



Management consultant Harminder Sahni analyses the highs and lows of the fashion retail industry. Covering a spectrum of topics, each month he looks at the need of the hour for India.

Less is **More**

The Indian fashion industry is passing through a really interesting phase that can be cited as one of the best times but for Indian fashion brands it seems to be possibly the worst times. While on one side overall consumption of clothing is increasing every season, on the other hand the competition is becoming stiffer. The consumer is spending more on better clothing, buying more often to keep up with the fashion trends and splurging on better brands to announce his or her arrival in life. The repercussion shows a positive and continuous increase in the overall pie of fashion market and that's why it makes it one of the best times for the industry. The flip side of this rosy picture of an attractive market and increasing consumption coupled with slowing markets in Western world is the entry of an increasing number of international brands. Till recently, it was only the well-known marquee brands that were eyeing the Indian market and were forging JVs, licensing or franchising agreements with Indian players to penetrate the markets. Of

late we can see an increasing interest from the next level of brands - many of those may not be recognised even by industry professionals. These brands may not be so well known but are quite significant in their markets, and some of these are close to a billion euros or U.S. dollars in size and have hundreds of stores across Europe or the U.S. At that kind of size, these brands have a really deep understanding of the fashion supply chain from design to sourcing to retailing. And above all, these brands have a long experience of surviving and thriving while competing with marquee brands in the international markets. These brands have clearly positioned themselves in niches, not necessarily small segments, to service the needs of their target segments and carving a reasonable market share to grow profitably. These brands have mastered the art of building

consumer loyalty by offering relevant merchandise at attractive prices, and not taking the path of buying consumer loyalty through top dollar advertising or celebrity endorsements.

Coming to the point why I reckon that these could be the worst time for Indian industry. With the market wide open and full with all kind of players, domestic as well as international, the consumers are spoilt for choice and loving it. A casual walk through a mall will be enough to establish that the number of fashion brands have at least doubled in all segments in last five years. These are all sitting next to each other in malls that allow discerning consumers to compare, evaluate and make informed choices. So, while the market size is increasing, the number of brands and amount of retail space for fashion brands have increased even more and this is creating an





While the market size is increasing, the number of brands has increased even more creating an imbalance that is hurting the bottomline of most brands... [Brands] require focus and determination to stay the course serving consumer's specific needs.

imbalance that is hurting the bottom lines of most brands. They are selling more, but are they making more or any profit?

The inflation, increasing cost of raw materials, labour and unnecessary excise, et cetera have compounded the trouble by pushing prices closer to the international brands who are still keeping their prices competitive as per their entry and penetrative strategy. With better fashion, wider offer and an international brand name, these players are seriously tempting for Indian consumers who at best are "loyal to brands" and have never been really "brand loyal." Thus, Indian brands are facing an interesting situation of losing market share in a growing market to international brands that have hit the market full throttle and their numbers are growing rapidly. There are fewer and fewer Indian brands that are trying their level best to come up to the challenge.

While the above is true, I am very optimistic about the future of Indian brands and believe that they will learn

really quickly from these international players and will use the advantage of their better understanding of Indian consumers and excellent reach across India, deep into the tier II and tier III markets to sustain and grow with the market. This effort will require deep pockets and persistence but above all, it will require focus and determination to stay the course of serving chosen consumer's specific needs and not dithering to diversify into related or unrelated segments. Indian players will have to believe that their chosen market segments are large enough and are growing and there will be sufficient room to achieve their ambition in size and significance. The old approach of straddling various segments whether in price continuum or gender segments or any other way, spreads the resources too thinly and creates sub optimal brands. What else could be the motivation for a young fashion denim brand, barely of ₹150 crore in size but growing at 20-25 per cent profitably, to enter kid market

and in the process taking eyes off their core business and land itself in serious financial trouble? Similarly, it beats me why one of the most successful and iconic brands in menswear will try to enter designerwear retail; and not focus its limited resources on building and monetising its insurmountable position even further?

I see numerous examples where fashion companies have naively tried to be everything for everybody and in the process failed to flank themselves from the inevitable international competition, and that list may include almost all Indian fashion companies.

An Arjun-like focus on the chosen target customer and its specific needs is most definitely necessary if not sufficient condition for creating a fashion brand that will not only withstand international competition but may also create enough brand power to go international someday.

I reckon that it's tougher to create an ₹1,000-crore fashion business from a single brand as compared to having a portfolio of dozen brands. But in the long run, it will be far better to have a single brand that can generate a multibillion-dollar business and be a world leader in its chosen segment. Only time will tell whether any Indian fashion house will ever achieve that but the time to make that choice probably is either now or never. **BoF**