

## **Luxury Retailers in India**

**Rina Chandran, “Luxury Brands a Tough Sell in Wealthier India,” *Washington Post*, December 25, 2008.**

India’s luxury market is likely to grow 25 percent in the next five years, but the environment remains tough for brands such as Gucci, Louis Vuitton, and Jimmy Choo. India’s luxury market continues to represent only a small percentage of its overall retail market compared with those in China, Brazil, and Russia.

The challenges in India are not a lack of wealthy customers but rather a retail landscape that cannot support luxury retailers. Indian consumers spend \$500 million on luxury brands abroad, equal to the amount they spent in India last year. Bollywood stars shop for Western designer goods, but most consumers maintain a strong cultural focus on intrinsic value rather than brand value. For jewelry, for example, the Cartier or Tiffany name has little appeal beyond the quality of the product.

Before 2006, foreign single-brand retailers could not own more than 50 percent of a local venture in India, and though they may now own up to 51 percent, they still require a local partner. Luxury brands thus really only entered the market in 2006.

Moreover, high import duties and tremendous regulation limitations drive prices more than 25 percent higher than the price of the same products found in Dubai or Singapore. Some retailers must offer only outdated products, because of the high price of imports on new products. The World Trade Organization has recommended cutting these taxes to balance the situation.

Finally, India suffers from a lack of retail spaces; even decrepit locations fetch higher rents than those in Amsterdam and Stockholm. Many luxury brands locate in high-end hotels, which offer minimal visibility. The first all-luxury complex, the Emporio Mall, is under construction, as gold-plated ceilings and marble floors get installed. It may mean luxury brands finally have the appropriate platform for growing and developing in India. Whether the rents will be affordable is another question.