	Armani	134	55	37	76	31	298	162	90	56
2	Burberry	145	70	46	74	37	295	178	73	59
3	Celine	93	35	36	49	23	271	108	44	22
4	Chanel	125	35	42	69	41	292	122	100	71
5	Dior	135	41	40	67	39	296	149	82	65
6	Dolce & Gabbana	148	58	38	76	36	295	173	93	59
7	Emilio Pucci	81	33	28	40	26	284	98	48	20
8	Gucci	135	54	34	69	34	298	160	72	63
9	Hermès	107	34	29	53	27	297	108	63	38
10	Miu-Miu	102	37	26	56	25	276	117	51	21
11	Prada	125	43	30	64	33	288	142	61	48
12	Stella McCartney	111	50	35	57	35	285	128	54	31
13	Yves St Laurent	111	36	30	52	31	293	122	80	41

you set for yourself? How are you going to execute your plan? How do you plan to integrate it with your overall business strategy?

Putting the facts together, the brands that are most active in social media are actually under-performing in brand liking and purchase intention. In case of Gucci and Pucci, investment in social media does not really bring in good returns in terms of brand liking and purchase intention. In conclusion, investment in social media is not sufficient to enhance brand perception or purchase intentions. Perhaps this effect would be seen in the longer term; it is just the beginning of the social media age. If you remember, a few years back, we all talked about e-commerce when luxury brands had just started to get into e-commerce. Some brands did not actively participate in e-commerce. All they did was to register the domain name so that it was not stolen and they had the page with the brand name and nothing actually happened. It was just a blank page. I think, we are still at the beginning of the social media era.

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Table 4: Respondents' Perception of Luxury Brands

Brands	Old-fashioned	Contemporary	Trend-setter
Armani	71 (20%)	**187 (53%)**	96 (27%)
Burberry	**125 (35%)**	**156 (44%)**	73 (21%)
Celine	91 (26%)	**205 (58%)**	58 (16%)
Chanel	99 (28%)	128 (36%)	**127 (36%)**
Dior	73 (21%)	**144 (41%)**	**137 (39%)**
Dolce & Gabbana	31 (9%)	152 (43%)	**171 (48%)**
Emilio Pucci	86 (24%)	**223 (63%)**	45 (13%)
Gucci	51 (14%)	**182 (51%)**	121 (34%)
Hermès	**160 (45%)**	117 (33%)	77 (22%)
Miu-Miu	41 (12%)	**203 (57%)**	110 (31%)
Prada	51 (14%)	**172 (49%)**	**131 (37%)**
Stella McCartney	38 (11%)	**190 (54%)**	**126 (36%)**
Yves St Laurent	**120 (34%)**	**147 (42%)**	87 (25%)

Table 5: Respondents' Purchase Intentions of Luxury Brands

Brands	1 = very unlikely	2	3	4	5 = very likely	Mean
Armani	67	49	58	58	122	**3.34**
Burberry	39	50	63	60	142	**3.61**
Celine	90	71	87	36	70	2.79
Chanel	33	40	54	57	170	**3.82**
Dior	42	37	58	82	135	**3.65**
Dolce & Gabbana	101	49	63	70	71	2.89
Emilio Pucci	120	85	93	34	22	2.30
Gucci	71	59	70	68	86	**3.11**
Hermès	26	26	39	56	207	**4.11**
Miu-Miu	79	70	80	51	74	2.92
Prada	55	30	70	82	117	**3.50**
Stella McCartney	73	67	84	71	59	2.93
Yves St Laurent	31	38	73	75	137	**3.70**

Luxury Retail: Creating Brand Experience

Piyush Sinha

There are several issues which were clearly raised in the above discussions.

If there are customers who are not concentrated, but are spread out, how do we reach them? Distribution is thus an important issue. But distribution is just about reaching the market. Having reached the market, we will have to see if we are creating the right kind of brand experience. That is the question we need to answer. How do we fufill the promise? In such a situation, how do we treat retail? We should take retail and luxury not only as an accessibility problem but also as a means of recreating the experience for those who would have known the brand and also creating an experience for those who have not really heard of the brand or know the brand much, but may now be ready to experience the brand for the first time physically or online. Let us look at the two routes to reach the customers. You can reach them through physical or virtual mode. In the physical sense, we could cater to a mall, or be part of a departmental store. Alternatively, we could use a different way of reaching the market and take the online route.

We should take retail and luxury not only as an accessibility problem but also as a means of recreating the experience for those who would have known the brand and also creating an experience for those who have not really heard of the brand or know the brand much, but may now be ready to experience the brand for the first time physically or online.

Online medium is good but then there are certain issues. The customer is deprived of the 'touch and feel' experience. In the online world, what has been found is that the brand which is established sells more because the customers already know what they are buying. Interestingly, luxury brands will face a challenge if they go online as slowly online retailing is becoming a very goal-directed purchase in the sense that one does not actually window shop. We wish that people actually think along the lines of effortless movement from one site to another. But research shows that customers are actually not doing so much of window shopping online. In fact they are very goal-directed. You go to your machine, open the page that you think is the best, buy whatever is available. Spend a few minutes here and there; if you don't find it, you get out of it. The attention span of online window shopping has dwindled like anything. The reason I think is understandable. We do multi-tasking. Several windows are open simultaneously. So, when I go to one site and if it takes more than a split second, even a little more than what I am expecting, I would switch windows. Now while opening that window would show that the customer had visited that shop, it would not reveal whether he had actually got what he wanted. That is a challenge particularly for the luxury products. Any other product would not face this problem because the utility of that product would be known. In the case of luxury, what came up in the course of discussion was that it is the interactivity of the customer with the product that would bring about maximum utility. Now, the question is: How do we create the required interactivity with the customers and that too at a cost which would be justified and which would not add much to the cost of the delivery and hence make the product more valuable to the customer. Based on my experience, I find that whatever is happening in India reflects exactly what is happening in the other emerging economies.

Luxury brands will face a challenge if they go online as slowly online retailing is becoming a very goal-directed purchase in the sense that one does not actually window shop.

What is, however, puzzling is the response of the customers. But more importantly, while the numbers are still manageable, with the possibility of profits coming in, the issue is how the customers in different regions are going to buy as the markets differ a lot from one territory to another. Further, if one wants to retain his product in a particular region, accessibility would have to be taken into consideration. For example, if there is a requirement to open a store, it will have to be first seen whether it would be justified to do so. Finding the right place, location, and neighbours would all be extremely important. A large number of emerging economies are witnessing development in the field of retail but not in a very planned manner. It is being planned more from the real estate perspective. And hence, unless the company is very careful about it, they end up in what is conceptually called the 'mixed mall format'. It may have all the ingredients of being a high end mall but the neighbourhood may be a problem. How does one manage the flow of customers? A large number of customers may come and look at the store but may not buy there. They may buy *from* the store; but they don't buy *in* the store. So, you have a store but you don't see a single customer out there. When one enters a store and for sometime does not see any customer there, he would start asking himself: Do I enter the store to start with? Is it the store from where I should buy?

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These are issues that are very peculiar not only to this country but also to other countries like Malaysia, Indonesia, Philippines, Hungary, and Poland. We have customers coming into the store but not being very confident of buying or actually belonging to the league. That is how the role of the retail changes. How do we make these customers comfortable while buying? That is one of the biggest challenges retail is facing today. That could be one reason why online medium perhaps plays a good role, where one does not have to worry about the physical presence of buyers; one can buy without being seen. We must however understand the limitations of the media; the perceived risk of buying online is very high. This is something very strange. People want to buy but they don't want to buy the way they buy from normal stores. They are interested in buying a brand, but they also want to buy something that has utility. So, what essentially is happening is that when such a customer is emerging, in order to grow in my market, I go a little lower than what my niche is. And, the moment I go lower, the character of buyer changes – the way they buy, of course, not the product or the brand.

Therefore the retail outlet becomes the biggest brand builder of any product. Hybrid formats seem to be working much better than a single store format. With the right mix of online and physical stores, they may have a much better sales prospects. This suggests that whether we like it or not, customers want to touch and feel the product that they are buying. It is much more important in the luxury front. As Rishab was saying, "If the customer doesn't come to me, how do I tell the story?" How would I tell the story online? As the strategic planning director of a company said, "One of the biggest advantages of being physical is that I can wear the brand. How do I show it online?"

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There is immense opportunity for a luxury brand to create brands online, and that gets reflected in the *avatars* which are being built. How do I use retail to build a cult brand? Any cult brand has a basic character. There are a few brands and a large number of followers. That is why we need to be very sure that if we open a store, we should get people to the store. Because the stories that are being told need not be necessarily told by the customers. It has to be told by the people around us. So, in my opinion, in retail, there is a much more important role of communication than distribution. And that is what makes even luxury retail unique.

CONCLUDING REMARKS

Ashok Som and **Piyush Sinha**

In this Roundtable, what we have done is to explore a new kind of innovation. It was a pedagogical innovation where we discussed some issues that we had raised in the beginning. We don't know if the answers are right or wrong, but at least we, academicians and practitioners, have together found a direction for this nascent industry in India, i.e., the luxury industry, which is trying to create value by moving forward in small steps.

Some key ideas and takeaways that emerged out of the Roundtable are as follows:

- The sheer size of emerging markets needs a rethink, not only the geographical spread but also the size of the population. This means from a marketing and sales perspective "there are a lot of needles (millionaires) and a lot of hay (geographical spread)". To be successful in these markets, one would need to know and learn "to search for needles in a haystack." Most emerging market consumers believe in investing and not in consumption and thus the dynamics of marketing for them are entirely different from that perceived by the developed nations such as France or Italy. Be ready with deep pockets and at least an investment cycle of 3-7 years. And be ready to face bureaucracy and compliance.
- The logic of luxury in emerging markets is different. It cannot be generalized. Each emerging market requires a dedicated approach. Be ready to spend time in educating your consumers.

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> The role of social media is increasing significantly and should be thought about as a long-term strategy. Communication is the key after investment.

- The core principle of luxury is about telling stories. Story-telling might be the best way to popularize a niche brand. The end consumer picks up a few points and has something to talk about to his friends.
- The Indian consumer is extremely value-conscious, not necessarily price-conscious; and secondly, although fashion in the Western world is very different from the fashion in the Indian world, but Indians eventually catch up. Plenty of opportunities exist in India with consumers who are very young, probably very freshly employed at the entry stage of their career, who are willing to spend. The Indian market in that respect is very different; and so, there have got to be different ways, preferably new ways of reaching out to these people.
- The role of social media is increasing significantly and should be thought about as a long-term strategy. Communication is the key after investment.
- Brand experience is the key after creating the distribution channel. Retail outlet becomes the biggest brand builder of any product. The right mix of online and physical stores might be a key in emerging markets due to its size. Since the stories that are being told need not be necessarily told to the customer and by the customers, in retail, there is a much more important role of communication than distribution. That is what makes luxury retail unique, and that is why luxury needs a rethink in emerging markets.