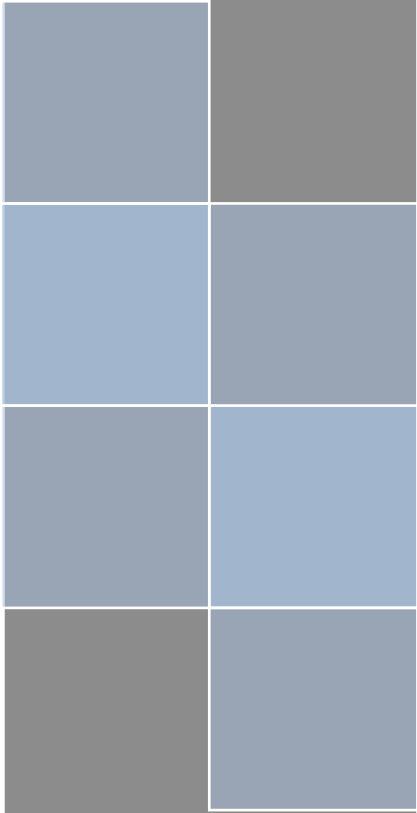




Industry Report On **PREMIUM & LUXURY WATCH RETAIL IN INDIA**

3rd January 2022



Contents

1. Macroeconomic overview of the Indian Economy
2. Market structure for premium and luxury watches retail
3. Retailing structure for premium and luxury watches in India
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1. Overview of the Indian Economy

India GDP and GDP Growth

India is the world's 6th largest economy and expected to be in top 3 global economies by FY 2050

Currently, India ranks sixth in the world in terms of nominal gross domestic product ("GDP") and is the third largest economy in the world in terms of purchasing power parity ("PPP"). India is estimated to be among the top three global economies in terms of nominal GDP by FY 2050.

Exhibit 1: GDP Ranking of Key Global Economies (CY 2020)

Country	Rank	% Share (World GDP, at current prices)	Rank PPP	% Share (World GDP, PPP)
United States	1	24.7%	2	15.8%
China	2	17.4%	1	18.3%
Japan	3	5.9%	4	3.9%
Germany	4	4.5%	5	3.3%
United Kingdom	5	3.2%	9	2.3%
India	6	3.1%	3	6.7%
France	7	3.1%	8	2.3%
Italy	8	2.2%	10	1.8%
Canada	9	1.9%	14	1.3%
Korea, Republic	10	1.9%	13	1.7%

Note: *- Available for 2019

Source: World Bank Data, RBI, Technopak Analysis

India expected to fare better than developed economies and recover to a high growth path in coming years

India's real gross domestic product ("GDP") has sustained an average growth between 6% and 7% since FY 1991. India has been the fastest-growing G20 economy since FY 2015, with annual growth rate hovering around 7%. India's economy grew at ~7% in FY 2019. The real growth rate declined to 4% in FY 2020 and witnessed a de-growth of 7.3% in FY 2021 due to the outbreak of COVID-19 pandemic which led to the imposition of lockdowns towards the last quarter of FY 2020 and a major part of the first quarter of FY 2021 causing a contraction in the economy.

The impact of COVID-19 has caused several large economies to shrink. It is being estimated that India's GDP is expected to resume its pre-COVID growth momentum by FY 2022.



India witnessed a lower-case load in the 3rd quarter along with economic recovery which continued till the mid of 4th quarter of FY 2021. However, early March 2021 saw a tremendous rise in the number of COVID -19 cases in India in the form of the 2nd Wave of COVID. Daily new cases had risen to more than 0.2 million at the start of April 2021, and it increased to more than 0.3 million towards end of April 2021. Many state governments imposed long curfews to curb the growing number of cases & prevent the already collapsing healthcare system from further stress. Maharashtra has been one of the states where the rise in cases seen was enormous. Other states like Uttar Pradesh, New Delhi, Punjab, Tamil Nadu, Haryana, Karnataka and Gujarat also saw an unprecedented rise. In a departure from the intervention of the central government to impose a nationwide lockdown to mitigate the Wave 1 surge, it was left to the respective state governments (provinces) to impose local restriction. These interventions ranged from selective restrictions to total restrictions through curfews (as in the case of Delhi, Maharashtra that imposed weekly & then total lockdown on all kinds of movements and activities) depending on COVID-19 severity. These measures helped the central and the state governments to subdue the second wave of COVID-19 and there have been signs of economic recovery as the lockdown imposed during the second wave was lifted by the end of June 2021. As on 15th December 2021, the daily cases had significantly reduced to ~7,975 per day equivalent to 98.1% reduction in the number of cases since the peak of the second wave. Active cases have declined to ~78,000 from a maximum load of 37 lakhs at the peak of the second wave.

Ramping up vaccinations of the citizens was another intervention that the government started to implement by revising its earlier approach from "produced in India vaccines" to "source more available vaccines from other nations". India launched its vaccination drive on 16 January. This was already underway albeit at a slower pace and with conditions. As on 15th December 2021, over 823 Mn. Indian citizens have at least received the 1st dose and over 530 Mn. Indian citizens have been fully vaccinated.

The second wave of COVID-19 brought about new challenges that the Indian government was ready to face. By imposing partial/complete lockdown in areas which were greatly affected, Indian government was able to bring to its peak within a month of the sudden outbreak.

At the start of FY 2022, projections of Indian government, of the IMF and other organizations projected India's GDP to resume its pre-COVID growth momentum in FY 2022. This was in the backdrop of India witnessing a lower-case load in the 3rd quarter of FY 2021 and the economic recovery that ensued in the 3rd and 4th quarter of FY 2021. The 2nd wave led to a further reduction in sentiment & economic activity. But due to high virulence, the 2nd wave rose and decreased with an equal speed, hence effectively lasting 2 months. As of November 2021, all states had lifted their lockdowns and have eased most of the restrictions placed since the second wave.

Exhibit 2: Real GDP growth rate of Key Global Economies (CY 2018 – CY 2021P)

Country	GDP Growth Rate - 2018 (in %)	GDP Growth Rate - 2019 (in %)	GDP Growth Rate - 2020 (in %)	GDP Growth Rate – 2021P (in %)
United States	3.0%	2.2%	-3.5%	5.1%
China	6.8%	6.0%	2.3%	8.1%

Japan	0.6%	0.3%	-5.8%	3.1%
Germany	1.1%	1.1%	-4.6%	3.5%
United Kingdom	1.3%	1.4%	-10.0%	4.5%
India*	6.1%	4.2%	-7.3%	9.5%
France	1.9%	1.8%	-7.9%	5.5%
Italy	0.9%	0.4%	-8.9%	3.0%
Brazil	1.8%	1.4%	-4.1%	3.6%
Canada	2.4%	1.9%	-5.3%	3.6%

Source: World Bank data, WEO April 2021 by IMF; Data of India is based on Financial Year (April-March) basis.

* Secondary sources and Technopak Analysis

2021P: Predicted numbers for 2021

Comparison with other Countries

India's GDP is small in absolute terms, despite high fast growth

Despite its fast growth, India's GDP is small in absolute terms when compared to the GDP of larger economies. In 2019, India's GDP was approximately one eighth of that of the United States and approximately one fifth of that of China.

Global economy was severely impacted in CY 2020 due to COVID-19. In some countries economic downturn has been severe, while in the others it has been modest. China's growth rate for Q2 CY 2021 as compared to previous year (Q2 CY2020) was 7.9%. Countries like Japan, South Korea, Indonesia also started their recovery journey with YoY growth rates for Q2 CY 2021 being 7.3%, 6.0% and 7.3% respectively. Countries like UK, France, Mexico, US have improved on their GDP YoY growth rate of 23.6%, 18.7%, 13.1% and 12.2% respectively in Q2 CY 2021 as compared to CY 2020.

The economy of most of the above-mentioned countries bounced back in Q3 of CY 2020. US grew at 33.4% in Q3 and 4% in Q4 CY 2020 quarter on quarter basis. UK saw a 16.9% growth in Q3 and 1.3% growth in Q4 of CY 2020. However, with the increased lockdown measures, UK's GDP fell by 2.2% in January 2021 and again rose by a marginal 0.4% in February 2021. GDP of Mexico grew at a rate of 12.4% in Q3 and 3.3% in Q4 of CY 2020. France's GDP grew at 18.5% in Q3 2020 but fell by 1.4% in Q4 CY 2020. After two successive quarters of contraction (-24.4% in Q1 FY 2021 and -7.4% in Q2 FY 2021), India bounced back with a growth rate of 0.4% in Q3 FY 2021 and 1.6% in Q4 FY 2021 vis a vis the same quarter in FY 2020.

Exhibit 3: Q-o-Q GDP Growth Rates of Key Countries

Country	Q2 CY2021 vs Q2 CY2020 (Post COVID)	Q2 CY2020 vs Q2 CY2019 (During COVID)	Q2 CY2019 vs Q2 CY2018 (Pre – COVID)
China	7.9%	-3.2%	6.0%
Japan	7.3%	-10.1%	0.0%
South Korea	6.0%	-2.7%	2.0%
Indonesia	7.3%	-5.1%	5.2%
United Kingdom	23.6%	-21.4%	1.8%
France	18.7%	-18.6%	2.3%



Mexico	13.1%	-18.9%	-0.1%
United States	12.2%	-9.1%	2.1%

Source: Secondary Research, OECD Database

The country wise GDP of key countries is given in the table below:

Exhibit 4: Country Wise GDP (US\$ trillion)

Country	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2025P	CAGR (2020-2025)
USA	15	15.5	16.2	16.8	17.5	18.2	18.7	19.5	20.5	21.4	20.9	26.7	5.0%
China	6.1	7.6	8.5	9.6	10.4	11	11.1	12.1	13.6	14.3	14.7	22.5	8.9%
Japan	5.7	6.2	6.2	5.2	4.9	4.4	4.9	4.9	5.0	5.1	4.9	6.3	5.2%
Germany	3.4	3.7	3.5	3.7	3.9	3.4	3.5	3.7	3.9	3.8	3.8	5.1	6.1%
UK	2.5	2.6	2.7	2.8	3	2.9	2.7	2.6	2.8	2.8	2.7	3.8	7.1%
India*	0.9	1.0	1.2	1.4	1.7	1.7	1.9	2.3	2.4	2.7	2.6	4.2	10.1%
France	2.6	2.9	2.7	2.8	2.9	2.4	2.5	2.6	2.8	2.7	2.6	3.4	5.5%
Italy	2.1	2.3	2.1	2.1	2.2	1.8	1.9	1.9	2.0	2.0	1.9	2.4	4.8%
Canada	1.1	1.2	1.3	1.4	1.5	1.5	1.5	1.6	1.7	1.6	1.6	2.4	8.4%
Korean Republic	1.1	1.3	1.3	1.4	1.5	1.5	1.5	1.6	1.7	1.6	1.6	2.1	5.6%

Source: India Data from RBI, Upto 2020 data from World Bank, Future growth rate from IMF, Technopak Analysis

1US\$ = INR 75 (for 2019 India numbers)

* For India, CY 2019 means FY 2020

India's GDP Growth

Since FY 2005, Indian economy's growth rate has been twice as that of the world economy and it is expected to sustain this growth momentum in the long term. In the wake of COVID-19, India's real GDP has contracted by 7.3%, while nominal GDP has contracted in FY 2021 and is expected to bounce back and reach US\$ 4 Tn by FY 2025. It is also expected that the growth trajectory of Indian economy will enable India to be among the top 3 global economies by FY 2050.

Several structural factors are likely to contribute to economic growth in the long run. These include favorable demographics, reducing dependency ratio, rapidly rising education levels, steady urbanization, growing young & working population, IT revolution, increasing penetration of mobile & internet infrastructure, increasing aspirations and affordability etc.

COVID-19 had a massive impact on the Indian economy in FY 2021, with GDP in Q1 FY 2021 contracting 24% as compared to same period last year. The contraction in Q1 FY 2021 was not uniform; it varied from state to state and sector to sector. Aviation sector was worst hit followed by tourism, realty, food services etc. But as government eased lockdown restrictions and economy started to open, the economic trajectory witnessed a growth revival by end of Q1 2021. In FY 2022, the Indian GDP was expecting a faster recovery and projected to grow at 14.5 - 15% (in nominal terms). However, given the current surge in the

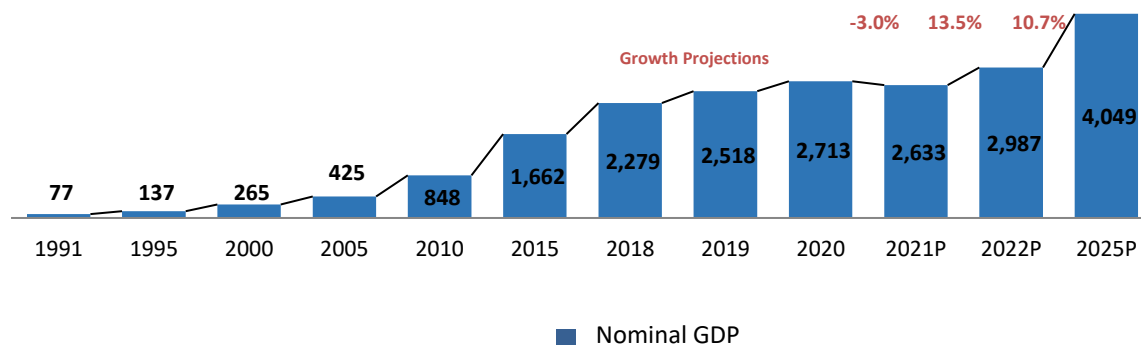


COVID pandemic that has resulted in wide-spread disruption and diversion of attention and resource to mitigate it, the projected growth of Indian nominal GDP in the Q1 of FY 2022 appears to be facing headwinds and the annual growth may be restricted to 13.5%, and real GDP is expected to grow by 9.5%

Exhibit 5: India's Nominal GDP in FY (US\$ Bn)

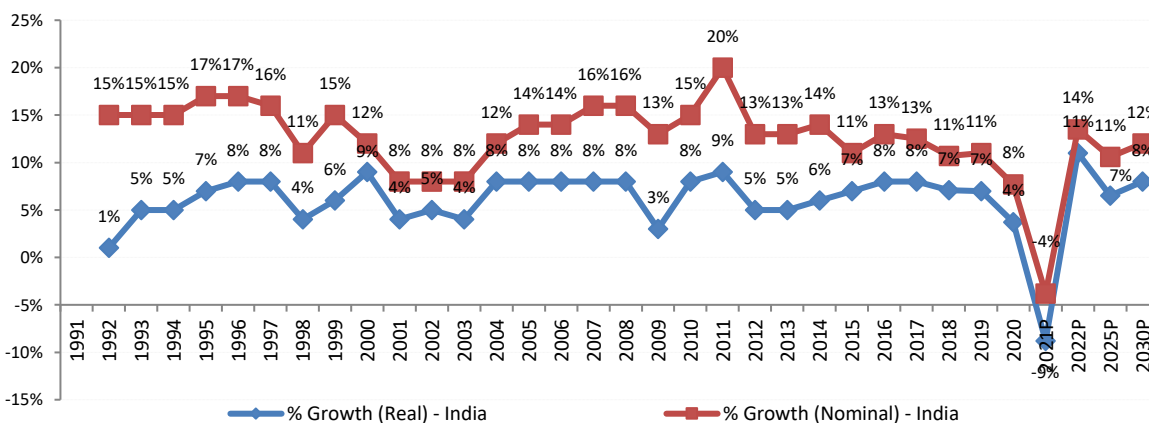
17	15	13	13	9	7	7	7	6	6	5	5
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India's Rank in World GDP



1 US\$=INR 75

Exhibit 6: Historical GDP Growth (%)



Source: RBI Data, World Bank, IMF;

*2012- GDP Spike in Real growth rate due to change of base from 2004-05 to 2011-12. Hence excluded from decadal growth rate as well



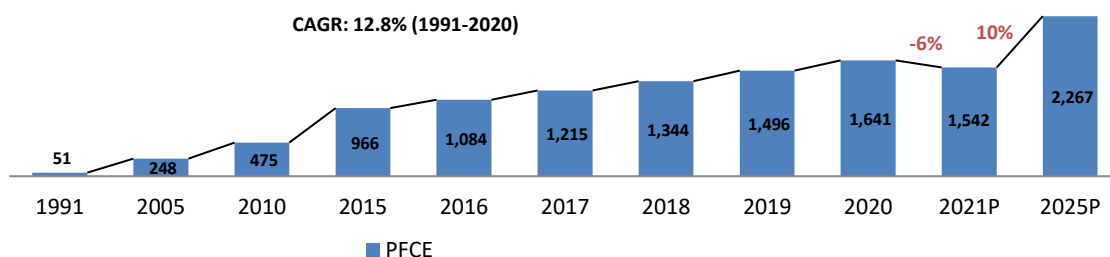
Consumption Growth, Demographic Profile, Increase in Per Capita Income & Distribution of Merchandise Consumer Spending

High share of domestic consumption in Private Final Consumption Expenditure (PFCE)

India's share of domestic consumption, measured as private final consumption expenditure, in its GDP was ~60.5% in FY 2020. This private consumption expenditure includes final consumption expenditures of Households and Non-profit institutions serving Households, and comprises both goods (food, lifestyle, home, pharmacy etc.) and services (food services, education, healthcare etc.). In comparison China's domestic consumption share to GDP in 2020 was 39.24%. High share of private consumption to GDP has the advantage of insulating India from volatility in the global economy. It also implies that sustainable economic growth directly translates into sustained consumer demand for goods and services. India's domestic consumption has grown at a CAGR of 11.1% between FY 2014 and FY 2019, compared to 4.3% and 8.2% in the United States and China, respectively.

However, with the outbreak of COVID-19, there has been a depression in demand with an estimated loss of revenue worth US\$ 117 Bn in merchandise retail in FY 2021. With the economic environment becoming uncertain, not only have the consumers become more thoughtful about their consumption but also more conscious of their savings and investments. The consumption priorities are also being driven by the health and safety concerns and the other behavioral changes adopted because of the pandemic. While the discretionary categories like apparel and lifestyle were severely impacted by the pandemic, need based categories like food and pharma have witnessed growth in the last year.

Exhibit 7: India's Private Final Consumption Expenditure (In US\$ Bn)



Source: Technopak Analysis, RBI Data; Year indicates FY

The annual growth rate for FY 1991-2005 was ~12% and this increased to ~14% for FY 2020. While consumption will suffer a setback in the short term, it is expected to reach to ~US\$ 2.27 Tn by FY 2025.



The drop in consumption is mainly because of consumer sentiment being weak due to both health and economic reasons. Structurally, with all the other variables remaining the same, the quantum of consumption should not take long to revive. However, the losses suffered during COVID-19 manifested itself as loss of momentum of growth. The loss in momentum and current fall should recover bringing the economy back to FY 2019 levels in FY 2022.

In FY 2019, PFCE accounted for ~59% of GDP. This is much higher than that in China (~39%) and comparable to that of the US (~68%).

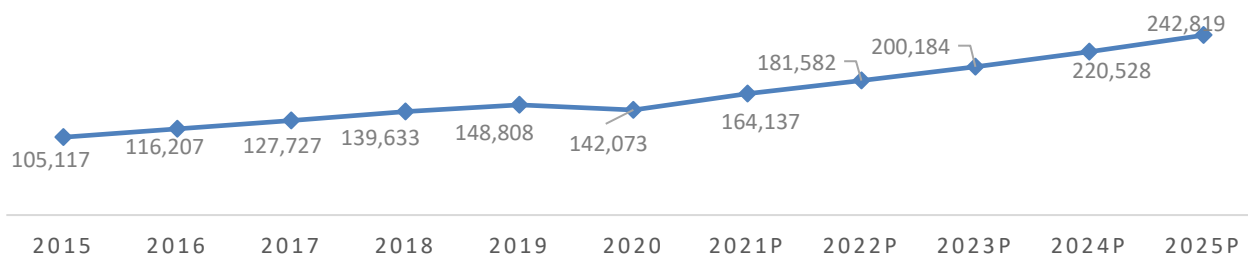
Exhibit 8: Total Private Final Consumption Expenditure (Current Prices US \$ Bn)

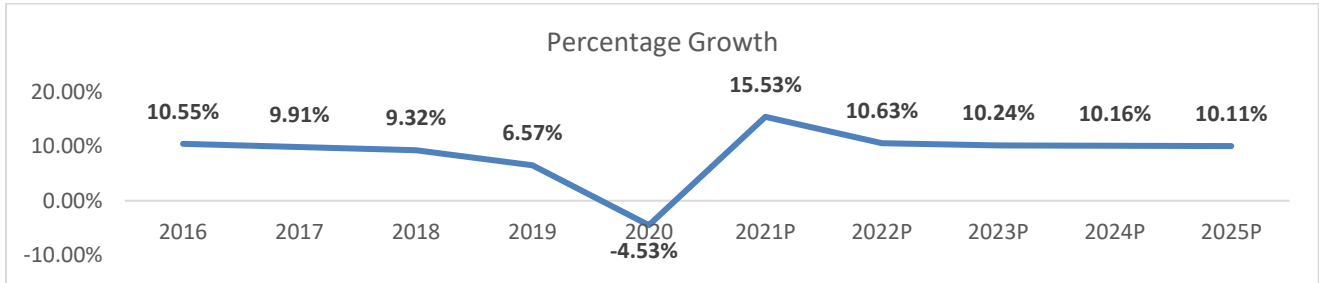
Country	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021P	Contribution to GDP (2020)	CAGR 2015-2020
U.S.	10,260	10,699	11,047	11,363	11,847	12,263	12,693	13,239	13,993	14,428	14,047	14,347	64.8%	2.8%
China	2,090	2,637	3,019	3,429	3,845	4,178	4,344	4,745	5,353	5,605	5,611	6,347	38.2%	6.1%
Germany	1,872	2,036	1,937	2,036	2,075	1,778	1,829	1,918	2,068	2,018	1,951	1,924	49.6%	1.9%
India*	411**	447**	749	863	966	1,084	1,215	1,344	1,505	1,641	1,542	1,718	57.5%	7.3%
France	1,463	1,573	1,469	1,536	1,549	1,318	1,341	1,397	1,503	1,463	1,398	1,394	48.8%	1.2%
Italy	1,296	1,401	1,279	1,304	1,309	1,116	1,128	1,179	1,258	1,202	1,093	1,108	54.8%	-0.4%
Brazil	1,330	1,577	1,514	1,526	1,546	1,153	1,154	1,331	1,239	1,216	906	1,230	56.4%	-4.7%
Indonesia	424	495	518	519	509	495	539	582	594	648	624	723	48.5%	4.7%
Thailand	178	196	212	221	214	206	207	223	248	271	265	259	50.2%	5.2%
Malaysia	123	143	156	167	177	163	165	177	206	218	205	226	19.0%	4.7%

Source: World Bank, RBI, Technopak Research & Analysis
 2020P: The projections have been arrived at by considering impact of COVID-19
 * For India, CY 2020P means FY 2021P (Data for India is for Financial Year)
 ** For CY 2010 & CY 2011, base year was 2004-05
 1US\$ = INR 75

Per Capita Income Growth

Exhibit 9: India's GDP Per Capita (₹) (Current Prices)





Year indicates CY
 Source: IMF projections
 Note: Numbers for 2021-2025 are Provisional

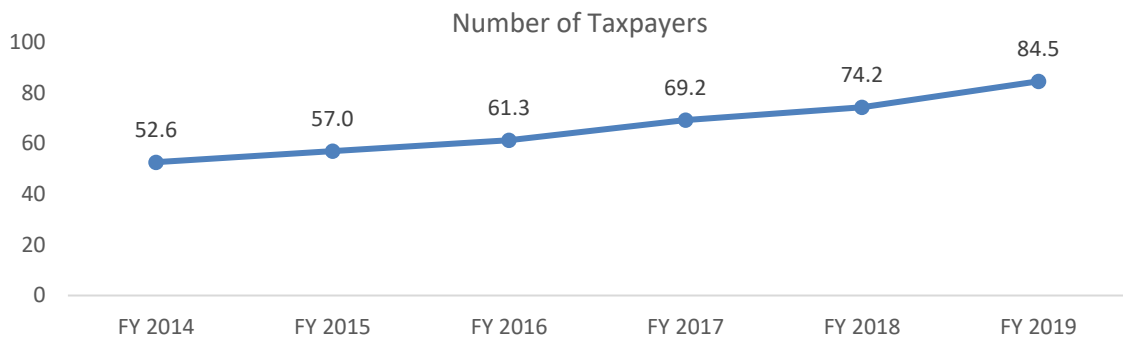
The per capita income of India has been showing an increasing trend since 2015; growing at a healthy CAGR of approximately 10%, the per capita income reached ₹1,48,726 in CY 2019. Given the impact of COVID-19, it decreased to ₹1,40,740 in CY 2020. However, it is expected to bounce back to ₹1,52,936 in the subsequent year and continue its growth journey at a CAGR of 10.5%.

Increasing number of Tax paying individuals

As the per capita income of Indian population increased, the number of individuals falling under the tax bracket has also increased. As of FY 2019, about 84.5 Mn. Individuals paid their taxes, a CAGR of ~10% over 5 years.

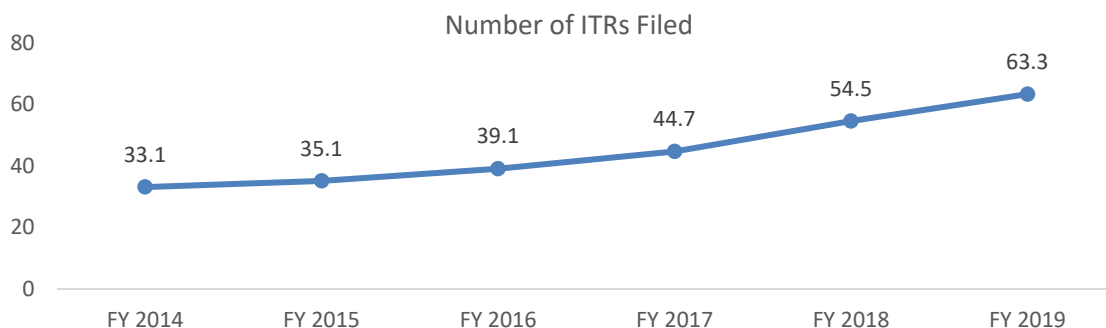
The number of individuals filing Income Tax returns has also increased with 63.3 Mn ITRs filed in FY 2019, a CAGR of ~14% over 5 years.

Exhibit 10: Number of Taxpayers in India (In Mn.) and Number of ITRs filed in India (In Mn.)



Source: Income Tax India





Source: Income Tax India

Growth in Luxury products in other countries with Per Capita Income Growth

Gross National Income, i.e Per capita income, has a direct correlation with the overall luxury market in key economies. In the United States, as the GNI per capita increased from USD 48,990 in 2010 to USD 56,740 in 2015, the overall Luxury market in the United States also grew from USD 46 Bn. to USD 90.4 Bn. Similarly, when China's GNI per capita increased from USD 4,340 in 2010 to USD 7,940 in 2015, the Luxury market size increased from USD 9.2 Bn. to USD 20.5 Bn.

Asia will continue to lead as the primary driver of global growth for luxury. Generating meaningful traction in China will be critical to perform as the US and Europe continue to suffer from financial uncertainty. The Gross National Income of India is expected to follow the same trajectory as China. As the per capita income of India would increase, the Luxury market is expected to follow the same trajectory as the Chinese Luxury market, making India a key contributor in Global Luxury market.

Exhibit 11: Comparison of GNI per capita and Luxury Market for key economies

Country	Luxury Market Size in 2010 (USD Bn)	GNI Per Capita in 2010 (USD)	Luxury Market Size in 2015 (USD Bn)	GNI Per Capita in 2015 (USD)	Luxury Market Size in 2020 (USD Bn)	GNI Per Capita in 2020 (USD)
U.S.	46	48,990	90.4	56,740	69.8	64,530
China	9.2	4,340	20.5	7,940	49.9	10,610
Japan	18	43,430	23.1	38,850	19.9	40,540
India	2.7	1,220	4.4	1,600	6.3	1,900

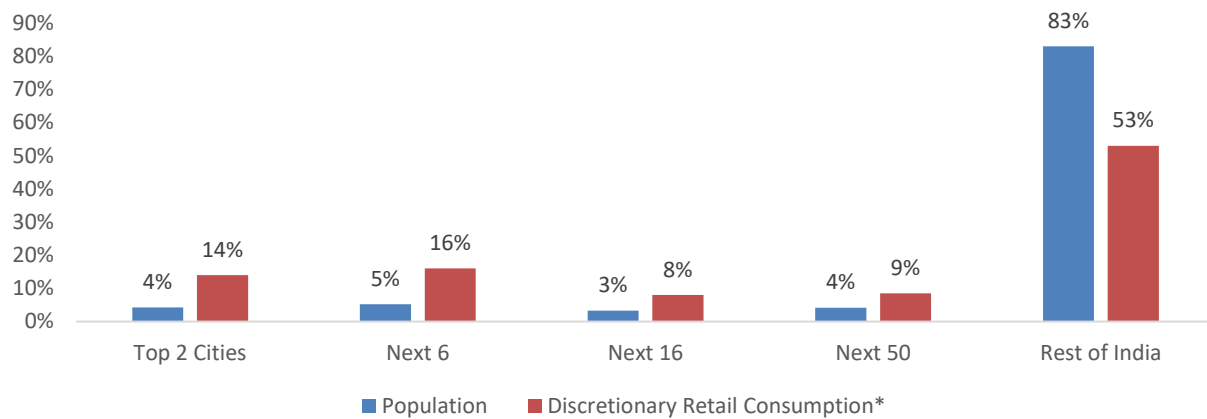
Source: Secondary Research, World Bank

Concentration of Discretionary spend in India



The top 8 cities in India, namely Delhi, Mumbai, Bangalore, Chennai, Hyderabad, Ahmedabad, Pune, and Kolkata accounts for ~9% out of the 1.3 billion total Indian population. The consumption of discretionary retail is much concentrated in the top 8 cities as they contribute ~30% of the total Discretionary consumption in India.

Exhibit 12: Discretionary Retail Consumption in India



Discretionary consumption includes apparel & accessories, footwear, consumer durables, home & living, jewellery and others

Top 2 Cities: Delhi and Mumbai

Next 6 Cities: Bangalore, Chennai, Hyderabad, Ahmedabad, Pune, Kolkata

Next 16 Cities: Amritsar, Bhopal, Chandigarh, Coimbatore, Indore, Jaipur, Kanpur, Kochi, Lucknow, Ludhiana, Madurai, Nagpur, Patna, Surat, Vadodara, Vishakhapatnam

Next 50 Cities: Mostly Tier II cities such as Agra, Aurangabad, Dehradun, Dhanbad, Guwahati, Gwalior, Jalandhar, Jamshedpur, Kota, Meerut, Rajkot, Ranchi, Trivandrum, Vijayawada

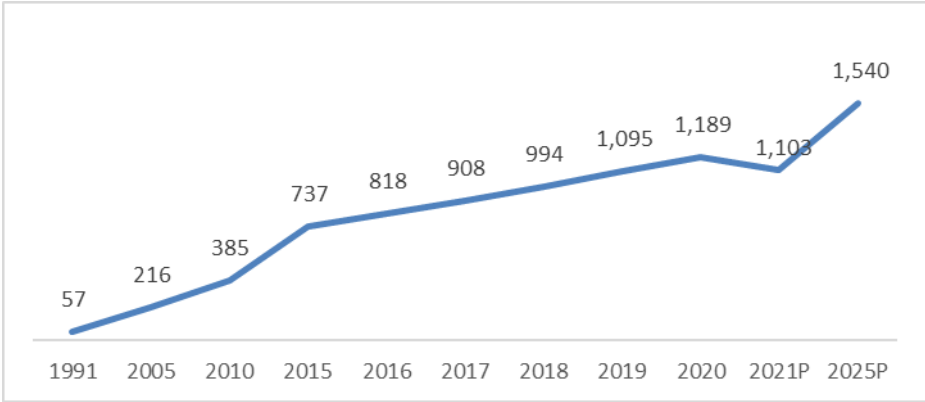
Source: Secondary Research, Technopak Analysis

Per Capita Final Consumption Expenditure

The Per Capita Final Consumption Expenditure had shown a significant growth pre COVID. In 2020, the average Per Capita Final Consumption expenditure was valued to be around USD 1,189, a steep increase from USD 385 in 2010. Due to emergence of COVID-19 in 2020, there has been a significant drop in the Per Capita Final Consumption Expenditure, to USD 1,103. It is expected to grow at ~7% CAGR over the next 4 years and is expected to reach USD 1,540 by 2025.

Exhibit 13: India's Per Capita Consumption Expenditure (USD) (Current Prices)



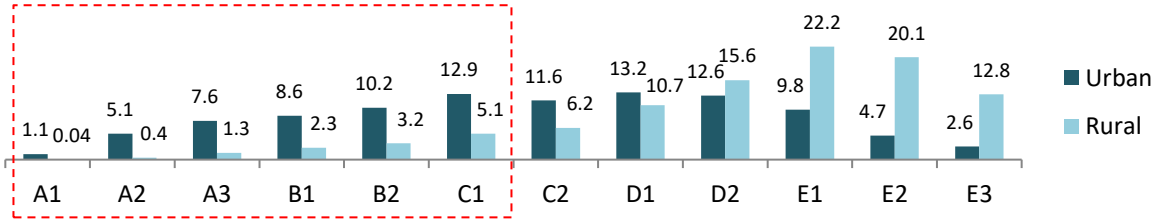


Source: World Bank
 Note: Numbers for 2025 are Provisional

Top 20% of Indian households account for ~50% of the total household consumption

Household consumption in India is skewed towards the urban population. Socioeconomic classifications (“SEC”) A, B and C1, which account for approximately 45.5% of urban population and approximately 12.3% of rural population is commonly referred to as the “top 20%” by income of Indian households.

Exhibit 14: SEC Break-up of Indian Households (in %age) FY 2020



Source: RBI Data, Economic Survey, World Bank, EIU, IMF
 Note: Socio economic classification is a stratification of Indian households used by marketers to understand consumer worthiness and consumption lifestyle. It is widely agreed that consumption behaviour in India is better predicted by SEC (socio economic class) classification, which is based on Education of chief earner and number of “consumer durables” (from a predefined list)-owned by the family. The list has 11 items, ranging from ‘electricity connection’ and ‘agricultural land’ to cars and air conditioners

In FY 2020, the top 20% accounted for 40% to 50% of total household consumption expenditure and approximately 44% of household income. The next 40% of households accounted for 40% of the overall household expenditure, whilst the bottom 40% of households (largely comprising SEC E) made up 10% to 20% of household consumption. The per capita consumption for the top 20%’s was twice the national average.

Growth Drivers

India’s medium to long term growth and its positive impact on private consumption will be determined by inter-play of demographics, urbanization, and policy reforms.

Demographic Profile of India

Young population

India has one of the youngest populations globally compared to other leading economies. The total population of India is 1,394 Mn for FY 2021. The median age in India is estimated to be 28.1 years in 2021 as compared to 38.1 years and 37.4 years in the United States and China, respectively, and is expected to remain under 30 years until 2030.

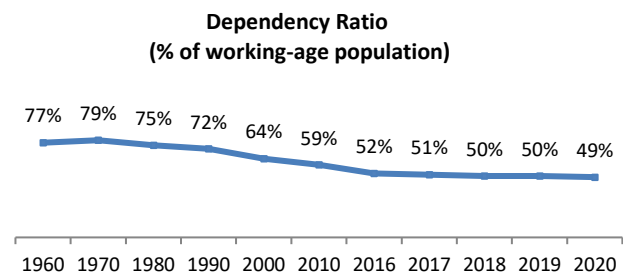
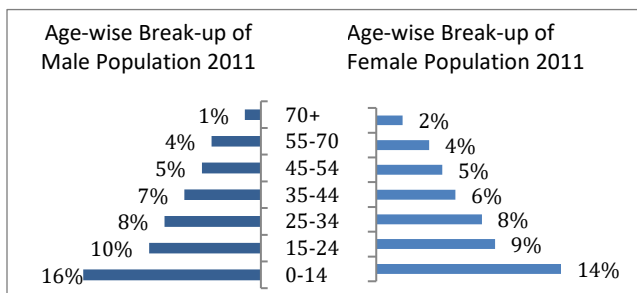
Exhibit 15: Median Age: Key Emerging & Developed Economies (CY 2021 Estimated)

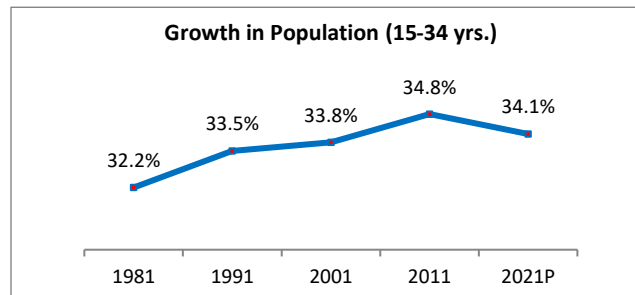
Country	India	China	USA	Singapore	Russia	Korea	Canada	UK
Median Age (Yrs.)	28.1	37.4	38.1	34.6	39.6	41.8	42.2	40.5

Source: World Population Review, Technopak Analysis

The size of India's young population is contributing to a decline in the dependence ratio (the ratio of dependent population size compared to the working-age population size (15 to 64 years of age), which has decreased from 64% in FY 2000 to 50% in FY 2018. This trend is expected to lead to rising income levels per household as well as higher levels of discretionary expenditure. A substantial rise in India's working age population from 36% in FY 2000 to 50% in FY 2019 is expected to continue sustaining the growth momentum of the Indian economy and lead to rising income levels in the long-term. The younger segment of the population is naturally pre-disposed to adopting new trends and exploration given their educational profile and their exposure to media and technology, which presents an opportunity for domestic consumption in the form of branded products and organized retail.

Exhibit 16: Age Dependency Ratio





Source: Census of India 2011, World Bank, MOSPI

Years mentioned are FY

Age wise break up of population not adding up to 100% due to rounding off

Women Workforce

Numerous factors, including better health care and greater media focus are allowing women in India, in both urban and rural areas, to exercise greater influence on their families and society as a whole. The most important factor, however, is educational opportunity. Between 2005 and 2015, enrolment of girls in secondary education increased from 45.3% to 81% and in FY 2019 was higher than enrolment of boys. Higher education has also seen an increase in women enrolment, with almost 20% of women pursuing higher education studies compared to 22% of men.

These changes are expected to have a broad impact on societal factors, including workforce demographics and economic independence for women. The share of women workforce in the services sector has increased from 17.5% in CY 2010 to 28% in CY 2019. The overall share of working women increased from approximately 14% in 2000 to approximately 17.5% in 2010 and to approximately 27% in 2018. This increase of women in the workforce has resulted in a shift of patterns in terms of household activity, including a downward trend in home cooked meals and an increase in demand for "out of home" consumption and packaged food consumption.

Exhibit 17: Sector wise Split of Female Employment

Sector	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
Agriculture	67.0%	63.6%	60.0%	59.4%	58.7%	57.9%	57.2%	56.4%	55.5%	54.7%
Industry	15.5%	17.1%	18.8%	18.4%	18.2%	18.0%	17.7%	17.5%	17.3%	17.4%
Services	17.5%	19.3%	21.3%	22.2%	23.2%	24.1%	25.1%	26.1%	27.2%	28.0%

Source: World Bank Data

Covid Impact on Women Workforce

Women participation in employment, which was already lower than Men employment Pre-COVID, further showed further decline due to COVID and related restrictions and lockdowns. Women enrolled in Informal employment and Casual/Daily wage workers were the worst hit as 47% of women lost their jobs and did

not return to work by the end of the year 2020. In comparison, only 7% of men lost their jobs during the same period. In 2021, between March and April, rural Indian women in informal jobs accounted for 80% of job losses.

Employment provident Fund, a surrogate to measure formal employment in India showed that net enrolments for women declined 12.3% in FY2020-2021 when compared with last year. During the same period, net enrolments for their male counterparts increased by 0.63%. This shows that even though the lockdown effected both men and women, as the restrictions relaxed and re-employment started, there were more men employed than women. Further, more women exited formal employment than their male counterparts. Of the ~8,40,500 exits (number of persons leaving the workforce minus number of people who re-joined after exiting), two-thirds were women. Over half a million women exited formal employment during the pandemic — nearly double the number of men.

Urbanization

India has the second largest urban population in the world in absolute terms at 472 Mn in FY 2019, second only to China. However, only 34.5% of India's population is classified as urban compared to a global average of ~56%. It is the pace of India's urbanization that is a key trend to note for implication on India's economic growth. Currently urban population contributes 63% of India's GDP. Going forward, it is estimated that 37% (541 Mn) of India's population will be living in urban centers by FY 2025. Urban population is expected to contribute 55% of India's GDP by FY 2025 and 70% by FY 2030. This is expected to continue with approximately 50% of India's population expected to be living in urban centers by 2050 and contributing approximately 80% of India's GDP.

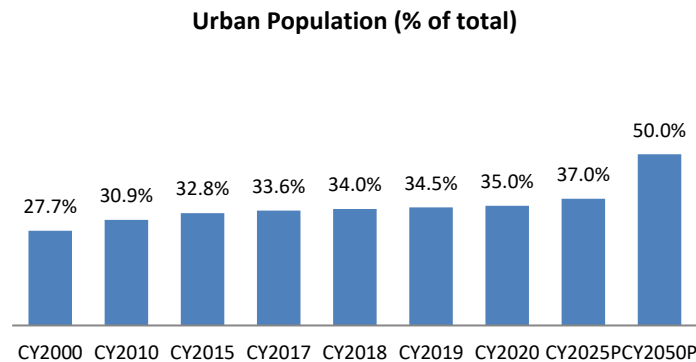
Exhibit 18: Urban Population as Percentage of Total Population of Key Economies (CY 2020)

Country	World	India	China	USA	Singapore	Russia	Malaysia	Vietnam	UK
Urban Population as %age of total population	56%	35%	61%	83%	100%	75%	77%	37%	84%

Source: World Bank



Exhibit 19: Increasing Urbanization (Years in CY)



Source: World Bank, Technopak Analysis

India's urbanization trend will also witness the following sub-trends

- This growth of urbanization will witness people moving into cities from rural hinterlands, from smaller towns to bigger cities and from one city to the other due to nuclearization of the family. This is likely to create urbanities that will display "migrant tendencies" within the city. There will be less attached to past baggage of habits or bound by any rigid rules viz. food or retail preferences. They will be open to experimentation and form new habits.
- The quality of India's urbanization faces challenges in terms of formal housing, access to utilities and adequacy and capacity of public spaces. 100 Mn. of Indian population lives in slums or informal establishments and this is expected to increase to 120 Mn. by 2031. Merely 35% of urban households are connected to central sewage systems thereby creating stress on sanitation. Improving these aspects through public infrastructure development programs and upgradation of city's infrastructure will witness continued policy focus and that in turn will witness inward movement of people to implement these programs. However, the funding priorities and pace of change will witness a lag from the urgency of improving the status quo and the next decade will witness this churn of India's urbanization trajectory.
- COVID-19 induced lockdown that India witnessed twice within 12 months has accelerated trends like "Work from Home" for service jobs. Also, the informal economy within cities witnessed unemployment due to job losses. Both these factors have caused reverse migration for both blue collar workers and white collar led service economy. While these disruptions will not change the overall trend of urbanization with approximately 50% of India's population expected to be living in urban centres by 2050, these factors may change the contours of urbanization and it may become more distributive (spread out) than concentrated. For instance, owing to the lockdown, companies across sectors have allowed 'work from home' for their employees which has led to a large section of the working class to move back to their native cities and towns enabling the Tier II and III cities to be the leading new consumption centres. Post COVID this trend may sustain due to the operating cost advantages that WFH has enabled for many organizations. Overtime, these cities may become "micro consumption

clusters" predisposed to branded and contemporary choices for merchandise and service categories.

Urbanization is also creating two trends that are impacting India's domestic consumption habits:

Growing Middle Class

The households with annual earnings between US\$ 5,000-10,000 have grown at a CAGR of 10% between FY 2012-2020 and their number is projected to further double by 2025 from 2020 levels. The households with annual earnings between US\$ 10,000-50,000 have grown at a CAGR of 20% between FY 2012-2020.

Increasing number of households with annual earnings of US\$ 10,000 to US\$ 50,000 has been leading to an increase in discretionary spending on food and beverages, apparel & accessories, luxury products, consumer durables and across other discretionary categories. The consumption pattern also has moved towards higher spend on branded products and through organised channels.

Exhibit 20: Household Annual Earning Details

Year (CY)	Total House Holds (in Mn.)	HHs with Annual earning US\$ 5,000 - 10,000 (Mn.)	% of total HHs	HHs with Annual earning US\$ 10,000 - 50,000 (Mn.)	% share of total HHs
2009	236	36	15.2%	11	4.7%
2012	254	60	23.8%	22	8.7%
2014	267	71	26.5%	27	10.2%
2015	274	85	30.9%	36	13.2%
2018	295	121	41.2%	86	29.3%
2020*	310	132	42.5%	95	30.6%

Source: EIU, *Technopak Estimates

Nuclearization

The growth in the number of households exceeds population growth, which indicates an increase in nuclearization in India. According to the 2011 census, 74% of urban households have five or less members, compared to 65% in 2001. It is expected that that smaller households with higher disposable income will lead to a greater expenditure in, among others, jewellery, fashion, home & living, packaged food and food services.

Exhibit 21: Indian Household Size and Growth Trend

Year (CY)	Total No. of HHs (Mn.)	Avg. HH Size	Avg. Urban HH size	Decadal growth rate of HHs	Decadal growth rate population
1981	119	5.5	5.4	19.2%	24.7%
1991	148	5.5	5.3	24.4%	24.4%
2001	192	5.3	5.1	30.4%	25.7%



2011	248	4.8	4.6	28.5%	16.4%
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Source: Census

Exhibit 22: Distribution of Households by number of persons (No. of Household in millions)

No. of person	Total HH (Mn.)	FY 2001		Total HH (Mn.)	FY 2011	
		Rural HH (Mn.)	Urban HH (Mn.)		Rural HH (Mn.)	Urban HH (Mn.)
1 Person	8	6	2	10	7	3
2 Persons	16	12	5	24	17	8
3-5 Persons	95	65	29	137	88	49
6-10 Persons	67	50	17	70	51	19
11 Persons and above	7	5	2	7	5	1

Source: Technopak Analysis

Increasing Disposable Income

Due to the growing number of middle- and higher-income households and rising per capita income, consumption of discretionary products is likely to grow. The World Economic Forum projects that high and upper-middle-income groups will grow from 25% in 2019 to 50% of household by 2030. As consumers become more quality-sensitive, demand for healthy and innovative dairy products will also increase.

Reforms: Critical to create Demand Stimulus

Structural reforms are critical to harness dividends of positive demographics and urbanization and there are risks if they fail to do so.

The first wave of reforms started in the mid-1980s, with increased participation of private sector in economy as the public sector began to reduce its role in the economy. Economic performance improved, with GDP growth accelerating from an average of 3.9% in the first half of the 1980s to an average 5.3% in the second half of the decade.

The second wave of reforms came as a response to the FY 1991 balance of payments crisis. The crux of the reform process was to signal the shift to a more open economy, involving a greater role of market forces, the private sector and foreign investment. As the benefits of reforms began to trickle through, the global economy slowed down and the benefits from the reforms did not translate fully into India's economic performance. From the early 2000's as global economy recovered India's growth trend improved significantly.

In the last 10 years, Government has pushed towards infrastructure investments in roads, railways, defense, and power; public-private partnerships; smart cities; skill development; widening of domestic manufacturing base and taxation needs to yield jobs for India's working population. This push also needs



to deliver sustainable urbanization that provides affordable housing, improved public health metrics and mass transportation. Many of these interventions continue to be work in progress and outcome on these initiatives will deliver the advantages of urbanization and India's demographic dividend towards sustained growth of private consumption and its positive impact on discretionary purchases.

Consumer Segments & their Preferences

The current workforce is mainly segregated by different generations, namely Baby Boomers (Born between 1946-1964), Generation X (Born between 1965-1980), Millennials (Born between 1981-1996) and Generation Z (Born between 1997-2012). With multiple consumer segments, companies need to adapt to various preferences to cater to the larger pool of audience. Different generations are also categorized by their personas. For e.g., Baby Boomers are the largest consumers for traditional goods and services. They were the first generation exposed to the internet and started adopting the change caused due to the advent of major technological changes. Generation X were exposed to both traditional and the evolving modern retail. Hence, they are brand loyal like their previous generation but also take multiple factors and research thoroughly while purchasing. Millennials or Generation Y consumers place value of the product at the top of their priority list across price segments, while purchasing products or services. Similarly, Generation Z prefers purchasing products which are sustainable & environment friendly and tend to incline towards brands which are giving back to the society. Quality, distinctive and customised offerings are preferred by Generation Z and Millennials.

Exhibit 23: Consumer Segment and their preferences

Consumer Segments	Persona	Attitude and Preferences
Baby Boomers (Born between 1946-1964)	Focus on Need-based products and services, prefer buying offline over online	Brand Loyal, Longevity of products, high expectations for customer services
Generation X (Born between 1965-1980)	The first-generation adopting technology for purchasing products and services, thoroughly research before purchase	Brand loyal, value for money
Millennials / Generation Y (Born between 1981-1996)	Mainstreamed technology for purchase, Look for innovative products, place value of product/ experience at top of priority across price segments	Receptive to social media for reviews, less likely to be brand loyal, perceive shopping as a social activity, like unique customer experiences
Generation Z (Born between 1997-2012)	Ideological purchase, willing to pay high price for high quality	Prefers a brand with ethical or green ideology, Look for online accessibility, Prefer tailored customer service & experiences

India has one of the youngest populations globally with a median age of 28.1 yrs. With almost 440 mil. Millennials and Generation Z, with a majority entering the workforce, the disposable income of these consumer segments increases. This offers unprecedented opportunities for consumer industries such as



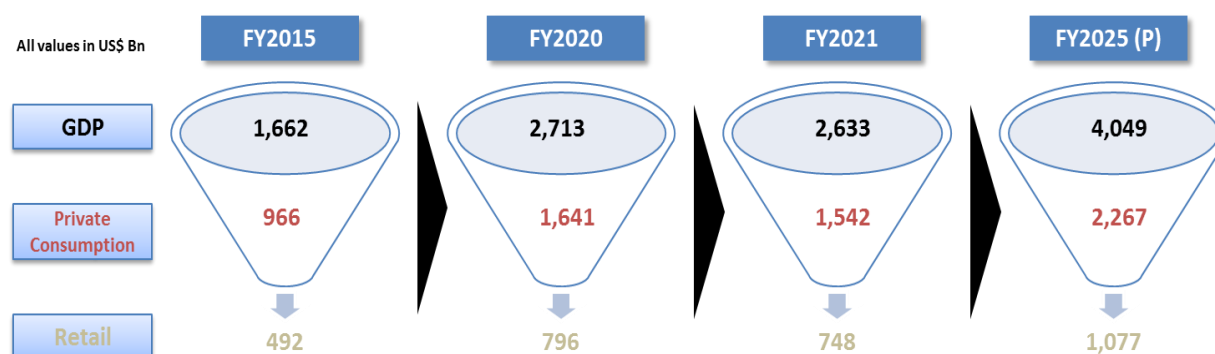
fashion, real estate, telecom, etc. Millennials and Generation Z consider social responsibility and environmental friendliness when considering their purchases. Hence, brands face millennials’ significant expectations in terms of shopping and investment in dollars.

It is estimated that Globally, Millennials & Gen Z represent ~44% of all spending in luxury goods (2019) and it is expected that by 2025, Millennials Gen Z would represent ~65-70% of the total luxury market. Increasing adoption of second-hand luxury market among young population would increase the penetration of luxury goods in market. With millennials and Generation Z becoming more environmentally friendly, these consumer segment would be the growth drivers for the second-hand luxury market.

Retail Market in India

The retail market in India was valued at US\$ 796 Bn (INR 59,70,000 Cr) in FY 2020 and is expected to grow at a CAGR of 6.23% to reach US\$ 1,077 Bn (INR 80,77,500 Cr) by FY 2025. Some of the factors that will contribute to its growth are growing incomes, increasing working age population, shrinking household size, urbanization, heightened exposure through internet and the meteoric rise of e-commerce. India is poised for a faster and continued economic recovery in the next two quarters of FY 2022 due to rapidly increasing vaccination coverage and better pandemic management.

Exhibit 24: India’s consumption funnel (in USD Bn)



1US\$ = INR 75
Source: Technopak Analysis

Exhibit 25: Country Wise GDP & Retail contribution (US\$ billion)

CY2015		USA	China	Germany	UK	India	
		GDP	18,200	11,000	3,400	2,900	GDP
	Retail	4,900	3,900	554	590	Retail	520

CY2020	GDP	20,936	14,722	3,806	2,707
	Retail	5,506	5,130	610	553
CY2024	GDP	21,862	16,983	4,810	2,781
	Retail	5,581	5,815	769	559

FY2021	GDP	2,633
	Retail	748
FY2025	GDP	4,049
	Retail	1,077

Source: Technopak Analysis, Secondary Research

Key Growth Drivers of the Indian Retail Industry

Growing youth, working age population, and increasing propensity to spend

The median age of 28.1 in CY 2021 and workforce share of 50% of the population is suggestive of a large consuming youth population, consisting of both men and women, joining the workforce, and inclined to spend their earnings on aspirational lifestyle. This demographic transformation is continuously and radically changing the retail landscape. Unlike the earlier generation, the youth is predisposed towards branded products and improved shopping experience and is continuously attempting to upgrade lifestyles. Mirroring the consumption story of the west, demand is being created in India for various segments and niches across price points.

Exposure to TV and smart phones

Exposure to content on television, OTT platforms, social media networking sites and other internet avenues are making consumers abreast with global fashion and retail trends. Content related to new brands, fashion trends, fashion styling and updates on deals and discounts are freely available through these channels. Brands are also leveraging these platforms to create seamless engagement with consumers. This exposure is elevating consumer's enthusiasm for lifestyle products and leading them to reconfigure their wardrobes and homes with different products for different occasions.

Rise of influencer marketing

Influencer marketing has become a popular strategy among brands to build brand awareness and increase revenue. Influencers are specialists with authority or insight into a specific subject like cookery, fitness etc. and can affect the purchase decisions of consumers. Few prominent brands have collaborated with social media influencers to deliver customized and relevant experiences for consumers at every touch point which not only helps them in increasing the brand loyalty but also helps in speeding up the purchase cycle.

Availability of quality products across value segments

Focused approach towards offering consistent quality at affordable prices has been driving growth in the lifestyle segment. The consistent delivery of this promise in tier II, III & IV cities has been aiding the transition of consumers from the unorganised traditional shops to the organised value retailers. Value



retailers and mid and economy brands are helping consumers with this transition to organised retail and branded products, through penetration in Tier 2, 3 cities as well by offering consistent quality at affordable prices.

Rapid urbanization and increasing disposable income

At present, 34.47% of India's population is classified as urban. The trend of urbanization is expected to continue with approximately 50% of India's population expected to be living in urban centers by 2050. High population growth is expected in tier III and tier IV cities as rural population migrates to these cities in search of work opportunities. As a result, the working population is expected to rapidly increase across Tier III and IV cities supporting these cities to emerge as new growth engines for retailers.

Growth in organised retail offering a great shopping experience

Entry of foreign brands, growth of organized retailers and proliferation of mall culture have conditioned the consumers to the idea of a robust shopping experience with air-conditioned environment, facility of trial rooms, wider product range, price transparency, quality assurance, on-floor service assistance.

Emergence of E-tailing

E-tail in India has witnessed a rapid growth trajectory and is expected to reach 9.6% (INR 7,80,000 Cr) of total retail by FY 2025 from its share of 4.6% in FY 2020 (INR 2,77,500 Cr), expected to grow at rate of 23%. Between FY 2015 and FY 2020, the e-commerce sales have grown at CAGR of 44%. In FY 2012, the e-tail pie was INR 4,500 Cr (US\$ ~0.6 Bn) and that was limited to key categories of Electronics, Books, Stationery, and Music which catered to nearly 50% of the pie.

The penetration of e-commerce in consumer durables is estimated to be the highest amongst all other categories at 27%, followed by apparel & accessories at 18% and footwear at 16% in FY 2020. However, the penetration in consumer durables is estimated at 36%, followed by 22% in apparel & accessories and footwear by FY 25.

Retailers across categories are moving towards online channel to expand their offerings, to have a place in the 'Omni-channel Ecosystem' where all channels of retailing are essential to reach to the consumers. The dividing lines between offline and online retailing are blurring gradually, whereby consumers connect with brands through any medium of their preference. A purchase made by a consumer is often a mix of various mediums. E.g., A consumer searching online and reading reviews about a product before making a purchase decision, then going to an offline store to look and experience the product, and the eventual purchase could be through either of the channels. This makes presence across mediums essential of retailers to connect with the consumer at every touch point.

Increase in penetration of smart phones and low-cost internet data has led to a boost in online retailing. Several options of payment across various methods whether card, cash, wallets, and e-commerce



transaction have gradually built comfort and security in the minds of the consumers. The option of easy returns at e-commerce portals has led to trial of products and services. As the disposable income is increasing, and with increase in women employment, time paucity and convenience also led to the growth of e-commerce. COVID, accelerated these changes and made companies and consumers alike to adapt to the online medium.

Key Trends

Consumers becoming more brand conscious

A fast-growing economy and burgeoning middle-class population exhibit a strong affinity towards branded products. Exposure to global trends and fast dissemination of information has fueled the aspiration to be associated with brands. Consumers also associate branded products with quality and performance. Besides the urban India, the rural India is also contributing significantly to the growth of acceptance of branded products. Demographic forces such as increased purchasing power, shrinking family sizes, youth population, women joining the workforce augur well for the growth of organized retail and branded play.

Impact of social media

Use of digital media as a marketing tool is being adopted by all key players. Its wider reach and relatively lower cost of customer conversion makes it a medium of choice. Adoption of social media by youth has given an opportunity to brands to reach the consumers directly through targeted campaigns. Large scale brands & local businesses alike are using this medium to reach out to consumers belonging to every age group.

Increasing spend on Health and Wellness

Health and wellness have become an important lever to drive premiumization, specially post COVID-19 as the consumer has become more aware about health and fitness. This trend pervades across all segments of consumption from food and grocery to lifestyle products and services. Sports & Athleisure products have benefited from increasing consumer interest in exercise and sporting activity because of the health and wellness trend, as well as the rising demand for comfort. It has become an important differentiator so much so that many businesses have pivoted around this platform.

Emergence of D2C brands

D2C is a strategy where companies sell their products directly to consumers, eliminate intermediaries. Brands engaging this approach distribute their products via their own channels such as their own e-commerce websites, other e-commerce platforms, social media, or own branded retail stores. The D2C model gives an advantage of taking the product to the consumer in a shorter period compared to traditional channels and gives an opportunity to directly engage with the consumers. Brands in all sectors



of retail including FMCG, apparel & accessories, footwear, home & living, consumer durables are foraying into direct selling, either completely depending on it or complimenting it with other channels. In last few years, more than 800+ Indian brands have picked-up the D2C retail channel to market and distribute their product. Companies like Boat, Intex, i-Ball, and Portronics in consumer electronics; Country Delight, Licious, Emami, Mamaearth, and Paper Boat in FMCG; Sugar, Nykaa, Bewakoof in beauty & fashion; and Urban Ladder, SleepyCat, and Wakefit in home & living; Elevar sports, Neemans, Wrogn in footwear; Roadster, Harvard etc. in apparel — have adopted the D2C route to reach to their consumers. The US brand Allbirds with a valuation of USD 3.3 billion exclusively operates in the D2C model. Allbirds’ entire business is dependent on listening to the feedback from the customer and improving the product. They have made over 35 changes in their product (Wool Runner) since its launch in 2016.

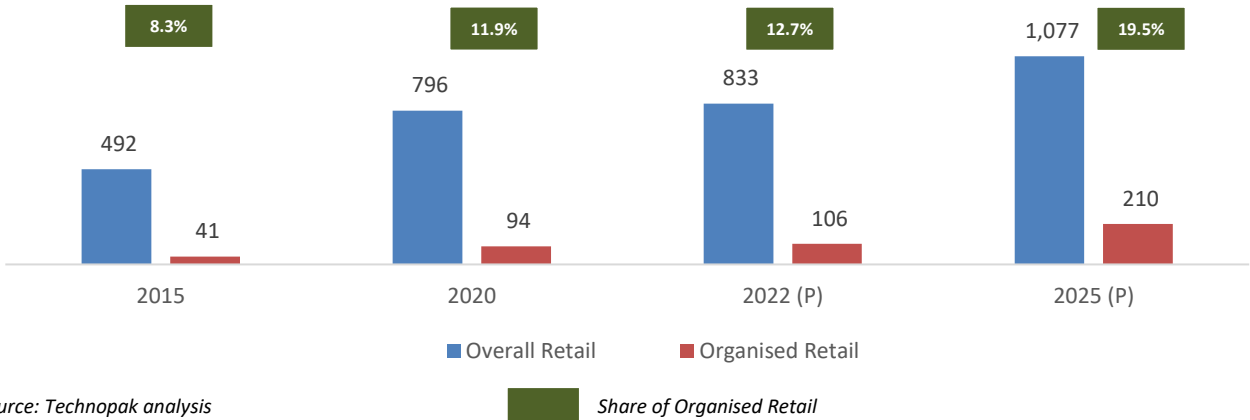
Premiumization

For nearly all retail segments, gradual escalation in Average Selling Prices (ASPs) contributes significantly to the growth of the segment along with growth in absolute volume. As the Indian consumption growth story continues, consumers remain in state of steady upgradation as corroborated by the response of businesses continuously creating demand for niche products, sub segments and premium versions of products from packaged food products to lifestyle products.

Organized Retail Market in India

While organized retail has been in India for 2 decades now, its contribution to total retail was low at 11.8% (US\$ 94 bn) in FY 2020. The organized retail penetration is expected to increase to ~20% by FY 2025. Organised retail includes both modern B&M retail (EBOs, MBOs, Large format stores) and ecommerce (Own website & Marketplaces).

Exhibit 26: Overall Retail Market (US\$ Bn)



Source: Technopak analysis



Implications of COVID for Aspiration Merchandise

COVID impacted the Aspiration Merchandise or Luxury Merchandise market severely across the globe, including India. Consumer confidence was hit owing to the loss of livelihood and life due to COVID. Lockdowns and restrictions in meeting people and travel meant significantly reduced occasions to wear and use luxury products. As the rate of vaccinations increased across nations, and countries saw a road to recovery, the demand for Luxury products increased significantly, and reached to Pre-COVID levels for many categories. The urge to get back to 'normalcy', lifted restrictions, meeting friends & family, and holiday season led to increase in demand for Aspiration Merchandise. COVID led to the following changes in the Luxury Merchandise landscape:

- **Adoption of Digital** – Luxury brands adopted use of digital media and infrastructure in their marketing and operations. The closure of physical stores meant reaching out to consumers through alternate channels like Online and Social commerce, using tools like customised offerings to virtual showrooms, as well as personalised and one to one communication with consumers, giving them comfort and helping them shop from the comfort of their homes. The Indian Luxury E-commerce market with players like Net-a-Porter for Fashion, and Ethos for Watches saw a growth with increased acceptance of Online medium of purchase. All major luxury brands upgraded their digital presence to adapt accordingly.
- **Relook at operations & supply chain** – COVID also led to major brands relooking at their supply chains and operations to make them more efficient. These changes adopted during COVID to reduce and rationalise costs continued to stay as brands adopted more efficient ways of working.
- **Increase in acceptance and sales of Second-hand luxury**- the consumer today is more conscious of impact on environment, and there is a trend towards 'Reuse' and 'Recycle' to save the planet. This, coupled with economic depreciation during COVID, led to more acceptance of Second-hand luxury.

The decreased sentiment during COVID led to 'Revenge buying' by consumers to cheer themselves and uplift the sentiment, when COVID restrictions were uplifted, and caseloads reduced. Consumers, especially Gen Z and Millennials are the top consumers of luxury merchandise contributing to close to 50% of the total luxury market sale, and these consumer segments are also more quick adopters of Second-hand luxury, both from a sustainability point of view, and to save costs by owning a brand they aspire at a fraction of cost.



Growth of Luxury Products in India

Luxury Goods market in India is currently valued at INR 45,210 Cr. as of FY 2021. Premium and Luxury Fashion & Lifestyle segment has the highest share with 33% contribution in FY 2020 mainly because of their higher volumes. The COVID-19 pandemic had a major impact on the luxury goods market with the market contracting by ~23% from FY 2020 to FY 2021. Other Luxury product market which includes Experiential Luxury, Luxury wines and spirits, Luxury Leather Goods, Luxury Consumer Electronics and Luxury were the most impacted segment with market contradicting by ~36%. Premium and Luxury car market was the least impacted segment, contradicting by ~10%.

The overall Luxury market in India is expected to show a path to recovery. It is expected that the Luxury market would be valued at INR 69,430 Cr. by FY 2025 and grow by ~11% CAGR over the next 4 years.

Exhibit 27: Luxury Market in India (INR Cr)*

Sector	FY 2020	FY 2021	FY 2025P	CAGR 2021-25P
Luxury Jewellery and Accessories	8,280	6,210	9,500	11%
Premium and Luxury Cars	17,920	16,130	25,120	12%
Luxury Fashion & Lifestyle	19,200	14,520	21,810	11%
Others	12,950	8,350	13,000	12%
Total	58,350	45,210	69,430	11%

*Source: Secondary research, Technopak Analysis. *Total size a summation of select categories as mentioned. Luxury fashion and Lifestyle includes Luxury Watches, Luxury Beauty, Luxury Eyewear and Luxury Apparels and Footwear*

Growth and Adoption of Luxury Brands in India

Indian Fashion Industry faced a shift in the late 1990s and early 2000s when International Luxury brands started retailing their products in Multi-Brand Outlets. In 2005, brands like Versace Collections and Corneliani signed their first full franchise agreement. Other luxury brands such as LVMH, Christian Dior, Fendi, Canali, Hugo Boss, Ferragamo, Armani, etc. followed suit when India's first Luxury mall - Emporio opened in Delhi. As the luxury fashion scene expanded, Luxury malls such as UB city and Palladium also opened their doors for luxury brands in major cities like Bangalore and Mumbai.

Although luxury brands faced multiple challenges such as cultural differences, social norms & higher tax rate, Indianization of foreign brands and introduction of entry level products as an additional segment along with core luxury helped these luxury brands to adapt to the Indian consumer preference and cater to a larger pool of audience.



Exhibit 28: Growth of Premium and Luxury brands in India

Brand	Parameter	Description
Apple	Sales Growth	Apple sold nearly 2.8 million units of iPhones in CY2020, a growth of ~93% compared to previous years and is expected to grow sales by over 50% in CY2021
Mercedes-Benz India	Sales and Sales Growth	Mercedes-Benz India sold 4,857 units in H1CY2021, an increase from 2,948 units in H1CY2020 and is expected to end the year with a healthy y-o-y growth rate of ~65%
Louis Vuitton India Retail	Revenue and Revenue Growth	Louis Vuitton India Retail registered a revenue of INR 285.5 Cr in FY 2020, up from 245.3 Cr in FY 2019 witnessing a growth of ~16%. Louis Vuitton India Retail also reported a jump in their net profit of INR 56.9 Cr.

Source: Secondary research, Technopak Analysis

Exhibit 29: Growth in Revenue of Premium and Luxury brands in India (INR Cr.)

Brand	Revenue FY 2015	Revenue FY 2017	Revenue FY 2019	Revenue FY 2021
Apple	636.6	1,140.3	974.4	1,255.9
BMW	2,613.9	3,427.1		2701.9
Louis Vuitton India Retail	176.6	178.7	245.3	318.3
Christian Dior Trading India Private Limited	32.5	34.3	45.1	87.0

Source: Secondary research, Technopak Analysis

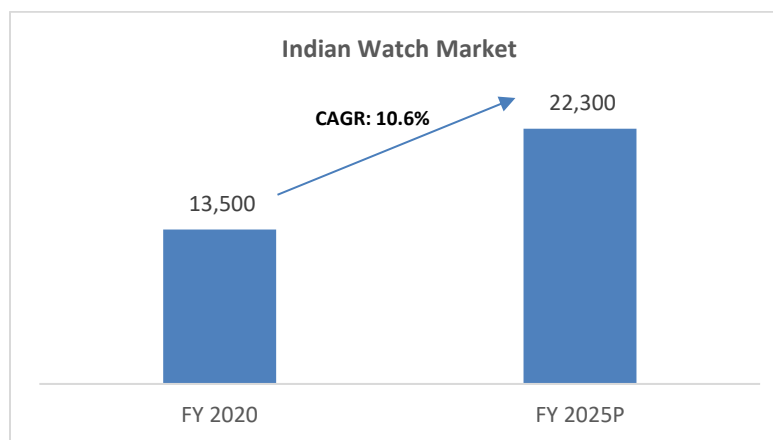


2. Market Structure for Premium & Luxury Watches Retail

Indian Watch Market

Watch Market in India was valued at ~INR 13,500 Cr in FY 2020 and is expected to grow at a CAGR of 10.6% to reach ~ INR 22,300 Cr by FY 2025, on back of factors like increased discretionary spend on watches category, opening of more organized channels of purchase like MBOs and online marketplaces & vertical specialists, increased penetration of smartwatches in mid to premium category, omnichannel market organization etc.

Exhibit 30: Indian Watch Market FY 2020 & FY 2025P (In INR crores)



Source: Technopak Research & Analysis

Note- Base year taken as FY 2020 owing to COVID impact in FY 2021

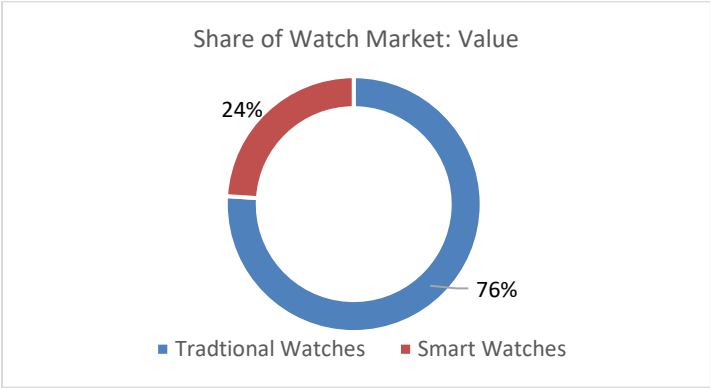
The Indian watch market is further segmented basis Product type and Price. On the basis of Product type, they are differentiated as 'Traditional watches' (includes both Analogue and Digital Watches) and smart watches. While traditional watches occupy almost 76% share of the overall watch market, smartwatches hold 24% share, with the latter expected to grow a faster rate, owing to consumer demand, fitness & health consciousness, technological advancements linking the watch to other smart devices, and most importantly, the entry of multiple brands in the mass to mid segment smartwatch space which has given consumers the option to try out smartwatches without pushing into the premium segment. Key brands in entry level smart watches are Noise, Boat, Amazfit etc.

Traditional Watches have been the mainstay of the segment attracting consumers across price points, gender & age groups. Brands have kept segment relevant through new launches attracting specific consumer groups, e.g. Ethnic range of watches which acts as a jewelry accessory by Titan Raga; Themed



watches like Fastrack etc. targeting young consumers. Premium & Luxury segment is primarily dominated by traditional watches, which are bought by the consumers for their quality, legacy and brand value.

Exhibit 31: Share of Traditional and Smart Watches- FY 2020



Source: Technopak Research & Analysis

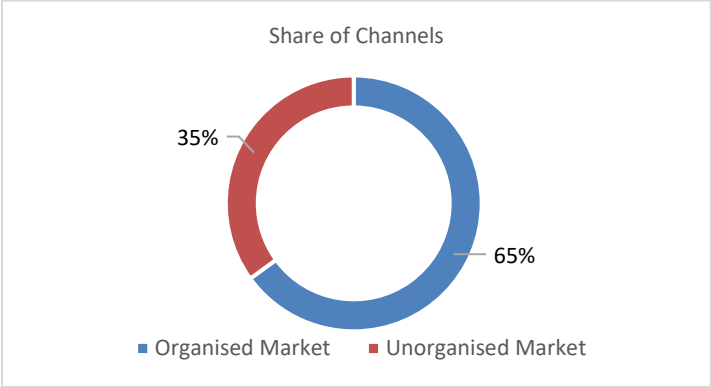
Retailing Structure of Indian Watch market

Watch Retail constitutes various channels through which consumers purchase, broadly defined as Organised and Unorganised Channels.

Size of Organised & Unorganised Market in Watch Retail

The watch industry is dominated by the organised sector having a 65% share of the overall market, and unorganised market contributing to 35%. While the organized watch market in FY 2020 was estimated at ~INR 8,700 Cr, the unorganised market was approximately INR 4,780 Cr.

Exhibit 32: Share of Organised & Unorganised Channels in Indian Watch Market – FY 2020



Source: Technopak Research & Analysis

Organised channel is further segregated as EBOs, MBOs & LFS, Vertical Specialist MBOs and Online Marketplaces & Online Vertical Specialists:

Multi Brand Outlets (MBOs) & Large Format Stores (LFS)

Multi brand outlets are one of the most prevalent retail formats in the Indian watch market. An MBO houses multiple brands, Indian as well as international, under one roof. Shoppers Stop, Lifestyle stores are examples of few LFSs which house various watch brands. Large format stores have contributed significantly to the fashion watch segment. The department stores are frequented mostly by young shoppers, this combined with high visibility and footfalls induce a lot of impulse purchase for these watch brands.

Vertical Specialist MBOs

Vertical Specialist MBOs are multi brand formats focussed on the vertical/ category and sell multiple brands across price ranges depending on the USP of the vertical specialist MBO. The growth and expansion of vertical specialists such as Ethos, Kapoor Watch Company and Johnson Watch Company, Helios etc. has further boosted the category. Players like Ethos, which have a pan India presence and sell premium and luxury brands in India have made purchase of luxury watches a seamless experience for customers They have enabled entry of multiple international brands through collaborations, e.g., Ethos has exclusive partnership with Carl F. Bucherer, Movado, Raymond Weil, Oris, Corum, Parmigiani etc. Also, watch companies have started their own chain of multi-brand watch outlets, which houses their own brands, like World of Titan, The Time Factory by Timex etc.

Exclusive Brand Outlets (EBOs)

Exclusive brand outlets are retail stores that house the extensive product range or all sub-brands of a single brand. Few examples of EBOs in the Indian watch industry are Rolex, Rado, Omega, Longines, Seiko etc. These stores are usually situated at high streets or in malls.

Due to FDI restrictions, international brands are allowed to open EBOs only through a joint venture with an Indian partner or through a network of franchisees. While this helps the international brands expand into a new market, it also poses these brands with a challenge of maintaining the worldwide quality standards of their brand in these partner/franchisee stores. If and when the FDI regulations are relaxed, a large number of international brands are expected to go solo and open company owned EBOs.

Kiosks

The concept of 'Kiosk retail' has become increasingly popular in the Indian retail scenario over the past few years. It is a cost efficient and effective way to sell products in an otherwise premium rental location



like malls, the staff requirement is also minimal. Kiosks are usually located inside large shopping arcades, mall atriums, airport terminals etc. Most of these kiosks carry products by a single brand, and this approach is usually adopted by brands in Mass & Fashion range. For e.g. Casio and Fastrack watches retail through kiosks also apart from EBOs.

Online Market Places & Online Vertical Specialists

Online Marketplaces like Amazon, Flipkart, Myntra, Tata Cliq etc have become one of the key retail channels for watches, offering primarily Mass-mid, Fashion and Premium range. Bridge to luxury and Luxury watches sold online are primarily through Online Vertical Specialists like Ethos, Kapoor Watch etc. and few luxury marketplaces like Ajio Luxe & Tata Cliq Luxury. The Vertical Specialists like Ethos have the unique proposition of offering consumers the trust and reliability they need while shopping for higher range watches online, apart from the vast range of international luxury brands they offer. Increasing penetration of multiple social media platforms and rise of social media influencers provide an alternative channel for marketing for brands and vertical specialists alike, partnering with social media influencers that could convey the company's USP to the target customer segment and market their products effectively.

Consumers and brands alike are adopting an Omni-channel approach to buying and selling respectively, with product discovery & research happening through either channels (generally Online first), and purchase through either channel (generally Offline for Bridge to Luxury and Luxury). Players like Ethos include research articles, independent reviews and guides on watch selection on their website to assist customers in making the right choice while purchasing luxury watches. They also have a luxury watch helpline for answering technical and other queries, along with live chat with Luxury watch consultants on website. Such CRM initiatives by retailers help the consumers in decision making, as well as give a unique experience in customer service.

Price Segmentation & Key Brands

Price Segmentation of the Indian Watch market

The Indian Watch Market is estimated at INR 13,500 Cr. While sub-INR 5,000 mass and mid segment of watches account for ~30% of the market, Fashion segment (INR 5,000 – INR 25,000) accounts for ~21% of the market. The Premium, Bridge to luxury and Luxury segment are collectively estimated to contribute ~49% of the market.

While the Mass & Mid segments account for a large value and volume share in the market, their growth is slow at 5-7%. On the other hand, Fashion & Premium Segments are growing at a CAGR of ~12%. The Luxury segments are growing faster than other segments at a CAGR of 13-14%.



Exhibit 33: Segmentation of Indian Watch market by Price

Category	Price Range (INR)	Key Brands				
High Luxury	>10,00,000					
Luxury	2,50,000-10,00,000					
Bridge to Luxury	1,00,000 -2,50,000					
Premium	25,000 -1,00,000					
Fashion	5,000 -25,000					
Mass	<5,000					

Note- Brands put in above price ranges if most of their SKUs lie in the given ranges.

Exhibit 34: Key Watch Companies & brands in India & their Distribution channels & Price Positioning

Key Players in Luxury Watch Segment													
Company / Group	Key Brands	Price range	Distribution Channels					Price Segments					
		(In INR)	Company Website	Online Marketplaces	MBOs	Vertical Specialist MBOs	EBOs	Mass & Mid	Fashion	Premium	Bridge to Luxury	Luxury	High Luxury
Rolex Watch Company Pvt. Ltd.	Rolex	NA	-	-	-	✓	✓	-	-	-		✓✓	✓✓
Breitling India Pvt Ltd	Breitling	1,97,020 - 39,09,000	-	-	-	✓		-	-	-	✓	✓✓	✓
Swatch Group (India) Pvt. Ltd.	Longines, Tissot, Rado, Omega	10,000 – 1,08,90,000	-	✓	✓	✓	✓	-	-	✓✓	✓✓	✓✓	✓
Richemont Group	Cartier, IWC, Jaeger-LeCoultre, Panerai	2,23,000 - 1,47,50,000	-	-	-	✓	✓	-	-	-		✓✓	✓✓



LVMH Group	Tag Heuer, Hublot	84,150-32,31,100	-	✓	✓	✓	✓	-	-	✓	✓✓	✓✓	✓
Key Players in Mass & Mid, Fashion & Premium Segment													
Company / Group	Key Brands	Price range (In INR)	Distribution Channels					Price Segments					
			Company Website	Online Marketplaces	MBOs	Vertical Specialist MBOs	EBOs	Mass & Mid	Fashion	Premium	Bridge to Luxury	Luxury	High Luxury
Citizen Watches (India) Pvt. Ltd.	Citizen	5,000 – 5,00,000	✓	✓	✓	✓	✓	✓✓	✓✓	✓✓	✓	✓	-
Timex Group India Ltd.	Timex	500 – 18,000	✓	✓	✓	✓	✓	✓✓	✓✓	-	-	-	-
Titan Company Ltd.	Anne Klien, Coach, Fastrack, Lee Cooper, Nebula, Xylus, Edge	1,000 – 4,00,000	✓	✓	✓	✓	✓	✓✓	✓✓	✓✓	✓	✓	-
PA Time Industries (Maxima)	Maxima	500 – 5,000	✓	✓	✓	✓	-	✓✓	-	-	-	-	-
Casio India Co. Pvt. Ltd.	Casio, G-Shock, Edifice, Enticer, Vintage, Youth, Protrek	700 – 65,000	✓	✓	✓	✓	✓	✓✓	✓✓	✓	-	-	-
Fossil India Pvt Ltd	Fossil	5,000 – 25,000	✓	✓	✓	✓	✓	✓✓	✓✓	-	-	-	-

Source: Technopak Research & Analysis. Price range excluding watches which are sold out/ Price not mentioned on brand/ Vertical Specialist website, as applicable.

Note- Double tick in Price segmentation signifies prominent presence, Single tick signifies very limited presence.

Primarily, watch brands sold in India are strongly pivoted towards their price segments. For instance, watch brands in luxury segments have limited to no presence in premium and below barring a few exceptions like Swatch Group.

Retail channels also differ for difference price segments. Vertical specialists MBOs signify luxury watch retail in India, whereas a multi-channel retail play comprising EBOs, MBOs and online marketplaces signify mass to premium watch retail in country.



Premium & Luxury Watches in India

The Premium & Luxury Watch Market comprises of the segments High Luxury (INR 10 Lakhs and above), Luxury (INR 2.5 to 10 Lakhs), Bridge to Luxury (INR 1 to 2.5 Lakhs), and Premium Watches (INR 25,000 to 1 Lakhs). The Luxury Watch Market comprises of High Luxury, Luxury and Bridge to Luxury segments.

Exhibit 35: Definition of Price Segments & Market Size

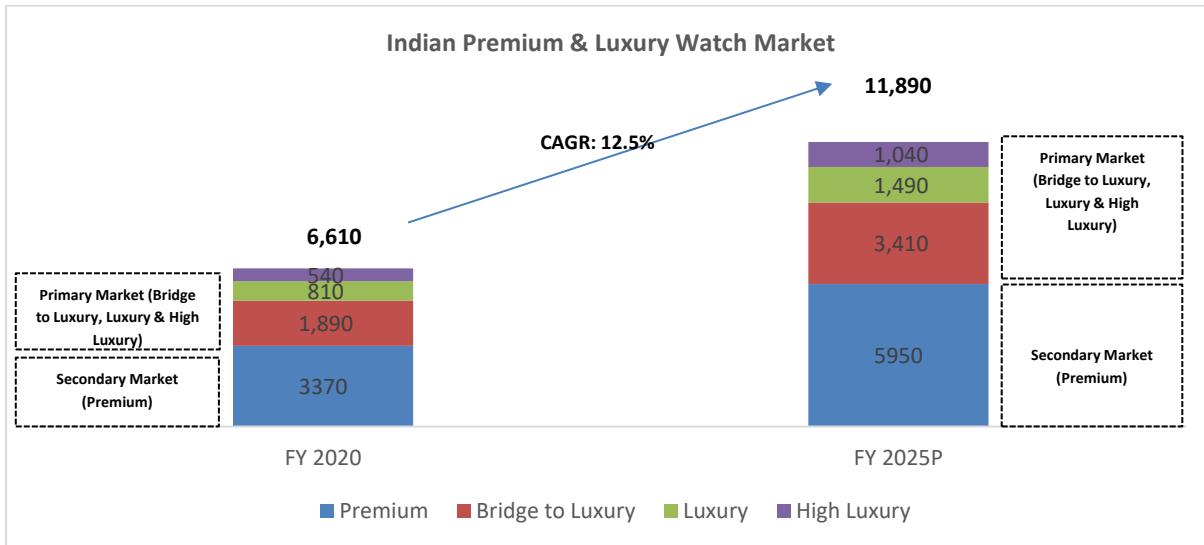
Segment	Definition	FY 2020 Market Size	FY 2020 % Share of Segment in the Overall Watch Market	FY 2025P Market Size	CAGR
<i>Premium Watch Market</i>	<ul style="list-style-type: none"> Premium (INR 25,000 to 1 L) 	INR 3,370 Cr	25%	INR 5,950 Cr	12.0%
<i>Luxury Watch Market</i>	<ul style="list-style-type: none"> Bridge to Luxury (INR 1 L to 2.5 L) Luxury (INR 2.5 L to 10 L) High Luxury (INR 10 L & above) 	INR 3,240 Cr	24%	INR 5,940 Cr	12.9%
Premium & Luxury Watch Market	<ul style="list-style-type: none"> Premium (INR 25,000 to 1 L) Bridge to Luxury (INR 1 L to 2.5 L) Luxury (INR 2.5 L to 10 L) High Luxury (INR 10 L & above) 	INR 6,610 Cr	49%	INR 11,890 Cr	12.5%

Source- Technopak Analysis

The High luxury market is growing faster than other segments & the overall market, at a CAGR of 14% and is expected to reach INR 1,040 Cr in FY 2025 from INR 540 Cr in FY 2020.

Exhibit 36: Indian Premium & Luxury Watch Market- FY 2020 and FY 2025P (In INR crores)

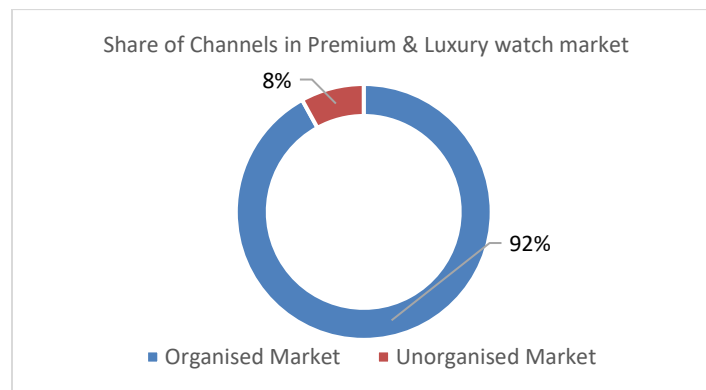




Source: Technopak Research & Analysis

The overall market for Premium & Luxury watches is dominated by Organised players, and within organized by Vertical Specialist MBOs like Ethos, Kapoor Watch, Johnson Watch, Zimson etc. Unorganised market consists of standalone unorganized players.

Exhibit 37: Share of Organised & Unorganised Channels in Indian Premium & Luxury Watch Market – FY 2020



Source: Technopak Research & Analysis

The branded players sell through both organized and unorganized channels, especially in the Mass-Mid and Fashion segments. While Premium and Bridge to Luxury sell majority through Organised channel, and Luxury players exclusively through Organised Market, which is why the organized market contributes to 92% of the market for Premium & Luxury Watches.



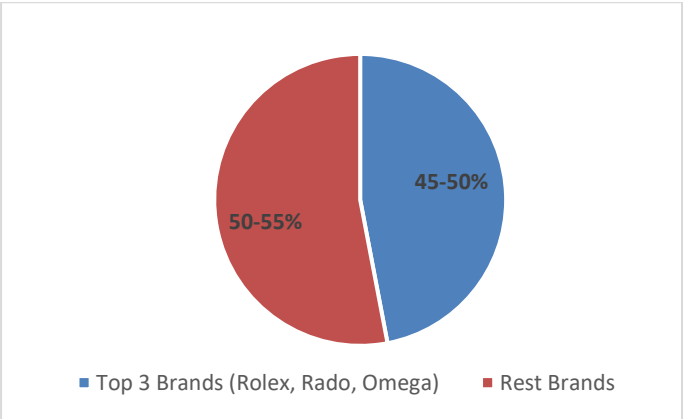
The Premium and Luxury watch retail market structure can be mapped in two ways:

- (A) Brand’s perspective
- (B) Retailing perspective

(A) Brand perspective

The premium & luxury watch market is dominated by international brands that have come to signify the luxury and premium watch market globally and India is no different. Therefore, nearly all of the watches sold in this segment are imported into the country and dominated by brands like Rolex, IWC, Hublot, Omega, Panerai, Rado, Longines etc. Many of these brands are also part of luxury majors globally (for instance Cartier, Panerai and IWC belong to the Richemont Group; Omega, Longines and Rado belong to Swatch Group), while quite a few are independent entities (e.g. Rolex, Breitling, Carl F Bucherer and H Moser). A similar structure exists in other key markets like China and USA. Going forward also this is not going to change given the fact that leading luxury watch brands are now near synonymous with luxury on the premise of legacy, quality of craftsmanship and heritage. These virtues are difficult to replicate and represent entry barriers for new entrants.

*Exhibit 38: Share of Swiss Watch Imports/ Share of Luxury Watch Market**



Note- *Majority brands in Luxury Market are Swiss imports
Source- Technopak Analysis

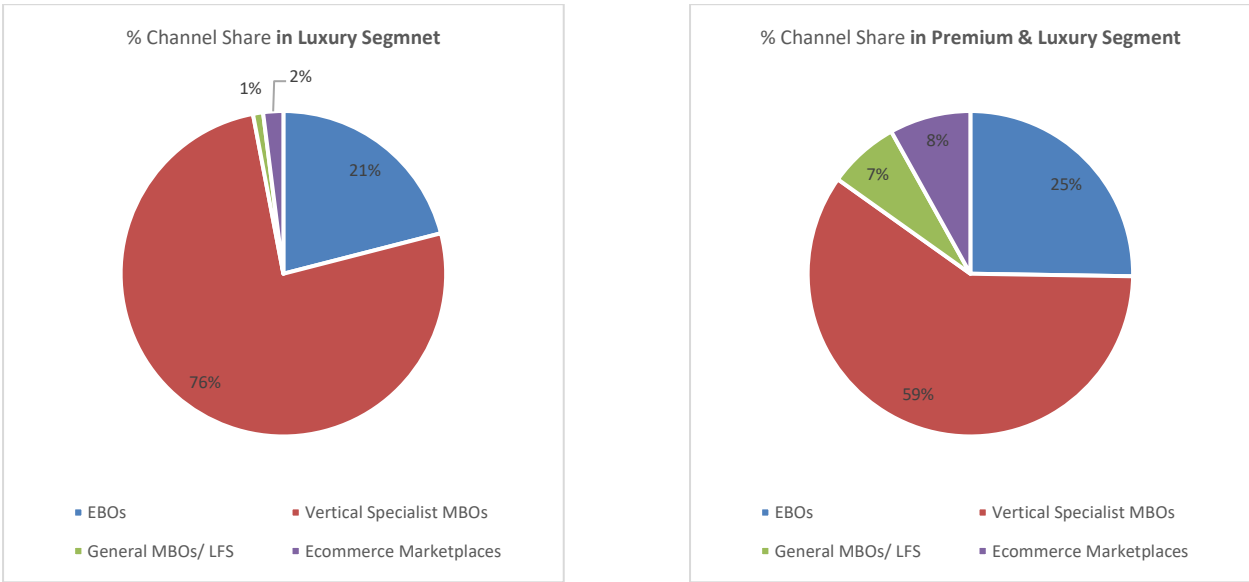
(B) Retail Perspective

This signifies the route to market (RTM) for premium and luxury watches in India. Primarily two routes exist for luxury and premium brands sold in the country of (i) Multi Brand Retail led through Vertical Specialists, and of (ii) Exclusive Brand retail led. E-commerce and digital outreach are subsumed under

both RTMs. Vertical Specialist MBO led RTM occupies 58% share of the total retail sales of premium and luxury watches in the country, whereas EBO led RTM occupies 26% share of this total retail sales.

When seen exclusively for Luxury Segment, Vertical Specialist MBOs led RTM occupies 76% share of this market (i.e Bridge to luxury & Luxury), whereas EBO led RTM occupies 21%. Globally and in India, Vertical Specialist MBO led retailing is the dominant RTM route for luxury and premium watches given that the MBO route provides cost effective and wider market access for luxury brands. Therefore this (Vertical Specialist MBO) is the principal route for luxury brands for volumes and sales, whereas EBO route for luxury brands is used by the luxury brands to compliment MBOs.

Exhibit 39: Retail structure in Premium & Luxury Watch market



Source: Technopak Research & Analysis

Within Vertical Specialist MBO route to market in India, Luxury and Premium watch retail sales is dominated by national player Ethos and regional / local MBO players like Kapoor Watch and Johnson Watch company. Ethos has a 13% share of the total retail sales in premium and luxury segment, and a share of 20% when seen in exclusively Luxury segment. Within the latter segment where Ethos occupies a 20% share, regional and local players like Kapoor Watch occupy a 10% share, and Johnson Watch Company occupies a 7% share, -- Zimson occupies a 6% share. This makes Ethos the largest Retailer in Premium & Luxury watch retail in the country.

Exhibit 40: Market Shares of Key Vertical Specialist Premium & Luxury Watch MBOs

Vertical Specialist Premium & Luxury MBOs	Revenue FY2020 (In INR Cr)	Share in Luxury Watch Market	Share in Premium, & Luxury Watch Market
Ethos Limited	457.8	20%	13%
Kapoor Watch	242.4	10%	7%
Johnson Watch	161.6	7%	4%
Zimson	150.5	6%	4%
Kamal Watch	111.2	5%	3%
Khimani Watch	55.9	2%	2%
Helvetica Boutique	35.7	2%	1%

Source: Technopak Research & Analysis

Factors leading to increase/ decrease in the sale of luxury watches in the Organized market

The factors that have led to the growth of the sale of luxury watches in the organized market are:

Growth Drivers

1. Rise of Organised players in Luxury watch business in India

Organised players have seen a rise in the premium and luxury watch market with expansion in both online and offline organized channels. Multiple regional chain stores such as Mumbai's Just-In-Time, Hyderabad's Kamal Watch Company, and Coimbatore's Zimson Watch Company, have been drivers for Luxury watch MBO's in specific regions of India.

Pan-India Organised retailers such as Ethos are expanding and driving the Vertical Specialist MBO Market for luxury watches in India; Helios has pan India presence with watches mostly in fashion & premium range, with limited presence in bridge to luxury range; and Just Watches is present across the country for mostly Fashion segment of watches. Watch brands are also exploring brands partnerships, e.g., international brands such as Moser, Oris, Titoni, Carl F. Bucherer, Raymond Weil, Louis Erard, Corum among others have exclusive partnerships with Ethos. Also, existing unorganized players are also adopting multichannel approach by selling through online marketplaces and social commerce, hence adding to the Organised market size. The rise of organized players in Luxury watch business would lead to an increase in customer trust and availability & acceptability of Luxury watches in India. Organised players often provide better after sales services such as repairs and refurbishments with additional warranty and guarantee which positively influences the purchasing decisions of customers.

2. Regulatory Headwinds



Demonetization: India's two highest-denomination banknotes- INR 500 & INR 1,000, were demonetized in November 2016 leading to majority of country's currency under circulation becoming redundant. There was also resulting confusion & delays caused by limited supply of new bank notes and the country experienced a cash crunch. Restriction on cash, which was the major source of transaction for premium and luxury products in the country resulted in a temporary decrease in discretionary spend and as a result, watch sales, especially premium & luxury segment suffered a setback immediately after demonetization. But this also led to the adoption of plastic/digital money in the premium & luxury watch sector. The adoption of cashless transactions has brought in further transparency into the sector. Demonetization helped organized players to further penetrate the unorganised market for premium & luxury watches by capturing market share from unorganized players whose business was predominantly based on cash.

Goods and Service Tax: GST introduction brought in greater transparency in the premium and luxury watch market by enforcing tax compliance. It favours organized players that can manage prescribed processes.

PAN: 2016 saw the introduction of mandatory PAN requirement for transactions exceeding INR 2 Lakhs. The PAN card requirement makes it compulsory to establish the identity of the buyer which makes it difficult for unorganized retailers to operate, and in turn favors the organised players.

- 3. CRM (Customer Relationship Management):** Luxury consumers look for experience and customisation when buying products. The purchase experience and related marketing around it hence becomes an important part of consumer decision making. Premium & Luxury watch brands are using engaging marketing tools with customised offerings and experiences to attract customers, which is something only larger organised players can afford to do, contributing to an increase in organised market. E.g. Players like Ethos, Art of Time organise events for key customers to unveil limited-edition watches along with celebrity presence.
- 4. Customizing & Designing:** Luxury watches are available in different price ranges. However, the price of customized or designer watches is often decided based on skill, the creative approach, and the designer of the watch. Few of the brands are leveraging this trend by offering products in partnership with cinema studios & famous global designers. For example, Kross studios launched The Death Star Watch in collaboration with the official owner of Star Wars with 10 limited edition watches in the luxury segment. Such experiences also attract consumers to branded and organised players in luxury segment.

Additional Regulatory Headwinds -

Change in Custom Duty & GST



In February 2018, customs duty on imported watches and clocks was doubled from 10% to 20%, -. On the other hand, clearing products through customs became simpler, with the importer only needing an invoice from the provider. This has had mixed repercussions on imported luxury watches in India. -

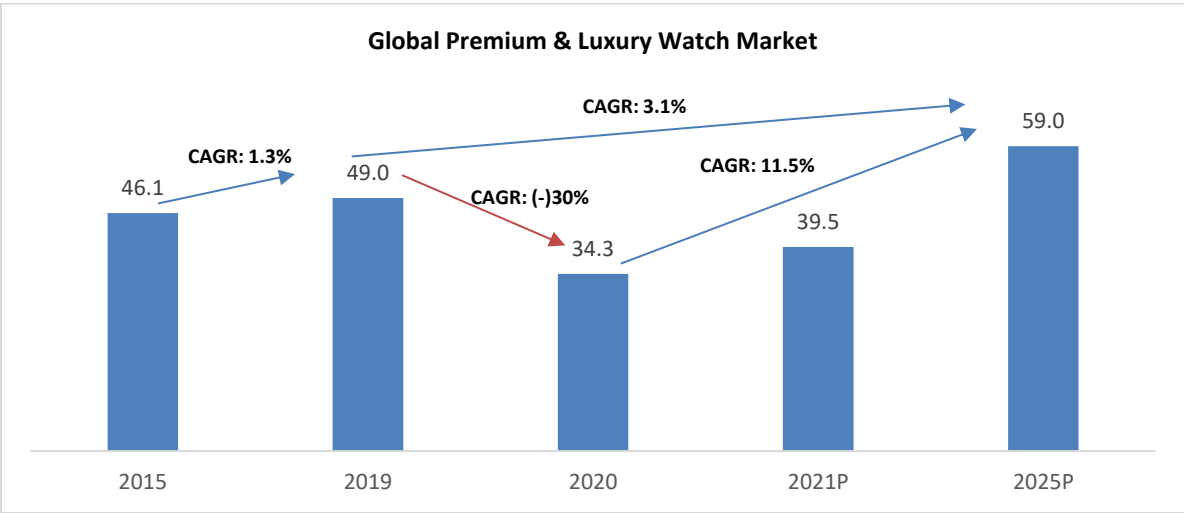
Though introduction of GST favors the organized market, but frequent changes in GST (wrist watches were taxed at around 12.5%; the implementation of GST increased the tax rate to 28%, which was again reduced to 18% in November 2017) add to confusion in processes & in the taxation policies associated with watch market in India.

Global Premium & Luxury Watch Market

The global premium & luxury watch market in CY 2019 was valued at USD 49 Bn. The pandemic in CY 2020 impacted the supply chain, imports & manufacturing, and dampened consumer sentiment, collectively leading to a degrowth of 30% with the global watch market reaching USD 34.3 Bn in CY 2020. However, the market has witnessed recovery in CY 2021 and is estimated to grow to USD 39.5 Bn in CY 2021.

The global watch market is expected to reach ~USD 59 Bn. by CY 2025, growing at CAGR of 11.5% from 2020-25. However, the growth from 2019 to 2025 is expected to be ~3.1%. Similar to watches, all personal luxury goods categories saw a decline in 2020 owing to COVID spread across the world.

Exhibit 41: Global Luxury Watch Market CY 2015- CY 2025P (In USD Bn.)



Source: Technopak Research & Analysis

The global luxury watch market has shown high growth potential in developing economies like China, India, etc. as compared to developed economies like USA, Europe, etc. This change is due to increase in

disposable income and high spending on luxury goods. Increase in the number of HNI's in fast emerging economies, such as China & India, facilitate the increase of the wealth of people and thereby increasing the demand for luxury goods, including watches. Rise and acceptability of ecommerce and an increase in HNIs and UHNIs led to an increase in purchase of Luxury watches via online channels in market like China.

Asia-pacific has witnessed the surge in demand for luxury goods, which is expected to grow in the next 5 years too. Some of the key players globally are CASIO Computer Co. Ltd., Citizen Watch Co. Ltd., Compagnie Financière Richemont SA, Fossil Group Inc., LVMH Moët Hennessy -Louis Vuitton, Movado Group Inc., Patek Philippe SA, Rolex SA, Seiko Holdings Corp., and the Swatch Group Ltd.

Exhibit 42: Global Premium & Luxury Watch Retail – Key Economies- CY 2015-CY 2021P (In USD billion)

Countries	Indicative Players	2015	2019	2020	2021	2025
UK & Europe	Swatch Group, Compagnie Financière Richemont SA, LVMH, Patek Philippe, Rolex	23.4	23.8	16.8	19.2	29.0
US	Rolex, Richemont Luxury, Patek Philippe, Movado, Cartier	17.0	17.7	12.3	14.0	21.0
China	Swatch Group (Swatch, Omega, Breguet, Rado), Richemont SA, Cie Financiere, Rolex	1.0	3.2	2.2	3.0	3.8
Singapore	Rolex, Swatch Group, Patek Phillpe Sa, Richemont Luxury, LVMH	0.5	0.9	0.7	0.8	1.1
Rest of the world	Rolex, LVMH, Patek Philippe	4.2	3.4	2.4	2.6	4.0
Total		46.1	49.0	34.3	39.5	59.0

Source: Technopak Research & Analysis

Among the various retail channels, MBOs were the highest contributor to the global watch market in CY 2019. Both MBOs & E-commerce are the two most dominant channels for this market. MBOs are expected to sustain the high share of global luxury watch market in years to come. MBOs give customers options in choosing brands, compare prices, check features & specifications offered by different brands. Although many MBOs are selling their products through online channel due to an increased demand and change in consumer buying pattern of increased acceptability of online channels, offline MBOs still remains the



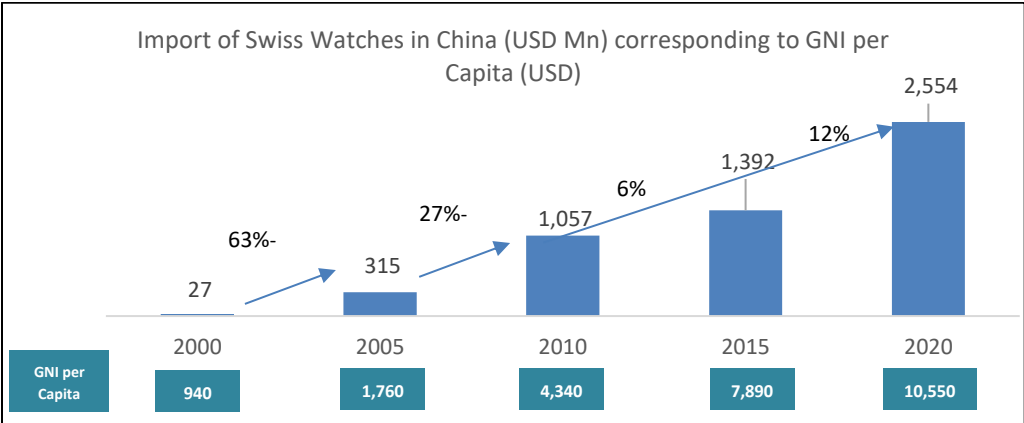
preferred choice for customers owing to the benefits like assisted selling and guidance on product usage, touch-feel shopping experience & reliability in case of complaints. Also, offline stores give customers trust and they can apply multiple marketing strategies to influence customers which increase the chances of making a sale.

Brands are adopting online retail strategies to decrease the operational cost and reach a larger consumer base. Going forward, retailing channels are expected to adopt an omnichannel approach adapting to the advent of digital technology such that the customer experience and purchase is a combination of multiple channels. Luxury brands are also focusing on the use of social media, with Luxury brands like Rolex promoting their products on Instagram.

Growth of Luxury Watches in China

Import of Swiss Watches in China witnessed a strong growth in 2000-2005, growing at CAGR of 63% over the given time frame. A drastic increase in the per capita income of Chinese population was one of the major factors, which increased from USD 940 in 2000 to USD 1,760 in 2005 witnessing a CAGR of 13% over the given period. Major luxury brands became aware of the potential and started focusing on marketing in order to tap into their new potential customers. Import of Luxury watches witnessed a stable growth rate of ~16% CAGR from 2005-2015.

Exhibit 43: Import of Swiss Watches in China (In USD Mn)

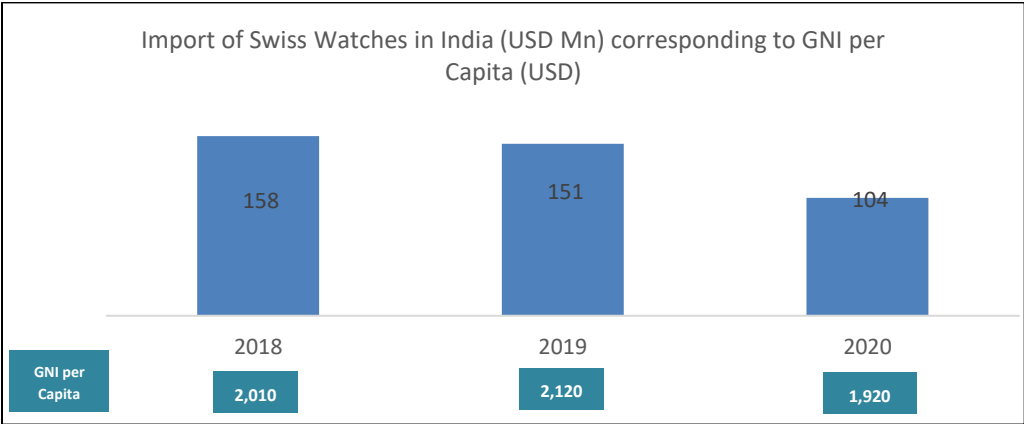


Source: Secondary Research, Technopak Analysis, World bank data
GNI per capita in USD; Data for Imports in CY

Discretionary consumption in any economy takes off at a certain threshold of per capita income, which is currently estimated to be in range of USD 2000 – 3000 per capita. As mentioned in above exhibit, in year 2005, China achieved the threshold point of discretionary consumption, when China’s GNI per Capita was USD 1760 (i.e ~USD 2200-2400 in current dollar terms). This influenced the consumption of all luxury categories and discretionary products.

Per capita income in India has been lower compared to China over the years. However, has now crossed the threshold tipping point level of USD 2000, and is expected to grow at about 6% - 7% over the next few years. Thus, we can expect that in the next 2-3 years the per capita income of India will be ~USD 2200 – 2500, influencing the purchase of discretionary and luxury products strongly. India entered the top 30 regions for Swiss watch imports in recent years, and though year 2020 saw a decline in imports owing to COVID, it is expected to increase further in coming years.

Exhibit 44: Import of Swiss Watches in India (in USD Mn)



Source: Secondary Research, Technopak Analysis, World bank data
GNI per capita in USD; Data for Imports in CY



3. Retailing Structure for Premium & Luxury Watches in India

Luxury & Premium Watch Market in India

The Premium & Luxury Watch Market comprises of the segments High Luxury (INR 10 Lakhs and above), Luxury (INR 2.5 to 10 Lakhs), Bridge to Luxury (INR 1 to 2.5 Lakhs), and Premium Watches (INR 25,000 to 1 Lakhs). The Luxury Watch Market comprises of High Luxury, Luxury and Bridge to Luxury segments.

Exhibit 45: Definition of Price Segments & Market Size

Segment	Definition	FY 2020 Market Size	FY 2020 % Share of Segment in the Overall Watch Market	FY 2025P Market Size	CAGR
Premium Watch Market	<ul style="list-style-type: none"> Premium (INR 25,000 to 1 L) 	INR 3,370 Cr	25%	INR 5,950 Cr	12.0%
Luxury Watch Market	<ul style="list-style-type: none"> Bridge to Luxury (INR 1 L to 2.5 L) Luxury (INR 2.5 L to 10 L) High Luxury (INR 10 L & above) 	INR 3,240 Cr	24%	INR 5,940 Cr	12.9%
Premium & Luxury Watch Market	<ul style="list-style-type: none"> Premium (INR 25,000 to 1 L) Bridge to Luxury (INR 1 L to 2.5 L) Luxury (INR 2.5 L to 10 L) High Luxury (INR 10 L & above) 	INR 6,610 Cr	49%	INR 11,890 Cr	12.5%

Source- Technopak Analysis

The High luxury market is growing faster than other segments & the overall market, at a CAGR of 14% and is expected to reach INR 1,040 Cr in FY 2025 from INR 540 Cr in FY 2020.

Import of Swiss Luxury Watches in India

India ranked 28th in the world in the value of Import of Swiss Watches, valued at USD 103.5 Mn in CY 2020, witnessing a decline of 31.3% majorly due to the impact of COVID-19. The first wave of COVID impacted the supply chain and the demand of Swiss Watches globally as the value of global export decreased by 21.8%.

Exhibit 46: Import of Swiss watches in India (In USD Mn)

	2020	Change (in %)	2019	Change (in %)	2018
India	103.5	-31.3%	150.7	-4.3%	157.5

Source- Technopak Analysis, 1CHF=1.0225 USD in 2018, 1 CHF=1.0067 USD in 2019, 1 CHF=1.067 USD in 2020



Comparison of Indian luxury watch market with key countries

In FY 2020, Indian Luxury Watch Market in India accounted for 24 % of the overall Watch Market in India, with the former valued at USD 0.4 Bn as compared to the latter at USD 1.8 Bn. The share of Luxury watches compared to overall watch market in India is significantly lower as compared to the global share of 59%.

Exhibit 47: Comparison of Indian Luxury Watch Market with Key countries (CY 2019)

	Global	India	China	Singapore
GDP (In USD Tn)		2.6	14.7	0.3
Total Watch Retail (In USD Bn)	64.0	1.8	10.6	1.5
Luxury watch Market (In USD Bn)	38.0	0.4	3.2	0.7
Share of Luxury Watch in Total Retail	59%	24%	30%	47%

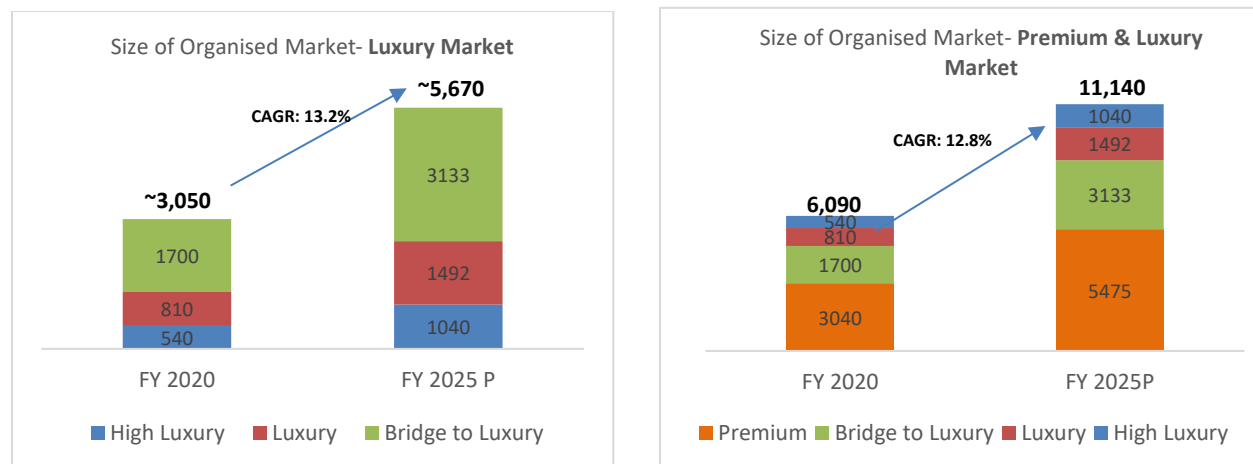
Source- Technopak Analysis. India number for FY 2020. Global, China, Singapore for CY 2019.

¥1 CNY = USD 0.1448, 1 USD = INR 75, 1 SGD = 0.7186 USD

Organised Luxury & Premium Watch Market - By Retail Channel Types

The share of organised market for Premium & Luxury Watches is expected to increase from 92% in FY 2020 to 94% by FY 2025, owing to growth of the organised players, led by Vertical Specialists. The share of organised market for luxury watches is expected to grow from 94% in FY 2020 to 95% in FY 2025.

Exhibit 48: Size of Organised market for FY 2020 and FY 2025P (in INR Crores) in each segment

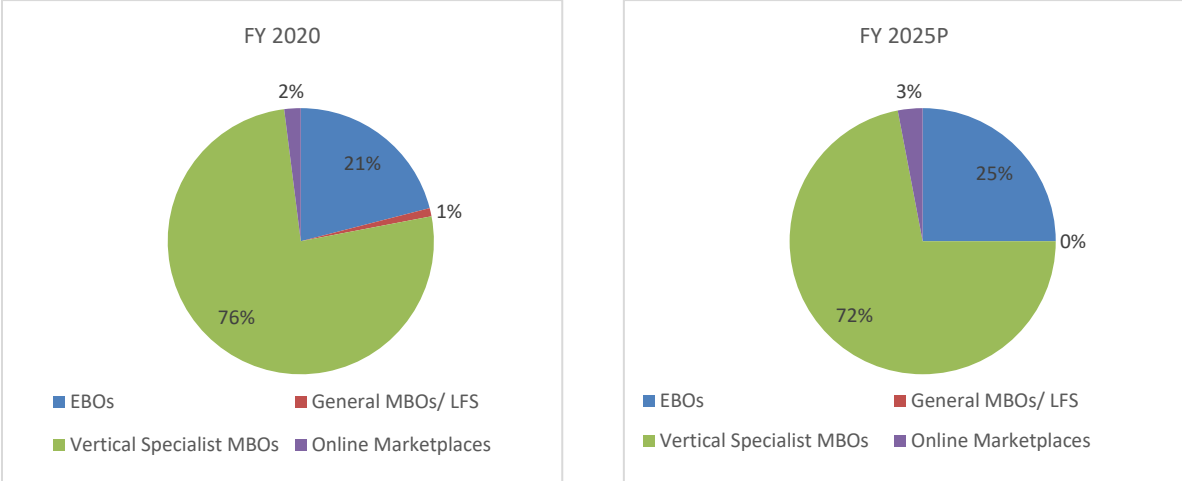


Source: Technopak Analysis



Within the organised channel, the Premium & Luxury watch market is further segregated into different retailing channels i.e., EBOs, General MBOs/ LFS, Vertical Specialist MBOs and E-commerce. The organised Luxury Watch market is dominated by Vertical Specialist MBOs occupying 76% of this market, with Ethos leading this segment with a ~20% share.

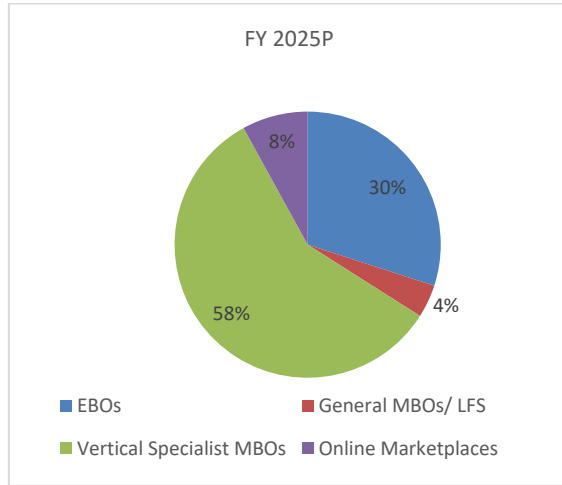
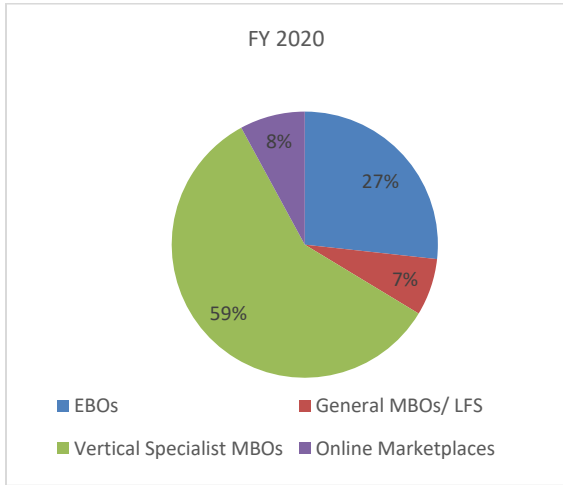
Exhibit 49: Share of Retail Channels in the Organised Market for the Luxury Market for FY 2020 and FY 2025P



Source: Technopak Analysis
 Note- Both online & offline revenue included in above channels i.e in Vertical Specialist MBOs, EBOs, General MBOs/LFS. Hence, commerce marketplaces are exclusively Online marketplaces.

The share of Vertical Specialists in the organised Luxury Market is expected to change from 76% in FY 2020 to 72% in FY 2025. This share includes sales from physical stores and from own websites of the Vertical Specialists. Share of EBOs is expected to increase from 21% in FY 2020 to 25% in FY 2025.

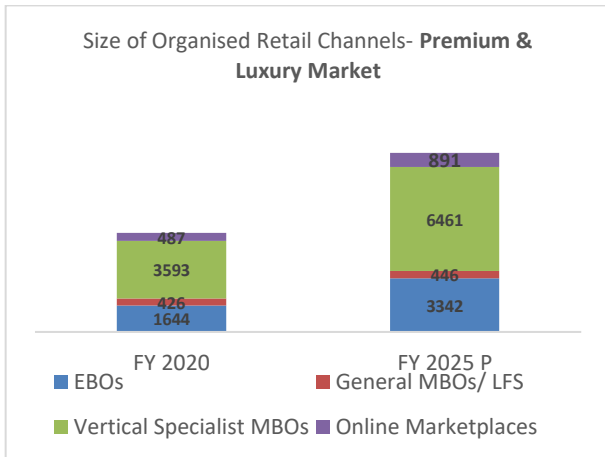
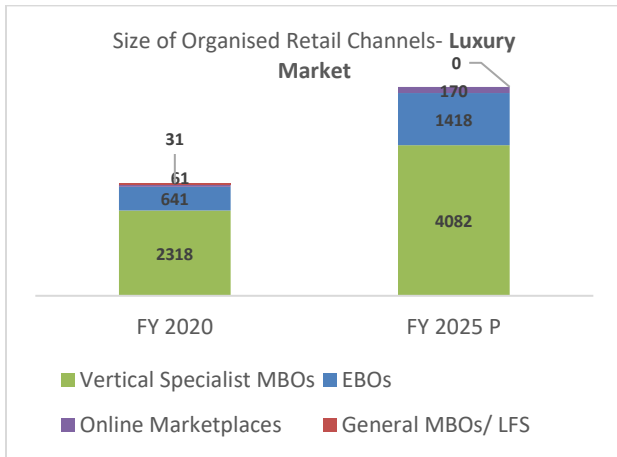
Exhibit 50: Share of Retail Channels in the Organised Market for the Premium & Luxury Market for FY 2020 and FY 2025P



Source: Technopak Analysis

Note- Both online & offline revenue included in above channels i.e in Vertical Specialist MBOs, EBOs, General MBOs/LFS. Hence, commerce marketplaces are exclusively Online marketplaces.

Exhibit 51: Size of Retail Channels in the Organised Market for FY 2020 and FY 2025P (in INR Cr) for each segment



Source: Technopak Analysis

The share of 76% in FY 2020 for Vertical Specialists in the Luxury segment translates into a market size of INR 2,320 Cr, which is expected to reach INR 4,060 Cr in FY 2025.

Benchmarking of Key Retailing Channels by Player Types, and Retailing Approaches for Key Brands and Retailers

Benchmarking of Franchise Exclusive Brand Outlets (EBOs)



Store Count & Reach: EBOs are viewed both as an important lever for consumer connect and for sales for luxury watch brands worldwide. Restrictions in FDI in India has meant that 51% FDI in multi-brand retail and 100% in single-brand retail is allowed, provided that 30% of value of products sold is sourced from Indian small industries. The local sourcing clause was eased in 2018 for foreign single-brand retailers for first five years if they are already procuring goods for their global operations from India. All of luxury watches sold in the country are imported and such restrictions made it difficult for international luxury watch brands, majority are which Swiss manufactured, and cannot procure raw materials from India, to operate through the direct EBO route. In this context all of luxury watch brands retail in India through franchise route (for EBOs or Vertical Specialists) rather than through directly owned EBOs. Brand like Rado has adopted the EBO model that comprise retail partnership/s to manage and operate its EBOs. This is reflected in the 27 EBOs that Rado has in India whereas for all other luxury watch brands EBOs are either absent (high luxury brands largely sell through Vertical Specialist MBOs) or minimal in India.

Exhibit 52: City-type and Region mapping for key Luxury Brand EBOs

Brand	North	South	East	West	Central	Total Stores
Rolex	17%	50%	33%	0%	0%	6
Omega	13%	50%	13%	25%	0%	8
Rado	43%	28%	4%	26%	0%	27
Longines	33%	67%	0%	0%	0%	6
Tissot*	8%	42%	8%	42%	0%	12
Panerai	50%	0%	0%	50%	0%	2

Source: Technopak Analysis

Note: Only considered Metro, Mini-Metro and Tier 1 cities considered

Brand	Metro	Mini-Metro	Tier 1	Tier 2	Tier 3	Total Stores
Rolex	17%	67%	17%	0%	0%	6
Omega	25%	75%	0%	0%	0%	8
Rado	40%	38%	19%	2%	0%	27
Longines	33%	67%	0%	0%	0%	6
Tissot*	33%	58%	8%	0%	0%	12
Panerai	100%	0%	0%	0%	0%	2

Source: Technopak Analysis

Note: Only considered Metro, Mini-Metro and Tier 1 cities considered

Location Mix: Luxury watch brand EBOs are mostly located in Premium & Luxury Malls, and High Streets. For e.g Hublot opened its first boutique store in India in Palladium, Mumbai. The mall is positioned as a luxury mall that also houses EBOs of other luxury watch brand like Rado, Panerai, Tissot & Omega.

Exhibit 53: Location Mix: key Luxury Brand EBOs

Brand	Luxury Malls	Premium Malls	High Streets	Airports	Office Campuses
Rolex	✓✓	✓	✓✓✓	-	✓
Omega	-	✓✓	✓✓✓	-	-



Rado	-	✓✓	✓✓✓	✓	-
Longines	✓✓	✓✓	✓✓	-	-
Tissot	-	✓✓	✓	-	-
Panerai	✓	✓	-	-	-

Source: Technopak Analysis. Example of Office Campus- Olive Arcade, Ahmedabad for Rolex

D2C Enablement: Direct to Consumer enablement by luxury watch brands through websites in India should be interpreted as an outreach mechanism to the consumers to showcase range, allow consumers to undertake product discovery, offer customer support and address FAQs. Price listings / discovery are selective keeping in mind the discerning nature of the consumer demand. Here too, like in the case of company owned EBOs, for the operational complexity involving regulatory compliance, the D2C enablement of luxury watch brands in India is subsumed under the digital and online commerce of Vertical Specialist MBOs and / or re-sellers. For instance, Ethos, which has a pan-India presence sells through its own websites online and is also the authorised watch supplier at Luxury Marketplace Ajo Luxe. Omni-channel enablement of Ethos and its likes become a key proposition on offer for luxury watch brands that enables them to expand their reach throughout the country both through offline and online means.

Price Range:

Exhibit 54: Price Range of Luxury watches for key Luxury Brands

Brand	Price Range (INR)
Rolex	4,00,000-1,00,00,000
Rado	35,300 - 6,49,700
Omega	2,31,600 - 1,51,35,700*
Longines	55,000 - 13,19,000
Cartier	2,23,000 – 12,55,00,000
Breitling	1,97,020 – 39,09,000
Panerai	3,51,000 - 32,32,000*
Tag Heuer	84,150 – 15,21,500
Oris	1,31,800 – 5,60,000
Carl F. Bucherer	1,99,000 – 53,89,000

Source: Technopak Analysis

*Note: Price references taken from respective brand's websites, barring for Omega & Panerai whose price reference is taken from www.ethoswatches.com. Price range excluding watches which are sold out/ Price not mentioned on website.

Retailing Approach of Key Brands

Exhibit 55: Retailing Approach of Representative Key Brands

Brand	Retailing Approach
Rolex	Only authorized retailers like Ethos, Kapoor Watch Co., etc. as well as standalone retailers such as Punjab Jewels, Cooke & Kelvey, Luxury Time, etc. are allowed to retail and service Rolex watches in India. Rolex also has EBOs in Metro cities in India in association with few of its retailers like Ethos Ltd, Swiss Watch Co., Exclusive Lines, and



	Horology Impex. In addition, Rolex watches retail at Vertical Specialist MBOs such as Ethos Ltd, Kapoor Watch Co., etc. Its website is used for price & product discovery, customer support & guidance on purchase etc.
Omega	Omega have their own exclusive boutique with vertical specialist such as Ethos Ltd, Zimson, Helvetica Lifestyle, in key cities such as Bangalore, Chennai, Hyderabad, Kolkata, Mumbai, New Delhi and Pune. They also have their products available at MBOs of these vertical specialists. Omega has their own website catering the Indian consumers which is often used for product and price discovery.
Rado	Rado retails primarily through Authorized retailers accounting for ~85% of all Rado stores in India, focusing on Metro, Mini metro, and Tier 1 cities. Rado also has Exclusive Boutiques in Key cities such as Mumbai, Delhi, Ahmedabad, Bangalore, Chennai, Kochi, Coimbatore, Hyderabad Lucknow, Pune, and Trivandrum. Their official website is often used for product and price discovery, after which a sales executive would further guide the purchasing process. Rado watches are also available (online and offline) on Vertical Specialists such as Ethos Ltd, Kapoor Watch Co., Johnson Watch Co. etc.
Longines	Longines retails in India through a national distributor: Swatch group India Pvt Ltd and Regional retailers such as Ethos Ltd, Zimson, etc. Longines watches are also available (online and offline) on Vertical Specialists such as Ethos Ltd., Johnson Watch Co. etc. They have their own Boutique store in association with Zimson in UB City, Bangalore.
Breitling	Breitling sells through authorised reseller such as Ethos, Art of Time, Kapoor, etc. and are mainly focused in Metro and Mini metro cities. Breitling have own dedicated website for India that offers product and price discovery
Cartier	Cartier sells through authorised resellers such as Art of Time, Kapoor Watch etc. and are mainly focused in Metro and Mini metro cities. The brand has its own dedicated website for India which is often used for product and price discovery. They have their own Boutique store in Vasant Kunj, Delhi. Cartier watches are also available on Vertical specialist websites.
TAG Heuer	TAG Heuer retails through official retailing partners such as Ethos, Kamal Watch Co., Luxury Time, etc. in Metro, Tier-1 and Tier-2 cities. They also have an official website for Indian customers which is used for price discovery. Luxury products of TAG Heuer are also available on online channels of their official retailers.
Oris	Oris retails through their only official retailer – Ethos. They are present 28 stores pan India in 15 cities. They also have their own website for India which is mainly used for product discovery. Products of Oris are also available on Luxury e-commerce marketplaces such as Tata Cliq Luxury and Luxepolis.
Panerai	Panerai have 2 exclusive brand outlets, one each in Mumbai and Delhi. Their products are also available at various vertical specialists such as Ethos Ltd, Johnson Watch Co., Art of Time and Kapoor Watch Co. Their website is used mainly for product discovery.
Carl F. Bucherer	Carl F. Bucherer has exclusive partnership with Ethos- their only official retailer in India. They have presence in 3 cities, i.e., Mumbai, New Delhi, and Chandigarh. They also have a dedicated website for Indian consumers which is used for product and price discovery. Products of Carl F. Bucherer are also available on multiple luxury marketplaces such as Tata Cliq Luxury, Luxepolis and Chrono24.

Source: Technopak Analysis

Benchmarking of Vertical Specialist MBOs

Store Count & Reach: Ethos is the leader among Vertical Specialist MBOs in the bridge-to-luxury, luxury and high-luxury segments, while in the fashion and premium segment, Helios is the leader in Vertical



specialist MBOs. They are the only premium and luxury watch retailers with a PAN India presence. There are a few regional players that are present in select region like Kapoor Watch Co. and Johnson Watch in North India and Zimson, Kamal Watch in South India, and Art of Time in West India.

Exhibit 56: City-type and Region mapping for key Vertical Specialist MBOs

Vertical Specialist	North	South	East	West	Central	Total Stores
Ethos	41%	29%	4%	27%	0%	49
Zimson	0%	100%	0%	0%	0%	30
Johnson Watch Co.	100%	0%	0%	0%	0%	10
Kapoor Watch Co.	100%	0%	0%	0%	0%	11
Helios	35%	20%	11%	21%	4%	112
Art of Time	0%	0%	0%	100%	0%	2

Source: Technopak Analysis

Vertical Specialist	Metro	Mini-Metro	Tier 1	Tier 2	Tier 3	Total Stores
Ethos	41%	39%	18%	2%	0%	49
Zimson	0%	73%	23%	3%	0%	30
Johnson Watch Co.	100%	0%	0%	0%	0%	10
Kapoor Watch Co.	100%	0%	0%	0%	0%	11
Helios	26%	31%	20%	22%	1%	112
Art of Time	100%	0%	0%	0%	0%	2

Source: Technopak Analysis

Location Mix: Vertical Specialists in premium and luxury watch retailing are primarily located in premium & luxury malls, and high streets. Ethos with the one of the largest store networks has significant presence across both premium and luxury malls. Ethos is present in the luxury mall Palladium in Mumbai, which also houses some key luxury watch EBOs. Also, it is present in The Chanakya, New Delhi among other Luxury Malls.

Exhibit 57: Location Mix for key Vertical Specialist MBOs

	Premium Malls	Luxury Malls	High Streets	Airport
Ethos	✓✓✓	✓✓	✓	✓
Zimson	✓✓✓	-	✓✓✓	-
Johnson Watch Co	-	✓✓	✓✓✓	-
Kapoor Watch Co	✓✓✓	✓	✓✓	-
Helvetica	✓	-	✓✓	✓
Helios	✓✓✓	✓	✓✓✓	✓
Kamal Watch Co.	✓✓✓	-	✓✓✓	-
Illustrative Examples	Ambience Mall, Delhi; Inorbit Mall, Mumbai	Emporio, Delhi; Palladium, Mumbai	South Extension I, Delhi; Connaught Place, Delhi	Indira Gandhi International Airport, Delhi

Source: Technopak Analysis Higher number of ticks refer to higher presence in a given format compared to others.



Exhibit 58: Partnerships for key Vertical Specialist MBOs

	Brand EBO Partnership	No. of EBOs	Cities
Ethos	Girard Perregaux	1	Delhi
	Hublot	1	Mumbai
	Jaeger-LeCoultre	1	Delhi
	Omega	3	Chennai, Jaipur, Mumbai
	Oris	1	Chennai
	Panerai	1	Delhi
	Rado	6	Ahmedabad, Chandigarh, Jaipur, Lucknow, Delhi, Mumbai
	Rolex	2	Bangalore, Delhi
	Seiko	1	Bangalore
	Tissot	1	Delhi
Zimson	Longines	2	Bangalore, Chennai
	Omega	1	Bangalore
	Rado	6	Coimbatore, Bangalore, Chennai
	Seiko	2	Chennai
	Tissot	3	Coimbatore, Bangalore, Chennai
Johnson Watch Co	Longines	2	Delhi
	Mont Blanc	1	Delhi
	Omega	1	Delhi
	Rado	2	Delhi
Kapoor Watch Co	Longines	1	Delhi
	Rado	2	Delhi
Helvetica	Longines	1	Chennai
	Omega	1	Chennai
	Rado	2	Chennai, Delhi
	Rolex	1	Chennai
	Tissot	2	Chennai, Bangalore
Kamal Watch Co	Longines	1	Hyderabad
	Omega	1	Hyderabad
	Rado	3	Hyderabad
	Rolex	1	Hyderabad
	Tissot	3	Hyderabad, Bhubaneshwar

Source: Technopak Analysis

Product & Price Range:

Exhibit 59: Product Range (number of SKUs) & Price Range of Luxury watches for key Luxury Brands

Vertical Specialist	No of SKUs			Price
	Bridge to Luxury	Luxury	High Luxury	Price Range (INR)



Ethos	1,214	1,434	657	Upto 3,41,18,000
Zimson	575	1099	-	Upto 7,82,100
Johnson Watch Co.	403	582	537	Upto 5,53,00,000
Kapoor Watch Co.	465	572	284	Upto 84,50,000
Helios	134	22	-	Upto 6,00,000

Source: Technopak Analysis, Retailer Website. Above data excludes Rolex SKUs for all Retailers due to price unavailability. Price range excluding watches which are sold out/ Price not mentioned on website.

Ethos has the highest number of Premium & Luxury brands available on its website (50), followed by and Zimson (28) and Johnson Watch Co. (26). Ethos also offers highest number of SKUs across all three luxury segments – Bridge to Luxury, Luxury and High Luxury segments.

Exhibit 60: Brand availability at Vertical Specialists

Vertical Specialist	Number of Premium & Luxury Watch Brands available
Ethos	50
Zimson	28
Kapoor Watch Co.	26
Helios	20
Johnson Watch Co.	16
Helvetica	14

Source: Technopak Analysis

(Brand references taken from respective websites of Vertical Specialists)

Note- Only Premium & Luxury brands counted for each Retailer.

Retailing Approach of Vertical Specialist MBOs

Vertical specialists house multiple watch brands, Indian as well as international, under one roof and are specialists in their vertical/ category. The target audience for a vertical specialist are consumers who appreciate a wide assortment of brands and products to choose from. First-time buyers also prefer to buy from Vertical Specialists as consumers can compare different brands and vertical specialists have the expertise, skills, and the technical knowledge to guide the customer better.

Exhibit 61: Retailing Approach of Key Vertical Specialists

Brand	Retailing Approach
Ethos Limited	With a Pan India presence, Ethos has made its presence across cities and regions through a network of stores and boutiques. Its 50 stores are spread across 17 cities. Ethos Summit exclusively houses bridge to luxury, Luxury & High Luxury Brands, while Ethos Stores house the premium & fashion range as well. Ethos has also opened Boutiques in partnership with prominent market leading brands like Rolex. Ethos has an increased focus on customer experience through consultation with watch experts, prompt customer service, loyalty points, guides & research on various watches and brands, service & repair through Ethos Watch Care. Ethos also actively retails through its website. Online purchase is digitally enabled for fashion and below range, while it is voice enabled for premium & luxury range. Club Echo is the loyalty program of



	Ethos with registered members, and annually 35% business comes from repeat buyers registered with the program.
Zimson	Zimson is a South India centric regional Luxury Watch Vertical Specialist with a focus on Mini- Metro cites. It has an active website for product and price discovery whereby customers can request a quote for purchase. They also offer memberships, and reward points on purchase and by interacting with their social media handles.
Johnson Watch Co.	Johnson Watch Co. is a regional Luxury watch Vertical Specialist with increased focus on Metro and tier-1 cites, primarily focusing on North India with stores in Delhi & Gurgaon. Johnson Watch Co. retails over 16 premium & luxury watch brands in India. It has its website with personalised customer experience, customer support, promotions, product guidance etc. Online purchase is voice enabled through customer service team.
Kapoor Watch Co.	Kapoor Watch Co. is a family-owned regional luxury watch Vertical Specialist with high focus on Metro and tier-1 cites in North India including Delhi, Gurgaon & Noida. It has active online retail enablement whereby customers can contact sales agent for sales queries, purchase and after sales service, while online purchase is voice enabled through customer service team.
Helios	Helios is a pan-India vertical specialist by Titan Company Limited mainly operating in fashion & premium segment, with limited bridge to luxury range. It has a network of 112 stores spread across 47 cities. It actively retails through its website which offers sale, product guidance, live chat support, option to pre-book store visits etc. Helios also provide omni-channel experience by providing customers the choice to 'order online and collect from store,' 'reserve online and try on in-store,' or 'get it shipped from nearest store.' Video shopping, online appointment booking, and endless aisle options are also available.

Source: Technopak Analysis

(Arranged in the order of highest to lowest SKUs on offer in luxury and bridge to luxury watch segment)

Value Chain for Premium & Luxury watches

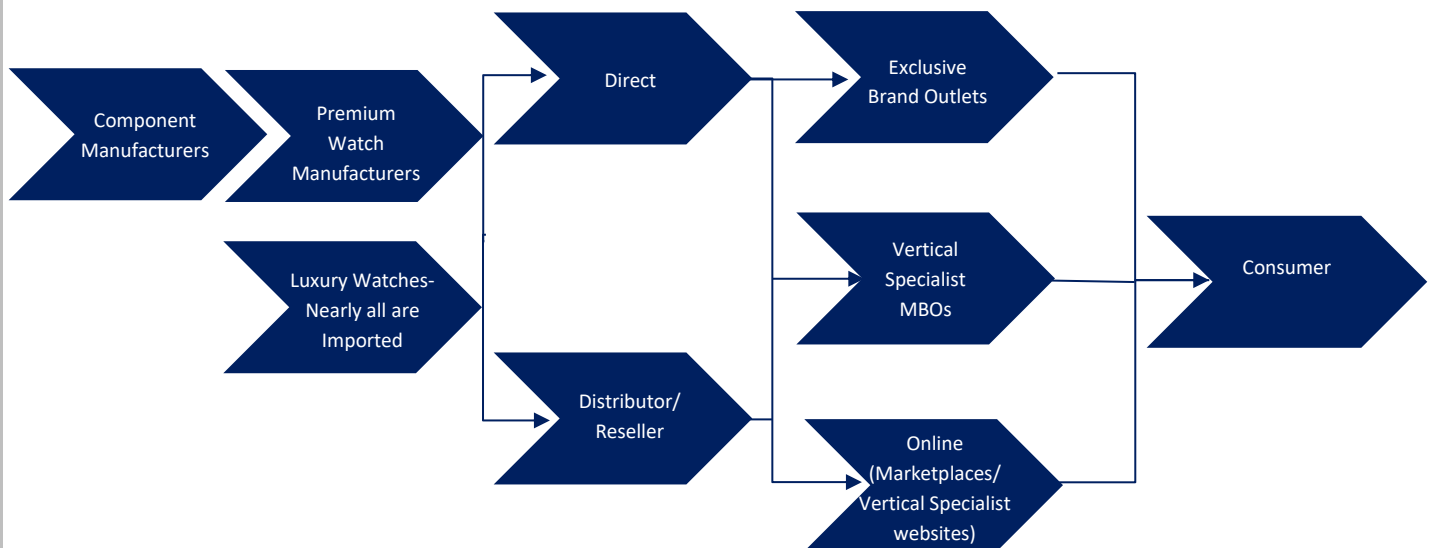
The value chain of the luxury watches market comprises various stages and services adding a specific value at their point of operation, which contributes to the competitive value of the service provided.

Luxury watch manufacturers either source parts directly from component manufacturers or manufacture it locally. The manufacturers can then use their direct channel to send their products directly to EBOs, MBOs & sell through online channels. Brands such as Rolex sell via official resellers and supply Luxury watches to EBOs, MBOs and Vertical Specialists. The customer, depending on his purchase pattern would choose the channel to buy Luxury watches. In India, majority luxury watches are imported, hence the finished product directly reaches the value chain through its manufacturers retailing the product through a network of retailers and distributors.

The Retailer margins on Premium watches ranges from 20 - 25%, while retailer margins on Bridge to Luxury segment ranges from 25 - 28%, and Luxury & above segments have a retailer margin of 20 - 35%.

Exhibit 62: Value Chain for Premium and Luxury watches in India





Source: Technopak Analysis

Key trends influencing retailing of luxury watches, and how Vertical Specialists can benefit from them:

Growth of E-commerce Enablement

The COVID-19 pandemic brought significant changes in the retailing preferences of Indian consumers by increasing the acceptability of shopping through online medium. Brands also accepted this change and improved their online infrastructure to ensure timely delivery of products. Emergence of logistic partners helped boost the penetration of e-commerce. This change is here to stay and is expected to grow, forming an additional channel for purchase. Brands in the Luxury watch segment have invested in their Partnerships with Retailers, Exclusive Brand Outlets, and have adopted an omnichannel approach where customers can use e-commerce as a source of product discovery.

Vertical Specialists though had activated e-commerce enablement as an additional channel for sales, placed an increased focus on its growth post COVID. Among Vertical Specialist, Ethos was one of the early adopters of e-commerce and this gave Ethos a headstart during the COVID-19 phase. Ethos offers omni channel enablement that integrates offline and online, for product discovery, customer experience and sales. Ethos has an average 17 Mn. page visits per year out of which 12 Mn. are new visitors (among the highest globally comparing with other multi brand luxury watch retailers). It also has a large, dedicated



team (70 people out of the total 500 employees) for online and digital commerce comprising content writers, online sales agents, digital marketing teams etc. Ethos & Helvetica offer live chat support to guide customers. Johnson Watch Co, Kapoor Watch Co, Zimson etc have also activated their online commerce initiatives and provide product & price discovery, offers, and guidance on watch purchase. It is expected that the ability to offer offline and online integration by Vertical Specialists MBOs will become a key value proposition that luxury watch brands will demand and expect from their Indian partnerships for future growth. Therefore, the market for the luxury watch retail in India is further expected to consolidate in favour Vertical Specialists MBOs or any other reseller types who will be able to offer it.

Role of E-commerce Marketplaces

The advent of e-commerce gave rise to emergence of multiple marketplaces based on a digital first approach. This business model reduces several fixed and variable costs, and such marketplaces offer discounts on their products, thus benefitting the customers. E-Commerce marketplaces are also able to pass on the benefits of seasonal sales (Black Friday, Thanksgiving, etc) of international brands to Indian customers. Marketplaces need to ensure that they should have increased focus on consumer service and awareness of luxury brands, as well entering the right kinds of partnerships with trusted retailers to establish themselves in the Indian market. One of the major challenges online marketplaces faces is the prevalence of counterfeit watches in Indian Luxury Watch Market. Another issue with online market places is adjacency implying that the luxury watch brands are selective of the pages and online spaces where their products and brands are displayed in order to protect their brand equity. Luxury e-commerce centric marketplaces such as Ajio Luxe and Tata Cliq luxury have started to address these concerns and provide details of manufacturer, import information, supplier details, easy returns etc to boost consumer trust in the medium of purchase to address these concerns.

Vertical Specialist Ethos is the key supplier of luxury watches of various international brands to the luxury e-marketplace Ajio Luxe. Therefore, the growth of such luxury marketplace e-commerce options for luxury watches are in a way going to support both the luxury brands and their respective Vertical Specialists MBOs given their re-seller agreements and tie-ups with luxury watch brands. Further, the growth of e-commerce marketplaces for luxury segment will expand the market benefitting the overall market.

Digital Adoption

With increased internet penetration and adoption of AI/ML in retailing, Luxury brands have started adopting these technologies to make their products available to the customers. By adopting technologies such as Virtual Reality, brands are trying to bridge the gap between offline and online retailing by giving the customers a virtual touch-and-feel experience to imagine products and enable conversion. E.g. Global



watch marketplace Chrono24 offers Virtual Showroom on its app which enables customers to virtually try on the watch through augmented reality, giving customers an experience and enabling them to view and feel how the watch will look on wearing. Through such features, brands & retailers are providing a differentiated experience to customers.

Technology adoption has now emerged as a key retail proposition for luxury brands and they expect their retail partners to embark on it. Luxury watch retailers are expected to adopt AR/VR for a better customer experience both within the stores and online. Tools like chatbots have reduced the time required for customer support and resolving customer queries. These technological and digital adoption tools would pave way for unique customer experiences, and hence driving the luxury watch market in coming years.

- Pan India Vertical specialists like Ethos have an Omnichannel presence, and have systems aligned to give consumers an omnichannel experience using technology, implying both offline and online access to products, sales and customer support. The offline penetration and online technology advancement also gives it an edge to succeed in the luxury category. Similarly, Helios also provide omni-channel experience by providing customers the choice to 'order online and collect from store,' 'reserve online and try on in-store,' or 'get it shipped from nearest store.' Helios also offers video shopping, online appointment booking and endless aisle options.
- Regional Vertical Specialists like Johnson Watch Co, Kapoor Watch Co, Zimson, Helvetica etc. have adopted digital commerce and digital marketing initiatives to reach consumers or for the consumer to reach them through both offline and online mediums.

Product adjacencies in other retail categories

For category specialists in the luxury segment, growth through category extension is expected. Category extension can lead to category specialists such as Ethos and other retailers that have been in the business for a time to offer other luxury items in addition to sale of luxury watches. There is a potential for current vertical specialists to expand into adjacent luxury offerings like hard luxury in various product categories such as eyewear, jewelry, luggage, cosmetics, writing instruments.

Vertical Specialist MBOs of luxury watch brands have built and managed procurement relationships with global luxury brands and the same skill sets can be expanded to other luxury product categories. They have developed market connect to service the consumer segments of luxury products across India and are aware of their target audience and understand consumer insights that can be replicated for other product categories. They are well versed with the retail environment involving both online and offline and have addressed / managed issues like talent management, consumer service support, retail adjacency and processes that can be extended to luxury retail for other categories.



4. Omnichannel Sales in premium and luxury watch segment

Emergence of Omni-Channel Retail in India

Indian retail has significantly evolved in last three decades, starting from inception of Modern Retail to Online marketplaces, to the emergence of Omni-Channel Retail, which has seen the blurring of lines between traditionally defined channels leading to emergence of an Omni-Channel Marketplace.

Exhibit 63: Evolution of Overall Retail leading to way for Omnichannel Retail

Particulars	Upto 2012	2012-2019	2019 & Beyond
Format Types	<ul style="list-style-type: none"> Brick led Retail with prevalence of multiple formats like Multi Brand Outlets (MBOs) & Large Format Stores (LFS) Emergence of Exclusive Brand Outlets (EBOs) 	<ul style="list-style-type: none"> Growth of supermarket, Cash & Carry Emergence of Ecommerce, Vertical Specialists initiation of ecommerce journey by brick retailers 	<ul style="list-style-type: none"> Growth of offline-online integration Ecommerce integration with stores, shop & collect, hyperlocals, dark stores Online enablement of Exclusive Brand Outlets (EBOs) & Multi Brand Outlets (MBOs)
Tech Intervention	<ul style="list-style-type: none"> Point Of Sale Integration, Loyalty programs, Retail process optimization Use of standardized software's like SAP 	<ul style="list-style-type: none"> Digital payment transactions, growth of social media 	<ul style="list-style-type: none"> Video communication, social commerce, visualization, Artificial Intelligence (AI) /Augmented Reality (AR)
City Presence	<ul style="list-style-type: none"> Largely Metros, tier 1 	<ul style="list-style-type: none"> Top 100 cities, growth of ecommerce 	<ul style="list-style-type: none"> Retail story moving beyond top 100 cities
Customer Journey	<ul style="list-style-type: none"> Instore shopping 	<ul style="list-style-type: none"> Browse based Ecommerce, discovery Instore consumer discovery, home deliveries 	<ul style="list-style-type: none"> Convergence of offline and online Consumers able to browse & shop both offline & online

Source: Technopak Analysis



Omnichannel Retail in Premium & Luxury Watches in India

Omnichannel Retail for Premium & Luxury Watches represents a collaborative and amalgamated purchase journey for a consumer, whereby purchase and the steps leading to a purchase are a mix of multiple channels. It is the convergence of Offline and Online models into a seamless interactive ecosystem and is a unified collaboration among all modules of retail, whether frontend or backend, with focus on the consumer. Key components which define Omnichannel retail are-

- **Seamless Channel Integration-** Shift in retailers' strategy from channel-centric to consumer-centric by diminishing lines between different channels through seamless integration, cross-channel execution and organizational realignment. The core purpose of Omni-Channel experience is to provide customers with seamless commerce across channels. This means customers can start a transaction from any channel and take it forward to completion from any other channel of interaction.
- **Supply Chain & Inventory Management-** Complete visibility across supply chain, along with a holistic, unified view of the path to purchase, delivery, returns etc. and an integrated IT systems for data mining. A single pool of inventory allows customers to check availability, find alternate locations of availability, place orders and pick up items from a location of their choice.
- **Technology & Networks-** Combined application strategy that enables seamless convergence of applications across multiple devices and environment, and efficient coexistence of various data services to interact at multiple levels to streamline operations, data access and data interpretation. Single definition of products for backend processes and a common Content Management System across channels. Retailers need to invest in technologies like QR codes, store kiosks and mobile apps to provide a consistent digital experience.
- **Content & Personalised Engagement-** Marketing and communication moving from a broadcasting-based publishing model to direct conversation model to be able to interact with the customer at every level of his purchase journey. Retailers implementing a common CRM system which provides a unified view of the customers, irrespective of the channel of engagement and capture data effectively. And Loyalty programs applicable for transactions made across channels.

Premium & Luxury Watch consumers reach/discover a brand through multiple approaches, which consists of a mix of retailing & information channels, including offline and online broadly. These channels are often intertwined during a consumer's journey of brand discovery and purchase, making it imperative for brands and retailers to be present in those mediums to partner with the consumers in their Omnichannel journey.



A consumer can discover a premium & luxury watch through various means as given below. Irrespective of the channel for discovery of product, the consumers could reach the alternate channel through various mediums and make the final purchase through either channels/mix of channels.

Channel of Discovery 1- Online Medium – These could include Vertical Specialist websites; Brand websites; Premium & Luxury marketplaces; Social media channels operated by brands, vertical specialists, premium & luxury marketplaces, influencers using/promoting these brands etc.

- Consumers could start from a brand website and end up exploring a vertical specialist website/ luxury marketplace, or vice versa. They could see a particular model on Instagram handle of a Vertical specialist and end up watching videos/ photos of influencers on YouTube, Instagram, Facebook for the same or another model/ brand.
- Consumers could explore online, and further reach the Offline channel of Vertical specialists stores/ Brand EBOs and make a purchase there, or just to explore the brand through touch and feel. Their journey could go back to online if they finally make the purchase through website.
- For Premium & below category of watches, Vertical specialist websites are often Digitally enabled i.e., consumer can make the purchase directly via online channel and product would be delivered directly to customer's location. However, for higher end of premium and bridge to luxury, luxury, high luxury categories, consumers often must contact the vertical specialist team through given links of phone/ WhatsApp/ call back forms to further pursue the purchase i.e., purchase is Voice-enabled. The team then guides the consumer on the further process- which is either to visit the nearest store to explore the watches physically, or some select retailers offer home visit by store personnel carrying few shortlisted models, and the consumer could finalise and make the final purchase at home. Another way offered is selection of watch online though the team's guidance and making the purchase though RTGS/NEFT/payment links/COD.

Hence a consumer starting his/her journey online could explore various channels and make the final purchase through a mix of channels, highlighting the real Omnichannel potential in this category.

Channel of Discovery 2- Offline Medium – These include physical stores of vertical specialists and brands. Consumers could explore the brands in stores and make a purchase, or they could reach the online medium post their offline visit, and explore further, and complete the final purchase post exploring various channels as explained above.

Channel of Discovery 3- ATL/BTL Mediums – These include means like TV Ads, Newspaper, Events, Out Of Home (OOH) etc. The consumer could discover the model/ brand through these mediums, and then go through the Omnichannel product exploration and purchase, as explained above.

All the above means of discovery further take the consumers on their Omnichannel journey interacting with the brand at different levels on different mediums.

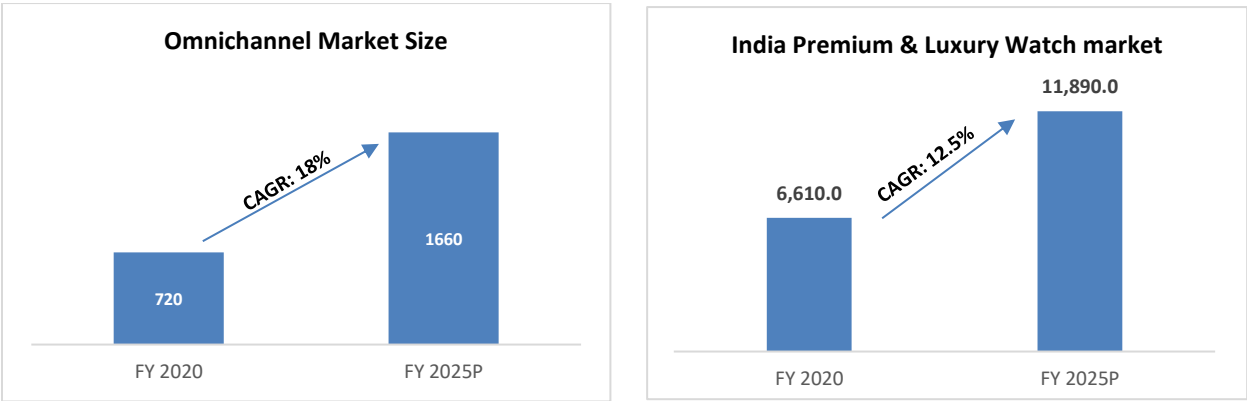


Omnichannel Size for Premium & Luxury Watches in India

The Omnichannel market in India for Premium & Luxury Watches came into existence over the recent years. Before this, there was separate existence of Offline and Online channels- i.e marketplaces for premium watches serving as the online channel; and Vertical specialist MBOs, General MBOs and Brand EBOs serving as the offline channels for Premium & Luxury watches. With the launch of Vertical specialist websites for Ethos and other players, this market transformed to an Omnichannel shape. These websites merged both channels offering an Omnichannel experience to the consumers, with exploration and purchase often happening through a mix of both channels with voice and data enabled support and guidance to the consumers.

Omnichannel market for Premium & Luxury watches was valued at INR 720 Cr for FY 2020, which is almost 11% of the Premium & Luxury market size. This market is growing at a CAGR of 18%, and is expected to reach INR 1660 Cr by FY 2025, as the Vertical specialists place more importance to being consumer-centric, while assisting & engaging with consumers throughout the purchase journey.

Exhibit 64: Market size for Omnichannel Premium & Luxury Watch market- FY 2020 & FY 2025P (in INR Cr)



Source: Technopak Analysis

Ethos is the market leader in Luxury watch segment in India, and it also leads the Luxury Omnichannel market in India, with wide omnichannel presence and focus. In FY 2020, 36% of Ethos’s revenue came from digitally enabled sales. Other key players who follow omnichannel retail are Kapoor Watch Co, Johnson Watch Co, Zimson, Kamal Watch, Helios etc

Digital Presence of Vertical Specialists

Digital integration of online and offline channels, and social media presence are important contributors to success of Omnichannel initiatives by players. Ethos is the only Indian Luxury watch retailer offering loyalty program for its customers. This is one of the key reasons that more than 35% of business of Ethos comes from repeat customers. Social media is an important marketing tool used by vertical specialists. Ethos has the highest reach on social media platforms such as Instagram and Twitter with 1,64,000 followers on Instagram. It is also ranked 8th in website ranking (in category – Jewellery and Luxury products) in India- which is highest among the Premium & Luxury Watch vertical specialists in India. Global luxury watch brands also engage through social media for marketing. Watches of Switzerland is one of the key brands offering Loyalty program for its customers and has the highest number of likes on its official Facebook page. Among other key brands, Hodinkee has the highest number of followers on Instagram and Twitter.

Exhibit 65: Comparison of Vertical Specialists on Digital Presence & Loyalty Program – Global and Indian

Retailers	Global/ Indian Retailer	Loyalty Program	Number of Instagram Followers	Number of Likes on Facebook Page	Number of Twitter Followers	Website Ranking in India*
Hodinkee	Global	No	1,94,000	1,91,086	70,400	-
Ethos	Indian	Yes	1,64,000	1,57,655	4,935	8 th
Bucherer	Global	No	1,22,000	74,939	9,622	-
The Hourglass	Global	No	57,300	64,469	-	-
Watches of Switzerland	Global	Yes	53,200	1,95,555	5,620	-
Kapoor Watch Co	Indian	No	44,200	1,04,355	641	75 th
Helios	Indian	No	33,600	1,40,724	-	27 th
Johnson Watch Co	Indian	No	22,800	1,96,306	-	-
Zimson	Indian	No	9,400	21,802	337	-
Kamal Watch Co	Indian	No	8,000	35,610	-	-

Source: Technopak Analysis, Data as on 20-12.2021 . Retailer put in order of Instagram followers- High to Low.

*Note: Website ranking among Jewellery and Luxury product websites



Global Omnichannel market for Premium & Luxury Watches

The digitally enabled market for Premium & Luxury watches is estimated to be 15-20% of the Overall Premium & Luxury watch market globally. Post COVID, luxury brands which were majorly offline, have also expanded their online operations. This market is expected to witness growth in the coming years as consumers and retailers alike adopt omnichannel approach to buying and selling respectively.

Key Players in Global Omnichannel Premium & Luxury Watch Retail:

Bucherer- It is one of the leading Luxury watch retailers globally, with Omnichannel presence. It has 35 Vertical Specialist MBOs across 6 European countries (UK, France, Switzerland, Germany, Austria, Denmark) and 1 recently opened in Manhattan, USA. Bucherer acquired the leading American watch retailer Tourneau in 2018, and is in the process of rebranding Tourneau stores as Bucherer across USA. It houses its 32 luxury brands including its own brand 'Carl F. Bucherer' and other key luxury brands like Rolex, Vacheron Constantin, Ulysse Nardin etc. The retailer also has significant presence in the luxury Certified Pre-Owned (CPO) market. Its website allows consumers to explore brands & models, reach the customer support team for details on shortlisted models or other queries, assistance in placing orders, live chat etc. It also provides options like 'booking store appointment', 'click & collect' for customers preferring to pick up the watch at the nearest store.

Watches of Switzerland- It has Omnichannel presence with more than 160 MBOs across UK and USA, with plans to expand further in EU. It prioritises Omnichannel mediums through its customer centric approaches, like building merchandising on customer-centric analytics, based on showroom profiling, productivity, trend analysis, season change etc. Its website offers live video calling/ live chat and voice assistance to customers. It uses targeted marketing like Promotional events, Direct mails etc to engage with its customers by using CRM tools, and through its print & online magazine Calibre. It also focusses on its social media presence across channels like Instagram, Youtube etc. Use of AI and Machine learning technologies has been adopted for better customer service and for SEO. In 2018, Watches of Switzerland also entered the pre-owned Luxury watch business by partnering with Analog Shift, which they acquired in 2020.

The Hourglass- With more than 45 luxury brands, and physical presence across regions of Singapore, Malaysia, Thailand, Hongkong, Japan, Vietnam, Australia, New Zealand, with 54 stores, The Hourglass is among the leading Luxury watch retailers with an Omnichannel approach. It focusses on customer experience through approaches like Consult a Specialist and Viewing Room. The latter gives detailed insights to consumers on history & legacy of various luxury watch brands, Curators chats etc. The website offers sale and sales assistance support to complete purchase through a mix of Omnichannel touchpoints

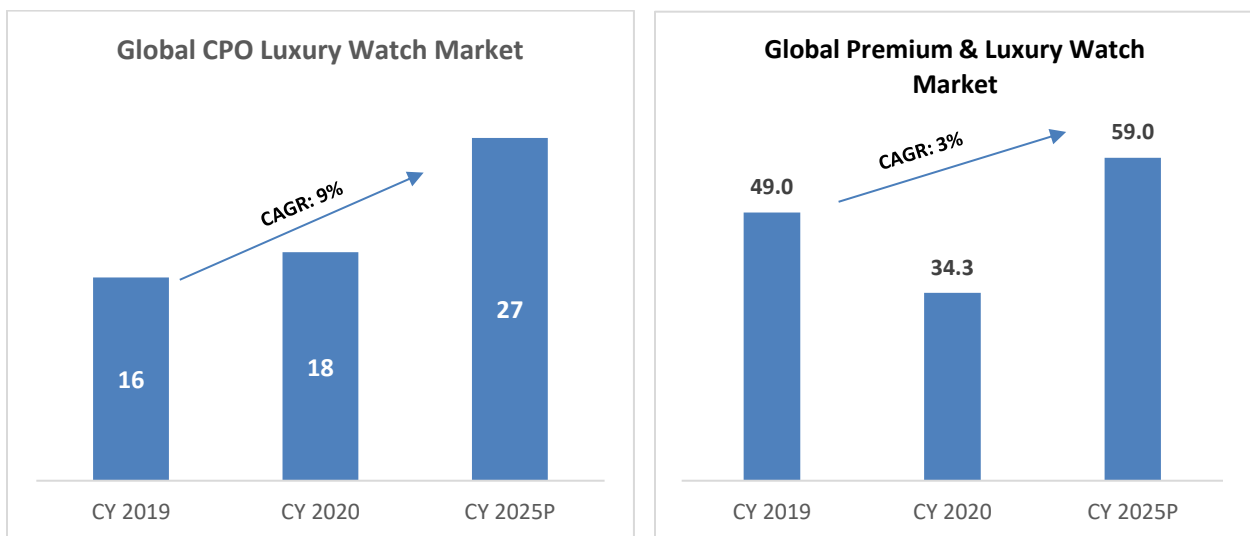


5. Assessment for Certified Pre-Owned Business for Luxury Watches in India

Global Certified Pre-Owned Luxury Watch Market

The Global Certified Pre-Owned (CPO) Luxury Watch market was valued at USD 18 Bn. in CY 2020. It is expected to grow at a CAGR of 9% from CY 2019 to CY 2025, creating an opportunity for brands and retailers to take proactive steps to shape demand. It is expected that, by CY 2025, the Global CPO Watch market would reach a value of USD 27 Bn. The adoption of second-hand Luxury watch market is emerging as one the key reasons for the growth and acceptance of Luxury watches globally.

Exhibit 66: Size of Global Certified Pre-Owned Luxury Watch Market & Overall Global Premium & Luxury watch market (in USD Bn.)



Source: Technopak Analysis. Note- CPO market is a complimentary market, over and above the Global Market for Premium & Luxury Watches. CAGR shown from CY 2019 to CY 2025 as CY 2020 was a COVID impacted year. Moreover, global premium & luxury watch market was severely impacted by COVID in CY 2020, while global CPO luxury market saw a growth in CY 2020.

The Global CPO market, which is a complimentary market, over and above the Overall global market for Premium & Luxury watches, was almost 33% the size of the Overall Premium and Luxury watch market globally in CY 2020, and its size is expected to be 46% of the Overall Market in CY 2025.



Key players in Global Certified Pre-Owned market

WatchBox: WatchBox is one of the world's leading platforms for the buying, selling & trading of Pre-Owned luxury watches. Their Pre-Owned watches are evaluated and brought to manufacturer operating standards before setting up for sale. With quality inspections of each watch, they provide Authenticity guarantee to customers. They have their exclusive showrooms in UAE, Switzerland, Singapore, Hong Kong and USA, and are planning to expand their presence in USA by opening stores in New York City and Miami.

Chrono24: Launched in 2003, Chrono24 currently offers more than 4,00,000 watches by 22,000 dealers on their marketplace, making them one of the dominant players in the Certified Pre-Owned Luxury Watch market. Currently they present in 44 countries and provide Buyer protection which includes payment via escrow service, authenticity guarantee, global money back guarantee, strict dealer guidelines, insured shipments. They also provide free appraisal and advise for private sellers to encourage the pre-owned Luxury Market.

The RealReal: The RealReal is one of the world's largest online marketplaces for CPO luxury watches. It offers a wide selection of authenticated, primarily pre-owned luxury goods on the online marketplace, with a collection of prominent brands like as Cartier, Rolex, Patek Phillippe, Omega etc. The marketplace has over 24 million customers listed with them. Apart from an online marketplace, they also have 18 retail outlets in key cities in the United States.

Watchfinder: It deals exclusively with Preowned watches. It offers services like Buying, Selling and Exchange on pre-owned watches. It also offers Free home watch pickup and additional 24 months warranty apart from remaining manufacturer warranty of watches. Lists luxury brands like Rolex, Breitling, IWC, Tudor etc.

Chronext: Founded in 2013, Chronext aims to create a premier digital platform by combining the ease of digital and the quality of service of a physical store. Chronext claims to have served over 120,000 customers and have a ~30% repeat purchase within 36 months. By having an international presence, they have shipped to 62 countries in 2020. Chronext offers a seamless customer experience at scale across multiple devices as well as through 11 exclusive lounges present globally. Guaranteed authenticity, Wide selection of over 7,000 watches, Personal assistance, Personal collection and Free worldwide shipping with a 14-day return policy are some of the key propositions of Chronext.

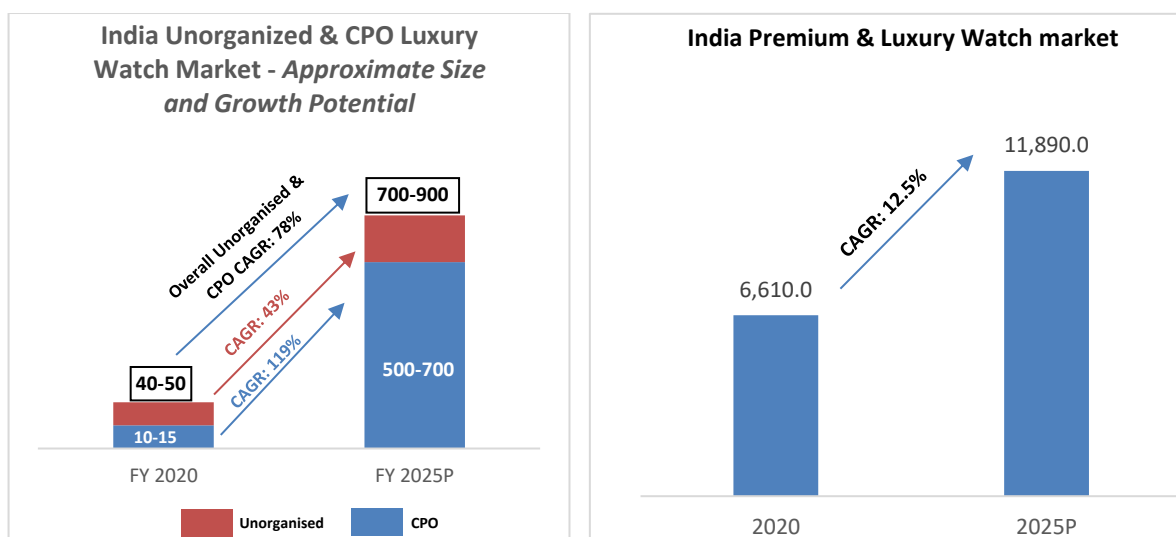
Certified Pre-Owned Luxury Watch Market in India

The overall luxury Preowned market was valued at approximately INR 40-50 Cr in FY 2020, which was largely dominated by the unorganised sector contributing almost 80% of the market. The organised sector offering Certification on Pre-owned luxury watches i.e the CPO Luxury Watch market is at a nascent stage



in India and was valued at approximately INR 10-15 Cr in FY 2020. In comparison, the overall premium & luxury watch market in India was valued at INR 6610 Cr in FY 2020, making the Indian CPO market, which is a complimentary market, over and above the Overall Indian market for Premium & Luxury watches, to be around 0.2% of the Overall Premium & Luxury watch market. In comparison, the global CPO luxury market was approximately 33% of its Overall premium & luxury watch market in CY 2019. Hence, the CPO share in India is currently miniscule, and dominated by CPO Business of Ethos. This market, however, presents an opportunity to grow significantly from the current base, in line with global trends.

Exhibit 67: Size of CPO Luxury watch market in India and Overall Premium & Luxury watch market in India (in INR Cr)



Source: Technopak Analysis

The CPO Luxury market in India has the potential to grow to INR 500-700 Cr by FY 2025, making it almost 4 to 6% of the premium & luxury watch market in India in FY 2025. This will still be lower than the international business where the CPO business is expected to climb to nearly 45% of the new watch business. Digital enablement, Omnichannel trade, trends favoring sustainability and entry of vertical specialists in this segment will be the key growth drivers of CPO market. Ethos, being a pan-India player in Luxury watch segment, with experience & trust associated with its brand, is expected to drive the CPO market in India with its CPO business.

Key success factors needed for business growth of CPO in India

Digital innovation: Rise in Ecommerce and marketplaces for various luxury products & increased acceptance of online transactions will pave way for growth of the CPO watch market in India. Consumers



are trying out digital technology to buy and sell goods on trustworthy online channels, and this has increased the consumers acceptance of CPO products. With advancements in technology, marketplaces can now have a visual check of the product a seller is trying to sell without the need for physical presence. Buyers can also use websites of key players for price discovery and product ranges. Inclusion of AI enabled chatbot has also allowed personalized assistance for buyers. With further inclusion of digital technology, the trading in luxury watches is expected to increase in years to come.

Trend towards Sustainability: Preowned business supports sustainability. With rising activism and appreciation for sustainable existence, recycling and upcycling are becoming important trends across retailing. Consumers across age groups, driven by Gen X & millennials now appreciate preowned, recycle & reuse as key trends to support the circular economy. This is leading to increase in CPO business across categories, including Luxury watches. Preowned watches are gaining traction in global & Indian economy and are expected to drive luxury watch industry overall.

Availability of well known brands at affordable prices: Consumers in the aspiration class are now able to get previously unaffordable brands of their aspiration at a price that could be 30% or more lower than the price of a similar new watch. The fact that this is offered by the organised CPO players with warranties and quality certification makes it a dependable and risk-free purchase, making many consumers opt for this option.

Luxury watches are emerging as a Collectible: Luxury watches are emerging as a collectible class of goods, similar to art, stamps, coins etc. Collectors are often not able to get new watches owing to limited production compared to higher demand. Same could be true for limited edition watches too. Such consumers turn to the CPO market to buy the preowned versions of the required watch, often even paying higher price than the original price to be able to get the watch for their collection.

Exhibit 68: Luxury CPO Players in various Categories

Brand	Category	Investor Funding
Poshmark	Fashion, Accessories and Apparels	Total funding of USD 153 Mn in 7 Funding rounds including investors such as Menlo Ventures, Temasek Holdings, etc.
Cars24	Automobiles	Total Funding of USD 1.3 Bn in 11 Funding rounds from key investors such as Alibaba Group Tencent, Softbank Vison Fund, Exor Seeds, etc.
Watchbox	Watches	Raised USD 165 Mn. In November 2021 from investors such as The Radcliff companies, Spurce House partnership, CMIA Capital partners, etc.



Chrono24	Watches	Chrono24 has raised a total of ~USD 205 Mn. In 6 funding rounds from investors such as General Atlantic, Sprints Capitals & Insight Partners.
Watchfinder.co	Watches	Raised USD 10 Mn. In one funding round from its lead investor Piton Capital.

Source: Technopak Analysis

Entry of Vertical Specialists in CPO Watches

With an increasing demand of luxury products, Vertical Specialists MBOS in watches have started focusing on CPO luxury market as an additional segment. Lower prices compared to new luxury watches, price depreciation of a watch, and obtaining vintage timepieces, along with sustainable luxury focus are some of the reasons for which consumers buy pre-owned watches. Vertical specialists which have already created a trustworthy place in the luxury watch market, are in a better position of using these consumer trends to their advantage, and at the same time provide consumers with the comfort and trust factor that is much needed while purchasing a second-hand luxury watch. With decades of experience and an active customer base trusting luxury brands and vertical specialists, the market and availability of CPO Watches in India is expected to increase in the next 5 years. For e.g., Ethos, India's largest retailer in Luxury Watches has entered the Pre-Owned Luxury watch market by launching its CPO business -- a marketplace for buying and selling of Pre-Owned Luxury watches in India. By capitalizing on its existing business experience in Luxury watches, CPO business arm of Ethos - has paved way for the growth of CPO luxury watch market in India. Vertical specialists also provide a Certificate of Authenticity for their pre-owned watches which induces a sense of trust among the customer and help reducing the sale of counterfeit products. Some Vertical specialists also refurbish and offer warranty their pre-owned watches using original/OEM manufactured spare parts. They also offer expert watch consultancy to provide a fair resale value for luxury watches.

Industry profile and Benchmarking of Key players in CPO Watch Industry in India

a. CPO Business of Ethos

Exhibit 69: Profile & Benchmarking of -CPO Business of Ethos

CPO Business of Ethos	
Launch of CPO Business	2018
Company	Ethos Limited
Key Brands	80+ brands including key luxury watch brands such as Rolex, Girard Perregaux, Frederique Constant, H. Moser & Cie, Longines, Patek Phillippe, Omega, Bvlgari, IWC, Hublot, JLC, CORUM, Breguet, Audemars-Piguet, Penarai, etc.
Price range	Upto INR 30,00,000



Certification and Refurbishment Approach	Each pre-owned watch is examined by experts for authenticity. Any dubious watches are returned to the seller, while only genuine products are added to the inventory. The watches that pass multiple evaluations are brought to optimum operating standards by using original spare parts from OEM before they enter the catalogue of pre-owned watches for sale.
Pre and After Sales support	It offers a 360-degree physical inspection and verification of watches. They also provide a 2-year warranty for the purchased pre owned watch. They also have sales specialists and watch consultants to guide buyers and sellers for seamless customer experience.
Retailing Approach	It has a retail outlet in Delhi where buyers and sellers can go for a physical verification of watches. They also have a dedicated website providing pan-India delivery in 4-5 business days, which is mainly used for product and price discovery. -CPO business of Ethos leverages the physical store reach of Ethos as appoint of collection for its Pre-Owned watches and thus has an added advantage over its competitor

Source: Technopak Analysis, <https://www.secondtimezone.com>. Price range excluding watches which are sold out/ Price not mentioned.

b. It's My Time

Exhibit 70: Profile & Benchmarking of It's My Time

It's My Time	
Year of establishment	2016
Parent Company	RAW Enterprises Pvt. Ltd.
Key Brands	It's My Time currently houses 95+ brands for CPO Luxury watches such as Rolex, IWC, Cartier, Bvlgari, Breguet, Breitling, etc.
Price range	Upto INR 30,00,000
Certification and Refurbishment Approach	Watches are subjected to multiple quality checks for authenticity by experts. Once passed through all checks, the watches are certified for authenticity by Its My Time. All repairs and refurbishments are done by experts in India by using original spare parts and are mentioned to the customers while selling and deciding the value of the watch.
Pre and After Sales support	Its My Time uses a Chatbot for assisting customers on their website to choose the right watch for them. After purchase, the customer support executive stays in constant touch with the customer to keep them updated about their delivery. If the customer receives a fake/counterfeit product, it provides a 100% refund upon validating the authenticity of product.
Retailing Approach	It's My Time is an e-commerce marketplace with no physical presence. They store their pre-owned watch SKUs in a warehouse and list on their website for purchase. They have partnered with Delhivery as their logistics and supply chain partners which they use to deliver watches PAN India.

Source: Technopak Analysis, <https://www.itsmytime.co.in>. Price range excluding watches which are sold out/ Price not mentioned.

c. Swiss Watch Hunter

Exhibit 71: Profile & Benchmarking of Swiss Watch Hunter

Swiss Watch Hunter	
Parent Company	Swiss Watch Hunter
Key Brands	Swiss Watch Hunter houses 40+ brands on their website including Audemars-Piguet, Jaeger-LeCoultre, Cartier, Rolex, Ulysse Nardin, Rolex, Patek Philippe, IWC, Breitling, Breguet, etc.
Price range	Upto INR 1,65,000



Certification and Refurbishment Approach	All watches listed on their website are checked for authenticity by experts of Swiss Watch Hunter. They also provide a certificate of authenticity with every purchase and the same can be validated by any watch retailer. They also provide doorstep delivery and collection of watches in major cities.
Pre and After Sales support	Customers can connect with Swiss Watch Hunter's Luxury Watch Consultants who can guide customers with their purchasing experience, and post purchase issue resolutions. The company has 2 decades of presence in Pre-owned watches and focuses on consumer trust in its communications.
Retailing Approach	Swiss Watch Hunter has a retail store located in Mumbai. They also have their own website where customers can buy or sell luxury watches.

Source: Technopak Analysis, <https://swisswatchhunter.com>. Price range excluding watches which are sold out/ Price not mentioned.

d. Luxepolis

Exhibit 72: Profile & Benchmarking of Luxepolis

Luxepolis	
Year of establishment	2014
Parent Company	Luxepolis Retail Services Private Limited
Key Brands	Luxepolis is a multi-category player and currently houses 500+ brands across watches, jewellery, writing instruments, apparels and accessories such as Rolex, Louis Vuitton, Gucci, Dior, Chanel, Omega, Patek Phillipe, Audemars, Piguette, Michael Kors, Coach, etc. It has 51 watch brands listed for sale including Rolex, Carl. F. Bucherer, Cartier, BVLGARI, Patek Philippe & co, Frederique Constant.
Price range (for Watches)	Upto INR 75,00,000
Certification and Refurbishment Approach	Luxepolis authentication team inspects all products for authenticity before storing and estimation of price. Any Refurbishment and repairs are done by experts and are guaranteed by a certificate of Authenticity provided by Luxepolis.
Pre and After Sales support	Luxepolis has a dedicated chat available for customers on their website where they could connect with Luxepolis Advisors. They also provide EMI options to make Luxury watches accessible. It provides a complete refund incase a watch is proven to be fake post purchase.
Retailing Approach	Luxepolis is an e-commerce platform for new and pre-owned luxury goods. They focus on advertisement and marketing through social media platforms like Instagram, Facebook, Twitter, Youtube and Pintrest and attract customers by offering discounts on their products. Their products are sourced from their global supply chain network of leading luxury boutiques across the globe.

Source: Technopak Analysis, <https://www.luxepolis.com/>. Price range excluding watches which are sold out/ Price not mentioned.

Pre-Owned Watches Supporting the Growth of Overall Luxury Watches

Preowned watches support the growth of overall market for luxury watches as below:

- Provides an Entry point for the aspirational consumer segment:** While, luxury Watches are primarily owned by UHNI, HNI and Sec A++ consumers, they are an aspirational product class for many. Pre-owned market for luxury watches (and its growth) expands the total addressable opportunity to cater to the aspirational consumer segment. Pre-owned market acts both as a destination for the first-time purchase of luxury watches by the aspirational segment and as an induction of the aspiration segment into the luxury watch segment. Though pre-owned watches are available on multiple C2C (consumer-to-consumer) marketplaces such as Olx and eBay and other informal routes, the inability of such



platform to underwrite risks association with spurious trade, fair value and quality of merchandise makes them vulnerable. Authentic marketplaces that are backed or promoted by vertical specialists' luxury watch retailers (defined as organized pre-owned market for premium and luxury watches) addresses this need gap, builds trust and wider acceptance among the aspirational segment.

- **Enables discovery of fair value:** Organized pre-owned watch retail enables the discovery of fair value of the watches and that creates a strong support in favor of the formalization of the trade. It dissuades informal and grey market trade and creates awareness among consumers about price points in a transparent manner.
- **Develop the market for collectibles:** Luxury watches are both bought for instant gratification and for their collectible / vintage value. The growth of organized pre-owned market for luxury watches helps to unlock the collectible market thereby increasing both the vibrancy of the market and the addressable market opportunity. Organized pre-owned market builds confidence among consumers to trade their collectibles for other collectibles. It creates incentive for the consumers to un-lock their dormant watch collections for churn and upgrades

CPO: Emerging as an Asset Class

Watches were traditionally seen as status symbols and have always been an essential part of the luxury goods segment as they communicate class and taste. The value of Luxury Watches is expected to depreciate as soon as the customer leaves the store. However, the value of some watches appreciates over time due to factors such as limited availability, limited edition option, rarity, increase in demand due to demand from collectors, etc.

Organized Certified Pre-Owned watches provides a channel of sale of such Vintage and Collectible watches. This proves to be a suitable environment for trade of Luxury and High-Luxury watches and can be thus considered to be an investment. Vintage Watches are also considered as an emotional investment and are often kept as a family heirloom, passing down from one generation to other.



6. Market Structure of select other Luxury products

Market Size of Luxury Goods (Writing instruments, Beauty, Apparel & Footwear etc.)

COVID 19 had a major impact on the overall Luxury Goods Market in India. All the luxury goods categories witnessed decline during FY21 owing to the impact of COVID-19. However, in the following 4-year period all the categories are expected to grow.

Luxury writing instruments was valued at ~INR 396 crores in FY 2021 and is expected to reach ~INR 549 crores by FY 2025, growing at a CAGR of 8.4%. Luxury beauty market was valued at ~INR 1,946 crores in FY2021 and is expected to reach ~INR 2,647 crores by FY 2025, growing at a CAGR of 2.4%. Luxury luggage & bags market witnessed decline and was estimated at ~INR 108 crores in FY 2021 and is expected to grow to ~INR 223 crores by FY 2025, growing at a CAGR of 19.6%.

Luxury apparel & footwear market was estimated at ~INR 3,735 crores in FY 2021 and is expected to reach ~INR 5,080 by FY 2025, growing at a CAGR of 7.9%.

Exhibit 73: Market Size of (Writing instruments, Cosmetics, Footwear & Apparel, etc.) (In INR Crores)

	Luxury Goods	FY 2018	FY 2020	FY 2021	FY 2022 (E)	FY 2025 (P)	CAGR -FY21-25
Hard Luxury	Writing Instruments	504	566	396	436	549	8.4%
	Cosmetics	2,106	2,595	1,946	2,140	2,647	2.4%
	Luggage & Bags	9,117	9,387	5,487	6,754	7,598	8.5%
Soft Luxury	Apparel & Footwear*	3,919	5,048	3,735	4,109	5,080	7.9%

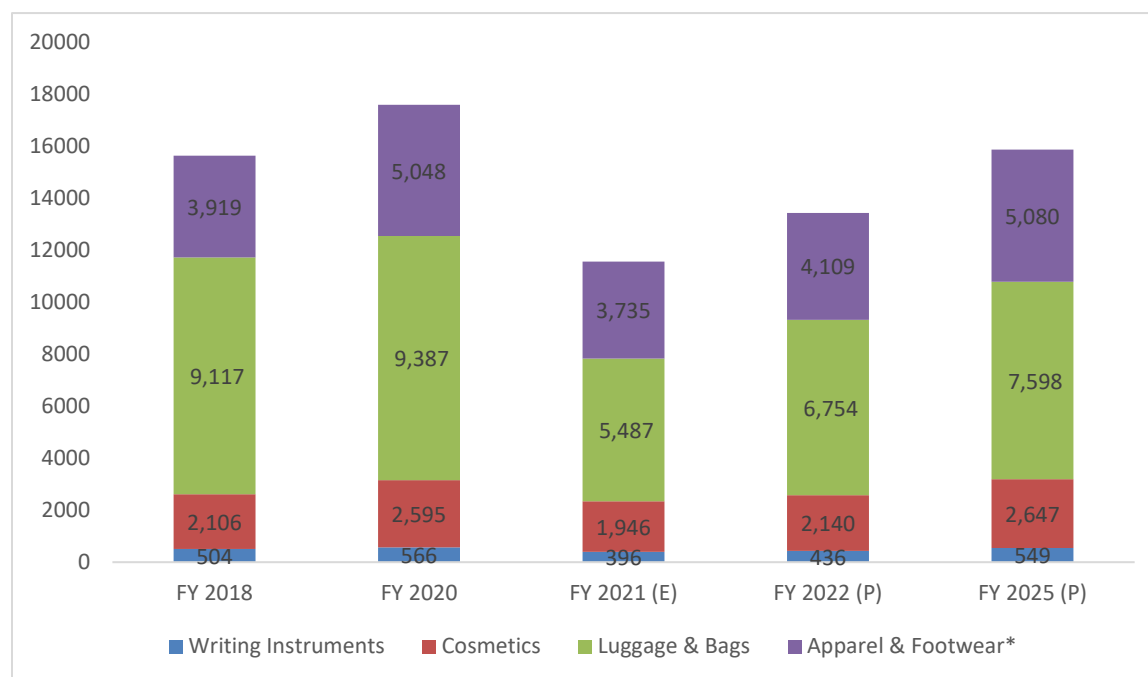
* Includes bridge to luxury, luxury

**Include designer wear brands, couture brands and international brands in the luxury and high luxury segment

Categories like Writing Instruments, Beauty and Luggage & Bags in the hard luxury market and apparel and footwear in the soft luxury market form an immediate adjacency for luxury watch segment. Therefore, these categories become a natural extension opportunity for luxury watch vertical specialists.



Exhibit 74: Market size of key categories in Hard and Soft Luxury (in INR Cr.)



Source: Technopak Analysis

Leading Global Brands in Hard Luxury categories

Exhibit 75: Leading Global Brands in Hard & Soft Luxury

International Brands	Hard Luxury				Soft Luxury	
	Writing Instruments	Luggage / Bags	Cosmetics	Watches	Apparel	Footwear
Montblanc	✓	✓	-	✓	✓	✓
Louis Vuitton	✓	✓	-	✓	✓	✓
Tumi	-	✓	-	-	-	-
Armani	-	✓	-	✓	✓	✓
Hugo Boss	-	✓	✓	✓	✓	✓
Dior	✓	✓	✓	✓	✓	✓
Gucci	✓	✓	✓	✓	✓	✓
Rimowa	-	✓	-	-	-	-
Rado	-	-	-	✓	-	-

Sources: Leading brands defined as per Brand directory ([brandirectory](#))

Exhibit 76: Key Global Brands in Hard & Soft Luxury Present in India



Brand Name	Segments present				Online Retail		Offline Retail	
	Writing Instruments	Luggage / Bags	Cosmetics	Apparel & Footwear	Online website of Vertical Specialist	Luxury market Places	MBOs	EBO's
Montblanc	✓	✓	-	-	✓	✓	✓	✓
Louis Vuitton	✓	✓	-	✓	✓	-	✓	✓
Tumi	-	✓	-	-	✓	✓	✓	✓
Armani Exchange	-	✓	-	✓	✓	✓	✓	✓
Hugo Boss	-	✓	✓	✓	✓	✓	✓	✓
Canali	-	✓	✓	✓	✓	✓	✓	✓
Dior	✓	✓	✓	✓	✓	✓	✓	✓
Gucci	✓	✓	✓	✓	✓	-	✓	✓
Lapis bard	✓	✓	-	-	✓	✓	-	-
Rimowa	-	✓	-	-	✓	-	-	-

Sources: Secondary research, Brand reference or listing of brands from the luxury market places like Ajio Luxe, Tatacliq Lux, etc. Luggage - Luggage / Bags & Backpacks / Wallets, Accessories, etc.

Key Partnerships in Luxury Segment in India

Hard luxury brands which like Tumi, Hugo Boss, Louis Vuitton, Canali, etc. are present in India in partnership with Genesis Reliance Brands.

Brands in luxury luggage and travel accessories segment like Piquadro and Bric's have partnered with Helvetica group for Pan-India distribution through the retail stores of Helvetica located at domestic & international airports and in luxury & premium malls.

German luxury luggage brand Rimowa which is under the brand portfolio of LVMH (since 2017) has signed up a franchise contract with Ethos limited, for opening of the first store in Mumbai.

Like watches, luxury writing instrument category has seen the growth of vertical specialist MBOs like William Penn company which is the authorized retailer of a number of writing instruments brands which is present in both online & offline channels with 40+ luxury brands. WPC acquired the UK brand 'Lapis Bard and launched their range of leather bags & writing instruments in the Indian market. Luxury writing instrument brand Sheaffer's & Caran d'Ache also have an exclusive tied-up with William Penn to be their exclusive distributor in India.

International Luxury branded Jewellery as a Potential adjacent category



International luxury branded jewellery has the potential to emerge as a key adjacent growth category for Watch retailers, along with other hard luxury categories. Indian jewellery market has seen the domination of unorganized sector and few organized players like Tata Group (Tanishq), Reliance Group (Reliance Jewels) etc.

International branded luxury jewellery has an untapped market potential in India which brands and retailers are now realizing and looking to tap into. International Luxury jewellery brand Tiffany & Co entered the Indian market in January 2020, along with a partnership with Reliance group, by launching its flagship store in New Delhi's luxury mall The Chanakya. It later expanded its operations through its own brand website for e-commerce in October 2021. Cartier also retails its jewellery through its exclusive stores along with other categories like Watches, Eyewear, Leather goods, Fragrances etc. Same holds true for other luxury jewellery brands like Hermes, Chopard, BVLGARI etc.

Pre-owned Luxury jewellery also sells through certified pre-owned retailers like Luxeopolis and The Luxury Closet which hold brands like Dior, Chopard, Chaumet, Fendi etc.

Rise in demand for diamond and platinum jewellery will also drive this market, along with other factors like rising discretionary spending and demand for luxury products.

Currently, this market holds a potential for Vertical specialists dealing in Watches as a primary category.

E.g. The Watches of Switzerland group is global retailer of luxury watches with partnership with brands like Rolex, Patek, Philippe, Audemars Piguet, Cartier, Omega, Tag Heuer, Breitling and Tudor. The group has a leading market position in UK market and has established its presence in USA too. It has 148 stores as of May 2021 with an annual revenue of USD 1221 million out of which 67% came from the UK market and the rest came from US market.

The brand, primarily positioned as a Luxury watch retailer, is now a key player in the adjacent category of Luxury Jewellery. As of FY 2021, 87% of its revenue came from Luxury watches, ~7% from Luxury Jewellery, and ~6% from 'Others' including Fashion and classic watches and jewellery, sale of gifts, servicing, repairs and insurance. The group has partnered with Luxury Jewellery brands like Messika, Gucci, Bvlgari, Mikimoto, Chopard, Roberto Coin, FOPE etc. and has established itself as the largest jewellery retail firm in the UK.

Key factors that have enabled or inhibited growth of Hard Luxury goods in India

➤ **Key Enablers**

- **Digital Transformation** – Post Covid Hard Luxury Goods players have amplified their digital adoption journey more rapidly than they were doing so in the past. Covid disruption prompted these players to take note of limitations of consumers' visit to retail store both for social



distancing norms and for suspended operating hours for offline retail. In this context, players have accelerated adoption of multiple technologies including Augmented Reality (AR) / Virtual Reality (VR), Artificial Intelligence (AI), data analytics, tools like 360-degree experience, virtual try-ons, and other such digital tools in India. This enablement allowed luxury retail to reach closer to consumers through digital mediums while mitigating challenges posed by Covid induced restrictions. Going forward such digital adoptions are expected to create a new normal with consumer expectations getting calibrated towards such enablement and players harnessing gains through them.

- **Growth of E-commerce** – The store-based retailing continues to dominate the hard luxury goods market in India. However, e-commerce gained share in the retail market post pandemic as more luxury brands offered their product range online and with growing penetration of internet, the online retail of luxury personal goods almost doubled during the pandemic as the customers were reluctant to visit the offline stores due to safety reasons. More and more luxury brands focused on the e-commerce retail channel as this has also been an important step to reach the customers located in Tier-1, 2 & 3 in which there has been limited access to luxury brands through store-based retailing. This online channel has not only supported the luxury brands but also the customers now have access to all the products under one umbrella. Brands like Swarovski invested in their website to enter the online space, while concurrently entering into an agreement with online platforms like TataCliq Luxury and Myntra. William Penn followed a similar approach to reach their customers through the online medium.

➤ **Inhibitors**

- **Real Estate** – The luxury segment in India continues to experience a high growth rate. However, cost, and limited availability of premium real estate has always remained a challenge for many luxury brands. To overcome this luxury brands have invested in exclusive stores in luxury malls or hotels under the partnership or joint venture with a local partner. COVID-19 also impacted the real estate sector leaving the luxury brands under the heavy financial burden and many brands had to close their physical stores.
- **COVID-19** – The sales of luxury goods witnessed steep contraction during the pandemic worldwide, with governments imposing nation-wide lockdown. Post-COVID many consumers were reluctant to return to the store and economic impact led the customers to postpone purchases. Also, events like Weddings that are a big driver for purchase of aspirational merchandise remained suspended, adversely impacting sales of luxury goods like footwear, apparel, watches, jewellery, and other goods.



Key Retailing models in India

- **Multi Brand Outlets (MBOs)/Vertical Specialist**

Multi brand outlets are one of the most prevalent retail formats in the Indian luxury industry. An MBO houses multiple luxury brands, Indian as well as international, under one roof. The target audience for an MBO are consumers who appreciate a wide assortment of brands and products to choose from. First-time buyers also prefer to buy from multi brand stores as they can compare different brands.

While the MBOs/Vertical specialists in luxury industry in India were largely started as family owned and operated business, they have also moved to being a professional set up. Family owned and operated business have largely been regional barring a few exceptions. Having been in the business for many years they have established a firm goodwill and enjoy a loyal set of customers. One of the USPs of such MBOs is personalized selling. The owner or a family member is directly involved in most of the transactions and often offer discounts to the customers. Examples of some of these MBOs are Johnson Watch Company (Delhi), Kapoor Watch Company (Delhi) and Kamal Watch Company (Hyderabad), Iconic India (Jaipur) etc.

Many corporates have also started their own chain of multi-brand outlets. The stores are either owned & operated by the company or are franchised. Few examples of MBOs in India are The Collective, Sephora & Stride (Arvind Fashion), White Crow (Reliance Brand), World of Titan, The Time Factory, Just in Vogue, Bezel, Zimsons, Ethos Ltd., Helios, Helvetica, etc.

- **Exclusive Brand Outlets (EBOs)**

Exclusive or mono brand outlets are retail stores that house the entire product range or all sub-brands of a single brand. The target audience for EBOs is the astute buyer who is well travelled, aware and conscious about the brand he wears. Few examples of EBOs in the Indian luxury industry are Armani, Swarovski, Michal Kors, Louis Vuitton, Parcos, Montblanc, Hugo Boss, etc. These outlets are situated at high streets or in premium and luxury malls.

For single brand retail – 100% foreign direct investment (FDI) is allowed. However, if the foreign investment exceeds 51%, then sourcing 30% of the value of goods procured is mandatory from India.

- **Luxury E-commerce & Online Market Places**

Online Marketplaces like Tatacliq Luxury, Ajio Luxe, Nykaa Fashion Luxe, etc. have become one of the key online retail channels for luxury goods, offering a range of brands to the discerning customers. Selling online gives an advantage to widen the reach of a brand and gives economic benefits of not having a store on high street or in a luxury mall. E-commerce retailers are adopting



an approach to connect authorized boutiques across the globe with Indian consumers. The consumers are secure about the authenticity of the products of brands like Burberry, Fendi, Coach, Michael Kors, etc. Multiple vertical specialist such as via Helvetica, William Penn, Ethos, etc. also list their products of brands like MontBlanc, Bric's, Piquadro, etc on online marketplaces such as Tatacliq Luxury.

- **Large Format stores**

Globally, Large format stores such as department stores are a key channel for luxury goods brands. These format aggregate demand and create right retail experience that otherwise becomes expensive for individual brand to create through exclusive brand outlets, particularly in markets like India where demand for luxury goods remain dispersed. Large Format Stores (LFS) are generally considered as category agnostics and offer multiple product categories under the same roof. There are very few such formats (White Crow, The Collective) in India but wherever they exist, their offering of such a luxury range / product mix become a key proposition.

- **Road Ahead**

Luxury retail in India is relatively smaller compared to global averages (in terms of its share in the overall sales etc.). For instance, India's luxury watch market is 24% of the overall watch market for FY 2020. In comparison, Singapore's luxury watch market is almost 47% of its overall watch market, and global luxury watch market is 59% of the overall global watch market. India's luxury watch market is expected to be 27% of the overall market by FY 2025. India's overall luxury watch market for all categories will remain a niche segment compared to the overall market structure. However, within this niche space, luxury market segment offers high growth opportunities for many product categories for different consumer segments. Consumer segments like hobbyists or those who buy Indian Jewellery may seek similar propositions in categories like Watches and Writing Instruments. Professionals and travellers with disposable income may seek affinity with luggage & travel gear. Enabled by the possibility for an Omni Channel route to market, such demand pockets that currently are latent and / or remain dispersed show potential to get unlocked going forward.

Going forward, luxury brands will continue with mono brand boutique route, which will help them in improving the entire retailing experience and getting first-hand feedback from the Indian consumer and market as they offer multiple varieties and SKUs available of the same brand, targeting the brand conscious consumer segment. Concurrently, Vertical brand MBOs and aggregators who can offer ability to retail luxury will grow as principal route to market for luxury retail in India as these MBOs offer multiple brand options but have limited SKUs in each brands.

Impact of Taxes, Real estate, and other Operational Challenges



Tax Impact

According to the current government policies, providing a tax identification number is now mandatory for transactions above INR 2,00,000 (approximately USD 3,800). Also, the government's move to reduce cash transactions for high-value purchases has had an impact on luxury-brand sales, as customers find it intrusive to have to divulge transaction details to the government.

However, brands have welcomed this move as it will reduce cash transactions and curb black money.

The Goods and Service Tax GST introduction brought in greater transparency in the premium and luxury watch market by enforcing tax compliance. It favours organized players that can manage prescribed processes.

The high import duty on luxury imports in India is in sharp contrast to the rates in other Asian countries. Many brands argue that India is losing business as a result.

Exhibit 77: Duty on Luxury categories

Segment/Category	Total Duty
Watches	40.8%
Jewellery	18.45%
Beauty	29.8%
Luggage & Bags	40.8%
Writing Instruments	23.2%
Footwear	29.8%
Apparel	15.5%

Note: Total Duty includes (Basic custom duty, Integrated goods & services tax, Compensation cess, Specific duty, Preferential duty)

Real-estate

The lack of quality of retail space has proven to be a key challenge for the growth of luxury market in India. Earlier, luxury retail was limited to few airports shopping centres or five-star hotels. The limited availability of upscale malls and high streets has also been the reason for cautious approach of luxury brands. Few luxury malls opened but have been limited to top few cities. Not all of these can provide the ambience which luxury brands consider essential to maintaining brand quality. When planning to open stores in Tier 2 and Tier 3 cities, hard luxury brands prefer small and medium-sized retail outlets over malls, favouring the quality of the space over the volume. However, these small and medium-sized retail outlets lack the ability to stand out in mass market places in the Tier 2 and 3 cities.



Regulations

Indian law allows 51% foreign direct investment (FDI) in multi-brand retail and 100% in mono-brand retail. This means that luxury brands can be directly owned, controlled, and operated in India. However, to protect local industry, a further clause has been added which makes it mandatory that where FDI is above 51%, at least 30% of the value of products sold must be sourced from Indian small industries, village and cottage industries, artisans, and craftsmen. This is onerous for luxury brands, as it may require them not merely to change their business model, but to alter their brand.

The FDI Policy permits FDI without any governmental approvals in entities engaged in the marketplace model of e-commerce where the e-commerce entity simply acts as an information technology platform that connects buyers and sellers. However, FDI is not permitted in inventory-based model where the inventory of goods sold on the portal is owned or controlled by the e-commerce entity. Additionally, the policy places certain restrictions, among others, on market place model such as an entity having equity participation by an e-commerce marketplace entity, or its group companies will not be permitted to sell its products on the information technology platform run by such marketplace entity and e-commerce marketplace entity will not mandate any seller to sell any product exclusively on its platform only.

Counterfeiting / Fake luxury goods

The market for fake and counterfeit luxury goods in India across multiple categories was approximately INR 60 billion in 2018 and is one of the major challenges for luxury brands. Brand owners worry that a high number of fakes of a specific brand debases the brand (reducing their selling power) and diverts sales from the genuine market. They often struggle to act against the counterfeit given the complexity and the anonymity of the spurious trade.

Increasing internet access and smartphone penetration have further exacerbated the challenge of counterfeit products. Such online counterfeits are more visible and available than through physical sale. Further, online counterfeiters use collaterals of genuine products to entice consumers into making a purchase.

The government's current investment policy – which permits FDI in the business-to-business e-commerce sector, but not the business-to-consumer (B2C) sector is also encouraging counterfeit trade. Thus, most e-tailers including Amazon, Flipkart, Snapdeal use a marketplace business model, with suppliers storing goods on the e-tailer's behalf, then delivering them once orders have been placed, so as not to fall under the B2C model.

This model depends on e-tailers expanding their supplier base to provide goods at competitive prices. However, supplier due diligence is often more voluntary than compulsory, implying that counterfeit and infringing goods become easily available. Thus, luxury brand owners increasingly allocate budget and



resources to run extensive take-down notice programmes and take-to-court actions against such operators.

Key Global Trends

COVID-19 changed how we live and work in ways we hardly imagined at the beginning of 2020. The global crisis has forced millions of individuals to develop new ways of working, learning, and shopping. The pandemic has changed and strengthened consumer's behaviour creating new priorities for all luxury brands. Luxury brands are often the first one to take the hit, but they are also the most resilient industry. The industry has shown signs of recovery and like every year new trends are being witnessed.

1. **Pandemic Support** – Increased in initiative to support local government and communities many large luxury brands quickly stood to address urgent public health needs and requirements. Some of the brands (like Richemont Group and Ralph Lauren) provided financial support to hospitals and not-for-profit associations. Others (like Bvlgari, Armani Group and LVMH) transformed their production sites to help produce hand sanitisers, hospital gowns or face masks. But beyond these immediate reactive initiatives, luxury brands have further adapted their answer to their customers most critical needs by revamping their product mix and service delivery in arrangement with the new normal.
2. **Rise of Casual & Comfort wear in Soft Luxury** - The luxury linens and home brand Parachute launched a limited-edition loungewear collection in September 2020. Danish fashion brand GANNI launched a collection of off-duty pieces and leisurewear made of recycled materials in October 2020. Beauty skincare brand Tata Harper has turned some of their best luxury spa facials into try-it-sized kits to experience at home. Burberry has also added a dedicated home comforts section for gifting.
3. **Direct to consumer enablement & growth** — The digital-native D2Cs brands will continue to actively launch more casual options and everyday luxuries but also adjust their marketing in line with changing consumer behaviour to suit the new lifestyle and homebody mindset better. The rise of loungewear and the casualisation of luxury fashion were already in trend pre-COVID. However, COVID-19 has triggered the demand for comfort wear to grow significantly. Some of the examples of D2C brands being M.Gemi (Italy), Anine Bing and Away Travel.
4. **Technology adoption to enhance consumer experience** - Virtual Try-on/Home Try-on – Brands like Lancôme, MAC, Chanel, and bare Minerals are now offering virtual try-on feature on their ecommerce site. D2C luxury brands are also proving to be very active when it comes to providing more convenience and facilitating their adoption by new consumers. Luxury footwear brand KOIO



launched a home try-on option prominently displayed on their website in response to their store closures during the pandemic. They give customers 30 days to decide to keep their sneakers or return them at no additional cost.

5. **Millennials and Gen Z** - As millennials and Gen Z become the largest segment of luxury buyers, it is necessary for luxury brands to understand how to modify and understand the needs of these young consumers. Millennials and Gen Z are digital natives, and they continuously engage with online content and are expecting highly sophisticated digital experiences. For luxury brands to remain in sync with younger global luxury consumers, they will need to adapt their approach to speaking their language and deliver digital experiences that are superior to what's already available. Brands like Louis Vuitton, Supreme, Chanel, etc. are combining luxury and streetwear with youth-inspired designers, like Rihanna and her new Fenty Maison with Louis Vuitton and Late Virgil Abloh, men's wear design director for Louis Vuitton.

Implication of global trends on Indian market are that there is rise of the first-time online buyers for luxury products (given the physical retailing remained suspended due to pandemic). The online luxury goods market nearly doubled globally and a share of which also came from Indian market.

Category Agnostic Aggregators as preferred go to market options for Hard & Soft luxury brands

Retail industry in India has seen a lot of changes in the past decade. Customers previously had access to brick & mortar stores which were run by independent traders. But malls like Palladium, DLF Promenade have democratized the consumption by mixing stores across price points. Hard luxury brands have recognised India for both its opportunities and challenges. The realisation of most global brands is about necessity to operate in India through a credible retail partner who can undertake and provide the trust and support in the brands on route to market in brick form, undertake online, provide customer support, curation and adjacency. Given the scale of the opportunity it doesn't narrate individual brands to pursue or operate separately. Therefore, the aggregation becomes a compelling proposition of growth for the brands. Consequently, the aggregator model for luxury is expected to increase going forward. This aggregation will be in the form of category agnostic retailers who will use online & offline channel for growth. Reliance Brands looking at Ajio Luxe as an online route and White Crow as an offline route or Tata Cliq which is currently focused on Tata Cliq Luxury providing multiple option currently restricted through online channels. Given their ability to offer the multiple functionalities to the luxury brands they became preferred partners across both hard & soft luxury.



Tiffany has partnered with Reliance Brands Limited, which is India's largest retailer/aggregator of luxury goods and is a subsidiary of Reliance Retail. Tiffany have opened their stores in Delhi & Mumbai. Reliance also acquired control of Genesis that was backed by LVMH group. While most of their luxury brands still sell in dedicated boutiques, Reliance Brand's Ahmedabad located 'The White Crow' multi-brand large format store provides a retail platform for many luxury brands in India.

Brands like Roberto Cavalli have entered the Indian market in partnership with Infinite luxury group owned by designer Manav Gangwani. Roberto Cavalli offers a product range of apparel, besides accessories such as handbags, shoes, watches, sunglasses, jewellery, and small leather goods. Infinite luxury group also has partnerships with other luxury brands like Missoni, Emilio Pucci and Cavalli Cafe.

Aditya Birla Fashion and Retail Limited (ABFRL) has also partnered with international luxury brands like Ralph Lauren (Polo), Ted baker, Hackett. The group also has a multibrand format 'The Collective' in the premium and luxury segment that offers multiple brands across apparel, footwear and accessories etc.

Vertical specialists expanding as aggregators

Vertical specialists who have grown to a certain size & scale by the virtue of their market presence have created strong relationships and strong capabilities to undertake luxury in India. These vertical specialists understand Indian retail environment to do online & offline retail and provide platform to multiple brands in a single category with few adjacent categories as well. While in watches, there are vertical specialists like Ethos & Kapoor Watch Company, in writing instruments there are vertical specialists like William Penn.

Nykaa - Home grown vertical specialist Nykaa started out as an ecommerce portal curating beauty and wellness products from a wide range of global brands. Nykaa also launched its first offline store in New Delhi and currently has over 84 offline stores across 40 cities in India. In 2015, Nykaa launched its in-house beauty products and expanded to the bath and body care category in 2016. Nykaa has raised a total of USD 110 million in funding from investors such as TVS Capital Funds, TPG Growth, and Lighthouse India among others. Nykaa debuted on the stock market in October 2021 with the market valuation of USD 14 billion. Vertical specialists Nykaa Fashion has strengthened its portfolio with the launch of new vertical Fashion Home. The new vertical also helps Nykaa with their entry into the home furnishings space. Nykaa has already tied-up with domestic and international brands such as Portico, D'décor, Meyer, AA Living, Mason Home, Ellementry, Rosemoor, Décor Remedy, etc.

William Penn – William Penn Company is a leading MBO/vertical specialist for luxury writing instruments and accessories in India. They represent 40+ luxury brands and have exclusive tie-ups with brands like Sheaffer, Caran d'Ache, Lamy, and Sailor. William Penn operates through both offline & online channel with 25+ stores spread across Bengaluru, Delhi, Mumbai, Chennai, Kolkata etc. They have also expanded



their portfolio with acquisition of Lapis Bard marking its for through a vertical integration route into men's accessories segment. William Penn retails over 1000+ products across multiple price points in premium and luxury segment.

Ethos – Ethos Ltd. is the leading vertical specialist of luxury watches & accessories in India. Ethos is a subsidiary of KDDL (Dials and watch hands making company for global brands) and has omnichannel presence. Ethos presently has 50 stores which generated INR 457.8 crores of revenue as of FY 2020. Ethos represents 60+ premium & luxury watch brands in India with over 5,000+ products. Ethos has partnered with prominent brands like Rolex, Breitling, Seiko, Omega, Tag Heuer, Frederique Constant, Oris, Victorinox, Baume & Mercier, Raymond Weil, etc.

Going forward vertical specialists across categories are also expected to explore adjacency and expand into categories as aggregators, and this has become a compelling option for them to grow. Ethos and other key vertical specialists like Kapoor Watch, Johnson Watch are also working towards leveraging the adjacency advantage in other luxury product categories like Luggage & Bags, Jewellery, Pens etc.



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