

The Journey to the High-end of the Spectrum

High-end luxury, high-value services and high-technology are fast emerging as the new buzz words across India. Be it in services, retail, real estate, or value-added B2B services, India is fast moving to the high end of the spectrum

As the world continues to buzz about the growth, the rise in living standards and the growing investment into India, headlines proclaiming 'The rise of the great Indian middle class' have become second nature. Yet, without as much fanfare, almost behind the scenes, the top of the pyramid too has been expanding. Today, across the breadth and length of the country, high-end, luxury, high-value services and high-technology are fast emerging as the new buzz words. Be it services, retail, real estate on the consumer front, or value-added

B2B services or even our prowess in outsourcing services, India is fast moving to the high end of the spectrum.

These two parallel markets – the emerging middle class and the wealthy – have always co-existed in India. However, the transformation of the Indian landscape has triggered a palpable shift in mindsets among the growing number of millionaires from shopping abroad to shopping at home. Luxury has become a lifestyle, not just a fashion statement.

A Capgemini and Merrill Lynch World Wealth report found that 100,000 people in India had assets of over \$1 million in

2006, a 20.5 per cent year-on-year growth and the second fastest growth in the world, after Singapore.

It is an intriguing trend and one that is not lost on international luxury brands.

Automobile makers are looking at India as a top market opportunity as the staple Marutis and Hyundais begin sharing road space with brands synonymous with the global up-market ones.

Sales of luxury-cars, broadly defined as vehicles worth more than \$63,000, are set to rise by 30 per cent this year, crossing over 4,000 units. It's no wonder that high-end cars such as Rolls-Royce, Bentley,



Lamborghini, Aston Martin, Ferrari, Jaguar, Mercedes-Benz, Maybach and BMW alike are all beating sales targets in India.

India is also among the top ten nations using high-end mobile phones.

Turn to clothing, accessories and perfumes and the list of brands already in India reads like a list of the 'who's who' of the high-fashion world; Tommy Hilfiger, Calvin Kline, Hugo Boss, Chanel, Versace, Salvatore Ferragamo, Cartier and FCUK, to name a few.

Louis Vuitton's remarkable performance in India has spurred the other leading companies of the world's top conglomerate, Moët Hennessy-Louis Vuitton, to experience the market for themselves. The Gucci group is celebrating the inauguration of its first independent store in Mumbai. Exclusive Jimmy Choo outlets are set to open in the next six months and apparel label La Perla is set to launch its India presence.

Finally, accentuating the lifestyle leap and opening the door for other niche magazines is the launch of the 'fashion bible' Vogue in India.

The travel industry has already cashed in on the trend. Premium services such as the Lufthansa PrivateJet are being actively marketed in India. And, with the rising interest in owning a private jet, international manufacturers of very light jets (VLJs), that come at about one-third the price tag of current corporate jets, such as Epic Aircraft, Eclipse Aviation, Cessna and HondaJet are all eyeing the Indian market.

Domestic business houses are not far behind. Sahara Group's recently launched Paradisos 101 Millionaire Holidays constitutes India's first customised luxury holiday package; 165 luxury properties across the globe including exclusive island holidays.

While all of this marks a significant change from the traditionally conservative Indian, perhaps the most prominent manifestation of India's transition to high-end is the real estate market. Aided by tie-ups with international design firms, rising

real estate prices and the emergence of integrated townships, developers maintain that the bar for the super-premium luxury housing has risen from \$231,964 to over \$463,929 per unit.

As a joint study by The Economic Times and global consultancy firm A. T. Kearney proves, the numbers support the trend. The luxury services, assets and products segments were estimated at a combined \$4.2 billion in 2006.

While the \$377 million luxury products market includes watches and jewellery, electronics, wines and spirits, apparel and accessories, personal care and objet d'arts, the \$953 million luxury services market is dominated by hospitality and travel. The \$2.9 billion luxury assets market is by far the largest category as luxury homes, cars and private jets are among the top aspirational products for Indian consumers.

Opposed to common presumption, these luxury consumers are located across the nation and not in the metros alone. Be it Kanyakumari or Kancheepuram in the South, Jalandhar and Lucknow in the North, Surat and Pune in the West or Asansol in the East, luxury is catching on. Surprisingly, the typical luxury consumer is also young, falling into the 25-34 age bracket.

And that's just the beginning. The Indian market is expected to double by 2010 and further double by 2015.

Of course, that is only on the consumer side. India's professional capabilities are also moving up the value chain of perception from backend work to actual design, research and implementation.

In fact, driven by the shift in the market, the technological prowess and the improving infrastructural foundation, there has been a shift in the business approach. Every basic vertical has found



niche experts that are focused on the 'high-value'. In information technology, the wave of Business Process Outsourcing has given way to Knowledge Process Outsourcing and the number of international R&D centres based in India is on the rise.

The telecom base has converted mobiles into a million dollar industry. Today, with the telcos having laid the foundation of the mobile telecom infrastructure, niche work on customisation and enhancing internet and social networking features has given birth to a host of new businesses.

Similarly, specialised shopping centres such as Gold Souks have sprung from the large format, mall infrastructure.

India's luxury market may still be small as compared to the US, Japan, Germany or even China, but the rising number of high net worth individuals offers tremendous growth potential. As India continues its journey to the high-end of the spectrum, sustainability will once again be the key. How long will it be before the growing middle class join this market? That's the question of the future. 🌈

