

# India Seeks Entry To Luxury Club

*What Switzerland is to luxury watches, Germany is to cars, and France is to haute couture, India must be to luxury jewellery, Branding-Institute CMR AG, founder and executive consultant, Marco Casanova told Shanoo Bijlani and Regan Luis in an exclusive interview. He also offered valuable guidelines on how Indian jewellers could engage in a brand-building exercise to elevate their status globally.*

Marco Casanova is the founder and executive director of the Branding-Institute CMR AG in Switzerland. He is a lecturer at the University of Bern and at the University of Applied Sciences in Berne and Zurich, Schools of Business and Administration, where he teaches strategic brand and reputation management and intercultural stakeholder management. Casanova founded the Community of Interest (COI) Branding forum, whose members include Allianz, Bayer, Henkel, Mercedes-Benz, Novartis, Shell, Siemens, and UBS. He has also been the personal advisor to the president of the FIFA World Cup Committee Lennart Johansson; personal advisor to the CEO of UEFA, Gerhard Aigner, and manager of tennis legend Boris Becker.

We learnt that the Gem and Jewellery Export Promotion Council (GJEPC) had commissioned the Swiss based Branding-Institute CMR AG to launch a consumer perception survey at Baselworld to gauge what the visitors thought about the 'Made in India' brand. Could you tell us more about it?

Recently, the GJEPC along with the Branding-Institute entered into a joint agreement to initiate a survey at Baselworld this year to study how India is perceived globally in the context of jewellery as compared to the US, Europe, Asia and the Middle East. This will be a mid- to long-term exercise to check out how these four regions view Indian jewellery.

More than 750 participants attending the fair were interviewed to find out among other things what they thought about 'Made in India' in competition to 'Made in Italy' and a dozen other country brands in the context of jewellery, diamonds and coloured gemstones, and why they are willing to spend significantly more for a Bulgari than, say, renowned Indian jewellery brands like Rose or Ganjam.

The research was conducted by university students to avoid any bias. The survey hopes to throw some light on what is in the heart and head of India's business partners. How you are perceived by others and who you actually are, are two different things.

Let me cite an example. About 20 years ago, the Japanese were still perceived as copycats. Also, a lot of Hollywood movies portrayed the Japanese as bad guys. And Hollywood works on stereotypes. So, what did the Japanese do to create a positive image of their country? One of the measures

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Luxury jeweller and watchmaker, Piaget, is a shining example of successful Swiss branding.

they took was to buy a stake in the Hollywood studios. The moment they took over, there wasn't a single Hollywood movie portraying the Japanese as bad guys anymore. From then on, the villains were Russian, German, etc., but Japan was absolved. In some movies the Japanese was even portrayed as the good, loyal guy, like in the movie *Black Rain* (1989) starring Michael Douglas.

This is one of the nice strategies to alter the perception of a country into a completely different direction. Today, Japan is perceived as the most innovative country. Of course, it is hard to speak about Japan without mentioning what is going on there

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right now (referring to the earthquake, tsunami and Fukushima tragedies). But keeping that aside, we see for instance in various country rankings, that the country has moved significantly in people's perception and that means that the 'Made in Japan' label or connotation can justify

a price premium today in various fields like cars (Toyota, Lexus) and consumer electronics (Sony).

The same is happening right now with the South Korean brands, which until five or six years ago were reputed for making cheap products. The moment China arrived on the scene; South Korea stood no chance competing in cheap cars, computing, or other consumer goods. So, the South Koreans started investing in brands to move up the value chain. They made huge investments in becoming the official partners of FIFA World Cup, the Olympic Games, the UEFA Champions League and similar premium sports platforms where one also finds other globally positioned premium brands along with their brands like Hyundai, Kia, Samsung, and LG.

For India, a movie like *Slumdog Millionaire* (2008) is exactly what you don't want to have. Because on one side you have a PR campaign 'Incredible India' (kick-started by the government of India) and then you have a Hollywood blockbuster telling you exactly the opposite. What will those people who have never been to India believe?

**Based on your observation, could you tell us what is lacking in Indian jewellery?**

We agreed to conduct research at Baselworld to ask how Indian jewellery is perceived globally. The general feeling among Indian jewellers is that the perception [about them] is worse than the truth. That means, in their own self esteem, the GJEPC members feel 'we are better than how we are perceived'. But we all know perception is real!

If this is so, then some of the ways to narrow down the gap would be to take recourse to Hollywood, shop-in-shop concepts, etc. If we get a few top Indian jewellers to lead the pack it would set a precedent for the others. In the long run, the entire industry will stand to gain.

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business. If I say luxury cars, you think of Germany; say luxury watches and you think of Switzerland; whisky reminds you of Scotland; if I say design, then Italy stands out; haute couture and perfumes are linked to France; and coffee eventually to Colombia. But there is no country that is so closely associated with jewellery. That's why I see it as a possibility for India to stake its claim.

The jewellery industry must now decide who will take on individual and collective responsibilities, but all these efforts must be orchestrated so that everyone moves in the same direction. Only then you can project a coherent image.

**What is the big risk, if the Indian jewellery industry does not move into this direction?**

The biggest threat I see for the Indian jewellers, if they do not move up the value chain is that they will lose the entire business as suppliers to the Chinese. If the Indian jewellery industry will continue to see itself, behave and act as suppliers of jewellery they will lose the pricing war against the Chinese. In a few years from now China will become also the biggest manufacturer of jewellery. Nobody in the world, no country, no industry can produce cheaper than the Chinese. The moment the Chinese enter the stage you better have already positioned yourself, with your brand/s in a higher segment or you are history. The Chinese do not take any prisoners! So the only viable strategy I see is a forward integration in the value chain through globally branded jewellery made in India!

**Give us some anecdotes of Indo-Swiss partnerships relevant to the jewellery industry? Are there any strategies of co-branding jewellery with Switzerland?**

At the moment I can not mention specific best practice examples. I was asked by the Swiss ambassador to India HE Philippe Wälti to join his delegation and to visit the

Indian Institute of Gems and Jewellery (IIGJ) and share my thoughts about the possibilities of exploring Indo-Swiss partnerships from the branding angle.

A co-branding between the Indian gems and jewellery industry and Switzerland, for instance through a Swiss quality label would for sure support a perception change when it comes to globally branded jewellery made in India.

**At what level do you start branding, at the industry level or at the individual company level?**

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I believe it should take place at both levels. If we take the German car industry as an example, there were three brands that were basically developing the whole luxury car industry – Mercedes Benz, BMW, and Porsche. And then a decade-long branding exercise helped Audi, which had the same mediocre image as Opel, to move up to the premium slot.

Similarly, we need to have at least three jewellery brands from India, who define the benchmark, to improve the world's perception about Indian jewellery. One Rolex is not enough to build the legacy of the 'Made in Switzerland' brand in the watch business. You need Omega, Breguet, Patek Philippe, Jaeger LeCoultre to build brand association with the country.

In India, the exercise would need three or four brands that have world-class



Marco Casanova with tennis great Boris Becker.

manufacturing processes. And then the industry should showcase them not just as brands, but support them by opening high-end branded jewellery shops.

At the moment the Indian jewellery industry must outline the qualification criteria for the premium jewellery slot. To begin with, there may be only two or three Indian brands that may qualify in this segment. These could have an exclusive outlet in the first-class lounge in airports in Dubai or Zurich and a few other selected places. If this adds to the brand's reputation and if they become successful, then others, too, will be willing to invest in the quality because they would want to be accepted into this exclusive club.

As an industry, the Indian gems and jewellery has a unique advantage; because India has a great and vibrant tradition and great stories to tell: the legacy of the maharajas is so glamorous, so magical. Talking of Shah Jahan, nobody else has given so much to a woman like he did by building the Taj Mahal in Agra.

When I visited Jaipur, I could see how much love and respect people still have for their kings because they developed their society and imparted knowledge and shared their wealth. With these kinds of legacies, you can set a tone that's exactly the opposite of what was shown in *Slumdog Millionaire*. Such films hurt India's reputation all over the globe. I am still very much surprised that they were given the authority to make this movie in India.



Marco Casanova in Jaipur.

Look at Australia. It produced a Hollywood movie *Australia* (2008) starring Nicole Kidman, which was a 90-minute promotion for the country. Australians figured out through research that their country was viewed as boring with just a vast desert and a few jumping kangaroos. Things changed when the country decided to reveal the romantic side by making a movie that showcased its other attractions.

Likewise, just imagine creating a Hollywood film with say the likes of Angelina Jolie experiencing love and passion in the Indian context. It could even be a story of a maharaja, wherein jewellery plays a very important role. That way you could influence how millions of people around the globe see the jewellery made in India in a completely different way.

It's astonishing to me that a brand like Swarovski, which basically produces glass and labels its crystal to make it sound like a natural stone, has a yearly turnover of \$3.5 billion and a brand value of \$6.5 billion. Visit the Swarovski website, and you will notice that the brand does several collaborations with Hollywood movies and stars like Nicole Kidman. So if you can be so successful with glass, imagine how successful you could be with diamonds. In the case of the latter, the raw material itself is much more valuable than glass. Also the craftsmanship and method of manufacturing is much more challenging than glass. So, India can build on its worldwide unique expertise.

### Is there any advice you would like to give to Indian jewellers? Is jewellery-making a product- or need-oriented exercise?

I saw a quote at the IIGJ that said, 'The magic is in the making'. This is of course absolutely correct, but that's a very product-oriented view. I think the magic lies in the eyes of the beholder. You create something beautiful to bring a smile on your customer's face. Because her father or husband buys it and she will keep it for life, as it will remind her of a very special, unique human relationship. You prepare jewellery for somebody else; it's basically an altruistic act. Of course, there's money involved, but is it only the dollar sign or the smile and shiny eyes of the woman who receives it from her father or husband that is important to you?

So this is a lack of perspective on the jeweller's part if he defines his business on a pure product-oriented basis rather than on a customer need-oriented basis. Louis Vuitton does not sell bags, they are producing bags but they are selling snob appeal, this is a very big difference!

### How big is the jewellery industry in Switzerland?

Switzerland is one of the main centres for selling jewellery, but it happens behind the scenes, that's why you find little official numbers.



Marco receiving an Honorary Visiting Professorship by the Institute of Marketing and Management in Dehli in 2006.

The biggest city for jewellery is Geneva. By far, the biggest turnover for Bulgari is in their shop in Geneva, because they have a lot of foreigners visiting from particularly the Middle East. Most wealthy clients go to the showrooms at night. You get a call half an hour early saying the royal highness would like to visit the showroom. The jewellery retail setting is completely different kind here as price does not play a role and the same is true for the watch industry as well. You have private rooms, and their preferences are made clear to the sales staff beforehand. Our economy in Switzerland has developed into value-based selling; we can just not compete on the price selling level. For justifying a price, premium brands are absolutely crucial!

### How can India benefit from Switzerland's experience in selling luxury watches? Can these skills be transferred to the Indian jewellery retail space?

Today the connection between Switzerland and luxury watches is clear to everyone. But 30 years ago we were close to losing the whole watch industry because the watch brands in Switzerland refused to introduce the quartz technology, although it was first invented and patented in Switzerland. So the inventor of quartz took his invention to Japan where it was grabbed right away. So, for a certain period of time the most precise watches came from Japan and they were much cheaper.

As a result, gradually the banks in Switzerland refused to finance the not-so-healthy Swiss watch-making companies as they felt the business model was not working.

So the Swiss watch industry hired a consultant by the name of Nicolas Hayek to analyse the industry and forecast if the watch industry in Switzerland had a future. Hayek produced a batch of identical watches, one-third of which was labelled 'Made in Switzerland', one-third was labelled 'Made in Japan', and one-third 'Made in Hong Kong'. He priced the Swiss-made watch at \$107, the Japan-made watch for

\$100, and the Hong Kong-made one for \$93. And which one sold the most? It was the Swiss one, even though it was the most expensive one, and exactly the same as the two others. So he had a business case that the country of origin 'Made in Switzerland' in the context of watches would justify a price premium.

But the banks argued that the price difference between the three watches was too small and one would need to sell millions of watches to make a substantial profit. So Hayek created what he termed the 'wedding-cake strategy'. The lowest layer would be the largest one, while the cherry on the cake would be Breguet. Hayek stated that the Swiss watch industry doesn't serve the lowest layer citing high expenses, but 95% of the business is done on this layer. So the Swiss watch industry should at least have 1% market share of the lowest layer to improve productivity and reach out to a segment that was hitherto untapped.

So he created the Swatch brand – a plastic watch that was qualitatively the best watch in the world in the basic range. Even if the Swatch sells for \$60, its makers want it to be the best on this level.

The Swatch was not a product that you had to be bound to for life. Instead, several editions were introduced throughout the year like the spring and summer collections, Valentine and Christmas editions, so a consumer could buy about three to four watches for \$60 in a year.

The success of the Swatch brand was that Hayek managed to give it a soul. He made it cool for a top manager in a suit to wear a colourful Swatch watch to work because it reflected the creative side of one's personality.

Hayek also used the 'Made in Switzerland' emotionality, and created a new category of the fancy lifestyle watch brand, which was unique in its way through positive provocation.

In 25 years, Hayek sold 333 million Swatch watches for around \$60 each, while the production cost was significantly below \$10 per piece!

What is Pandora doing? Worldwide, they sell some 400,000 pieces jewellery

**You have to clearly define the positioning that will justify a price premium for 'Made in India' branded jewellery globally.**

a day. They have pretty much copied the Swatch strategy.

**For Hayek to be successful with this strategy, the perception that Swiss watches are the best in the world pre-existed. How would one adapt this strategy to the jewellery sector, where people don't necessarily believe that India is making the best jewellery?**

As I said before, you can bank on the luxury heritage of your country. The Chinese have no luxury history, so they take whatever the Western brands are bringing in. You have to be flexible, and stay rooted to your tradition but also utilise your best craftsmanship skills to produce what your customers want in different parts of the world. I call it fusion. You melt two culturally different aesthetics into something unique that has a strong emotional impact somewhere in the world. By the way: if you go for instance to the upscale Palladium shopping mall in Mumbai, you will see that the most successful shops are not the foreign brands, but the Indian brands who already do this kind of fusion, mixing Indian patterns with western style bags or dresses. But you have to be careful and sensitive. You cannot just take Gandhi and make a special Montblanc pen, this is far too flat, it has no spirit, it's pure business and the customer just does not buy it.

You just have to keep telling the India story; one possibility is to have road

shows in each Indian embassy around the world and share the jewellery history of India and its royal heritage with the opinion leaders of the respective countries. You can use this kind of outlet to deliver the message: 'At one point, where in the world did Rolex and Rolls Royce sell the most, and the answer would be India. And what jewellery was worn by these connoisseurs of luxury? It was Indian jewellery because they wanted the best.'

So you make a co-branding exercise by saying the one who could afford the best of the best, used Indian jewellery and imported anything that wasn't available in India. When you talk about this heritage and spread the word about Indian jewellery through road shows, and the moment the official spokesperson of the country, the Indian ambassador, endorses this kind of message, it becomes a credible fact. In this way you can legitimately associate Indian jewellery with top luxury brands like Rolex and Rolls Royce.

This cannot be accomplished through individual efforts alone. Indians jewellers have to engage in a strategic exercise and ask themselves where do they want to be in 10 years from now and how will they reach there and who else could benefit. Eventually you find funds from, for instance, a specialised bank in India who would be willing to sponsor the road shows to gain access to the database of high profile attendees. For instance, you could even have a Mercedes Benz willing to sponsor your VIP car service, and this way you bring in other brands that do not dilute your main story but will add to it, because they fit into the brand positioning of jewellery.

In my view, you have all the pieces; you just have to put them nicely together. You just have to clearly define the positioning that will justify a price premium for made in India branded jewellery globally, outline a strategy, and then communicate coherently on the relevant touch points to move the perception in that envisaged direction. ■

*Stay tuned for the results of the GJEPC's Baselworld survey in our June issue.*