Italian Luxury Brands in India: Opportunities and Challenges

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Abstract

This paper attempts to understand the opportunities and challenges faced by Italian luxury brands in India. A.T.Kearney, the global consultants, ranked India as the fifth most attractive retail market as per Global Retail Development Index (GRDI) for 2012. Six percent of the households in India belong to the affluent class with annual household income above USD 18,500. Such families spend only about 20 percent of their household budget on food and have a large amount of discretionary income. India has most millionaires after U.S. and China. Italy, as a nation, is widely recognized as the world leader in luxury brands. With the developed markets being hit by the recession, many Italian luxury brands have taken the plunge into Emerging Markets. Their performance in Indian market has been a mixed bag. With the kind of opportunity India presents, it makes perfect business sense for Italian luxury brands to enter Indian market. However there are major challenges in India, which make it the most unique and quite a difficult market to understand. Some of the challenges identified in this study include difficult operating environment, socio-economic challenges, weak infrastructure, and lack of quality retail space for luxury brands. The Italian luxury brands need to give special focus on India, be ready to tweak their business models which are successful elsewhere, look at long-term results from India and utilize the Indian advantage beyond the mere product / market opportunity.

Key Words: Luxury Brands, Italian Luxury Brands, Indian market, Opportunities, Challenges