

Creative Industries in Emerging Markets

“Luxury Business in Emerging Markets: The Case of India and China”

Ashok Som, Academic Director, ESSEC-IIMA Global Management Program on Luxury,
Associate Dean, Global MBA program

“The Luxury Industry: Lessons learned from Past Crises”

Michel Phan, LVMH Chaired Professor,
Academic Director, MasterCard-ESSEC Luxury Brand Management Executive Program, Professor of Marketing,
External consultant to UNESCO on its first forum on creative enterprises held in Italy (2009)

“Emerging Collaboration Opportunities with India”

Coumar Ananda, Managing Partner, Gereje Corporate Finance

Nov 18, 2009

18:30 – 20:00

Venue: CNIT
La Defense Campus

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ESSEC Executive Education



Michel Fender, Ph.D
Director, ESSEC Executive Education



ESSEC INDIA RESEARCH CENTRE

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

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BUSINESS SCHOOL
PARIS-SINGAPORE

Ashok Som
ESSEC Business School

India

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India as a Destination

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- 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
- 60% of wealthy in 8 cities: **Delhi, Mumbai, Chennai, Ahmedabad, Pune, Kolkata, Hyderabad, Bangalore**



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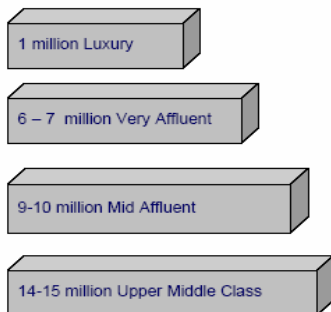


Why India?

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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

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Differing Luxury Consumption by the Consumer Segments

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The Enrichers or 'Old Wealth'

- Know who they are and what they want
- Privacy and security are more important
- Lead a more relaxed life free from turbulence of proving oneself



The 'Nouveau Rich'

- Are wannabe Enrichers
- Showing off is socially acceptable.
- Want what everyone else has
- Go for popular luxury brands



The Emulators or the 'Emerging Wealth'

- Need to overtake the Joneses'. They live a faster paced life more subject to turbulence and social pressure
- Highly influenced by opinion leaders, celebrities and western imagery



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THE MANY FACES OF THE INDIAN WOMAN



NO LONGER ONE UNIFYING DESCRIPTION OF THE NEW INDIAN WOMAN



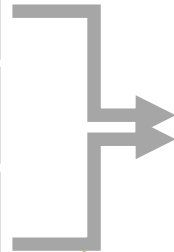


Indian Consumers

Demanding

Information oriented

Value-conscious



Picky
vs. pampered

Rational
vs. emotional

"Indian affluent class is seeking best brands best quality and best service but also likes celebrating it's Indianness"

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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

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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**



- 50% wealthy live in top-10 cities: **Shanghai, Shenzhen, Beijing, Ningbo, Dongguan, Wenzhou, Chengdu, Foshan, Hangzhou**

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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**.

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The Many Faces of the Chinese Consumer



The Chinese Consumer

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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**

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China & India: Inspiration and Source

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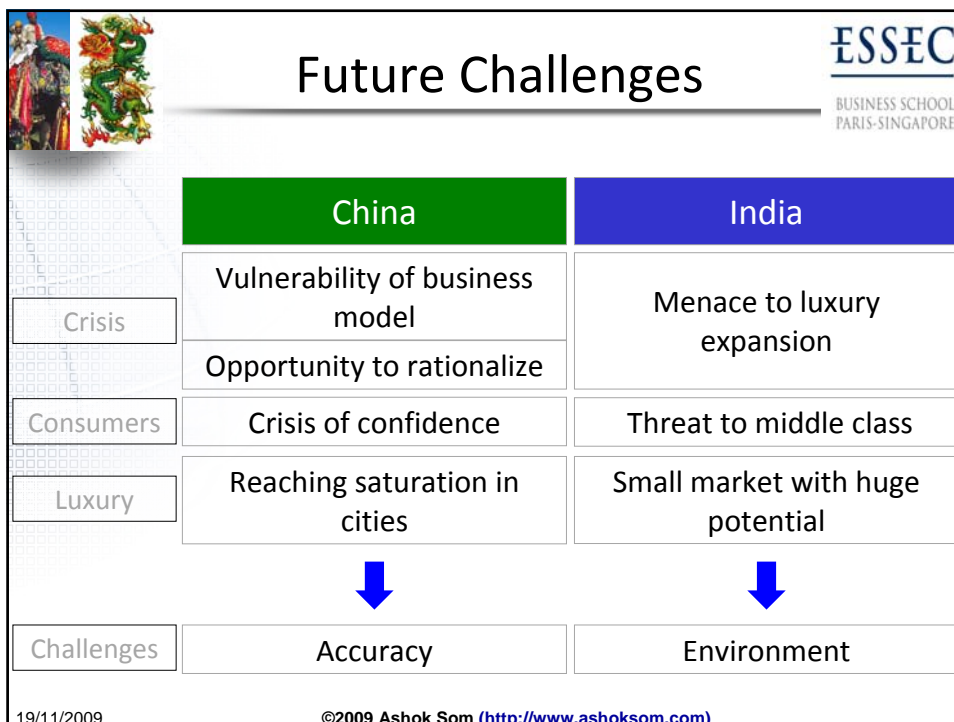


Challenges: Inspiration & Source

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China	India
Relatively liberal environment	Heavy fiscal, legal & bureaucratic framework
Relatively structured retail	Fragmented retail 4% structured retail vs. overall
Geographic footprint in cities	Geographic immensity
Ease of importing expertise	High cost of importing expertise

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The time to act...

Growth
Footprint
Global Vs Local
Unique & Dynamic consumers
Brands: Trust & Loyalty
Demographic Dividend
“Affordable” Vs “Deep” Luxury





Our Programs on Luxury

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**MBA in International Luxury Brand Management
(12 months, Paris)**

**ESSEC-IIMA Global Management Program on Luxury
(10 days, Ahmedabad-Paris)**

**ESSEC-Mastercard Luxury Brand Management
Executive Program
(4 days, Asia-Pacific)**

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25

