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Luxury Brands Prefer Heritage Homes over Hotels, Malls

Also share space with brands that are a notch lower in prestige sweepstakes

SOBIA KHAN & SARAH JACOB
BANGALORE

Heritage homes are fast becoming the favourite hunting grounds of luxury brands scouting for premium retailing space in India, where suitable high-end malls are too few and the sales potential at five-star hotels is still uncertain.

When designer wear brand Kimaya Fashions searched for a store in Hyderabad, it settled on a 15,000-sq ft bungalow in the upscale Jubilee Hills, in a property with floor area nearly three times the size of its average outlets.

French luxury brand Hermes also moved into a Victorian property in Mumbai's Horniman Circle to retail its popular Birkin bags.

"It's not necessarily out of choice," says Pradeep Hirani, managing director of Kimaya Fashions. "This is the only way to expand presence in India because of the limited options." While luxury brands are aggressively looking to expand footprint, real estate developers have shied away from building high-end malls. So, instead of waiting for luxury infrastructure to develop, such companies are seeking out heritage properties.

Multi-brand store Kitsch run by TSG International, which retails brands such as Alexander McQueen, Moschino and Stella McCartney, touched operational break-even in less than six months when it opened a standalone outlet in Mumbai's Kala Ghoda area. In contrast, its outlet at luxury mall DLF Emporio in New Delhi took over a year to do so.

Besides turning to heritage homes, luxury brands are also beginning to share space with brands that are a notch lower in prestige sweepstakes.

Industry observers say this is a smart move because Indian consumers may buy luxury products in one category and premium in others. "It is not a question of where but how many stores a luxury brand opens that dilute its brand value," says Amit Bagaria, chairman of retail planning consultancy Asipac Projects. Genesis Luxury, which has partnered brands such as Jimmy Choo and Bottega Veneta, experimented by opening a store for Italian menswear Canali at Mumbai's Palladium mall. "There were high risks of adjacencies," says Deepika Gehani, creative head of Genesis Luxury, referring to



neighbours such as DKNY and Zara, which are international brands but not classified as luxury.

Internationally luxury brands always retail alongside those of similar positioning," says Gehani, but points out that the departure from strategy in India has worked. The Canali store at Palladium generated close to 100% higher sales within three months of launch than its outlet at JW Marriott in the same city. In Chennai, too, Genesis Luxury opted for Express Avenue, a mall which has a mix of brands such as Levi Strauss and Biba as well as the super-premium brand Diesel. While it opened a standalone outlet for Burberry, it clubbed its other brands under a format called Luxxe Box. Or take Tag Heuer, the world's fourth-largest Swiss watch maker, which opened a 600-sq ft store in Bangalore's Phoenix Market City mall next to the Spanish premium

brand Mango. "We need a flexible footprint to develop retail space," says Manish Sanwal, general manager at LVMH watch & jewellery, which owns TAG Heuer. Higher footfalls have meant sales of 15 watches per month against 10 watches a month in hotels.

Genesis Luxury's Gehani says the brand retains its exclusivity by not partnering high street brands in the mall for marketing promotions.

Since luxury high streets such as New York's Fifth Avenue and Madison Avenue or London's Bond Street are absent in India, most luxury brands chose to open their outlets in five-star hotels.

Real estate consulting firm Cushman & Wakefield says such hotels across cities such as Mumbai, Delhi and Bangalore account for as much

as 80-90% of luxury retail space in the country. Footfalls have, however, been lower in hotels than in malls because most guests at hotels shop overseas and head for the restaurants and bars. Malls and standalone luxury outlets have been a comparatively bigger draw. While a luxury mall seeks rentals of ₹530-600 per sq ft, standalone outlets and malls with a mix of high street brands get offered up at half the cost.

"Rentals are 10% of the sales of luxury brands globally and we are able to achieve that in India by experimenting with location," says Priya Sachdev, creative director and COO of TSG International.



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Reference Vacancy Circular for the Technical Posts in Bangalore Tech Centre and Data Centre on deputation published in this Newspaper on 29th Nov 2011. The last date for submission of application is hereby extended upto 05.02.2012. Further details may be obtained from the website www.uidai.gov.in.

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