

K.J. Somaiya Institute of Management Studies & Research
Course : PGDM Communications & Retail Management – VI Trim End Term Exam
Sub : LUXURY MANAGEMENT

Date of Exam : 04/04/2018

Time : 2 Hours

Marks : 25

Note :

I. Attempt the following Case Study

Ayurveda Luxury Can India be a Pioneer ?

Unlike cars, watches and wines, where luxury offerings are seen as significant social markers, beauty is harder to pin down. Flashing a gold D&G lipstick, however beautiful it is, for example, may not set you apart socially, though owning a gold Porsche car would. Beauty is more democratic and accessible than its other lifestyle counterparts, including fragrances. But a true luxury consumer is looking for luxury in every aspect of his/her life and wants the best of class in each category.

India's beauty heritage arsenal has Ayurveda, a list of traditional ingredients like sandalwood and vetiver that have been famous for age-old remedial and beauty traditions that we can claim as our own. Thinking on these lines, Forest Essentials, which started from a single flagship store in Khan Market, New Delhi, Forest Essentials is now one of India's leading beauty brands, retailing from almost 50 points of sale across 15 cities. Though the concept was Kulkarni's idea, it took the brand's Executive Director, Bedi's execution to scale up the business. They have tied-up with about 220 hotels to supply toiletries for guest rooms, including The Taj Group, Four Seasons Hotels and Resorts and The Ritz-Carlton and employ more than 400 people across the country. "The luxury beauty market is still very nascent in India, and we are very small compared to what we could have been, say, in a market like China, where infrastructure would have given me access to 45 cities, not just 15. Bedi is unconcerned about "disrupters" like Baba Ramdev, the yoga guru who has made waves with his low-cost beauty products. "Patanjali is creating new consumers from rural areas. It's helping grow the Indian beauty market.

Forest Essentials – The Start

Forest Essentials is an authentic, traditional Skin Care Brand, with its foundations in the ancient science of Ayurveda. A pioneer in the Luxury Ayurvedic segment, today it has become the quintessential Indian Beauty Brand where secrets of ancient beauty rituals for skin and hair care have been brought to life through painstaking research and made available to modern day customers. Forest Essentials cater to four major categories i.e. Facial Care, Body Care, Hair Care and Wellness category. Each handmade product uses traditional methods in its making and adheres to the highest standards of purity, authenticity and quality. Forest Essentials extracts the best from nature's vast repertoire and recreates fresh seasonal formulations using organic cold pressed oils, rare plant extracts, herb infusions and steam-distilled pure essential oils. There is a perfect fusion between ancient recipes and modern technology to create a whole new experience — Elegant, Luxurious Ayurveda.

The Market for Luxury Beauty

Forest Essentials and Kama Ayurveda are two good examples of brands that have entered at the top end of the market and created a format called luxury Ayurveda. With swanky retail outlets, personalized attention and a range of fragrant offerings, they seem to tick all the boxes. A clear indicator that it has worked is that Forest Essentials has been bought partially by the Estée Lauder group. In my opinion, however, while they may have adopted luxury codes, they are still not global luxury players. There are international brands that have taken the Ayurveda tag and run with it earlier and faster than we have.

Like Aveda, a successful brand that was started by Horst Rechelbacher based on the principles of Ayurveda. The name Aveda is a short for Ayurveda. Aveda was sold to Estée Lauder but it's jealously protected and its brand value is intact. Sodashi is a luxury Australian brand inspired by Ayurveda. Sodashi's Samadara age-defying cream retails at approximately 500 Australian dollars (around Rs.25,000). Some of their products can be tried at the Four Seasons Hotels and Resorts' spas in India.

The presence of Chanel and Estée Lauder in India at more than one location seems to indicate that we do have a luxury beauty consumer. Sundari, launched with much hype by American supermodel Christy Turlington and partners but then sold, is also an Ayurveda-based brand which uses ingredients such as amla and triphala in its products. Knowledge of Ayurveda in a globalized and flattened world is available to everyone. Sri Lanka can claim the same rich Ayurvedic tradition as ours. Kerala's Ayurveda centres are filled with international students doing three-month crash courses in Ayurveda, even though it takes five years to get a doctor's degree if you want to be a genuine vaidya (traditional healer).

Recently, the Uttar Pradesh government signed a "sister city" agreement with Grasse in France—that is the place where flowers get distilled into essences used in the best fragrances in the world. The reason for this tie-up: Kannauj roses from Uttar Pradesh are famous, and have been for centuries, yet we have not been able to leverage a luxury beauty line based on them. In contrast, Lancôme's brand flower is the hybrid Lancôme rose it has created, and it sells its L'Extrait serum distilled from two million rose-stem cells at Rs.30,000 a bottle. Dr Hauschka's Rose Day Cream Light touts the fact that every tube has the extract of 1,000 organic rose petals.

Dior's wildly popular fragrance J'adore has close links with Tamil Nadu—its key ingredient is Madurai Malligai, or Jasminum sambac. Malligai has its own GI (geographical indication) tag, but we have not been able to offer a luxury fragrance or a stand-alone beauty line of our own. A rich source and ingredient story dating back to 300 BC is ours for the taking. Hungarian brand Omorovicza, which is now available in India, has used its own Hungarian spa traditions and mud therapies to create an exclusive luxury brand. I have often wondered why we have not been able to make turmeric a luxury product—it is a single-ingredient story that has so much resonance. In a globally competitive world, we need to be aware that other cultures have rich traditions too and we will all have to compete in the same marketplace, however exclusive, for the luxury consumer's attention.

Chinese brand Yue Sai has a unique cream, based on Traditional Chinese Medicine (TCM), poetically called “Water Holds Silver Ear” emulsion, which has more hydration than hyaluronic acid. It also has ganoderma-based face tonics—ganoderma is a fungus known in TCM for its revitalizing properties. The company was bought by L’Oreal some years ago but its TCM heritage remains untouched. AmorePacific, a Korean beauty brand, is among the 20 top beauty companies in the world. Its offerings are based on Korean beauty ingredients and rituals—camellia oil, ginseng and green tea. But they are all offered in a modern contemporary packaging, reflecting the Korean science-meets-nature approach to beauty. Its high-end luxury creams under the Sulwhasoo brand retail at the Bergdorf Goodman and Neiman Marcus stores in New York, both signifiers of the luxury club.

Chanel travelled to Ladakh to learn Tibetan traditional medicine from Amichi doctors for the essence of golden champa flowers, which are in its Sublimage revitalizing concentrate. If you don’t harness your own traditions, someone else will. Or you have to be fiercely protective, like the French are with the Bordeaux region. Crème de La Mer charges over \$300 (around Rs.20,000) for its kelp-based patented “miracle broth”. Why can’t Kama Ayurveda do it for its kumkumadi miracle fluid, which is a traditional Ayurvedic composition of saffron, lotus pollen, sandalwood, 16 herbs, and goat’s milk?

However, does India have what it takes to be globally competitive luxury beauty players? Equally, does India have a luxury beauty consumer at home who will buy this offering? The presence of Chanel, Lancôme and Estée Lauder in India at more than one location seems to indicate that we do have a luxury beauty consumer. But will those consumers be happy to pay the same price for a brand that is local? Ultra-affluent consumers in beauty have no problem trading down if they see value—we just have to see the loyal following that Burt’s Bees’ lip balm, Olay’s serum or Baba Ramdev’s sunflower shampoo enjoy to understand that.

The mother son duo of Mrs. Kulkarni and Mr. Bedi, is now wondering how should Forest Essential the brand be taken abroad and showcased as a Luxury International Brand or an Indian Luxury Brand.

Questions :

1. *Using the luxury segmentation hierarchy of Luxury Brands enumerate where does Forest Essential fit in? Who should be their target audience, with relevant examples ?*
2. *Using the Luxury Marketing Mix, explain how Forest Essentials can create a unique luxury brand for entering foreign markets ?*
3. *If Forest Essentials wants to enter foreign markets and position itself as a Luxury Brand How can they achieve the same using the Luxury Marketing Strategy Framework, illustrate and explain ?*
4. *Can India, a mass market country position itself as a luxury loving country, can India give Luxury Brands to the world ? What is your point of view substantiate with relevant examples.*
