



India and China: An Inspiration and Source for the Global Luxury Market

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The Emerging Markets

Emerging market Luxury consumers concerns are higher in Brazil, China, Russia and India.

More unpacking and interrogating of the nature of the concern for Luxury consumption is required to gauge its relevance for corporate strategy, but it shows the awareness is now there.

Consumer awareness takes time to translate into consumer behaviour, because we cant chose what doesn't exist, or behave differently when we are unclear about our options.



The Emerging Markets

At a global level some analysts say the world has lost almost half its wealth since September.

The current crisis I believe marks a major shift in global power. At root it is a Western financial crisis. The impacts will not only be financial, but also cultural, impacting on the status of the West, and on consumer culture. The implications for luxury are therefore deeper than our immediate concerns about profit and loss.



LUXURY IS DEFINED BY CONSUMERS LUXURY IS A GLOBAL BUSINESS UNDERSTANDING CULTURE IS A KEY



Luxury is a Business: DB estimates 2007

LVMH: € 17.3 billion, **Christian DIOR**, 0.9 billion

- Louis Vuitton, Moêt & Chandon Hennessy; Krug, Christian Dior Parfums, Fred Joaillerie, Celine, Fendi, Loewe, Selective Distribution
- VUITTON, 3.5 billion, Ebit 45.5 %
- Richemont Group: 18' brands, €3.7 billion
 - Cartier, Van Cleef & Arpels, Piaget, Baume & Mercier, Chloé, Lancel, Montblanc
 - CARTIER: 2 billion Ebit 24.5%
- Gucci Group (PPR), €3.6 billion
 - Gucci, Alexander McQueen, Bottega Veneta, Boucheron: GUCCI DIVISION, 1.85 billion EBIT: 28%
- Hermes: €1.7 billion, Ebit 25.6%
- Burberry: €1.3 billion , Ebit 22 %
- Bulgari: €1 billion, Ebit 17%
- Swatch Group: 18 brands: CHF 3.4 billion; Omega: 1.139 (648 millions Euros)
 Ebit 27%
- Marzotto, € 1.8 billion; Valentino
- Prada: €1.4 billion; Miu Miu, Jil Sander, Helmut Lang
- Chanel: Eres, Bell & Ross, Holland & Holland

And other luxury majors:

Polo Ralph Lauren (€ 2.6 billion), Tiffany (€ 1.8 billion), Armani (€ 1.3 billion),
 Coach (€ 1.1 billion)...



Definition of Luxury

- Core Values
 - Rarity
 - Excellence
 - Authenticity
 - "Maison"Savoir-faire
 - A creator's vision
 - Very limited access
 - Perennial
 - Patrimonial
 - Bourgeois

- Positioning
 - Niche
 - The ultimate in the category
 - Historical legitimacy
 - Mythic:
 perceived for
 most as
 inaccessible
 - luxury for a few because inaccessible for most.

- Customers
 - Elite & social statutory benefit (not only determined by financial elements)
 - Loyal / Exclusive
 - For the happy few (look & feel of an exclusive club)
 - Need to drive away potential middle customers:



ALCHEMY BETWEEN:

"MARKETING & SALES"

"CREATIVITY & ART"

















08/05/2009

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ALCHEMY BETWEEN:

"CRAFTMANSHIP"

"INDUSTRY"





08/05/2009

Best Global Brands 2008

2008 Bank	Sunk	Drand	Country of Origin	Sector	2008 Brand Value (Sm)	Change in Brand Value
i	i,	Coa Cota	us	Geverages	66,657	215
2	3	IBM.	os	Computer services	59,031	3%
3	2	Microsoft	US	Computer Software	59,007	1%
4	4	83	US	Diversified	53,086	3%
s	5	NOKIA	Finlerd	ConsumerElectronics	35.912	7%
6	6	TOYOTA	Jacoms	Actoriotive	34,050	6%
z.	2	(intel)	US	Computer Hardware	31.251	11%
×	8	M	135	Kesen irones	R1,040	n7.
9	d	Disnep	OPE	Media	29,251	0%
10	20	Google	US	Internet Services	25,590	4.5%
11	10	@	Germany	Automative	25,577	9%
12	12	40	US	Computer Hardware	23,509	6%
23	1.3	-	Germany	Actomotive	23.295	a %
14	16	Gillette	US	Fersonal Care	22,059	8%
15	15	Tacras II.	us	financial Services	25,046	5 %
16	12	W	France	Diseasy	> ,6i U	6%
17	1.8	cisco	US	Computer Services	20,306	12%
18	14	Marlhoro	Us	obecco	2 ,200	176
19	11	cîti	US	Financial Services	20,174	-14%
20	19	HONDA	Japan	Automotive	19,079	6%
21	21	SAMSUNE	South Corea	Consumer Electronics	17.689	5%
22	_	H.M	awaden	Аграте	13.810	NEW
23	27	ORACLE:	US	Computer Software	13.831	11%
24	33	é	197	Consumer Decimalis	13,724	24%
25	25	SONY	Jegan	Consumer Lectron of	13,582	2%
26	26	€ P€PSI	05	Feverages	13,749	3%
27	23	HSBC 🖘	uik	Financial Services	13,243	-3%
28	24	NESCAFÉ	Sw tzerland	Bevarages	13,055	1%
29	29		us	Sporting Goods	12.672	6%
30	28	Ups	us	Transportation	12.621	1%
31.	34	SAP	Germany	Computer Software	12.228	1.2%
32	31		115	Compliner laroware	11,691	125
33	30	Butterson	US.	Alcohol	11,438	-2%
34	22	(Saterill Lynch	us	Financial Services	11,395	-2194
35	38	THE REAL PROPERTY.	Syeden	Home Furnishings	10.91:	8%
36	36	Canon	Japan	Computer Hardware	10,876	3%
37	32	JPMorgan 😭	US	Financial Services	10,775	-5%
38	35	Carretta	us	Financial Services	10.331	-3%
39	40	Nelloygis.	115	Food	9,710	4%.
40	44	(Nintendo)	Japan	Consumer Electron os	8.772	13%
41	49	- The second	Switzerland	Emancial pervices	H.741	-11%
42	37	Morgan Stanley	US SANTERNATO	Financial Services	8,690	-10%
43	42		Netherlands		8,323	-10%
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44		***	ATRIVICES.)	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	The second	1 1000000
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46	48	eb*Y	US	Internet Services	7.921	7%
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62		LS	Internet Services	5.456	-9%
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200	GEBD	Germany	Automotive	5.407	11%
Sel.	Audi	LS	Diversified		Tree .
	CATERPILLAR*		- Committee - Comm	5.288	37%
59	7016	100000000000000000000000000000000000000	2	Articles-	6%
71					8%
72					9%
				30000	NEW
2.0					1%
75		155-5472440.1	Automotive	5-C108878	59%
73	TAKE		Luxury		8%
51	-	us	Apparel	4 357	-20%
73	Panasonic	Japan	Consumer Electronics	4 281	A%
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8.5	MOST & CHANDON	France	Alcohol:	3.55L	6.46
94	Ö	UK	E-ergy	3 911	3%
8.8	(A)	US	Restaurants	3 879	7%
81	ING	Prettnerfur ds	Financial Services	3 768	-3%
77	MOTOROLA	us	Consumer Electronics	3 721	-0%
85	DURACELL:	us	Consumer Electronics	3 682	2%
-r1	- Crimina	LIK	Alcoho	3 590	68.
92	(2) Levis	Japan	Automotive	3.588	7%
+4	PRADA	italy	Tare of	3.585	9%
90	gohner Johnson	us	Personal Care	> 582	4%
-	*	Italy	Automotive	3 527	N.EW/
	ARMANI	Daily	Luxii y	3 536	NEW
87	Hennessy	Flance	Alcoho	3.513	-3%
-	Marriott.	us	Hospitality	3 502	NEW
9.9		Nerherlands	Energy	3.471	4%.
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Luxury used to be defined by the industry

It is now defined by the consumer

And is a moving target



India as a Destination

- India is emerging as a one of the fastest growing markets for premium and upscale consumer products
- A large number of International Luxury and Upscale Brands and Retailers interested in entering India
- Imperative to have an understanding of the lifestyle and consuming habits of the Indian affluent consumer

























LANCÔME





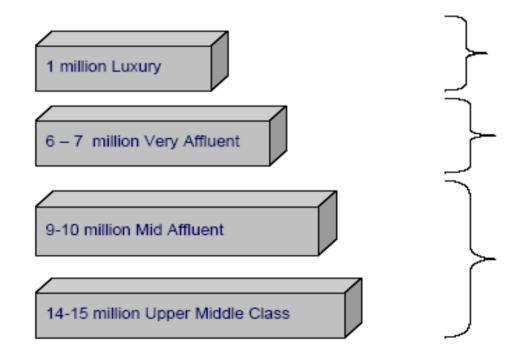






Why India?

The Indian Affluent Pyramid



Luxuriented. Source of Affluence is largely traditional and inherited wealth. Most importantly, they have high levels of exposure and awareness to world class living.

New Rich. Adequate Spending Power. Acquiring Orientation to Luxury.



Getting there. Acquiring Spending Power. Spends mainly on high end white goods, education of children, better housing and larger automobiles.

Mid Affluents are also acquiring Orientation to Luxury, however unlikely to indulge beyond a limit.

Affluent, consuming Luxury products will double in next five years

THE MANY FACES OF THE INDIAN WOMAN







NO LONGER ONE UNIFYING DESCRIPTION OF THE NEW INDIAN WOMAN



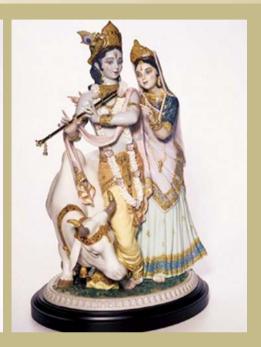




LLADRO







- Global spend on a Lladro \$490
- Indian spend on a Lladro \$1700
- Understanding relationship between worship, good fortune & luxury has been the reason to its success

JUDITH LEIBER



- Judith Leiber launched "Ganesh" the God of good luck
- Ganesh retails at \$6500



China as a Destination

- Wealthy Chinese are about 1% of the household but growing at 16% per annum
- Concentrated in East &
 Central South regions and
 30% in 4 largest cities
- About 50% of this wealthy consumers were not classified as wealthy four years ago and half of those who will be classified as wealthy in five to six years are not wealthy today





Why China?

In 2008, the number of wealthy households in China reached 1.6 million. By 2015, it will have more than 4 million households, making it the world's fourth largest country in terms of its number of wealthy households after the US, Japan and the UK.

Moreover, in such a fast-growing and young market, companies can do much to shape the taste, spending habits and loyalty of consumers in a wide range of industries such as automotive, real estate, banking services, consumer electronics and consumer luxury goods.

The Many Faces of the Chinese Consumer











The Chinese Consumer

Wealthy Chinese consumers (like Indian consumers) are unique: they differ from both their global peers as well as less wealthy consumers

They are on average 20 years younger than those in US and Japan.

They are more educated than other Chinese consumers and are more often self employed

The wealthy trust foreign brands more, find it difficult to keep a work life balance and are more comfortable about borrowing money



Segments

Seven segments

	Avg.HHI RMB	% of	Key characteristics
1 Luxuriant	Thousands 590	wealth 22	 Highest income and located mainly in tier-1 cities; higher proportion of females Care about health, the environment and the quality of family life Passionate about luxury goods Sophisticated, low-key style; fashion leaders Quality matters more than brand; against look-alike products
Demanding	585	13	 Higher income than most yet amongst the hardest working Prefer flashier products that help them stand out from the crowd Less willing to pay for the best; hard to please Not confident future earnings will grow significantly; dislike borrowing
3 Flachy	542	22	 Slightly above average income, with greater numbers in tier-1 offices Big luxury goods spenders and showy: the brand is important Prepared to buy look-alike products Go out of their way to find the oheapest price Confident financially but continue to work hard; care less about health and the environment
Urbane	511	14	 Lower than average income, with greater numbers in tier-1 office; higher proportion of males Care significantly about health, the environment and the quality of family life Sophisticated, but low-key and spend less on luxury goods than those in the Luxuriant segment Care more about product quality than the brand; against look-alike products
3 Climber	493	8	 Lower than average income, with greater numbers in tier-2/3 office Status conscious and keen to socialize with the up-and-coming and influential Appreciate luxury goods but do not regard them as a necessity Not willing to pay more for better products; go out of their way to find the cheapest price Less confident financially
O Down-to- earth	492	10	 Younger and newer to luxury and wealth; greater numbers in fler-2 cities Value family life over social life Care liftle about higher-end products; liftle interest in foreign brands When they do spend on luxury, they stick to quality and low-key products Confident financially, but feel peer pressure to earn more
7 Enthusiast	479	11	 Among the lowest income, with greater numbers in tier-2 cities Enthusiastic about luxury goods; would like to buy more than they can afford Very showy; like brands that help them stand out from the crowd Prepared to buy look-alike products; favor Chinese brands

Source: Insights China by McKinsey - 2008 Wealthy Chinese Consumer Survey







