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PURE POLITICS

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A morale booster for Cong, but BJP likely to continue hostility



## HUGE INITIAL INVESTMENT, RUNNING COSTS ADD PRESSURE

# High Rentals Make Luxury Brands Move to Small Stores

**VIJAYA RATHORE & SOBIA KHAN**

DELHI/BANGALORE

When American luxury handbag maker Judith Leiber came to India in 2007, its Indian partner Marigold Luxury Brands had a tough time keeping operational costs under control mainly due to the high rent for a 500-square-foot shop in a posh mall in Delhi. "For the first two years, Judith Leiber gave its pieces at a very subsidized rate in order to enable us to bear the high-rental costs," Sangeeta Assomull, CEO of Marigold Luxury Brands, says. Since then Judith Leiber has shifted to a smaller store in the same mall to ease rent pressure and improve operational efficiency.

Several international luxury brands have either closed shops or cut down store sizes in the country because of high rentals and unavailability of affordable real estate for luxury retail. Huge initial investment and operational costs are also putting off several luxury brands looking to enter the country and Indian firms keen to partner them.

If some like of men's luxury brand Dunhill have had to shut shop because doing business in the country was nonviable, others such as Hugo Boss and Judith Leiber had to shift to smaller outlets.

Still others, like Corneliani, are caught in the middle. "About 30% of our earnings go into rentals. This puts a lot of pressure on our ability to make profits," says Satesh Grover, business head of OSL Luxury that retails Corneliani menswear in the country. "We cannot even cut down the store size as it would not justify the brand's positioning."

Corneliani has a 2,000 square foot showroom on the first floor of DLF Emporio Mall, an exclusive luxury destination in Delhi where rentals are in the range of ₹500 to ₹1,500 per square foot per month.

Amit Bagaria, chairman of retail planning consultancy firm Asipac Projects, says, "Rentals of malls that house mass and premium brands are 40%-50% lower than that of luxury malls." That is mainly because luxu-

ry brands do not have many options in retail space in India. Besides DLF Emporio in Delhi, Palladium Mall in Mumbai and UB City in Bangalore, luxury brands are mostly restricted to the shopping arcades of five star hotels.

Upcoming high street locations such as Horniman Circle in Mumbai and Khader Nawaz Khan Road in Chennai, too, are offering spaces to brands such as Hermes, Kitsch, Louis Vuitton and Christian Louboutin in the range of ₹250-400 per sqft a month.

"Ideally the rent should come to about 10-12% of the total revenue for a brand to do well," Judith Lieber's Assomull says.

Palladium mall in Mumbai has seen sev-

eral luxury brands seeking comparatively small stores. "Montblanc is now looking at taking 600-800 sq ft carpet area stores," says Sangeeta Vernekar, director-retail excellence at Phoenix Group.

Many luxury brands looking to enter India are finding it difficult to find partners, says Abhay Gupta, founder of Luxury Connect, a Delhi-based marketing firm that works exclusively with luxury brands. "We get a lot of queries on a regular basis from Indian companies willing to bring international brands into India, but they often get discouraged when they realize the patience and financial commitment required to be in luxury retail," he says.

Sunil Choudhary, associate vice president (retail and luxury) at consultancy firm Tecnova

India, says, "It takes at least 3-5 years for a luxury brand to start making profits on a store level."

Sanjay Kapoor, managing director of Genesis Luxury that represents several luxury brands, expects some new mall developments in the next two years across Delhi, Mumbai and Kolkata will help ease the real estate problem.

Developers, however, don't expect any slide in rentals. "Brands are waiting to open with us and are ready to pay high rentals because of the quality of services we offer," says Dinaz Madhukar, senior vice-president at DLF Emporio.

### Rentals

(Per sq ft per month)

**Delhi DLF Emporio**  
₹ 500-1,500

**Mumbai Palladium Mall**  
Around ₹ 300

**Bangalore UB City**  
₹ 275-550

**Five-star hotels**  
₹ 500-1,000

**Upcoming high streets**  
such as the Horniman  
Circle in Mumbai or  
Khader Nawaz Khan  
Road in Chennai  
₹ 250-400