Good example of bulgari in india report

Business, Company

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Background

Bulgari is a leading Italian brand of jewelry. Headquartered in Rome, Bulgari was founded in 1884 as a single jewelry shop by the silversmith SotirioBulgari. Over the years, the company has diversified its product range by carefully entering into the product lines of luxury bags, skincare, fragrances, watches, accessories, and even hotels. In 2011, the company has been bought by the number 1 luxury group of the world LVMH Moët Hennessy Louis Vuitton SA (LVMH). In 2011, Bulgari reported a turnover of more than 1 billion Euros (Rathore, 2013). Bulgari has 295 stores worldwide. 45% of its revenue comes from Asia, which is the largest market for the company. In Asia, Japan contributes the maximum revenue to the company. Therefore, the company has a good knowledge about the Asian market. Bulgari, known for its precious color stoned jewelries and watches, entered the Indian market in 2004 by making a strategic partnership with Lifestyle

Tradelinks India, which is a sister organization of the Mumbai based Dia Group. Bulgari entered the Indian market because the growing consumer market in India for luxury goodsoffered lucrative opportunities to the company. Bulgari planned to sell watches and jewelries in India, and it opened two standaloneflagship stores across the two major cities of India, Delhi and Mumbai. However, in 2011, it departed the Indian market terminating the 7 year long partnership with Lifestyle. Now Bulgari is planning to make a second entry into the Indian market by opening a store in Delhi by the end of this year.

Tactics and Strategy

Bulgari is a super luxury product brand that offers high-end products like watches, jewelries, bags, accessories, and even hotels. Before entering the Indian market, Bulgari was already operating in the Asian market successfully. It had a huge customer based already in Japan, South Korea, and Singapore. It was on the lookout for opportunities to enter a market where the demand for luxury products was growing at a high rate. India around 2004 was going through a high growth phase. Because of a booming IT and service sector, the overall economy was growing at a faster rate. Even a lot of Indians entrepreneurs were making big inroads into the national as well as international market. The number of millionaires in India during that time was on a steady rise. Mumbai is the city that has the maximum number of millionaires in India followed by Delhi. Therefore, these two cities had the potential to offer a good chunk of potential customers to Bulgari. Indian cities because of globalization were getting more international exposure, and therefore, the people were learning more about the luxurious international fashion brands. The simple living and high thinking culture of old agrarian India was fast changing. Owing to the IT boom and the western influence, rich people in the Indians cities developed a fascination for top notch brands. It became a status symbol for the rich to flaunt high-end products. Bulgari was already an established luxury brand in Europe and the North America and was highly respected in the fashion world for its niche products. Because of the increasing demand for luxury products, Bulgari saw an opportunity to sell its high-end luxury products.

In 2004, although India had signed the globalization agreement and allowed many products to enter the country freely without any taxation or investment barrier, luxury fashion products, however, were not one of them. In 2004, as per the government of India rule, no non-Indian luxury fashion brand was allowed to open a single owned store in India and sell its products. People had the choice to import the Bulgari products from abroad, but those were taxed almost 100%. Therefore, Bulgari was forced to find a trade partner for entering the Indian market. The main problem of having a trade partner at that time was that even if Bulgari was able to find a good partner, it could not control the partner. This was because the government of India allowed only up to 49% stake by a foreign firm in an Indian company for a single brand ownership (DIPP, 2006). Due to the existence of this rule, the major stakeholder in the partnership was always the Indian partner. The other route through which Bulgari could have entered the Indian market was by creating an Indian subsidiary of the company on the Indian soil. However, the main limitation in that case would have been that it was supposed to produce more than 50% of its products in India itself.

Looking at the different options, Bulgari had no other choice but to enter the Indian market through a trade partnership with an Indian firm. Upon doing some market research, it found a suitable partner in Lifestyle Tradelinks. Lifestyle Tradelinks is an import/export company that imports a multitude of international products in the Indian market through channel partnerships. It was an established company at that time. Therefore, it made sense for Bulgari to choose Lifestyle as its strategic partner (Silicon India, 2004). Through Lifestyle Tradelinks, it opened two single brand stores, one at the Oberoi hotel in Delhi, and the other in South Mumbai. These two cities are the biggest cities of India and have a high number of rich people. Therefore, it was a perfect strategic step for Bulgari to choose these two cities for launching their brand in the Indian market.

What Went Wrong and Why?

There are several reasons for Bulgari's failure in the Indian market. When the company entered the Indian market, the overall Indian market was still maturing. The crowd was not fully prepared for the super luxury brands. Although people had money and the potential buying power, they were not well-acquainted with the international brands and were often confused about the premium products as to which one is better than the other. During this time, a good many international brands like the Christian Dior, Louis Vuitton, Vogue, Tommy Hilfiger, Calvin Klein, and Yves-Saint Laurent entered the Indian market. The sudden availability of so many options threw the rich buyers into confusion (Bhupta, 2004). Often, purchases were made based on the marketing campaigns and imageries used by those brands. Brands like Dior, Tommy Hilfiger, and Calvin Klein marketed their products in India well, and hence, created a loyal brand of customers, whereas Bulgari was reluctant in spending money after advertisement campaigns and marketing efforts as it was unsure of the total size of the Indian high-end luxury market. Due to the lack of marketing efforts, the brand name Bulgari mostly remained unknown to the Indian customers. It is one reason why the sale of Bulgari products never took off significantly well.

Another major reason for its failure was its partnership with Lifestyle Tradelinks. Lifestyle Tradelinks was an import export company which mainly dealt with non-luxurious products. It has no experience in handling high end products likethe Bulgari fashion products. Also, unlike other products, this type of products takes time to increase sales in a new territory. Like any typical trading company, Lifestyle Tradelinks was only interested in products that can earn it quick money and was more interested in such partnerships. Bulgari products were not something that gave Lifestyle Tradelinks quick profits and also due to the slowness that engulfed the market from 2007 onwards due to the recession of 2008-2009, the product demand dried up (Suneja, 2013). This started friction between the two trade partners, and eventually, Lifestyle Tradelinksdue to its majority partnership began dictating the terms of trade in many cases. It was getting difficult for Bulgari to continue the trade with Lifestyle Tradelinks as they were unable to execute their product or marketing strategy through a partner not ready to listen to them. Eventually the partnership fell apart in 2011.

Apart from the reason of marketing and the bad choice of the trading partner, another reason for the failure of the brand was external. In 2008, the world economy was hit by a recession in the USA and that was followed by a huge sovereign crisis in Europe. Like every recession, the first products the demand of which dried up were the high-end luxury fashion segment products. Bulgari was affected badly by the 2008 subprime recessions and then by the 2009 sovereign debt crisis (Euromonitor International, 2011). Bulgari started making huge losses in many countries and was able to run the business profitably. By 2011, the company was on the verge of collapse, and the then owners of Bulgari sold the company LVMH. The new owners of the company considered the Indian market as a non-strategic investment option (Rathore, 2013). Therefore, they decided to roll out their operation in the Indian market and sever the agreement with Lifestyle Tradelinks. At that point, it was important for Bulgari to consolidate its operation in countries where its revenue stream was high, and the chances of profit were lucrative. India being a very small market for Bulgari products offered none of those.

Learning and Implications

One of the major learning experiences for Bulgari in the Indian market was that the choice of its trade partner was wrong. First of all, before entering the Indian market, it knew that its trade partner would control the majority stake in the partnership, and therefore, will practice stronger voice in the business decisions. For Lifestyle Tradelinks, Bulgari products were only one of the many products it used to import from outside. Therefore, Bulgari as a brand was not given special consideration. However, from the perspective of Bulgari, when it entered a new market, it should have made sure to choose a partner who would give undivided attention to the Bulgari products and would also pay heed to the operation strategy that Bulgari wanted to put in place.

When Bulgari entered the Indian market in 2004, it probably thought that the potential buyers in the Indian market were already familiar with the Bulgari brand name. Therefore, almost zero marketing effort was made to promote its product in the Indian market. However, the truth was that the Indian crowd during that period had just started getting used to the famous global brands. As many of the brands were launched in the Indian market at the same time frame, Indian buyer became confused with the sudden availability of so many choices. Finally, instead of opening its store in the hotel Oberoi Grand in Delhi or in Nariman Point in Mumbai, Bulgari should have opened stores in a location where the number of potential buyers was high (Mookerji, 2014). Opening a store in an upscale shopping mall in Mumbai or Delhi or in Mumbai or Delhi international airports would have been a better entry strategy.

Recommendations

As Bulgari is again trying to enter the Indian market now, it should consider the following strategies before making a re-entry.

- Currently, the FDI policy in India has changed. Now, a foreign company can own and operate a single brand outlet in India, which was not the case in 2004. Under this clause, the foreign company can solely own and operate its brands in the Indian market. It also can invest up to 51% in that company, which makes it the majority shareholder of the company (Mookerji, 2014). This gives Bulgari an opportunity to enter the Indian market with a partnership with a better controlling power, which it lacked last time.
- Before and after entering the Indian market, Bulgari should heavily invest in brand promotion and marketing. Almost all the big international brands have

their presence in India, and therefore, in order to compete and create a place for itself in this market, it should create a brand reputation in the Indian market.

- The company should choose the location of its stores wisely. Locations like upscale shopping malls in rich neighborhoods and making a presence in the international airports will not only help build the brand visibility, but also will improve the chances of higher sales.
- Finally, the company should be careful of choosing its trade partner in the future. First of all, it is not always wise for going into partnership with large reputed firms as Bulgari may lose its voice in the partnership. On the other hand, partnership with a very small companymay not provide the advantage of the country specific business knowledge. Therefore, the company should strike a balance between the two. It should choose a company that can be controlled by Bulgari and at the same time, big enough to provide Bulgari with significant market intelligence and knowhow.

Conclusions

Bulgari is a high-end Italish jewelry that has diversified its product range by entering into the product lines of bags, hotels, watches, and accessories. The company has 295 stores over the four continents. It tried to enter the growing Indian market in 2004 through a strategic partnership with Lifestyle Tradelinks. However, the partnership was not successful and Bulgari had to exit the Indian market in 2011. Besides the failure of its partnership, there are other reason accounting for Bulgari’s failed venture in India, such as the lack of brand building initiative to promote its products in the Indian market, and the subprime recession of 2008-2009 that hit the company hard. The company is making endeavors to enter the Indian market once again. If it wants to be successful this time around, it should cautiously choose a partner, invest heavily in creating a marketing and brand building campaign, and choose store locations where the footfalls of the potential rich customers are high.

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