



Management consultant Harminder Sahni analyses the highs and lows of the fashion retail industry. Covering a spectrum of topics, each month he looks at the need of the hour for India.

Explosive Growth of Premium and Luxury Fashion Business

Sometime around 2000, I was part of Fashion Design Council of India's (FDCI) commissioned study to establish the size of the designerwear market and also project its future. As part of this study, I got the chance to meet many Indian designers and did research on the evolution of the designerwear market in developed markets such as the U.S., Europe and Japan. That's when I stumbled over a designer called Giorgio Armani and his company that carried his name. Till then I was quite oblivious to the world of high fashion and to the fact that a designer could and actually had created such a huge business empire eponymous to his name.

Intrigued by this world of high fashion, I delved deeper and came across D&G, Gucci, Versace and many interesting designers and the large businesses built around their names. Compared to the size and scale of this segment in developed market, Indian designerwear market was tinier than tiny and even with most optimistic projections it didn't even add up to probably the total sales figure of a couple of Gucci stores. But something started to change with the arrival of the

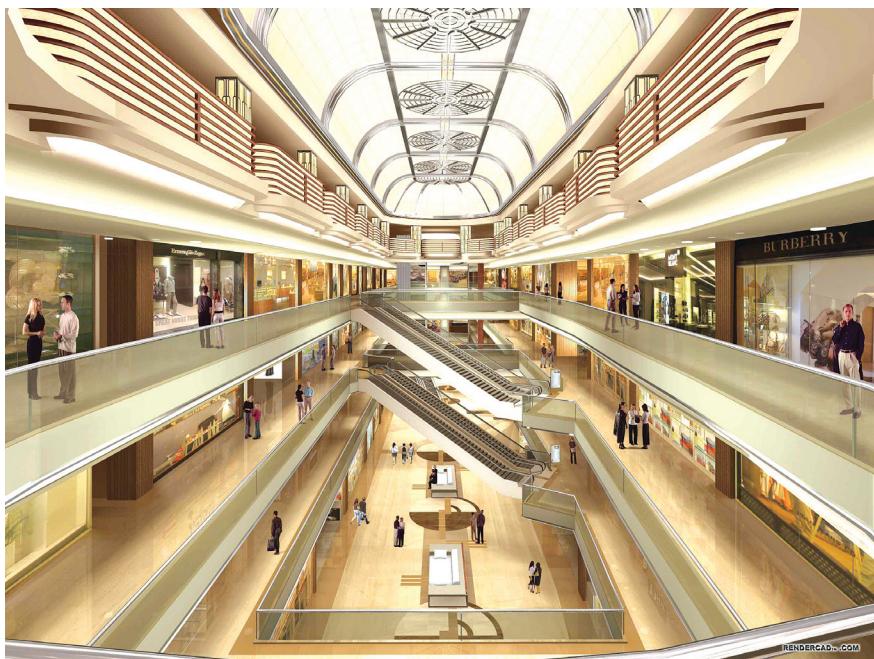
new century and I couldn't believe, when in 2004-05, the DLF management invited me to discuss the possibility of setting up a luxury mall housing only international luxury and premium brands and few Indian designers.

Compared to the prevailing standard sizes of malls at that point of time, the proposed mall with an area of 3,00,000 sq. ft. plus was quite a large mall. The prospect of creating such a huge mall and filling it with dozens of brands that weren't even present in India sounded audacious to say the least.

However, backed by some understanding from my previous experience of international designerwear market, I could see that there is a serious opportunity for such a mall some time

in the future. I also had understood with time that in such pioneering ventures, one can never time it right. You have to follow the dictum – let us build it first, they will come for sure later. The key point in this is - how much later? And this question can only be answered post facto. Anyhow, as we all know that the mall Emporio is a grand reality and seems to find its feet quite fast, despite the fact that its opening coincided with the demise of Lehman Brothers.

One can always debate whether Emporio will be successful or not because so many luxury brands have chosen to come to India or it's the other way round that they have chosen to come to India because a mall like Emporio exists! Whichever way we look at it, the



fact is that India has finally emerged as an attractive and fast-growing market for luxury and premium brands. While Emporio has become the destination for north India, UB City in Bangalore and Palladium in Mumbai are creating similar destination for their regions. I clearly see cities such as Chennai, Kolkata and Hyderabad following suit very soon.

Another major development in the premium fashion retail market has been the successful launch of "The Collective" stores by Madura Garments to offer a large range of premium and luxury brands under one roof - a department store on the lines of Saks Fifth Avenue to cater to the needs of a high-end fashionable consumer. The consumer response to The Collective store has been quite stupendous and Madura is enthused to open more stores in all metros and also in selected mini metros. I wouldn't be surprised if Madura is able to take a bridged version of this format to some 30 to 40 cities in less than five years.

There is a large but scattered population of premium consumers in these top 30-40 cities and their aspirations and power to spend is no less than their cousins in major metros. So, I don't doubt the potential of success of The Collective store or similar stores in these markets. It is only a matter of time that better malls will open in these cities and will enable the opening of such premium stores. These stores will be the harbinger of premium end-consumption and will lead consumers to the luxury-end of the market and lay the foundation of a sustainable and growing premium and luxury market. Like Emporio seemed an audacious attempt only five years ago, these possibilities too seem remote as of today. But I am confident that like many of my projections this too will become reality sooner than I am anticipating.

The premium and luxury market was poised to grow to its potential anyway, but I would not complain about an unexpected catalyst that has recently exploded on the horizon. An online retail company



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called "Fashion and You" was launched in January 2010 and before we could stop saying Happy 2010, it was clocking serious sales numbers hawking surplus premium and luxury brands at "Koutons" like discounts. I have no reason to doubt the sales figure of ₹35 lakh a day, as Sequoia has invested ₹35 crore of real money for a minority share in this fastest-growing fashion retail business in the history of Indian fashion retail industry. At the current run rate, Fashion and You will garner sales of ₹100 crore in next 12

months. I am certain that if the current growth rate is sustained somehow then the sales would be much more than ₹100 crore. Unbelievable, but true!

Like Koutons has given millions of aspiring consumers the experience of buying and enjoying readymade branded apparel, similarly Fashion and You is letting thousands of aspiring consumers of premium and luxury brands enjoy the real stuff. What if its last season's or surplus! Out of these hordes of value-seeking consumers, many will become the regular and lifelong consumers of these luxury and premium brands. All in all, this fire from below being fuelled by Fashion and You will really accelerate the growth of Indian premium and luxury market.

I must confess that not too far back in time, I was a firm believer that Indians are not as crazy about Western brands as the Japanese and Chinese. But I have realised since that Indians were unlike only till the time we didn't have the money and/or didn't have these brands available locally. I am now convinced that the Indian market for luxury and premium brands will be as large as the current Chinese market for these segments in the next 10 years, if not earlier. And then even I'll find it hard to believe that I hadn't heard the name Giorgio Armani just 20 years ago! 