PART I

Overview

CHAPTER 1
Defining Luxury and Fashion

CONTEXT

In defining "luxury and fashion" in India today, we perhaps need to consider the concept from two distinct perspectives.

On the one side is the almighty consumer, who, for the most part, has been a passive spectator in the world of luxury, viewing India's rich tradition and heritage of fine craftsmanship and creativity only from a distance, and consequently paying little heed to the increasing number of Indian fashion designers who have reigned within that closed circle to which such things were restricted. This consumer has, until recently, been fairly oblivious to the idolatry accorded to select designers (similarly to the star system in Bollywood). Now, however, fueled by a changing demographic, which has provided greater means of access to this refined world, the consumer has begun to awaken to the finer things in life. At the top of this consumer pyramid are both old and new money, which provide the means to travel the world and to hone the taste for the best in luxury and fashion that the many global brands have to offer. These very goods are now becoming available locally—albeit at higher prices.

On the other side are the companies—either present in India already or whose future presence is imminent—with a global reach in luxury and fashion, seeking ever-greener pastures where they may attract more consumers to the world of the marketed pleasure. These are shrewd operators who, foreseeing consumer trends in luxury and fashion moving toward the spiritual, elusive, and enigmatic, view India as having a singular allure by virtue of its history, culture, and, most importantly for the global marketers, the economic outlook and changing demography of its people. Considering the number of consumers in India with an ever-increasing means of buying from the purveyors of these goods, the stakes are high, and the stage has been set for establishing territory. And therein lies a future conflict. Why would a country with its own proven resources in the sector—both material and creative—be opening wide its doors to foreign investment, let alone encouraging the entry of brands that risk cannibalizing its very own?

"Opportunity" might be the most obvious answer, but for whom? We are witnessing a progressive evolution both for the foreign brands and the country hosting them. It is noteworthy that, with the exception of the hotel category, currently there is no globally recognized Indian luxury brand. The country is now on the world stage and is ripe for an authentic India-influenced luxury-lifestyle brand—perhaps an Indian version of China's Shanghai Tang. India's long history and diverse people make it an ideal backdrop for fashion and luxury lifestyle brands across all categories. Furthermore, India is known for its exceptional handiwork, whether in its intricate woodcarvings or the delicately embroidered couture ensembles.

Other categories in which India could compete on a global level are health and beauty. These are vast subjects worthy of studies in themselves, but they are beyond the purview of this book; so in later chapters the reader will note the exclusion of fragrances, cosmetics, and the like. However, it is worth mentioning that as the world is increasingly focused on honoring our bodies with non-Western medicines and rituals such as ayurvedic and homeopathic treatments, yoga, and meditation, India has introduced some of its own homegrown brands. Biotique, on the mass level, and Kama Ayurveda, on the luxury level, have increased national distribution, and are currently toying with regional distribution in Asia. Biotique is the brainchild of Vinita Jain, a New Delhi-based entrepreneur whose family had tea plantations in Darjeeling and Assam. There she learned about the 5,000-year old science of ayurveda[1] and saw the market to modernize those ancient herbal remedies by blending them with Western biotechnology. In less than 15 years, Biotique has achieved a wholesale distribution estimated at US$150 million, mostly within India. Furthermore, Vinita is now competing on the global luxury level with an eponymous premium skincare line, launched in March 2008 in New York City's Saks Fifth Avenue, which has been projected to reach US$100 million in five years.

During the course of our research for this book, we interviewed many individuals and companies—the key international players, as well as the local firms aspiring to build a presence—and have witnessed a growing paradox. While the growth and development of luxury and fashion companies in India are being fought out more among the global players than the local Indian ones, with few exceptions at this stage, all are forced to confront the same barriers to success. Both face many challenges ranging from the banal—the environment and climate—to the more pertinent—retail and distribution issues. While we will explore these in later chapters, they warrant immediate mention in the context of defining luxury and fashion in India, because the future success of the sector will be affected by these factors: the lack of any high street, the restrictive property regulations, the lack of infrastructure and logistics, the paucity and high cost of real estate, the pervasive fraud and potential growth for counterfeit products, and, finally, the complexities of talent hunting and employee retention. But as difficult as these barriers may seem, they are not unlike the comparable challenges faced in other emerging markets where fashion and luxury companies have become predominant. These foreign companies have one distinct advantage over their local counterparts in the form of applying the tools that have been the key to both opening the door of success in luxury and fashion, and allowing them to become masters of the house: branding.

Whereas luxury and fashion have been prevalent and a part of life in India for centuries, the notion of branding in these categories is a concept where local knowledge and practice have been limited.

The tradition and heritage of being Indian and buying Indian-made luxury and fashion items have, until very recently, not created a market filled by the formidable local Indian talent. Local businesses may have understood the technical aspects of market share and competitiveness, but taking them to the formal level of branding has eluded the great majority. This has not been emphasized either in the educational system or in the training of the people running these businesses. Hence there is a major opportunity in the making and extraordinary potential for companies that master the required branding techniques and processes to capture the ever-growing market of consumers—provided those consumers are willing to behave in a way similar to their counterparts in the rest of the world.

There are clear historical precedents to show that a divide is created when global brands come into emerging markets. Those who have had success have achieved it at the expense of a short-term opportunity cost for the local companies, whether they are branded or not. The very factors that fuel the branded companies' success in India may lead to the downfall of the local businesses. In the long term, this may work to the advantage of some Indian companies, particularly those in jewelry and high-end designer wear. These companies may upgrade their product and service offerings, and then master the rules of branding themselves. In an almost Darwinian "natural selection" process, it is the consumer who will decide who survives. In this, it is the local Indian companies who run the greatest risk over time, with the potential impact upon the very essence of what makes India different from any other emerging market: its heritage and sense of tradition with intricate craftwork, an impressive platform in breadth and depth in both jewelry and textiles, and a captive audience already in place and willing to spend.

But there is no guarantee that the wave of luxury spending in India will build the industry as quickly as the major global players would have us believe. There remain economic concerns affecting certain markets outside India, not to mention India's own challenges: the lack of luxury retail space, a nascent administrative infrastructure, a worldly and sophisticated few who do not wish to relinquish their status, and the masses who have yet to be educated in the pleasures of international luxury and fashion brands. Indeed, the masses will be the motor and determining factor behind luxury in India's evolution in the years to come. And there to help them, of course, are the global players, with their proven management and branding techniques.

BRANDING

There is a big difference between fashion and luxury goods as products, and what goes into the making of brands. In her book, *Luxury Fashion Branding*, Uché Okonkwo, the Paris-based luxury branding consultant, has outlined a succinct and pertinent perspective that may serve as a foundation for branding in the sector:

> The branding aspect of luxury goods management is integral to a luxury brand's sustainability. The brand is the reason that consumers associate themselves with a luxury company. It is what creates and sustains the attraction and desire for products. The strong attachment that luxury consumers have to brands, which often defies logic, is the result of branding. Brands are not products and should not be managed like products. Brands are a complete package that provides a source of identity for products. This identity becomes a springboard for the associations and perceptions eventually developed in the mind of consumers. This is what draws consumers to luxury brands and remains their source of satisfaction—of the journey of branding begins from crafting a clear brand concept and brand identity and projecting it to the public through an equally clear brand personality and brand image. What the public sees and interprets through the brand image leads to a positioning of the brand in their minds through perceptions and associations. This further leads to the allocation of a space for that brand in their minds according to their sentiments towards the brand. This is called the brand share and influences future purchase decisions and, subsequently, brand loyalty.[2]

The total branding concept (and not just the brand image) is the source of a luxury fashion brand's wealth. When the sum of all distinctive qualities of a brand results in continuous demand for and commitment to the brand from consumers, the brand is said to have high brand equity. The brand equity is what translates to brand value, which is the financial gain that a luxury company eventually accrues as a result of its brand strength. The brand equity ought to be painstakingly managed and nurtured to retain its ability to create value. Brands are invaluable creators of wealth for companies, and luxury brands that aim to attain a competitive edge ought to be fanatical about managing their brand strategy. This is the most important tool the luxury fashion sector has.

Developing and managing a luxury brand effectively are part of a painstakingly long process. They require a consistent integrated strategy, innovative techniques, rigorous management control, and constant auditing. This is the reason that there are few brands that claim true "luxury" status. Although several brands aim toward attaining a "luxury and prestige" rank, and every talented designer aspires to creating his or her own luxury brand, only a few brands eventually succeed. The successful brands are those that understand the challenge of finding a balance between being timeless through a firm brand concept and heritage; being current and relevant to the moment through strong brand positioning; and being innovative in crafting a future—all at the same time.

The confusion in India about what constitutes luxury may be put at an even more basic level. Only a few years ago, any foreign brand coming into India from France and Italy carried connotations of luxury: "foreign" became almost synonymous with the perception of luxury. Thus most consumers' perception of Benetton products in India was unlike that anywhere else in the world. Table wines from France were considered to be luxury when they were anything but. And with the exception of a handful of international luxury and fashion players of vision, courage, and perspicacity, most of the other "legitimate" players have tended to adopt a wait-and-see strategy. The success of several of the first pioneers, coupled with India's economic advances, has convinced the industry's global brands that the ground is now fertile for building brand equity in India.

THE NUMEROUS DEFINITIONS OF "LUXURY"

Where to start when defining what luxury is or, more importantly for some, what luxury is not? Even among the "expert" professionals from the industry, there are many variations on the theme. For many of those interviewed for this book, the initial reference is historical—from the ancients: Egyptian, Greek, and Byzantine to the Italian Renaissance through the European royal courts in the seventeenth century and on to the aristocracy, to the domination of the French in the eighteenth and nineteenth centuries, to the gradual expansion of the concept in the twentieth century, and, finally, to the current modernization and watering down of the concept in the twenty-first century. From the historical context comes a direct link to product.

From its origin (the Latin *lux*) comes the notion of light, literally reflecting the brilliance of certain objects. This aspect was at the foundation of many items deemed *lux* from the earliest signs of civilization. Copper, bronze, silver, gold, and gemstones reflected the light and, at various times, became items of currency. The ownership and accumulation of such objects conferred wealth, and came to reflect the owners' social status. So the derivation has carried down over the centuries to applications of the term *luxury* linked to these very items and concepts. The consumption and display of these rare products brought with them another notion, one of sumptuousness, splendor, and wealth (to the point of excess). But a luxury product does not make a luxury brand.

In their book, *Luxury Brand Management*, Michel Chevalier and Gérald Mazzalovo define a luxury brand as follows:

> One could say that a luxury brand is a selective and exclusive one; that is, it is almost the only brand in its product category, giving it the desirable attributes of being scarce, sophisticated and in good taste. It also has a slightly understated and aristocratic dimension ... This restrictive definition of luxury makes sense, but it doesn't represent the situation as we know it today ... we believe there is a need for an operational definition that takes into account the location of brands in stores and how they are perceived by the consumer. So, we might say that a luxury brand is the one that is selective and exclusive, and which has an additional creative

> and emotional value for the consumer. This definition is much broader and includes a larger range of fashion products …
>
> The final factor to consider in forming a definition of "luxury" is the level of luxury epitomized by a brand. Danielle Alleres distinguishes three different levels of luxury. First is *inaccessible* luxury, which corresponds to exclusive models, sometimes hand-made in single units. Next is *intermediary* luxury, which corresponds to objects that are, in fact, expensive replicas of individual models. In the fashion field, haute couture would be the inaccessible luxury, while specially made outfits, duplicating all or part of a *couture* model, would fall into this intermediary category. Finally, *accessible* luxury represents all those products made in factories or workshops …
>
> This analysis is interesting, but in a way it misses the point that 98% of the luxury business today corresponds to the accessible luxury category … Having failed to discover a definition that clearly explains what makes a product a 'luxury item,' we have evolved our own. For us, *a luxury good must satisfy three criteria*: it must have a *strong artistic content*; it must be the result of *craftsmanship*; and it must be *international*.[3]

For the masses, these three terms do not evoke the notion of luxury and are more conceptual. When applied in this way, we come to understand that the term eludes the great majority. Consulting firm KPMG's conclusions were comparable:

> Luxury is a constantly evolving and subjective concept, and not easy to define. But more often than not, the word is used to define an inessential but desirable item or a state of extreme comfort or indulgence. What sets luxury brands apart is that they command a premium without clear functional advantages over their counterparts. Yet consumers are willing to pay the significant price difference because they have a unique set of characteristics including premium quality, craftsmanship, recognizability, exclusivity and reputation.[4]

Into the luxury recipe may be blended additional ingredients such as comfort, aesthetic quality, historical or traditional work from the human hand, and exoticism. In this way we form a grouping that begins with the more general use of the term and then moves into the more specific, for example:

- a universe, a lifestyle
- a concept that is highly personal or intimate in its application ("Luxury for me is …")
- a product or group of products, as qualified by the luxury industry and based upon a market and economic approach
- a business model, according to the companies in luxury goods

During a 2007 luxury conference in India, Concetta Lanciaux, an independent consultant and advisor to the LVMH luxury group, outlined four key characteristics that qualify companies for the luxury category: heritage, quality, artisan knowhow, and selective distribution. LVMH prides itself on its store concepts, visual merchandising techniques, impeccably trained sales staff and service quality. Displaying luxury goods in an environment worthy of both the brand and the consumer is part and parcel of a key factor in luxury: *image*.

If image is the short answer to "what?," then quality is the short answer to "how?" The idea of quality is inextricably linked to luxury. Take the label "Made in France" or "Made in Italy", which provides a means of differentiating (that is, placing above) one luxury product from another with the same utility. For cost-reduction purposes, an increasing number of French and Italian companies now manufacture their goods elsewhere but they shrewdly sew the last stitch themselves to maintain the prestige attached, literally, to their label of origin. Quality is linked both to the notion of perfection in the materials used and to the service that accompany the sale of the goods.

The concept of rarity has increasingly fallen by the wayside, with the producers of luxury goods emphasizing the "exotic" (mainly in reference to materials such as animal skins or gemstones). This helps to transform the "product" into an object, not unlike the concept of art. To a Japanese consumer, a Louis Vuitton item will certainly have this exotic flavor that a local leather-goods brand does not have. This cachet was developed in a knowingly shrewd manner that brings us back to the essence of branding and creating a need for something that, although not absolutely unnecessary, becomes an object of desire.

A rather recent trend in many luxury companies has been product diversification into areas way outside their traditional specialty. As Deutsche Bank analysts put it in a July 2007 report on luxury goods: "You can now buy Armani chocolates …" and an accompanying illustration (see figure 1.1) shows an increasingly adventurous product diversification. Brand diversification has met with some success, and the trend toward lifestyle luxury has seen creative variations on the theme, such as in the hotel sector.

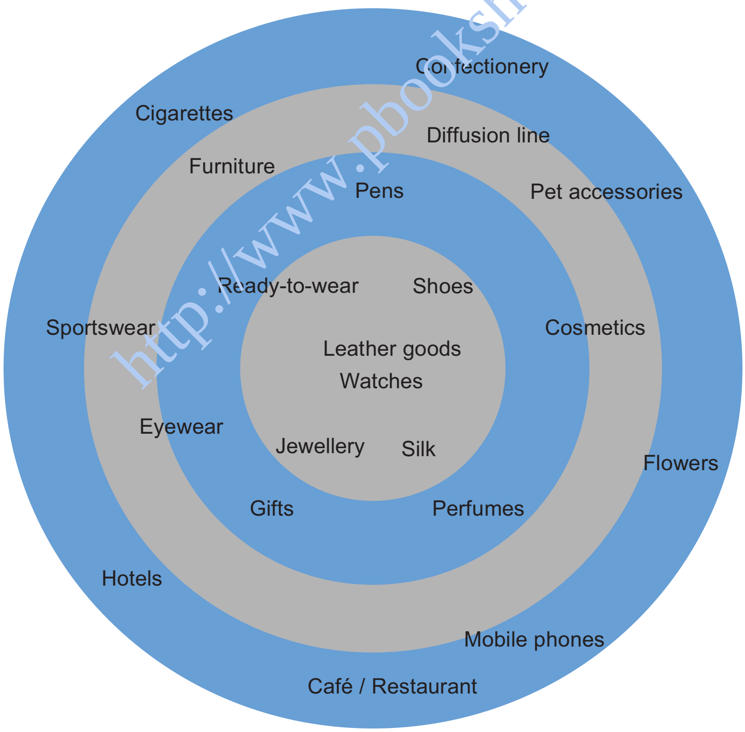

Figure 1.1: Product diversification of luxury brands
Source: Deutsche Bank 2007, *Luxury goods*

The financial crisis of 2008-2009 has had an impact on the perception of luxury. Greg Furman, founder and chairman of the Luxury Marketing Council, states that:

> The definition of luxury is changing. The words that I hear most now are Experience (unique and memorable); Story (the ability to talk about a great product or experience that is truly unique); Value (bespoke craft as in a Brioni or Chanel suit will always mast, style-wise and wear-wise); Wellness (it's no longer about "stuff"; it's about how wonderful products or experience makes us and our families and loved ones feel); Service (not the same old same old; see Jack Mitchell's Hug Your Customers for the definitive point of view on this); Time (all of us, rich or poor, desire more of it and all the most affluent require a new sensitivity and respect for their time as a favored client's time in all transactions in person and online); The simple things (dry fire wood; an hour's spa treatment; a run in the park; quiet time on the screened porch; time with family and friends; a great meal or a bottle of wine).[5]

THE LUXURY MARKET

The luxury market continues to offer enticing opportunities for companies looking for profitability drivers and returns on investment. A market study by consulting firm Bain & Company estimated that the global luxury goods market in 2006 was worth €160 billion, up 9.5% from the previous year (€146 million), with the newly rich from the BRIC countries (Brazil, Russia, India, and China) accounting for a great part in that growth.

The September 2007 launch party for the Indian edition of *Vogue* was a vibrant symbol of the attraction that emerging countries today represent for luxury and fashion houses. The stock price of luxury goods companies provides another indicator of this attraction, with recent valuations of companies nowhere near what the inner fundamentals of the brand would suggest. Take Hermès, for example. In July 2007, it was valued at 17.3 times its earnings before interest and tax (EBIT), demonstrating multiples that companies in other industries cannot compete with.

If the luxury market is to yield even higher returns, the quality of the management will be crucial. The global players have mastered their branding techniques, which start with marketing strategies that are specifically geared toward the geographies they are targeting. Owning a piece of the pie in the BRIC territories will become an increasingly competitive scenario, and here's where both the branding and marketing synergies are required to make for success. According to Uché Okonkwo:

> The luxury fashion marketing strategy comprises the branding mix as its main component which will be tagged here as "the six Ps of Luxury branding". The branding mix contains recognized marketing elements that drive the branding process forward. Like the famous Four Ps of the marketing mix, the Six Ps is a tool that propels the marketing and branding strategies of luxury brands in the direction of market success. The Six Ps are the following:
>
> 1. The Product
> 2. The Pricing
> 3. The Place of Distribution
> 4. The Promotion
> 5. The People
> 6. The Positioning.[6]

Whereas all Ps have their place in the marketing and branding strategies, the first three may serve a further use because they relate to market segmentation, a more pertinent issue for today's India. To this list we might add another P that is crucial in today's fashion and luxury world: Partnerships.

Segmentation by product category is standard when trying to identify the most dynamic market segments and to position companies on the market in accordance with their core activities. Bain & Company's 2006 study segmented the world luxury market, as shown in figure 1.2.

Segmentation by pricing becomes more difficult in a world where the rich are getting richer, where inequalities in wealth distribution are growing, and where luxury goods are more affordable to the masses as a result of both lower entry prices and an increased demand by high-end luxury consumers to maintain exclusivity and trade up to higher price points. With the term "luxury" continuing to evolve,

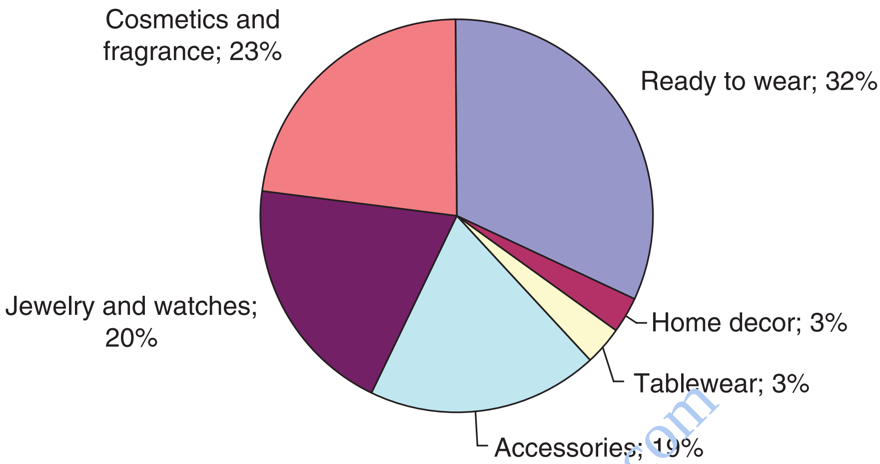

Figure 1.2: The luxury market by product category
Source: Bain & Company 2006, *Market Study*

according to Deutsche Bank's July 2007 report, the luxury goods universe has gone from a pyramid format into a pear-shaped format (see figure 1.3), and may be divided into three pricing categories:

- Super-luxury: These are goods for the very rich with money beyond imagining, and when they spend it they may do so in a personalized version of luxury to accommodate a lifestyle expressed in the form of multiple homes, yachts, private planes, and so on.
- Luxury: What the general public has come to understand as being able to buy the best or, at least, the latest. Customized up to a certain point but "the happy few" are increasing in number.
- Accessible luxury: Here is where the luxury brands have cleverly hooked the masses into their world by offering prices at lower entry levels. Coupled with the multiplicity of brand diversification (cosmetics, mobile telephones, and so on), the brands are increasingly accessible.

Segmentation by the place of distribution goes beyond the standard logic of marketers. The luxury goods companies are concentrating on the several issues that relate to geographies, among them the location of

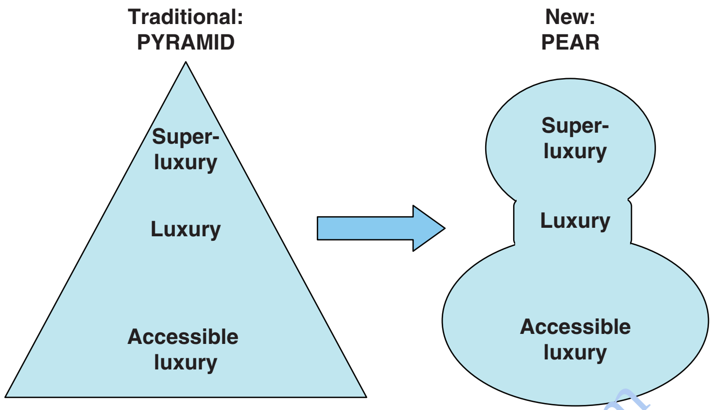

Figure 1.3: The new luxury universe pyramid
Source: Deutsche Bank 2007, *Luxury goods*

high-net-worth individuals (HNWIs). The greatest real growth of these wealthy individuals is in the BRIC countries, and they are buying the luxury goods faster, and better, in a more knowledgeable manner than they do any other category. But luxury marketers are careful to cherish the Japanese, whose longstanding, loyal consumption of luxury goods—be it in their country or while traveling abroad—accounts for 41% of the global turnover generated by luxury products, as shown in figure 1.4.

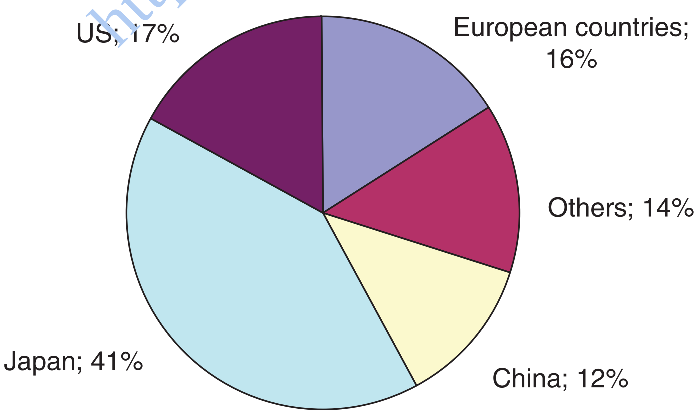

Figure 1.4: Global luxury consumers by region 2005
Source: Ernst & Young cited in Deutsche Bank 2007, *Luxury goods*

The cost differential for luxury brands in India and the limited luxury retail infrastructure open up the possibility of an additional form of product segmentation, which is product mobility. The market for luxury brands in India is growing quickly, but Indians will retain their reputation for price sensitivity and value perception. However, if the product cannot be acquired overseas and brought into India (e.g. luxury cars or music systems), then the price and environment of acquisition will matter less. If the product (e.g. watches or bags) can easily be acquired overseas and brought into India at a substantially lower cost, and if the environment of acquisition (Madison Avenue or Bond Street) provides a "feel-good" cachet, then price and environment will matter far more. The consequence of this is that for as long as the tax regime and infrastructure remain largely as they are, the value of highly mobile luxury goods sold in India may disappoint while the value of less mobile luxury goods may surprise.

We have been asked the question: Why are these luxury consumers buying more French brands than any other? In addition to the sheer number of French luxury brands compared to those from other countries, there is a simple explanation. Exportability is a great asset for these companies because the French market is so small, obliging French brands to look toward other markets. Some French luxury brands have been in existence for centuries, and most control their production, distribution, and creation, which lay the foundation for a luxury brand. Firms in countries like India have not been pressed to look outside their own immense market to proliferate. But with the advent of luxury and fashion brands, it will take more than simply desiring to become a luxury brand for this to become a reality. This may occur gradually over the years with a solid control strategy.

Many of the elements are now in place to make the argument for the growing presence of the luxury brands in India, setting the stage for local companies to learn the tricks of the trade and enter into the world of luxury branding. For both foreign and local companies, success will remain a function of how consumption continues and how the companies attract a captive market that has increasing wherewithal to afford their products.

There remains one last characteristic of luxury brands, and this is linked to their history of demonstrating sustainable growth through their high profit margins. Luxury brands have been built over time, and base their success on a strong, sustainable heritage. Almost all of them are or were a family business, passed down from generation to generation. Luxury goods have a sense of timelessness, a concept built in large part on the classical and traditional values associated with luxury, as well as the substantial investments that go into the launching of products, be they old or new. The lead time required for creation and production is also of consequence. As the handmade aspect remains a key element in qualifying a luxury product in today's world, it is both the accelerator and the brake in the luxury brand companies, which create increased demand by forcing the consumer to wait. They would have us believe that the human hand can work only so quickly. Further, customization is a driver of business for many luxury brands, and the more individualized the process, the more the unique aspects and emotional elements that tie the consumer into a loyal relationship. Thus a luxury product should reflect a brand's dedication to tradition, heritage, and, above all, quality. After all, unlike fashion, these products are meant to last beyond the lifetime of the bearer. As Christian Blanckaert, a former senior Hermès executive put it: "A Luxury Good is something that you can retain for ever."[7]

Indeed, it is not uncommon for the original owner of a Kelly Bag to hand down this beloved object to a daughter, who in turn will hand it down to hers …

FASHION WITHIN THE LUXURY CONTEXT

Drawing a distinction between what is luxury and what is fashion was succinctly addressed in *Luxury Brand Management*, where Chevalier and Mazzalovo put the issue squarely to the reader[8]:

> There is also some debate about the distinction between luxury and fashion. According to this point of view, a brand in the textile and accessory field, for example, might start out as a fashion brand, and would only be given the status of a "luxury" brand when it has achieved some stability and a quality of being timeless. A new fashion brand has to be creative and come up with new ideas, new concepts and new products for every season, in order to attract the interest of consumers. However, as it develops "classical" models with a signature style, its status will move from fashion to luxury. While this distinction between fashion brand and luxury brand is a valid one, it is also misleading and possibly even dangerous. It is misleading because even when it has achieved "luxury" status, a fashion brand such as Chanel or Dior must still come up with new designs each season, and present them in new ways, in order to retain customers' interest. It is also dangerous because it implies that a luxury brand doesn't have to innovate to the same extent as a fashion brand, which is obviously not the case.

It is interesting to note that among the more seasoned professionals in the luxury and fashion industry, the luxury component is widely perceived as having as its core and very essence the notion of accessories. The shelf life of these items taken in their entirety is significantly longer than clothing. Fashion reflects a way to dress, hence the term "fashionably dressed," and is related to trends in any given area and at a certain point of time; namely, in the here and now. That something may become "unfashionable" or "out of fashion" is part and parcel of its very nature.

Fashion, like art, is an ever-evolving movement inspired by its time. It relates to a state of mind, a style of living, and the social atmosphere that prevails in a specific place at a particular time. At its core is the notion of clothing: the body is to fashion what the hand is to luxury. But the hand is used in most every manner, both in fashion and luxury. *Somewhere along the way the worlds of luxury and fashion overlap, to the point where it is almost impossible to distinguish between them*. If we were to draw the line between these, in which category would the following brands be placed? Chanel, Chloé, Ermenegildo Zegna, Gucci, Hermès, Louis Vuitton, Yves Saint Laurent, to name just a few. Would we call them fashion brands or luxury brands? Which belong to which universe? The trend has been to market a brand as being in the luxury category to capitalize on the cachet of prestige, the ever-important image as presented to current and prospective consumers.

Where would we position these companies when considering that luxury brand products are meant to last a lifetime and to transcend notions of transient fashionability? If we consider that luxury's bywords—quality, rarity, and service—are anchored in a sense of heritage, how would this affect our perspective? If history is at the root of a luxury brand, then what of those self-proclaimed luxury brands creating jewelry, watches, and leather goods that do not have such a rich provenance?

Fashion

Fashion brands market products that are not meant to have a long shelf life. The collections are constantly evolving and looking toward the future. It is difficult—though not impossible—for a brand whose eponymous designer is still alive to go from being a fashion brand to becoming a luxury brand.

Didier Grumbach, president of the French Federation of Couture and author of the renowned *L'Histoire de la Mode*, is one of the fashion industry's most respected authorities on the subject. During an interview with the authors, he provided his take on luxury and fashion, which is pointed and provides a broad perspective:

> Luxury is what remains when Fashion has moved on. A luxury product is one meant to last a lifetime, and by definition, luxury never goes out of fashion. Fashion brands may grow old while luxury brands mature over the years. This is generally not the case for fashion brands, which are born from the world of clothing. Luxury brands are born from the world of accessories.

As we have observed, fashion brands grow old, whereas luxury brands evolve and become timeless, like Hermès, and maintain their artisan roots. One does not think of fashion when stepping into a Hermès store; one thinks instead of buying an object of perfect quality. Conversely, one does not speak of "wearing" Louis Vuitton or Hermès, since these brands produce more accessories than fashion. There are Louis Vuitton stores where there is no fashion in the sense of "apparel." But in India a Chanel store without a Chanel suit is unthinkable; it is the incarnation of the brand's origins, which are essential. Ideally a time comes when all elements of a brand attain the same level of excellence. At Chanel, accessories, jewelry, and fashion are all at the same level for the same consumer.

The French luxury brands that have a history are those that have stood the test of time. This history is part of the brand equity and a definite asset for a brand such as Chanel, which is incontestably a luxury brand. Chanel was always avant garde, at the cutting edge of fashion. At what point did it evolve and transform itself into a luxury brand? *When Chanel started to create perfumes, it evolved and transformed itself into a luxury brand.* And it set the standard for others.

Chloé, founded in 1956, is the youngest of the Richemont group brands, and is now positioning itself as a luxury brand. We can see that the brand is bigger than the DNA from which it comes, and is a typical example of a brand in the process of change. As CEO Ralph Toledano explains, it would not sell any handbags if it was not selling fashion, just as the founder of the house, Chloé herself, launched her brand of bags through the same channels as her dresses. Fashion brands are instantaneously transversal: they have instant legitimacy in all domains, and a few of them will become luxury brands. But for decades, fashion houses have overexploited their products by issuing licenses indiscriminately, and they did not want to hear about a "creator". Today, brands are a series of Creators who, each in turn, help to make the brand "timeless," such as Gucci as an accessories brand, Yves Saint Laurent as *haute couture*, Ermenegildo Zegna as a luxury brand, or Louis Vuitton as sole provider of its goods.

Contemporary fashion brands have the potential to one day become luxury brands, but it will take time and skillful brand management.

Table 1.1 The major luxury and fashion group companies (excluding fragrance and cosmetics, wines and spirits)

LVMH France	**Richemont Switzerland**	**Gucci Group Italy**	**Prada Italy**
Berluti	A. Lange & Söhne	Alexander McQueen	Car Shoe
Celine	Alfred Dunhill	Balenciaga	Church's
Chaumet	Baume & Mercier	Bédat & Co.	Miu Miu
De Beers Diamond Jewelers (JV)	Cartier	Bottega Veneta	Prada
DFS	Chloé	Boucheron	
Dior	IWC	Gucci	
Donna Karan	Jaeger-LeCoultre	Sergio Rossi	
Emilio Pucci	Lancel	Stella McCartney	
Fendi	Montblanc	Yves Saint Laurent	
Fred	Montegrappa		
Hublot	Officine Panerai		
Givenchy	Piaget		
Kenzo	Purdey		
La Samaritaine	Shanghai Tang		
Le Bon Marché	Vacheron Constantin		
Loewe	Van Cleef & Arpels		
Louis Vuitton			
Marc Jacobs			
Sephora			
StefanoBi			
Tag Heuer			
Thomas Pink			
Zenith			

Some luxury brands, if they do not abide by the parameters within which luxury brands must optimize their management, may dilute their image and with ever-lower brand equity may be relegated to the status of fashion brands. The global luxury brands are acutely aware of this, particularly with regard to the potential cost to their image of engaging in product diversification through brand extensions or launching entry-level priced products to broaden their consumer base. The four key luxury groups have dozens of brands in their portfolios, both in luxury and fashion. LVMH's flagship luxury brand is Louis Vuitton, and among its fashion brands are Kenzo, Celine, and the like. Richemont

Table 1.2 BrandZ top ranking—Luxury category[9]

#	Brand	Brand value US$m	Brand contribution	Brand momentum	Brand value change
1	Louis Vuitton	19,395	4	7	5%
2	Hermès	7,862	4	6	13%
3	Gucci	7,468	4	5	15%
4	Chanel	6,219	4	6	−3%
5	Rolex	5,532	4	5	35%
6	Hennessy	5,403	5	7	0%
7	Cartier	4,913	4	3	−12%
8	Moët & Chandon	4,847	5	7	−2%
9	Fendi	3,469	4	4	5%
10	Prada	2,704	4	5	0%

Source: Millward Brown Optimor (including data from BrandZ, Datamonitor and Bloomberg)

group's undisputed luxury houses of Cartier and Van Cleef & Arpels are operating alongside their fashion brands such as Chloé. The Gucci Group's flagship luxury brands, Gucci and Boucheron, sit alongside fashion brands such as Sergio Rossi and Balenciaga. And Prada's eponymous flagship luxury brand is complemented by Miu Miu in fashion.

Luxury within the fashion houses

The French say that there is an exception to every rule and, in the case of some of today's fashion brands, it goes by two words: *haute couture*, the one-of-a-kind creations of the couturiers, representing the ultimate in fashion design. *Haute couture* is a protected "appellation," a designation put in place by the Ministry of Industry since 1945. *Couture* is the capacity to make to order a particular model for a particular client, and it is a skill that has been preserved. It is a service, an instrument that serves to individualize, to legitimize, and to institutionalize a brand. *Haute couture* is not an industry like any other. Since 1943, *haute couture* has become an institution in alignment with the economic situation, and there are brands that have kept with a tradition established at a time when ready-to-wear did not exist. For the following 50 years, the *haute couture* label was used as a brand license, and thus survived where it should have been toppled by ready-to-wear, as was the case in other countries. *Haute couture* was the only means to dress women at a time when women of a certain social standing dressed only in made-to-measure clothing. It was also an industry with 300,000 artisans. Now there are only 7,000. Elsewhere, *haute couture* is simply the superior part of ready-to-wear; it is only in France that it is considered as an industry in and of itself. It is a skill that the French managed to preserve, a "label" still conferred by the Ministry of Industry. *Haute couture* is an asset for Paris in spite of the difference between ready-to-wear and *haute couture* being at times difficult to discern these days.

Applying an Indian perspective to this, Didier Grumbach distinguished between the two during an interview with the authors:

> The Sari is an interesting case because it is a traditional garment and the way it is worn is governed by various codes. I cannot call it *haute couture*, it is more like the equivalent of the kimono to the Japanese. There are Indian designers who have a feeling for the spectacular such as Rohit Bal and Manish Arora, both who could also be part of our own *haute couture*.

As he specified, today's *haute couture* follows a specific calendar and requires skills and talent. And he added:

> I mean creative talent, which is why the Sari could not be part of it. *Haute couture* has to be original creation.

Indians come close to the Western ideas for products. Their luxury is more natural than our own version, which has been "polluted" by marketing. In India, the designers are idolized like soccer stars. This fascination existed in Europe decades ago, as Didier Grumbach explained to us:

> There is a real identification with the designer that does not exist in China. In India there is a certain knowledge regarding luxury products, quality is sought after, insisted upon, more than in Europe, where the

> sense of quality has been lost with the onslaught of press releases. We think that in India there is a capacity for service, an understanding of quality, and a great sense of hospitality. There is already something in India, and some of their designers may try to go global. The problem is they lack expertise in cutting. The pieces are fabulous, but at present a local luxury industry does not exist in India.

Foreign brands taking a market by storm may occur in many countries. India is a latecomer to this phenomenon. Cities all over the world want to become like Paris or London. The transformation to luxury in Moscow was planned by the local authorities, and the same thing may happen in Delhi. Everyone wants to be a "player" and part of the international community. What is happening in India today happened in Japan 50 years ago. Globalization is more than just a word. It engenders organization and structure. One can no longer be 100% French any more than 100% Indian. Says Didier Grumbach:

> Today the "brand" with its content, its history, its territory, is vital. There will never be thousands of international brands. Even during the "time of the French brands," there were only three or four that really mattered. Brands that are known the world over in fashion and accessories will always be limited in number. Barriers are breaking down and soon Indians will be wearing French designer brands. They will become closer to us and we will become a little Indian ourselves. In this mixing of cultures lies the future of the luxury brands.

However, the roots of these various brands will remain identifiable. Globalization increasingly imposes an international approach. Talking of a French, Italian, or even an Indian brand will one day become a thing of the past. It is inevitable that local and national brands will be consumed by international brands. To speak of a brand exclusive to one country is to turn one's back on the future. To be a luxury brand today means to be strong the world over. A brand that is oriented toward only one market is not adapted to the neighboring markets. This is something the Indians will be bearing in mind with the continued arrival of more global players in their country. This may also set the tone for understanding India's own history of luxury and fashion.

Notes

1. Ayurveda is the ancient system of health care native to the Indian subcontinent. It includes healthy living along with therapeutic measures that relate to physical, mental, social, and spiritual harmony.
2. Uché Okonkwo 2007, *Luxury Fashion Branding*, Palgrave Macmillan, pp. 4–5.
3. Michel Chevalier & Gérald Mazzalovo 2008, *Luxury Brand Management*, John Wiley & Sons, Introduction (pp. vii, x, xi).
4. *Business Horizons* 1998, "The Mass Marketing of Luxury", vol. 41, no. 6, cited in KPMG 2006, "Luxury Brands in China", *Consumer Markets Report*, November. introduction, p. 2.
5. Greg Furman 2009, "CEO Talk", *Business of Daily Newsletter*, June 27.
6. Okonkwo, op. cit., p. 83
7. *Hindustan Times* 2007, "Delegate Speak", April 1.
8. Chevalier & Mazzalovo, op. cit., pp. vii, viii
9. Millward Brown Optimor created the BrandZ Top 100, a ranking that identifies the world's most powerful brands measured by their dollar value. The brand ranking provides key insights and actionable information for finance, marketing and business professionals on how to manage and grow their brand assets.