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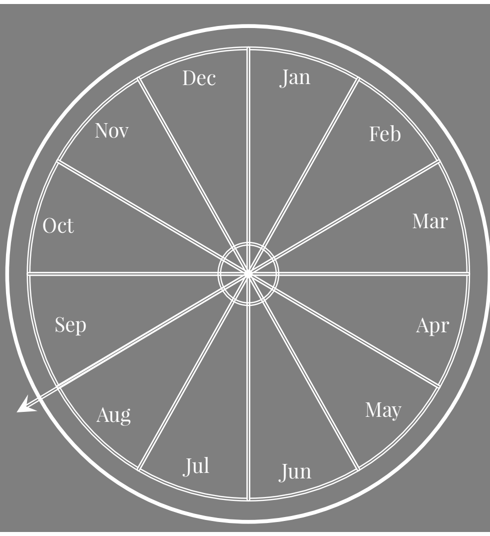

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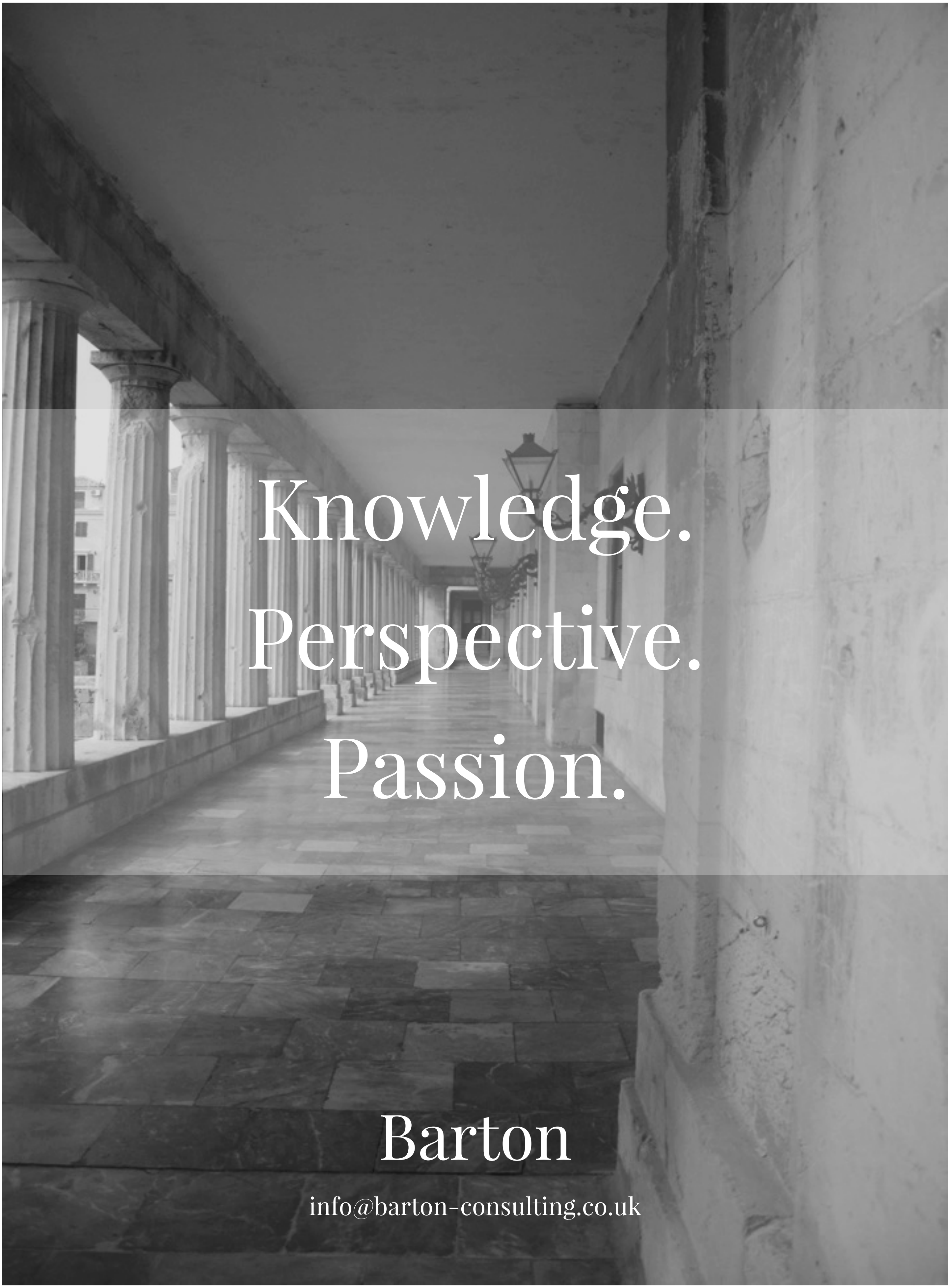
Knowledge.
Perspective.
Passion.
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ALL THE RAJ

In early September, India will host the G20 summit in New Delhi. The initial speculation is that China's leader, Xi Jinping, will not attend, and that Beijing will be represented by Premier Li Qiang instead. Although this non-attendance is doubtless due to some geopolitical grandstanding, it actually serves another purpose, which is to allow India to shine in the spotlight, not in China's shadow.

Economically, the Asia-Pacific story of the last 20 years has been dominated by China. India, though now a $2.6trn economy, has only consistently been in the top 10 economies of the modern world since 2015 and is under a fifth the size of China's. However, this was not always the case.

Both India and China are considered to be the largest economies of the world throughout history. In 1AD, they both accounted for about 55% of global output, with the Roman Empire only producing 5%. Throughout the 15th, 16th, 17th and 18th centuries, these massive countries with enormous populations remained the top two globally. The industrialization of the late 19th and early 20th centuries saw the emergence of the US and the decline of pre-industrial China and India as the two GDP giants.

And whilst China's reinstatement as a top global economy is assured, along with significant increases in the wealth of its citizens, India has lagged behind, with a huge group of its citizens still living in absolute poverty. However, this picture is likely to change. The People Research on India's Consumer Economy (PRICE), an independent, not-for-profit think tank, collected primary survey data in 2014, 2016 and 2021, covering more than 40,000 households, both rural and urban, from 25 states in India.

Estimates based on the survey indicated that by 2030, the population of 'Destitute' and 'Aspirer' Indians (very low income groups) will have fallen from its rather large 2020 population of 928m people to 647m and by 2046 to 209m. The 'Middle Class', which in 2020 accounted for just 432m out of a total population of 1.41bn is set to grow to 715m by 2030 and to well over 1bn by 2046. The 'Rich' segment is also set to grow from a mere 56m in 2020 to 169m people by 2030 and nearly half a billion (437m) by 2046. Within a few decades, India's story will have changed from a population that is largely poor or very low income, to one which is largely middle class or wealthy, with all of the change that such a demographic shift entails.

.Middle class consumers are exactly that: consumers. A market of that size is significant and highly attractive to Western brands that have prospered so well from the China story. Up until now, India has been a relatively modest market for luxury goods brands. China, the world's second largest market, has annual luxury goods sales of around $55bn, set to rise to $65bn by 2028. India's luxury goods sales are sitting at around $7.7bn – around a tenth of the US, the world's largest luxury goods market. Calculating this revenue per person of the population, luxury goods sales are around $5.45 per person in

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Infrastructure across India has also lagged behind China’s incredibly fast building program of roads, railways, cities and shopping malls that offer advanced comfort and security for luxury shoppers. India’s domestic luxury goods market is largely about Mumbai and New Delhi, despite the vast number of cities elsewhere in the subcontinent. Genesis Colors Ltd, which retails brands such as Bottega Veneta and Burberry in Indian towns and cities, operates over 100 outlets in the country. Around 70% of their business comes from Mumbai and New Delhi and part of the reason for this is the infrastructure in those cities so essential for luxury retail that is not present in other locations.

DLF Emporio in New Delhi, the most prestigious luxury mall in the capital and currently home to boutiques from the likes of Louis Vuitton, Dior, Cartier and Gucci, will soon be welcoming the French luxury department store Galeries Lafayette, who will also be opening a 90,000 sq ft standalone flagship store in Mumbai.

Some of the main drivers of this renewed interest in the Indian market are strategic: when the entrepreneurial middle class incomes grow, so will their spend. However, there is also something bigger at play connected with Indian prestige and patriotism. Luxury goods consumers in India are increasingly younger and more exposed to global trends through social media such as Instagram and TikTok which, unlike China, are legal in the country. India has the world’s largest population of Instagram users, around 230m people, approximately 90m more than the US. It is estimated that India gained around 20m Instagram users during the pandemic, which is about the same number of users there are in France.

They are more aware of India’s growth, its potential and their probable status in the world as a fast-rising economy and regional power and as they are more connected to the global luxury goods lexicon, they are using the latter to solidify and celebrate the former. They are also keenly aware of China’s growth, how it was achieved and where it has taken them – to being the second largest economy behind the US.

However, India is not China. China’s story is one of exceptionalism, a perfect storm of unstoppable political will and free capitalism. There is no guarantee India would ever replicate the same level of luxury goods spending as China, simply because it is another growing economy with a big population in the Asia-Pacific region. Tastes and influences are very different between the countries, despite the increasingly globally exposed nature of the highest-end consumers. However, it has a very ambitious, hardworking and increasingly educated and intelligent population that believe in risk-reward and wish to stake their own claim. At the very least, India will become over the coming years, one of the most interesting luxury markets.

Sector updates

Image: Tapestry Inc

The US owner of Kate Spade & Stuart Weitzmann, **Tapestry Inc** (also known as the leather goods brand Coach), recently acquired rival US luxury group **Capri Holdings** (formerly known as Michael Kors), which also owns Jimmy Choo and Versace. The deal was $8.5 billion, or $57 per share, which represents a 60% premium over Capri's 30-day weighted average. The combined entity will be the fourth largest luxury group in the world, behind LVMH, Richemont and Kering. Analysts were quick to point to the potential for it to become an "American LVMH", although the French group's 70 brands and $85bn revenue dwarf theirs currently, with their six brands currently generating $12bn sales. Capri's brands – mainly Versace and Jimmy Choo – have strong luxury credibility and could easily have been of interest to the likes of Kering or LVMH. Barton notes that the near obsession with LVMH in the luxury market shows no sign of abating, as countries like the US and Italy continue to envision their own version of the French group.

There was some surprise when news came that Jöerg G. Bucherer Chairman of **Bucherer** decided to sell his watch and jewellery retailer to watchmaker **Rolex**, which has sold around 5% of its global stock through Bucherer's 100 boutiques. Shares in Bucherer's rival Watches of Switzerland (WOS) tanked 30% on the back of this news, though the initial reaction from WOS suggested that Rolex confirmed it won't be changing its distribution strategy just yet, in an attempt to calm markets. Clearly, in Barton's view, Rolex is not buying Bucherer purely to provide its 87-year-old Chairman with an incredibly soft retirement – analysts estimate the consideration to be around 4bn Swiss francs – irrespective of how deeply connected he is personally with Rolex (known to be the last active watch industry player to have worked with Rolex founder Hans Wilsdorf). And it's no exaggeration to say that WOS relies on Rolex sales. It is the number one seller of Rolex watches in the world, about half of its sales are from the brand's models.

Image: Bucherer

Image: Porsche

Porsche is one of the most iconic sports car marques, and one of the most careful guardians of design heritage. The 911 shape is instantly recognisable and arguably timeless and despite gradual evolution has changed little since its introduction in 1964. However, in the new world of electric vehicles, Barton has noticed that car design has taken some strange directions (BMW, Mercedes) as brands find themselves unconstrained by the combustion engine. Porsche has previewed a radical change of direction for its dedicated sports cars in the electric era, with the recently revealed Mission X and Vision 357 concepts. Mission X (left), an electric successor to the 918 Spyder, looks more like a Pagani than a Porsche. Head of advanced exterior design Ingo Scheinhütte explained: "*Ten years ago, I would have said that the most important exterior element on a Porsche was the headlights. But if you look at what we have done on the 357 and Mission X we're slowly figuring out that the headlights are not the most important thing. We can play around a bit, and that's an area [in which] we used to be very careful.*"