



# Celebrating A Revolution

Despite high import duties, Indian consumers are willing to pay a premium for luxury alcohol

There is no doubt about the fact that India is warming up to new concepts of food and beverage. Look around and you will see that there is a change taking place everywhere. The number of restaurants and hotels opening up are dramatically on the rise. Wine lists are getting longer and bars are becoming swankier. Some of the best high-end international restaurant chains are now setting up in the country and a plethora of beverage brands are available over the counter or at bars.

Bars at many five-star hotels and fine dining restaurants list the best wines from France, Italy and other wine regions of the world. In addition, they serve the best cognac, single malt and luxury vodka. Modern retail chains opening up many outlets in cities beyond Mumbai and New Delhi are creating favourable environments for consumers to spend money.

However, luxury is a paradox. One man's aspiration is another's necessity. In India, only about 20 per cent of the population desire to know more about international luxury brands and their products. Even among them, only a tiny portion, perhaps less than one per cent, have the means to enjoy luxury alcohol regularly. The rest, however, are moving closer to being able to afford it. Although it seems like a small percentage of the entire population, in absolute figures luxury consumers, and potential ones in India are almost as many as the population of Australia.

Many reasons have contributed to a rise in alcohol consumption.

- Indian consumers have started travelling more frequently than before. When in the country, we are spending a lot of time watching international lifestyle television shows that are introducing new concepts to us. Everyday we are given a sneak peek to the world of finer things. Most exciting is the ease with which we can hold a conversation about wine and single malt.
- Distribution has improved significantly and has enabled Tier II and III cities to come up as new markets.
- There has been a sharp rise in the number of female drinkers, something that was a taboo until a decade ago.
- With rising opportunity in the country, the number of expats choosing to work in India is steadily on the rise. In the country's metro cities, expats have weaved into the fabric of local life and are highly responsible for a rise in luxury consumption, especially of brands that they are used to purchasing in their home country or that that sell very kitschy Indian products.

It goes without saying that consumers have had help. Lifestyle magazines play a huge role in spinning aspirations with elegant shoots and articles. They create an image of class and promote a concept that what you drink is

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that sense Indian consumers are willing to spend the equivalent of luxury alcohol prices.

In a global perspective, internationally when someone orders single malt or a glass of champagne it isn't tabulated under luxury consumption. However in India, it is. The concept of champagne is still very new in the country. In a country like France or even Singapore, luxury consumption would relate to an older age of the same single malt or a vintage cuvée.

The finest brands of whisky, vodka or wine are often consumed by people at their homes, in the company of select special guests. They move on to a cheaper option at restaurants and bars or when entertaining a large number of people. To quote a friend who often travels to the country from Europe, "if you want to hike up your dinner bill in India, call for a bottle of wine". A shocking percentage of a dinner bill is often attributed to alcohol.

Most frequent travellers often stock up their bar with purchases from the duty free outlets. For others who do not have the privilege of travelling often, private membership clubs are great places for some of the finest spirits at reasonably low prices. With a captive audience and demanding members, many of these clubs have revamped their wine lists and bar menus.

The one industry that benefits from the travails of the wines and spirits industry is the large grey market. Ironically, while India's excise department, in a bid to earn higher revenue, levies high duties on imported alcohol, products eventually become so expensive that consumers look for cheaper alternative means to source them.

Do Indians consume alcohol because they love the finer things in life? Not always. There are many other reasons of consumption in the country.

- Social status and public perception takes consumption to completely different level. Hosts of weddings and large scale parties, in order to maintain an image, serve the finest brands. Not because they are knowledgeable about the product; the choice is based on price. The more expensive the alcohol, the better it is perceived to be. Many Indians use this guideline for purchasing luxury because of our lack of openness to experiment and understand qualities on the basis of taste.
- Indian consumers also spend lavishly on occasions and on hard luxury products like jewellery and watches. However, most of us are not so open-minded about spending on alcohol. Having said that, younger generations do not have the prejudices and values that their ancestors did. They are more aware because of the wide variety of choices around them and want to be able to consume luxury much faster than the rest.
- Consumption patterns depend on the city that the consumers live in. People in New Delhi spend more lavishly than those in Mumbai. On the flipside, real estate in Mumbai is more expensive than that in the capital. Thus, a larger number of people in Mumbai live in family homes and so have an increasing ability to spend on easily accessible luxuries like fine spirits.

The food revolution undergoing in the country at the moment will have a huge positive effect on luxury alcohol. As tastes get refined and there is a higher availability of disposable income India, being one of the fastest growing economies of the world, will become a strong market for the wines and spirits industry. It is the right time for investors to enter the market and cash in on India's growing demand for luxury. •



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All Things Nice, a platform that helps consumers fine-tune their taste for the finer things in life such as wines, whiskies, single malts and gourmet experiences.

proportionately related to how successful you are. Surrogate marketing by luxury alcohol brands have been extremely helpful in introducing consumers to the finer things in life. Repeat consumption is a benefit that brands enjoy once the introduction is successful.

Internationally, marketing and sales think tanks either seem to understand India's population dilemma or miss it completely. When they think of the country as one with over a billion potential consumers, they often get frustrated with low sales. The luxury alcohol market is driven by a small but growing group of wealthy Indians and international business and leisure travellers. Indian professionals working with large corporate firms also often order the finest spirits when entertaining existing or potential clients. However, they always return to their favoured premium brand for leisure.

Unfortunately, our perception of luxury is skewed. Mass brands are often pushed into the luxury segment because of high import duties. In fact, the definition of luxury differs between cities. For example, in Gurgaon certain spirits are cheaper than New Delhi and Mumbai. Often, most restaurants and hotels mark up their products despite many having duty free licenses. This propels prices higher, creating a false illusion of luxury. In reality, consumers are paying a much higher price in India for luxury alcohol brands — sometimes much higher than what they would pay for a premium brand abroad. In

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