

# RAYBAN SUN OPTICS INDIA LIMITED (RAYBAN)



*Luxottica Group is the world's leading designer, manufacturer and distributor of prescription frames and sunglasses in the premium and luxury segments.*

## Global overview of Luxottica Group

The history of Luxottica begins with Leonardo Del Vecchio, the founder of the company who gave it a solid foundation for its future development. Leonardo Del Vecchio opened his own shop in medal working after mastering the medallist's craft (engraving and striking medals). Thereafter with a far-sighted entrepreneurial vision, he left the medal working business to enter the small eyewear metal parts business. He moved his business base to Agordo, in the Province of Belluno, where 95 per cent of the Italian eyewear producers are located.

Luxottica s.a.s., a limited partnership, was established in Agordo in 1961. It initially employed ten people and was active in the contract manufacture of eyewear parts. The year 1967 marked the first significant strategic turning point in the company's history. Without interrupting the contract manufacture of semi-finished products, it started assembling parts to manufacture complete eyeglass frames sold under the Luxottica brand.

Today Luxottica Group is the world's leading



designer, manufacturer and distributor of prescription frames and sunglasses in the premium and luxury segments, having growth through the organic as well as inorganic route. Its distribution network covers all of the world's key markets in both wholesale and retail. Its wholesale distribution network covers 130 countries, with direct operations in the world's 38 most important eyewear markets. In the retail business, the Group enjoys the largest and most efficient network in the industry, with approximately 5,500 sunglass and optical stores worldwide. The Group is the leading player in the retail market in North America with LensCrafters, Pearle Vision and Sunglass Hut and in Australia and New Zealand with OPSM, Laubman & Pank and Sunglass Hut. Luxottica Group is also the leader in premium and luxury optical retail in China and Hong Kong, with 276 stores.

Company	Mode of presence in India	Year of entry	Key business
Rayban Sun India Limited	100 per cent subsidiary	1990	Sunglasses Optics

Luxottica Group's brand portfolio currently includes a total of 26 brands (eight house brands and 18 license brands). Luxottica Group's house brands include Ray-Ban, the world's best-known prescription and sun brand, as well as Vogue, Persol, Arnette and Revo. Leading license brands include Bvlgari, Chanel, Dolce & Gabbana, Donna Karan, Prada, Versace as well as Burberry and Polo Ralph Lauren (the latter two taken up on license from January 2006 and 2007, respectively). The Group's products are designed and manufactured in six production facilities in Italy and two wholly owned plants in China (the second started operating in early 2006). It is listed on the New York and Milan Stock Exchanges. Its strength and success are based on the work and commitment of 55,000 people throughout the world.

### Luxottica Group in India

Luxottica is present in India through Rayban Sun Optics India Limited (Rayban), which was incorporated in 1990 to manufacture Ray-Ban sunglasses and contact lenses as well as other ancillary products. A decade later, it hived off its contact lense business to a separate entity. In the sunglasses business, the company operates in two segments - mid-premium segment with a price band of Rs 2,500-5,000 (Euro 40-85) and the designer segment with a price band of Rs 7,000-

#### Luxottica's brands in India

- |                   |            |
|-------------------|------------|
| • Ray-Ban         | • Burberry |
| • Vogue           | • Versace  |
| • Arnette         | • Bvlgari  |
| • Chanel          | • Prada    |
| • Dolce & Gabbana |            |

20,000 (Euro 120-350). In the mid-premium segment, the key brands are Ray-Ban, Vogue and Arnette. Today Ray-Ban is a generic name when it comes to sunglasses and is expected to be the heart and soul of eyewear. Vogue has emerged as the number two brand in the company's portfolio and is positioned as the "affordable fashion brand for women". Arnette, a sports brand targeted at the young and those participating in outdoor games, was launched in 2004. The designer eyewear segment has luxury brands like Chanel, Dolce & Gabbana, Burberry, Versace, Bvlgari, Prada and has witnessed higher growth as compared to the mid-premium segment.

Rayban has a manufacturing unit in Bhiwadi in Alwar district of Rajasthan. The plant follows international quality standards and has the latest technological equipments and employee strength of approximately 150 employees. The company has about 1,000 dealers across 195 cities in India mainly addressing optical shops as well as modern distribution channels, mainly department stores. In 2005, the company had an annual turnover of



Euro 10 million, and an annual growth rate of 27 per cent. It achieved an impressive operating margin in 2005 of as high as 32 per cent up from 22 per cent in 2004. Rayban is listed on the Bombay Stock Exchange (BSE). While its parent Luxottica Group holds 44 per cent of its shareholding, the balance is held mainly made by public shareholders.

## Key success factors in India

### Strengths of its global brands

Rayban has effectively leveraged the strengths of its international brands in India. Many of its global brands have already been launched in India. The company ensures that the new models that are launched in the international markets are launched in India simultaneously. The advertising campaigns used by Rayban in India are global seamless campaigns, thus ensuring a consistent brand identity.

Rayban today has almost a 50 per cent share in the mid-premium segment of sunglasses. The brand's image is as rich as its history. Its product range, which confirms its everlasting appeal, and translates the best of the latest trends into an ever-contemporary look for millions of Ray-Ban wearers around the world, has been the biggest driver of growth for the brand. The luxury segment, despite presence of several competitors, has also added to the growth in the company. Despite the price sensitivity of the market, the company has not fallen into the trap of lowering prices and diluting its brand equity and image.

### Growing sophistication of the Indian market

Besides the strengths of its brands, the primary drivers of growth have been factors like the rising middle class households in India and the consistently high economic growth and the resulting disposable incomes of consumers. In addition, rising awareness of fashion brands with

more and more Indians travelling abroad, coupled with a growth in modern retailing formats, especially luxury brand boutiques have resulted in the company's high performance.

Even though unorganised players, including counterfeits and fakes imported mainly from China dominate the Indian market, Rayban has consistently endeavoured to address this issue through its media campaigns. These campaigns not only educate customers against buying these products and the necessity of ultra violet ray protection and distortion-free vision, but also work as an effective marketing tool for the company.

## Future plans

Given that the eyewear industry is expected to grow at an annual rate of 15-20 per cent, the company expects to achieve growth at the same rate. The company's growth continue to be driven by its key people, namely Paolo Mulazzani, Country Manager Luxottica Group, India and Harsh Chopra, Managing Director, Rayban Sun Optics Limited. Paola Mulazzani is currently responsible for the Indian market strategy and has wide experience in sales and marketing in countries like India, Nepal, Indonesia, Malaysia, United States and Canada. Harsh Chopra, who joined the company in August 1995, has handled key functions like sourcing, manufacturing, logistics and inter-company exports.

### Rayban's India operations

- 100 per cent subsidiary of Luxottica Group
- Operates in two segments - mid-premium segment with a price band of Rs 2,500-5,000 (Euro 40-85) and the designer segment with a price band of Rs 7,000-20,000 (Euro 120-350)
- Manufacturing units in Bhiwadi (Rajasthan); distribution strength of 1,000 dealers across 195 cities in India
- Annual turnover of Euro 10 million in 2005 in India