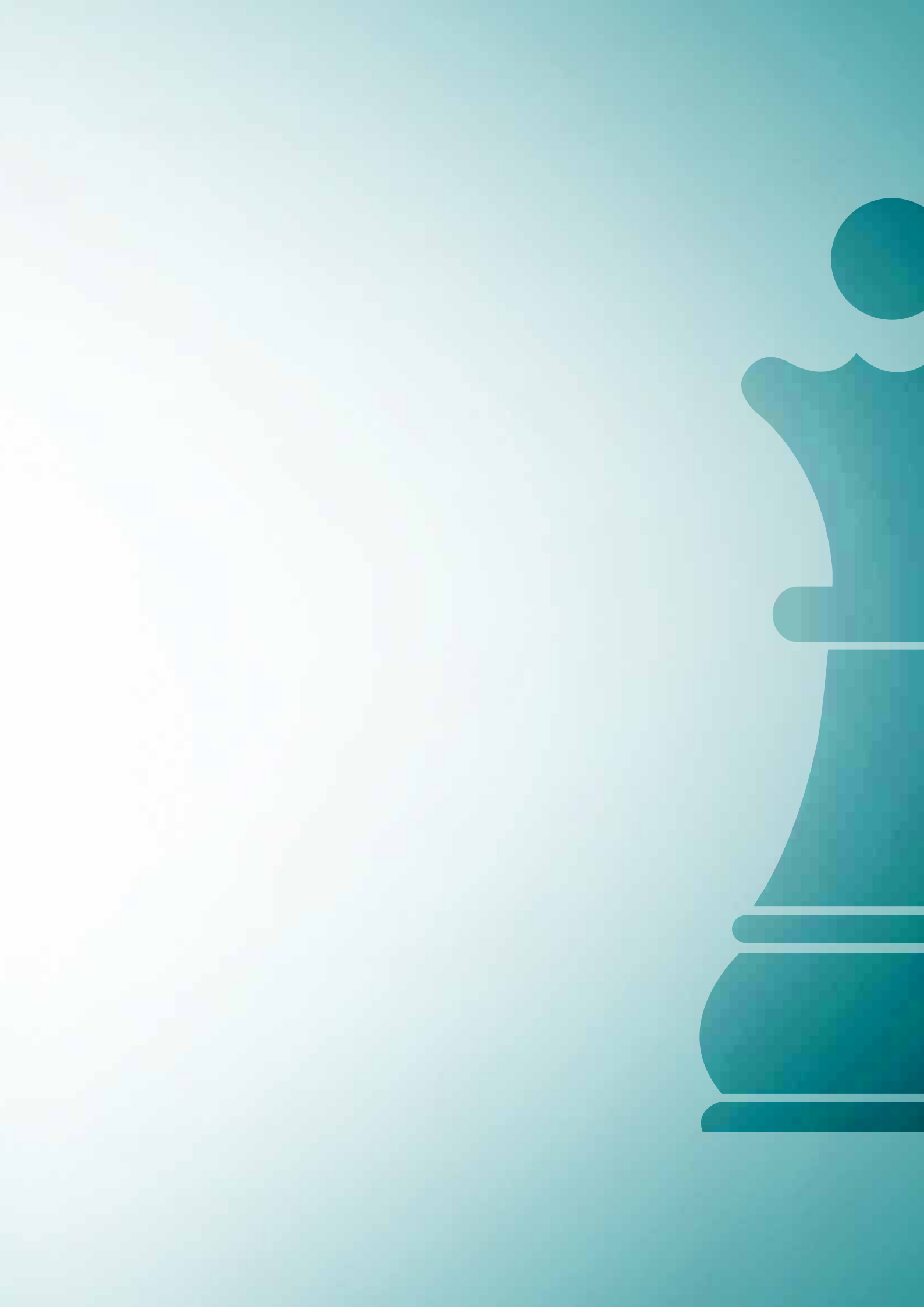




# **Indian Fashion Retail Landscape**

*Opinions and Insights*





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■ HARD TALK ■

# Art of building Fashion Brands

"Fashion is so bad that you need to change it every day."

**T**his apt statement truly captures the essence of the fashion business. What worked yesterday is history today, forget tomorrow. Fashion is synonymous with change and newness. This basic tenet of fashion business is in complete contradiction to the essence of branding. Brands are supposed to be consistent and build loyal consumers for life; not surprise consumers with too many changes. The extreme reaction of consumers, against Coke trying to change, is a classic case study of how even one of the most powerful brands couldn't dare to make a dramatic change. This makes the business of fashion branding much more complex than any other consumer branding.

Another element that adds further to

the complexity of fashion branding is the high level of involvement of consumers and that too extremely frequently. For example, surveys show that only less than 30 per cent consumers change their toothpaste brand more than once during their lifetime, around 35 per cent consumers stick to car brands for more than two decades. On the other hand, these same consumers change fashion brands almost every season and stock their wardrobes with many brands at any point of time, and continue to look for newer brands all the time.

So, how does one go about building a brand that is a consumer product, but at the same time does not behave like one?

Time and again it has been established that consumers like to wear what "others" are wearing. These "others" could be a model in an advertisement, a



Illustration by Abhimanyu Sinha



mannequin in the store window, a film star, a TV personality, a colleague in office or a friend in the neighborhood. Fashion is more and more about others and less about oneself. What others are wearing and what others would like you wearing is what drives the fashion trends.

In India, we are seeing more of others and are being seen by others in all walks of life – be it home, work or markets. In many urban centres, the concept of apartment or condominium living has become popular only in the last few years. This makes people see others and be seen by others more often even in their neighbourhood. Similarly, we are being seen more and seeing more of others in malls as compared to how much we did in street markets. Even in office – one, the offices are much larger and second, these large offices are now part of even larger commercial complexes. We not only see and are seen by large number of colleagues, but also by large number of other people working in the same complex.

This increasing mutual visibility is leading to the phenomenon that I call “brighter shirt.” Most of us remember the old Rin advertisement – “*Bhala uski kameej meri kameej se safed kaise?*” [“Why is his shirt brighter than mine?”] When the consumers see better-dressed people around them all the time, they think how is her top or pant smarter than mine? These regular observations, evaluations and comparisons make them look for similar colours, styles and brands to conform and be part of the fashionable crowd.

Successful international fashion brands for masses have been built on the basis of creating larger number of consumers to buy more of the same. In India, we still haven’t seen the emergence of a mass fashion brand. The leading brands have always tried to create niche and exclusive following of loyal consumers and haven’t even tried to create an “inclusive” brand that a large number of consumers will not only aspire for but can also access and afford. They not only create a niche positioning, but also make the brand availability exclusive from select



Illustration by Abhinav Sinha

Fashion is more and more about others... What others are wearing and what others would like you wearing.

channels in few cities and also keep prices a little out of reach of the larger segment of consumers. The aspiring consumers are always kept aspiring and are never given enough access and are denied affordability.

In order to grow their business in size, these brand companies are forced to identify more niches and create more brands to cater to each. Having explained earlier that the business of creating a fashion brand is immensely complex, I reckon that these companies have chosen a treacherous path of creating multiple brands. Over time, we have seen the folly of this approach and have observed many brands being pulled out for lack of sufficient business that may have been due to lack of resources allocated to the development of the brand. I agree there are multiple segments and niches available in the Indian market but why

should all companies try to cater to all these. There are many segments that are large enough to fulfill the business ambition of most of these companies, so I would recommend that they choose a segment of consumer and price positioning they like and put all their resources in making it successful.

So, the first and probable step in the “art of building a fashion brand” is to choose the segment and sincerely work towards serving this segment and not be swayed by the options available in adjacent segments or in up-selling to the same target consumers for better or seemingly higher margins.

The other important aspect of building a fashion brand, in my view, is to make it accessible and available to all target consumers through proper channels at affordable prices. Creating an aspiration is relatively an easier task done by media and advertisement and catchy communication, but the business happens and brands are created when consumers can buy and wear the brand. All these elements of aspiration, accessibility, availability and affordability are intertwined and need to work in sync with each other.

Going back to the earlier point of “mutual visibility” amongst consumers, I strongly feel that fashion brands will do a far better job of creating demand for their wares if they target their latest range at visible people – everyday people who are seen as fashion forward. This may be more effective than using expensive celebrities and endorsements and then spreading the message through the already cluttered media. The everyday clothing is what is and will be the largest piece of the wardrobe for all segments of the markets and most of this will be bought by regular people.

So, while I may have titled this article as “the art of creating fashion brands,” you may have noticed that it is as much a science as it is an art. I look forward to the emergence of an Indian company with its heart and head in place, and a keen eye for consumers’ sense of fashion – and become the first real consumer fashion brand and retailer of India. 🇮🇳

■ HARD TALK ■

# Explosive Growth of Premium and Luxury Fashion Business

**S**ometime around 2000, I was part of Fashion Design Council of India's (FDCI) commissioned study to establish the size of the designerwear market and also project its future. As part of this study, I got the chance to meet many Indian designers and did research on the evolution of the designerwear market in developed markets such as the U.S., Europe and Japan. That's when I stumbled over a designer called Giorgio Armani and his company that carried his name. Till then I was quite oblivious to the world of high fashion and to the fact that a designer could and actually had created such a huge business empire eponymous to his name.

Intrigued by this world of high fashion, I delved deeper and came across D&G, Gucci, Versace and many interesting designers and the large businesses built around their names. Compared to the size and scale of this segment in developed market, Indian designerwear market was tinier than tiny and even with most optimistic projections it didn't even add up to probably the total sales figure of a couple of Gucci stores. But something started to change with the arrival of the

new century and I couldn't believe, when in 2004-05, the DLF management invited me to discuss the possibility of setting up a luxury mall housing only international luxury and premium brands and few Indian designers.

Compared to the prevailing standard sizes of malls at that point of time, the proposed mall with an area of 3,00,000 sq. ft. plus was quite a large mall. The prospect of creating such a huge mall and filling it with dozens of brands that weren't even present in India sounded audacious to say the least.

However, backed by some understanding from my previous experience of international designerwear market, I could see that there is a serious opportunity for such a mall some time

in the future. I also had understood with time that in such pioneering ventures, one can never time it right. You have to follow the dictum – let us build it first, they will come for sure later. The key point in this is – how much later? And this question can only be answered post facto. Anyhow, as we all know that the mall Emporio is a grand reality and seems to find its feet quite fast, despite the fact that its opening coincided with the demise of Lehman Brothers.

One can always debate whether Emporio will be successful or not because so many luxury brands have chosen to come to India or it's the other way round that they have chosen to come to India because a mall like Emporio exists! Whichever way we look at it, the





fact is that India has finally emerged as an attractive and fast-growing market for luxury and premium brands. While Emporio has become the destination for north India, UB City in Bangalore and Palladium in Mumbai are creating similar destination for their regions. I clearly see cities such as Chennai, Kolkata and Hyderabad following suit very soon.

Another major development in the premium fashion retail market has been the successful launch of "The Collective" stores by Madura Garments to offer a large range of premium and luxury brands under one roof - a department store on the lines of Saks Fifth Avenue to cater to the needs of a high-end fashionable consumer. The consumer response to The Collective store has been quite stupendous and Madura is enthused to open more stores in all metros and also in selected mini metros. I wouldn't be surprised if Madura is able to take a bridged version of this format to some 30 to 40 cities in less than five years.

There is a large but scattered population of premium consumers in these top 30-40 cities and their aspirations and power to spend is no less than their cousins in major metros. So, I don't doubt the potential of success of The Collective store or similar stores in these markets. It is only a matter of time that better malls will open in these cities and will enable the opening of such premium stores. These stores will be the harbinger of premium end-consumption and will lead consumers to the luxury-end of the market and lay the foundation of a sustainable and growing premium and luxury market. Like Emporio seemed an audacious attempt only five years ago, these possibilities too seem remote as of today. But I am confident that like many of my projections this too will become reality sooner than I am anticipating.

The premium and luxury market was poised to grow to its potential anyway, but I would not complain about an unexpected catalyst that has recently exploded on the horizon. An online retail company



India has finally emerged as an attractive and fast-growing market for luxury and premium brands... It is only a matter of time that better malls... enable the opening of such premium stores... the harbinger of premium end consumption and will lead consumers to the luxury-end of the market

called "Fashion and You" was launched in January 2010 and before we could stop saying Happy 2010, it was clocking serious sales numbers hawking surplus premium and luxury brands at "Koutons" like discounts. I have no reason to doubt the sales figure of ₹35 lakh a day, as Sequoia has invested ₹35 crore of real money for a minority share in this fastest-growing fashion retail business in the history of Indian fashion retail industry. At the current run rate, Fashion and You will garner sales of ₹100 crore in next 12

months. I am certain that if the current growth rate is sustained somehow then the sales would be much more than ₹100 crore. Unbelievable, but true!

Like Koutons has given millions of aspiring consumers the experience of buying and enjoying readymade branded apparel, similarly Fashion and You is letting thousands of aspiring consumers of premium and luxury brands enjoy the real stuff. What if its last season's or surplus! Out of these hordes of value-seeking consumers, many will become the regular and lifelong consumers of these luxury and premium brands. All in all, this fire from below being fuelled by Fashion and You will really accelerate the growth of Indian premium and luxury market.

I must confess that not too far back in time, I was a firm believer that Indians are not as crazy about Western brands as the Japanese and Chinese. But I have realised since that Indians were unlike only till the time we didn't have the money and/or didn't have these brands available locally. I am now convinced that the Indian market for luxury and premium brands will be as large as the current Chinese market for these segments in the next 10 years, if not earlier. And then even I'll find it hard to believe that I hadn't heard the name Giorgio Armani just 20 years ago! 

## ■ HARD TALK ■

# Less is **More**

**T**he 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. 



## ■ HARD TALK ■

# International Brands and Sourcing Strategies

India's booming retail sector and emerging opportunities are one of the most talked about topics. Fashion retailing commands a significant share of this growth and evolution of the industry. With increasing number of brands and retailers, both domestic and international, fashion retailing is taking-off in a big way in the country. If you visit any mall in Delhi or Mumbai, you will be surprised to see the number of fashion brands present, as these drive both footfall and business. You will be more surprised to see that majority of these brands are international, with a new brand being launched almost every month.

How do these international brands decide on their next target market for expansion? There are multiple factors behind the decision making process but I believe that the two most critical ones are - first, the demand potential of the target market, that is, the willingness of consumers to buy products at the given price and if there are enough number of such consumers to cater to; and second, the supply capabilities of the brand in the

new market, that is, the ability to sell the right quality product at the right price.

With rapid evolution of fashion in the country, Indian consumers are also evolving and becoming more tuned to the global fashion trends. This is fuelled by increasing disposable income and spending power, changing lifestyle patterns of consumers and rising global awareness. So, the opportunity in India in terms of demand potential is huge with a significant untapped consumer base that is young, fashionable, willing to experiment and spend. International brands are realising this opportunity and that's the reason India expansion is on their radar as far as demand is concerned.

One of the key concerns for any brand prior to entering a new country is "how to source products and where to source from." International brands who have ventured in India have adopted different sourcing strategies depending on the length of their existence in the country, pre-existing sourcing base in India, order sizes, target consumers, et al. Typically, any brand would follow a sourcing curve where it initially source products from its international supply chain and gradually work towards establishing an Indian supply chain. Their movement along the sourcing curve can be traced to three distinct phases - preparation, transformation and maturity, each phase indicating a shift in their supply base as they transcend their journey in the Indian market place. Any supplier they identify today may not be the ideal one for them tomorrow.

First is the initial preparation phase, where any brand has to spend time and effort to test the market, understand it

well, establish linkages with the local suppliers, et cetera. So, as a part of their strategy they enter the market, launch few flagship retail stores, build consumer base and loyalty. They source products from their international trusted suppliers and not take any risk with the product quality and on-time delivery. For instance, European high fashion brand Jack & Jones or ONLY have entered Indian market lately and are doing 100 per cent sourcing from their international base.

Second is the transformation phase, in which the brand has been in India for a while and is shifting or probably expanding its sourcing base to India. They have developed their strategic model for the







Brands' movement along the sourcing curve can be traced to three distinct phases – preparation, transformation and maturity.

Indian market and have expansion plans in place. Take the case of leading U.K. brand, Marks and Spencer (M&S), which is already buying 30 – 40 per cent from India and is planning to increase sourcing to an extent of 80 – 90 per cent.

The last is the maturity phase, in which international brand is like a home-brand to Indians and India is a kind of home market for them. The brand has penetrated Indian cities to reach to a wide consumer base, developed local supply chain, and is churning out large order sizes. Benetton is a good example here which has been in India for almost 10 years and is sourcing majorly from India.

The ideal situation for any brand which has entered or has plans to enter the Indian market, is to reach the end of this sourcing curve and start sourcing from India (or their country of sales). They can take several advantages by sourcing the product locally. They can save on the import duties, which is quite high in case of India at 30 per cent. Any savings on account of these import duties can bring significant price reductions in this competitive industry. For instance, if the Free On Board price of a garment is \$20, then duty at the rate of 30 per cent is \$6. Taking a multiple of 5, the impact is an increase of \$30 on MRP. This implies that a consumer has to pay 30 per cent more for the product due to these import duties. Local sourcing is not just cost competitive

but also shortens the supply chain and increases speed to market. Today, when everyone is talking about fast-fashion and quick response time, it is becoming imperative for these brands to develop efficient supply chain with shorter lead times, preferably in the domestic markets.

Sourcing locally is beneficial and wishful situation for all brands in the long run. As I have mentioned earlier, it takes certain amount of time to develop the supply chain and relations with vendors in a new market. Unless, each stage is evaluated properly, no brand wants to take the risks. Another challenge faced by some of the brands in the initial stages is their small order sizes. As they have few stores initially, they fail to have large order book; and large Indian manufacturers and exporters may be resistant to take these small-sized orders. But now, with growing needs of fashion, these exporters have started working on smaller runs and are willing to accept these small domestic orders. The only thing they demand is on-time payment and prefer to work with the brands which are ready to commit payment on time. These exporters are used to working with letter of credit (LC) terms which gives them assurance of payments and they need similar assurance while catering to domestic orders too.

Development of India as a sourcing hub shall make India an attractive destination for the global brands for

further opportunities in sourcing as well as retailing. International brands entering India bring in foreign direct investments (FDI) in the sector. It is often seen that when these brands enter India, they convince their global suppliers to set up manufacturing capacities in India. Many of these suppliers are already eyeing entry to India in the form of partnerships with trusted domestic manufacturers. Now, with an opportunity to continue supply to these big brands, they get all the more reason to invest in India. This increases confidence of domestic manufacturers and exporters to make more investments in the sector and expand their capacities.

Entry of international brands also helps in integrating these brands with the suppliers as they are no longer looking for cut, make and trim (CMT) suppliers only. They are looking to establish strategic, long-term tie-ups with suppliers having additional offerings in terms of product conceptualisation, sample designing and product development. Domestic manufactures can leverage this opportunity and build their design and product development capabilities while working with global brands.

I can envision India as a global sourcing hub catering to various brands operating within or outside India. I look forward to the day when we see all garments with a label "Made in India, Bought in India and Sold in India." 

## ■ HARD TALK ■

# Fashion for Teenagers

**R**ecently, I read a joke in Khushwant Singh's weekly column. He talks about a family shopping in a mall for clothing for all its members. Searching for a shirt for their 14-year old son, they realised that the biggest size in kids' stores was too small for him and the smallest size in men's store was too big for him. The father was amused and told his son that he has fallen into the generation gap.

But I wasn't amused at all. This scene is played out almost every time during our shopping trips. I hope that I am not wrong in assuming that this must be the case for millions of families around India. It is a fact that we have one of the youngest populations in India and around 15 per cent of our fellow citizens are teenagers, that is, between ages of 13 - 19 years. In other words, currently there are around 180 million teenagers and it is expected to grow to 210 million by 2020 - taken independently they could be the fifth largest country [consumer base] in the world!

Certainly, going by the sheer size this must be one of the most attractive markets in the world. Another fact is that, this segment is much more fashion conscious than people younger or older to them. This is an important juncture in life when these consumers make choices about their looks, apparel and also the brands they like or associate with. If one has to consider all these elements, it would be safe to assume that hordes of fashion brands should be chasing this age group with attractive offers and merchandise.

However, it is surprising that there are hardly any serious fashion brands or retailers who are focusing on this market. It is literally true that this consumer segment has fallen into the generation

gap. The fashion companies are either targeting kids for whom the doting parents are willing to spend significant money or are waiting for these kids to grow up and start making money to be able to afford branded clothing.

We are classified as a developing country for some good reason and that's the only excuse I can accept for the neglect of such an attractive consumer segment. There are so many opportunities in India that are unattended or are only partially tapped that most of the businesses are busy attending to those.

For example, where is the time for Madura Garments to go after the teenage market, when there is so much growth to capture in the core men's wardrobe itself? On top of it, we all know how hard





it is to understand the teen mind or to figure out what they really need or like? Hence, why would a company want to put their limited resources on to something that is on the face of itself so complicated? True, but that does not make it right.

While it may look like a complex segment the experience from developed markets, such as Europe, the U.S. and significantly from Japan, is that this segment is very attractive and lucrative. The fickleness of fashion may be intimidating for a brand manufacturing men's shirts but someone with a passion for edgy and real fashion may consider it the holy grail and will be able to create and sell it to teenagers.

How is this segment different from others? It needs to be fundamentally very different from almost all other segments of fashion business in terms of approach towards design, merchandising, retail environment and pricing. A little less of the adults' fashion quotient and slightly ahead of the children's fashion quotient will not be the magic formula. A dramatic shift in the designing process itself will be required, starting from the process of gathering consumer insights to engagement with the opinion leaders of the population to conversion of these inputs to product ideas.

One of the path-breaking concepts that have been catching up over the last couple of years is crowdsourcing. The idea of crowdsourcing originated from collaborative buying wherein many customers of the same item combine their orders to drive a hard bargain with the suppliers to get the best possible price for all buyers.

The idea of cooperative buying is quiet ancient but powered by the internet, it has reached new heights and the impact has been tremendous in many industry sectors. This same idea has been extended by some design companies to source ideas for designs from consumers directly and also to take feedback from consumers on the design ideas before the product is visualised or prototyped. The premise is

It is surprising that there are hardly any serious fashion brands or retailers who are focusing on this market... It is literally true that this consumer segment seems to have fallen into the generation gap.

that if the actual end consumers are involved in the design process then there is a far better chance of the products' success at retail. Sounds like a great idea and it actually is.

Facebook and Twitter generations are always online and are happy to offer opinion on all kinds of stuff all the time. Maybe crowdsourcing is probably the best answer to bypass the complexity of trying to read teenagers' mind, and instead let them share what's in their mind and also let their friends say whether they too like it or not.

On the retail front as well, it may not be far-fetched to say that not only the fashion be designed by the consumers online, it may also be sold initially only online. I have stated this earlier too that success of the online retailer Fashion and You has clearly shown that given an attractive offer (not only discounts), consumers are willing to buy fashion items online. And if any consumer segment is the most comfortable with the online interactions as well as transactions, it is the teenage segment.

My suggestion of only online retailing initially is to accommodate for the fact that the cost of retail, whether own or the margin to be shared with retailers, is just too high for entering a new segment such as teenage fashion. However, I do reckon that for the scalability and for deeper penetration, the brand will have to be physically available in the malls as well as department stores where the teenagers hang out and shop.

The last point that I would like to make is that while there is merit in creating a brand from scratch for our domestic market, the homogeneity of teenager (at least urban) consumers across markets and cultures offers an easier opportunity to bring successful international brands to the Indian market. The success of such international brands in India could possibly be a good provocation for many other Indian fashion companies to at least look at this market and hopefully seriously. 



## ■ HARD TALK ■

**W**hen I was a young student, we all wished to have three things in our wardrobe – a pair of jeans, a denim jacket and a couple of cool tees. While many of us could afford to buy jeans, the denim jacket remained elusive for most. The primary reason was lack of availability but the bigger reason was price. Somehow I couldn't muster enough money (and courage) to spend that kind of money on the jacket. I still regret that some times. However, tees were never a problem as Janpath Market in Delhi served thousands of young students like me every day. Janpath was the most frequented market place for younger Indians and in terms of footfall could beat any modern mall hands down. It was like a pilgrimage and upcountry students would make this pilgrimage at least twice a year to replenish our stock of tees. The prices were incredibly low as most of the stocks were export surplus with minute defects here and there but nothing major. Even though these were surpluses, the "export"

element added to the cool factor. Even today, Janpath and Sarojini Nagar in Delhi and many such markets around India are serving young crowds fulfill their fashion desire and satisfy their appetite for cool and new in a very affordable manner.

However, we all know that India has changed in the last 20 years (since I stopped being a student in 1992) and the profile of consumers thronging these export surplus markets have changed quite a bit. Just to put things in context, allow me to refer to another personal experience. When I bought a scooter in 1988, I was amongst the 10-15 students who owned one, out of around 500 students in our engineering college campus. (The motorcycle revolution started a bit later in 1990 or so.) It meant that only 2 to 3 per cent students out of the fortunate ones whose families were well off enough to send them to engineering colleges, could afford to own a two-wheeler. Let us fast-forward to 2012, and every single driver in our residential complex in Gurgaon or for that matter in NCR owns a motorcycle

to commute to and from work. This is not a surprise because where else all these motorcycle companies be selling their 35,000 motorcycles a day. So it is the same motorcycle (or a much better one) but the target segment has moved from students of upper middle-class background to working class. Similarly, the tees market has also expanded from export surplus only to Ed Hardy and Armani.

You can't help but notice in real life as well as in movies, TV ads and shows that how many young people are wearing tees (and denim). If you look closely you'll notice how different these tees look and these aren't carrying too many brand logos any more. For a very long time international brands have managed to make people advertise for free. But this seems to be changing quite rapidly and now the trend is to have unique tee to match with the mood of the day or

# A Humble Tee for Young India





## ■ HARD TALK ■

moment. Tees have become like message boards and hence need to be changed and updated very frequently if not as frequently as your Facebook status. This trend is quite revolutionary and has expanded the market enormously in recent years. However, we don't see major brands and players paying much attention to this huge segment. It's not that they don't have tees in their offering but it is always treated as an add-on and supplementary item. Maybe the approach is driven more by the smaller ticket size of a tee as compared to a jeans or a shirt. However, if we look at the overall value



Tees have become like message boards...changed and updated as frequently as a Facebook status...If we look at the overall value of tees in a young consumer's wardrobe, the total value may not be less than other categories.

of tees in a young consumer's wardrobe during a year, I am quite certain that the total value of all tees may not be any less than other categories. How often does a student buy a pair of denim as against the dozens of tees in the same period? So the humble tee certainly is valuable from a life-time value of young consumers. Also, this is an item that brings these consumers back to stores more often than anything else. Having become almost a disposable item, tees have also become item of impulse purchase. Remember Sid in *Wake up Sid* buying tees randomly from each and every store he visited with friends?

Online retailers such as Inkfruit have built an enviable brand reputation around tees only. Their model is to let consumers post their designs and also rank designs posted by others. The best designs are put on the tees that are sold over the internet as well as through select stores. They have built a consumer base of lakhs of loyal consumers who buy tees all the time from Inkfruit. I believe there is a room for many more players such as Inkfruit in this growing and exciting market. The opportunity for well-established brands to reach out to younger consumers through

this category is tremendous and the ones who will be able to do so will reap rewards in their other categories too. For the brands that retail only through their own outlets, this category offers an opportunity to distribute through wholesales too and widen the reach of the brand.

However, I see one big challenge for some of the brands in the area of design and fashion ability of tees. The fashion cycle of tees is much faster compared to other categories of clothing. Also, the number of offers or designs adds to the complexity when put on top of frequency of offers. Thus, it may not be possible or easy for all brands to tap this opportunity. I expect them to think of innovative ways to overcome these challenges, as the rewards certainly seem worth the effort.

Despite stupendous growth over the

recent years, tees have tapped only very limited markets and still have a lot of potential to grow beyond top 25 cities. However, to tap these markets and also to keep growing the overall market, brands need to work at the cost front too. Recent price hikes in cotton have taken the prices to a much higher level and the tee may not be able to absorb that and its potential may be hurt in the short run. I recall a project by one of the leading knitwear and innerwear companies in the U.S. to sew a tee in two minutes flat. The whole idea was to shave off few cents from the cost from this highly competitive item. I believe Indian companies too must accept that this category will always remain very sensitive and thus should invest time and energy in creating efficiencies at every stage of supply chain. 

## ■ HARD TALK ■

# The Darker Side of the Business of Fashion

**T**he *Observer* in the U.K. created quite a stir few months back with its report about leading brands sourcing from non-compliant factories in Bangladesh. The headlines read “a new sweatshop scandal” and rightly so because the so-called factories are sweatshops in real terms and it scandalised consumers in Western markets. Picture the plight of a consumer who just shopped for her new jeans at a fancy department store. She made her selection from a wide range of brands and designs and probably after trying it out in a spacious trial room. The store in all probability would have been in a mall situated on one of the most expensive high streets in the world. She blithely walks out only to come across this screaming headline on the news stands. Imagine the state of mind of that conscious consumer and her reaction towards that retailer. Millions of consumers reacted to this news item and retailers were forced to issue clarifications and declarations to be more vigilant about their suppliers and their practices.



This was neither the first time and nor is it likely to be the last time that leading retailers are accused of sourcing from non-compliant factories that employ child labour, working in horrible conditions and/or don't pay full wages and/or make people work really long hours without paying for the overtime. But such news items do push retailers to be more stringent while selecting their sourcing partners and agents in different parts of the world. In fact, I believe more than the retailers and consumers in the developed world, the real beneficiaries are people working in various factories in developing markets. The indirect pressure of the final consumers through the customers (retailers) works well to ensure that

factory owners aren't cutting costs and exploiting workers because they can manipulate the local administration.

This is all very good and is working well as far as the export business is concerned, but the story in the domestic fashion supply side is quite different. We all know that the Indian domestic ready-to-wear market is quite young and most of the supply chain is largely disorganised. The larger and more modern garment factories are focused on serving the export markets for obvious reasons such as large orders, assured payments and export incentives. On the other side, the domestic retailers are dependent on small and micro manufacturers that are sometimes as small as ones with only 10 machines



operations. These tiny factories are obviously non-compliant even to the basic standards of any manufacturing. Most of these aren't even registered with authorities and hire most of their labour on a daily basis and pay them by the number of pieces produced. Despite the fact that on paper these don't exist, they can be found all over the country be it in Bangalore, Delhi or Mumbai. Sometimes these factories are located so

for them. These factories could produce smaller orders but certainly want to be paid premium to compensate for their loss of production. And it is quite obvious that domestic customers aren't in a position to pay that premium as domestic consumers are very price sensitive so they cannot pass on the additional cost. That brings me to the second reason for the existence of such sweatshops and retailers and brands'

capture as much market share as possible. With aggressive expansion plans already half way down the road as malls are coming up for occupation, these retailers are always looking for even cheaper sources to offset the high rental costs. I had expected that with rising volumes they would be looking for better factories and suppliers. But it



deep in the slums or hidden in the basements of unauthorised buildings that even the neighbours aren't aware of their operation. Many such factories not only save on labour costs and safety measures but also on electricity costs by running on stolen power.

Many discount retail brands and private labels of reputed department stores have thrived because of the existence of such sweatshops. Such factories are present since a long time, and there are reasons for them being accepted as the norm. One of the primary reasons has been the small volumes per style that any domestic retailer or brand needs to source per season. It is not possible for even a medium-size factory to service that volume of demand, because this is just not efficient and hence commercially unviable

dependence on these. Large segments of domestic consumers are still shifting from tailor-made to ready-made clothing and always crib about the premium that they are paying for ready-made garments as compared to tailor made. They all want ready-made branded clothing but are still not ready to pay for it. Hence, the brands and retailers, who are trying to pull more and more consumers to their stores, are forced to look for the cheapest sources of supply and end up dealing with these sweatshops.

The recent imposition of excise and rising costs of fabrics haven't made life easier for the retailers. Moreover, the competition is increasing amongst organised retailers who are trying to

seems that the pressures of competition, hunger for market share and lack of any serious scrutiny by authorities or consumer forums are leading them in a completely different direction.

I sincerely hope that the organised retailers will not wait for repercussions of a scandalising headline to force them to change their sourcing style. I will be very happy if one of the players takes a stance and positions itself as "an ethical retailer" and promises to source only from compliant factories. This would be a positive nudge for the Indian apparel industry and will force all other serious retailers to clean their act on this front, saving the industry from potential embarrassments in the future. 

■ HARD TALK ■

# Must-Knows

## for Indian Textile and Apparel Companies



**T**he year 2011 witnessed some major disruptions around the globe which were political [the Arab Spring], financial [bailout of Spain, European sovereign debt crisis] and natural [devastating earthquake in Japan and Turkey, flashfloods in Philippines] as well. Back home, in India too, bad news outscored the good ones – the economy grew at a

rate much lower than anticipated; RBI had a hard time reining-in the inflation, scams of colossal size were unravelled, FIIs turned their back to stock markets, government's own alliance partners forced it to withdraw its progressive steps toward allowing FDI in retail and so on. 2011 is already being termed as The Lost Year by some.

For the Indian textile and apparel sector specifically, 2011 was quite a turbulent period. Cotton prices which started an upward trend during the last year came crashing down at an equally fast pace – nearly half in a period of

five months [March to August]. The cotton yarn export quota remained a much debated topic whereas levying excise duty on readymade garments led to a widespread industry resistance and fall in retail sale volumes. New investments in the sector were minimal because of sluggish domestic demand, a general recessionary trend in export markets and higher interest rates. On one hand, where fabric manufacturers, especially MSMEs increasingly felt the pangs of imports from China into the country, garment exporters on the other hand saw themselves losing ground



to their Bangladeshi and Vietnamese counterparts.

No doubt, we started 2012 on a wrong foot and things will not change overnight for sure; but beginning of every year is when one should take time out and plan for the next year – to undo what went wrong, redo what was good and do what should have been done. Similarly, I believe our industry should also embrace the coming times, good or tough, by taking a macro view of things to strategise for growth. Businesses may still not be able to meet the targets they set few years ago, but at least they can be sure of moving on the right track. Here is a list of my messages, for the textile and apparel companies as they enter 2012, which can put them on the path where accelerated growth is possible when external factors are more supportive.

1. *You have to think anyway, so why not think big?*

**Investments of a larger magnitude will bring economies of scale and appeal to larger buyers**

Manufacturing infrastructure in India is highly unorganised. We may have the second-largest installation of spindles, but there are several units which operate less than 10,000 spindles – much below

**The idea should be to have a facility which can take a market share of some relevance or maybe appear in the top 10-20 of the global suppliers in that category.**

the Minimum Economic Size (MES). In woven fabrics, our loomage is highest – but maximum share is of low productivity handlooms and power looms scattered in small clusters across the country. Similarly, the size of the largest of our garment manufacturing units correspond to the average size units in China. While this gives flexibility to produce smaller lots, the bigger orders with better long-term impacts are placed elsewhere. Barring few, the organised players also do not have the scale and the size to cater to the largest of international orders. Bulk of Indian suppliers are also not positioned as niche suppliers who can realise better returns on lower volumes such as Italian fabric manufacturers. Even back home, all said and done, the consumption is majority at the bottom of the pyramid – in low and economical price categories; premium and luxury consumption may be growing significantly but that is a base effect.

Piecemeal investments and a slow, gradual ramp up of capacities will

not improve the bottom-line beyond a certain level, which India has already reached; and which was possible by such incremental growth. Now to move to the next orbit, entrepreneurs need to adopt the concept of mega investments to produce a world-class infrastructure. Engaging economies of scale will also help absorb the impact of changes in raw material price and other input costs to some extent. It will also create better bargaining power for the business with the vendors as well as buyers.

Mega in textiles and apparel does not mean a \$1-billion investment in a project, nor can be quantified by employment generated as different projects such as spinning, knitting, technical textiles, garments, et cetera, which have different capital requirements and provide different employment opportunities. The idea should be to have a facility which can take a market share of some relevance or maybe appear in the top 10-20 of the global suppliers in that category.

2. *A company is only as good as the people it keeps*

**Employ and more importantly retain talent at all levels**

Unfortunately, no textile and apparel company has ever appeared among the top in best places to work (except diversified groups such as Reliance, which also has interest in this sector). Companies in the information technology sector and financial services are the ones which are most sought after by technical graduates and MBAs. The textile and apparel has altogether failed to generate interest among the best performers. Even textile graduates after a brief industry stint prefer moving to other sectors.

Lower compensation package in the industry is not the only reason to be



## ■ HARD TALK ■

blamed. An analysis shows that apart from dissatisfaction with compensation packages, the other reasons that trigger search for change among employees include lack of career growth, limited learning opportunities and lack of recognition. For companies to attract talent a strong human resource policy framework, where employees have a vision of growth in their career, would go a long way. For retaining the talent, specifically at middle levels, companies require to classify their employees as star performers, average ones and laggards in each of the division, at each level and then form a compensation policy accordingly. Internal and external training programmes, team-building exercises and other HR tools are some of the things which companies need to invest in order to provide their employees an environment that aids them in achieving their professional ambitions as per their calibre.

### 3. *Shake hands and smile*

**Partnerships open a host of opportunities for both the parties**

The year 2012 can be the year with lot of opportunities in space of

cross-border JVs and M&As. One of the reasons is that many Western manufacturers are still looking for competitive manufacturing locations, similar to those in technical textiles; while some, such as fashion brands, are looking to tap the Indian domestic market. The key would be Indian companies' own readiness. The first and foremost aspect is to have a mindset that can gel with other businesses sometimes complementary, sometimes competitors and sometimes even as buyers. Lack of willingness to adapt and learn is a sure shot recipe for failure. Secondly, companies with such inclination need to invest their time and effort in evaluating partnership opportunities of different formats:

a) What is or can be suitable for them?

b) What are the options which they can pursue?

In addition, new manufacturing destinations are also appearing on the horizon. African countries of Kenya, Ethiopia, Nigeria, et cetera are generating interests from investors all across. By virtue of multiple trade agreements and acts they have free market access to almost all the major markets. With governments keen to attract investments in their countries, a lot of sops are also available there. Here again, partnering with a local partner will be crucial as they can facilitate the business establishment process and provide the benefit of local liaison and networking.



### 4. *Brand to succeed*

**B2B trade can also create brands to enhance their intrinsic value**

In any commodity market, consumers and customers buy the product based on price or relationship with the vendor. They are unable to differentiate the product in terms of features, quality or other rational parameters. In B2B markets, there are few customers (could be 25, 15 or just 10 customers) which account for 80 per cent of the sales. Purchase is done mainly based on relationship, brand of the company, et cetera. Thus, it is important that the textile and apparel company start working towards branding themselves or their products; INVISTA did it for LYCRA, Reliance did it for Recron. But there are not many examples in this sector.

Our industry can start off by identification of differentiating factors such as quality, trust, value added features, et cetera and sometimes even bundling features and then moving forward for a branding campaign. Certification of the product will further lend more credibility to the brand.

Another opportunity for branding exists in the ethical space. Social and ethical compliance issues will be much bigger in times to come; not only in the developed world but also in India. Lot







A specialty fibre, fabric or technical textile product producer needs downstream partners with sufficient capacities and technical know-how to meet demands of ultimate customers.

of media attention has always been available for words such as child labour, sweat shops, unethical practices, unfair wages, et cetera, which have rightly become a taboo for retailers and hence manufacturers. The next phase is the industry moving significantly towards associating with positives such as fair trade, eco products, carbon credits, ethical production, et cetera. Manufacturers, large and MSMEs, can gain extra mileage for their products by investing in gaining accreditation or certifications and finally branding the product for that differentiating factor.

5. *A lot of times, people don't know what they want until you show it to them - Steve Jobs*

**Demand creation is a skill which businesses should learn**

Ask any consumer their perception about polyester, they will tell you a number of things such as how uncomfortable it is for skin, and the same person will walk out with polyester based activewear from a Reebok store which he will gladly (and comfortably) wear during workout. The point is consumer

sentiment, market research, et cetera are valid to an extent only. For new, innovative products, companies need to simulate the consumer demand. This is specifically true for our domestic textile and apparel market which is on its turning point with little exposure beyond basic products.

Stimulating consumer demand may also require large-scale availability of the product in wide variations suited to the consumer's taste. For this, a company investing in huge manufacturing capacities may as well be investing in initiatives to support its business customers by technical or other means. This is more relevant for the Indian industry framework where most of the converters are in the unorganised state. A producer of specialty fibre, fabric or

technical textile products, needs to ensure that it has downstream partners with sufficient capacities and technical know-how to provide end product to ultimate customers.

6. *The land of bounty - India*

**No business can afford to miss the domestic market opportunity**

The Indian economy is expected to double itself in the next decade or so, meaning it will add another ₹1.5-1.6 trillion in the process. Fifty to 60 per cent of this could be the private consumption wherein apparel and related consumption can have 6 to 8 per cent share. All-in-all, by 2020 the Indian domestic market will be a \$90 to \$100-billion affair. This means a huge opportunity for brands and manufacturers who start as early as possible, before the competition heats up.

In addition, 100 per cent FDI in multi-brand retail is not out for long. The ultimate value chain partners to large international retailers will be Indians. Entry of large organised players will cause improvement in value chain efficiencies, create massive employment opportunity and enhance the domestic demand. This may still take another couple of years, but the businesses that want to capitalise on the opportunities that will be presented need to start working on their strategy from now on.

The list is neither cure-all nor exhaustive. It is meant to provide businesses with an outline to strategise their vision keeping in mind the emerging trends. The times are definitely challenging and we are not even sure whether the worse is behind us or not. But as biblical saying goes, "And this, too, shall pass." 🙏

■ HARD TALK ■

# Sizing India

**C**ontinuing from my last article wherein I had touched upon the simmering issue of sweatshop sourcing by domestic brands, I wish to cover another a little more technical aspect of the Indian apparel industry. Lack of standardisation of sizing in the apparel market is impacting its professional growth.

If you ask any Indian consumer what his shirt size is, chances are that he will say it's 40 regular or slim-fit of a particular brand. Isn't it odd that a consumer should qualify his size with a particular brand? This sounds like the old way of mentioning shoe size wherein everyone knew their Bata shoe size and asked the salesman at a shoe store to find the equivalent size in other brands. While Bata was and still is one of the dominant players in the Indian shoe market, there is no such player in the Indian apparel market and hence there is no standard size which any consumer has as a reference point. In the quest to become "Bata" of apparel market, it seems all brands have come

up with their own size sets and have left it to the consumers to struggle with it. Sometimes the size peculiarities are so high that some consumers complain of being a loyal customer of a particular brand because they believe that no other brand size will fit them.

But this issue isn't only limited to shirts, just check out the case of trousers which predictably should be much simpler as the main size element in that is the waist size. But surprise 36 inches of a brand doesn't mean 36 inches in another. What happened to the standard measurements that we all have been taught at school? I remember vaguely that our class teacher told us that a standard metre is equal to the distance between two lines on a standard bar (kept safely in France) composed of an alloy of 90 per cent platinum and 10 per cent iridium, measured at the melting point of ice. If that is the case then 36 inches should mean 36 inches independent of the brand or for that material or place. I do suspect that brands wish their consumers to believe that their waist is 36 inches while actually it might be 38 inches. Yes it does work and some consumers may be loyal to a brand that makes them believe that they are slimmer and fitter. International brands, more in case of womenswear, do this routinely and

as a part of thought-through strategy. However, I wonder whether this is the case in India or it's just plain lack of standardisation.

The issue becomes much graver when it comes to womenswear and kidswear, as the penetration level of readymade clothing as well as brands is still very low in these segments. On the positive side it actually provides a cleaner slate to create homogeneous and standard measurements and sizing. Menswear is going to be far tougher to standardise as numerous brands have established their own unique standards over years and may find it difficult to change the same.

This issue of sizing is not unique to India and the Western markets have faced similar issues probably few decades ago. They sorted out this matter through detailed and extensive







anthropometric studies and established the standard sizing systems to guide the industry. These standard sizes weren't rigid and gave flexibility to brands and designers to use it in the manner they felt appropriate. Actually, the anthropometric studies provide a sort of distribution table of the majority population's measurements and that are updated periodically to keep in line with the changing physical profile of the larger population. These measurements are thus the basis for brands and designers to create size sets for their own purpose. With markets getting segmented into various demographic profiles, these measurements become quite important and their role in the growth of business by making it easier for consumers to shop is quite well regarded now.

India is a developing nation and is called so for various reasons and I take it in the right spirit to reckon that we have the opportunity and responsibility to develop various aspects of our nation. India is amongst the few countries in the world that have an official and universally accepted symbol of its currency, and I wish that India may join the ranks of few nations that

The time may be right for the Indian apparel industry to conduct a nationwide anthropometric study with the support of government agencies and technical institutions.

have their own scientific anthropometric database.

The scale of such an anthropometric study like everything else involving India's large population will be humongous. The resources and efforts required will be quite significant and thus it may only be taken up at a national level with the support and inputs of all stake holders. Just to give you an idea of the resources and time required, the last anthropometric study in the U.K. was conducted at a cost of GBP 1.2 billion

(approximately ₹9,000 crore) and over a period of five years, for a population of 60 million people only. Similar studies in other developed markets are conducted routinely and results are made available to industry at large for the benefits of business as well as consumers.

I reckon that time may be right for the Indian apparel industry to strive to conduct a nationwide anthropometric study with the support of government agencies and technical institutions. The findings of such a study, their wider acceptance and usage could very well be a significant step towards professionalising various aspects of the fast-growing Indian domestic apparel market but more specifically the manufacturing end. The small and medium manufactures, who are the major suppliers for the domestic market, will be the biggest beneficiaries as they don't have the wherewithal to spend any resources on such matters. A collective effort involving brands, retailers, manufactures, institutions and government bodies will be necessary and also probably be the only way to tackle such an enormous and important task. 📌



■ HARD TALK ■

I have been to Istanbul many times since my first visit in 2004 and have always been impressed by the sophistication of the fashion business. Whether it is street fashion or elegance of apparel in offices or window displays at high streets or stacking in malls, there is a certain quality that attracted me to shop more every time. During my earlier visits the temptation was always to pick up international brands that were not available in India at that time. Also, there was a perception that these brands may be cheaper in Istanbul as compared to London or Milan. However, I actually never found the prices to be any lower than European markets and rightly so as Turkey is quite integrated with European markets.

During those shopping cum market-study trips, I came across many local Turkish brands such as Mavi Jeans and stores such as Beymen. I am certain many of you would have come across Mavi Jeans in the U.S. and the EU markets as well. The brand is owned by a Turkish family that used to be a full-package exporter of jeans to Western brands such as Levi's, et cetera. It was only in 1991 that they decided to launch their own brand. Today, Mavi Jeans is not only the top-most brand in Turkey but also retails in more than 3,000 retail stores in over 30 countries. Mavi can be seen sharing place of pride with the world's best denim brands in high-end stores such as Nordstorm. The brand has crossed \$200 million in sales in 2010 and expects to be a \$1-billion-sales company in the next few years.

Like any other brand coming from the developing world, Mavi had its own challenges over the last 20 years in business but came out stronger every time. I have studied the Mavi business model in detail through publicly available information as well as from my discussions with industry professionals with whom I deal with in Turkey. I also walked the malls and talked to store managers, consumers and its competitors. One common term that

# Time to Go Global

Why Indian brands lack the vision and confidence to create global brands







...if this trend continues...Indian brands will be relegated to lower tiers in the domestic market and will find it even harder to venture out...

I kept coming across everywhere was "great design." In fact, the design and the product quality hit you immediately the moment you enter a Mavi store. Even the first time when I saw Mavi Jeans and I didn't know about its origin, I was quite impressed with what I was holding. Mavi management has invested and continues to invest in design, product development and innovation to bring out excellent jeans that is no less than any of its competitors whether with deeper pockets or far longer experience.

Mavi is rightly held as a case study of creating a global fashion brand from a developing country. I have always observed that the import of fashion brands from developed world to developing markets is the easiest and the earliest one. And the export of fashion brands from developing to developed world is the toughest and may come far behind many other categories. However, Mavi has been quite contrarian to the rule.

Compared to the Indian fashion retail market, Turkey seems to be few steps ahead in most of the cases. And when it comes to their global ambition, Turkish brands seem to have moved quite a bit on a track that most Indian companies haven't even looked towards or probably

don't even believe as possible. Even fashion business houses such as Madura from Aditya Birla Group, which is one of India's earliest multi-brand retailers or Arvind that is one of the largest denim business companies in the world or even deep-pocketed Wills from ITC have not made any serious efforts in making their brands global. At best, they have ventured into Middle East and neighbouring countries and most of these forays are quite timid and certainly not the steps towards entering developed markets. I have brought it up with many of them over years and the most common counter argument is that – domestic market has so much potential so what is the rush in going to other markets?

The reality is that most Indian brands haven't achieved critical scale neither in sales nor in terms of design and product

development to be able to launch in developed markets. Instead, most of the leading fashion businesses have spent their energy and resources in tying up with major international brands and helping them grow in the Indian market. My worry is that if this trend continues over some more time, Indian brands will be relegated to lower tiers in the domestic market and will find it even harder to venture out and compete with other global brands.

Let us also look at China where local brands having achieved significant size in domestic market are now going aggressive with their global expansion. Li Ning and PEAK are just two of many such brands. Both of them have signed sponsorship deals with NBA and have also opened first few stores in the U.S. Li Ning is a global case study and has become \$1.5-billion brand already in China challenging international biggies such as Nike and adidas in the sportswear category. It has achieved all this in less than 15 years and is now all set to repeat this success in global markets.

I reckon that the Indian fashion industry has the required talent and experience, but somehow lacks the confidence and the vision that is required to create global brands. My hope is that if a garment manufacturing company from Turkey with no experience in fashion branding and a sportsperson from China could do it, it must be only a matter of time before an Indian company does it and paves the way for many others to follow. 🇮🇳

online retailing



# Selling Online? Dump the Discounts!

By Harminder Sahni

ONLINE RETAILING IS THE IN-THING THESE DAYS IN INDIA, WITH MOST BRANDS DEBATING THEIR E-COMMERCE STRATEGY. BUT HOW MANY OF THEM ARE WILLING TO SHED INANE RULES OF THE GAME AND BEAT THEIR OWN PATH TO SUCCESS? FOR EXAMPLE, WHY SHOULD RETAILERS INSIST ON GIVING HEFTY DISCOUNTS TO ONLINE SHOPPERS, WHEN THEY CAN ACTUALLY BOOST THEIR MARGINS BY CHARGING A SERVICE FEE FOR ALL THE CONVENIENCE E-TAILING OFFERS BUYERS?

→ These days, many retail and consumer product companies are thinking about their e-commerce strategy. The earlier fundamental question of whether to sell online or not has been settled and everyone seems to have accepted that online shopping is here to stay, just like the malls. Till recently, many skeptics were doubting the success of malls, calling them a developed world phenomenon where everyone has a car to go to one and load up for the next week or even the whole month.

In the case of online retailing too, the issues of connectivity, consumers' hesitation to use credit cards online, and huge challenges related to the last-mile delivery were most commonly cited for the phenomenon to be just a fad or at best a niche in India. However, we all know how online shopping has grown over the years, as has mall hopping. The scenario in the online world will be exactly like the malls where some

businesses will make money while some will not, but online shopping is certainly here to stay.

## MULTI-CHANNEL RETAIL STRATEGIES

Faced with e-commerce, brands have to confront and address various operational and tactical questions. Let me here focus on the challenge faced by brands which are already huge and reach millions of consumers across India through a multi-channel strategy. I will use the example of fashion brands that have both EBOs and MBOs. They have a major issue of channel conflict when they offer their brand online, as this clashes with the interests of their franchisees, distributors and retailers who have been loyally stocking the brand for years and contributed to its success.

My take on this is that just as retailers and other channel partners have learned to live with the inevitability of the presence of powerful brands in more stores in closer proximity and realized that this benefits all stakeholders in the

long run, they will also come to accept the fact that powerful brands will have to continue to forge ahead with new market developments and incorporate new channels into their overall strategy. Each channel will have to prove its own worth through performance and not earn its right to survive and be given protection because of legacy.

The brands will have to give their consumers the option of shopping through all available channels – the ones which don't will be left behind. The latter will lose market share and, eventually, their positioning, which will inevitably hurt all channel partners. It will be up to various channels to lure customers with their unique offers of services and product range, and it will ultimately be the consumers' call where to shop.

I believe most of the consumers in India will soon be shopping online. They will fall somewhere between the two poles of those who always shop online and those who never do. I expect the numbers at the far extremes of this continuum to be negligible by the next decade.





#### WHY ONLINE DISCOUNTS?

Let us investigate from where the issue of channel conflict arises. Many distributors and store owners have told me their major concern: brands offer discounts to online customers, which gives a major incentive to shoppers to cease buying from physical stores. I agree this is a valid concern and needs to be addressed.

When I spoke to brands, I found them to be struggling with an interesting question: "How much discount should we offer to consumers who shop with us online?" It may sound odd but my immediate reaction to this was, why should there be any discount at all for online shopping?

I asked the brands why would they like to sell online. The answer was that they needed to offer consumers the option of this fast-growing channel as more and more people are shopping online. So, brands are going online because they want to offer consumers a service. Then why should they offer special discounts to online shoppers? Customers will shop online or in a mall according to their wishes. The brands should treat online and offline shoppers equally in terms of discounts and promotions. Obviously, the offers can be packaged differently to suit the nature of a particular channel.

#### THE CONVERSIONS FACTOR

This argument, though absolutely logical, is generally not accepted readily by the brands, as the over-ruling norm of online selling is to offer attractive discounts to consumers. I would agree with this model if a brand's objective is to wean off its consumers from the traditional off-line sales channels and bring all of them online for whatever reason. In this case, it does make sense for online consumers to be offered discounts to convert them faster to e-commerce. However, once offered, those online discounts have to continue forever, else the same consumers may go back to the malls or even other online retailers.

For established brands with multi-channel strategies, I really do not see any reason whatsoever for offering special discounts on their products to online shoppers, either on their website or through multi-brand online retailers. That said, the last-season stocks are a fair game, and some multi-brand retailers are excellent channels for getting rid of these.

#### ADDING TO THE CONVENIENCE OF CONSUMERS

Stretching my argument further, I would recommend that some of the really powerful brands may actually

charge a service fee or convenience fee from consumers who wish to shop online from the comforts of their homes versus driving to a mall through traffic, paying for parking, rummaging through shelves along with other consumers, and stand in queue to first try and then pay for the product, that too only if they manage to find something of their choice.

Businesses such as multiplexes are already charging a hefty convenience fee on every ticket they sell online. Their justification is simple: online bookings offer customers the convenience of shopping from home, with guaranteed reservations and the choice of seats. So why should they not be paying a bit extra for this service? Most online customers tend to agree and pay up without much hesitation or complaint!

I reckon it should be possible for a well-established brand to offer innovative services to online customers and charge them extra, rather than debating how much discount to offer. For example, if a men's-shirt brand can offer services to online customers such as monogramming on each shirt, assured availability of sizes and designs, custom-tailored pieces and special sizes, I guarantee most of them will appreciate it and be willing to pay a reasonable service charge or premium for the extra convenience.

Online shopping is a still an evolving phenomenon in India and most of the rules of the game are becoming norms without having any well-established track record or serious justification. Smarter brands should stay away from following these blindly and instead find their own unique path, keeping in mind their own best interests while striving to offer consumers the best of products and services from all possible channels, offline and online. ❏

branding



Sahara Q Shop regularly advertises on television to promote itself as a brand

# Branding Retailers

By Harminder Sahni

BRANDING IS NO LONGER AN OPTION FOR INDIAN RETAILERS – IT IS A NECESSITY. HOWEVER, THE KEY TO SUCCESSFUL BRANDING LIES NOT IN THE MERCHANDISE AS MANY THINK, BUT IN THE QUALITY OF SERVICE PROVIDED TO THE CUSTOMERS

→ A few weeks back, I saw an advertisement of Sahara Q Shop on TV and that's when it struck me why so few Indian retailers have actually advertised on TV, or any other media for that matter. I don't remember seeing many advertisements by Indian retailers in which they are not talking about discounts or promotions or end-of-season sales (EOSSs).

Shoppers Stop does stand out as an exception with its few and far-between advertisements that are more like brand promotions and not a sales announcement. Other than that, a few retailers from India have spent a little money here and there in advertising, but their effort is hardly noticed in such a crowded market place.

Most retailers in India take the obvious path of locating their stores in the right malls or high streets and fill their shelves with well-known brands, and then send out discount coupons to attract shoppers to their stores. But this is exactly what their competition also does. So how does a retailer stand out in the mind of the consumers as a unique place to go to?

Had it all been only about merchandise, life would have been quite easy for retailers, but we all know it isn't. As long as there was only one mall and only one department store or supermarket in town, it was OK to be silent and let consumers figure it out on their own where to shop. But when there are

many retailers, shoppers get confusing messages.

If you ask a person on the street in Ahmedabad or even Pune "What is Shoppers Stop?" about half of them will say it is a mall, while the other half will likely say it is a big store that sells branded clothes. But if you ask the brand manager of Shoppers Stop, he will have a very different definition of their brand name. The differing perceptions of the retailer and consumers about the brand is due to the communication gap.

The retailers in India have chosen to be silent operators and are counting on the lack of availability of quality retail to attract consumers to their stores, not only once but time and



## branding

again. However, if we look at the overall performance of the sector, it is evident that this strategy of silence isn't working well and consumers are not responding as enthusiastically to organised retailers as expected.

The last few months have been grim and yet another reminder of the consumers' patience to wait for the EOSS to fill their shopping baskets. The retailers haven't given enough reason to shoppers to shop year-round and not wait for discounts or promotions. Actually, modern retail has been the catalyst in this whole process of bringing events like EOSS to the Indian market and thus bringing about a situation in which consumers are always waiting for the next sale.

Modern retail was supposed to organise the entire sector in a manner that was better than what prevailed. But it seems organised retailers have become "experts at organising sales" and nothing much else. The consumers' perception of these retailers is also driven by such events.

The big question is, how do retailers get out of this rut and create a connection with the consumers that will bring long-term, sustainable and profitable growth? There are many examples of how leading global retailers have gone beyond the merchandise mix and price offers to create lasting relationships with millions of consumers that have allowed them to enjoy large market shares, deliver serious profits and create significant value for their shareholders.

A retailer is far closer to the consumers than the brands. A brand has to depend on so many different mediums to communicate with its consumers. In comparison, consumers visit retailers all the time and the stores offer an excellent platform and medium to not only communicate but also interact with the consumers. A well-trained staff just by the sheer presence of mind can give a harried consumer a reason to smile and thus establish a lasting brand image in the latter's mind.

A store offers direct access to consumers while they are shopping and hence are most open to be

influenced, compared to trying to sell them detergent powder while they are having dinner in front of TV. Brands have no choice but to use expensive and ineffective media for advertising, but retailers are luckier. The problem is, most retailers don't realise their luck and tend to be too busy with managing stores and stocks. They fail to comprehend the potential of their store as a communication platform.

Retail is a services business that trades in merchandise. It is not a trading business which offers some services too on the side. Shoppers can easily get most items they need or their replacements in any store. Nowadays, they can actually buy products without even leaving their

store. Such iconic retailers or brands don't leave it to the power of their product to clinch a sale, but use high-quality services to ensure that the customer makes the purchase, even though he would have been perfectly happy just finding his choice of the iPhone or a jeans of his size and colour. If we take these companies as a template, imagine how much more would retailers need to do to create a brand image when they are selling the same bar of soap that is available next door or the same brand of shirt that is available at five other stores in the same mall.

Branding a retail store will not be a matter of choice but become a necessity soon when the competition



homes by shopping online and getting stuff delivered to their doorsteps.

So merchandise is certainly not the place for retailers to look for building a brand image – the key lies in the quality of service. And services are delivered by the shopfloor people. The retailers therefore need to invest in hiring the right people who are trained professionally, attired properly and are incentivised to service and not sell. A retail brand is only as good as its people unless it is offering something absolutely unique. But great companies still focus on services even if they are selling unique items like an iPad in an Apple store or some really-sought-after jeans at a Diesel

will be on every street and stores selling similar stuff will be located right next to each other.

The branding will become even more important when the retailers will move from the top 20 or 30 cities to the next 100 and then the next 1,000 towns. The retailers who start investing in building their brand image now will reap the rewards for the years to come. ☒

## ■ HARD TALK ■

# Growing opportunities for Department Stores

**S**hoppers Stop, India's leading department store chain, can very well be given the credit for starting the modern retail sector in India. When B. S. Nagesh with the support of the Raheja family converted an old cinema hall into India's first department store in the early nineties, the terms modern or organised retail wasn't even a part of the business lingo.

That single Shoppers Stop store in Andheri, in Mumbai, was a runaway success as it offered the new Indian consumers a better place to shop and showcased whatever limited brands that were available in the Indian market.

As compared to the definition of a typical department store in a developed market such as the U.S. and Europe, Shoppers Stop was way too small. It had very few departments and offered mainly men's clothing and some other items. But, nonetheless in hindsight it was a significant first step in the evolution of India's own modern retail sector.

Shoppers Stop's successful entry into

other cities and the opening of various malls made quality retail space available and this encouraged players such as Pantaloon, Lifestyle and Westside to launch department stores in competition.

Pantaloon, the first format launched by Future Group, was clearly inspired by Shoppers Stop's success, and the group leapfrogged to open numerous formats including Big Bazaar, Central and Food Bazaar. Over the years few more players have launched department store chains but the market has always been dominated by the initially launched four chains namely Shoppers Stop, Westside, Lifestyle and Pantaloon.

In my analysis, amongst these four players, Shoppers Stop has a very distinct strategy of being a "house of fashion brands" and has kept the course over the

last two decades. With a loyal consumer base of 1.8 million consumers accounting for more than 70 per cent of its sales from 34 stores in 14 cities across India, Shoppers Stop is now poised to double its number of stores in the next two years. It is quite astonishing that what Shoppers Stop has achieved in 20 years, it will achieve the same in the next 20 months! On top of it, the company is delivering stupendous profits consistently for the last many quarters, and seems to be on strong footing to continue delivering better results in the positive economic and consumption environment.

Lifestyle and Pantaloon do offer some competition to Shoppers Stop, but they aren't distinctly seen as a "house of fashion brands" by consumers due to large proportion of private label brands.





and other departments. Some people see a lack of large kids department in Shoppers Stop as a gap in offer, but it does support the positioning of a more matured store that is focused on fewer areas, and consumers seem to be loving it.

With lesser emphasis on private labels, Shoppers Stop enjoys far more leverage and support from brands that don't see it as a competitor in the disguise of a customer. The relationship

Amongst four players, Shoppers Stop has a very distinct strategy of being a "house of fashion brands" and has kept the course over the last two decades.

a shirt from Arrow can be matched with a trouser from Colorplus and be coordinated with a tie from Zodiac in one go on the men's floor in such a department store. The whole proposition is so obvious and compelling and when we add to it the benefits of customer-loyalty points that the consumers earn while buying across brands, it gets even more intriguing that there is only one Shoppers Stop that is milking this opportunity.

I see the main reason for others missing on this opportunity is the whole excitement of adding private labels to their offer either for extra margins or for putting pressure on brands. In this process, most of the other department stores have diluted their position by offering cheaper versions of brands under their private labels.

As they say that a retail store's brand positioning is closest to the lowest positioned brand it offers, and this has positioned some of our leading department store chains lower than their intended positioning. With a far wider range of prices, these department stores have been trying to become everything to everyone, and in the process have not been able to create a core customer base.

I see a really exciting opportunity for a department store chains that can clearly focus on upper-middle to premium consumers with a sharp positioning as "house of brands." A chain of such stores can go to around 40 top cities in India with a million-plus population, and open around 100 stores in the next 4 to 5 years, and be a business worth Rs. 2,000 crore plus. I recognise that it will need a very bold promoter to try to do what has taken Shoppers Stop 20 years to achieve in less than 5 years. But, given the fact that the market opportunity is far larger today and it is growing even faster, availability of retail space in malls, which are getting bigger and better every year, and the presence of a very large number of Indian and international brands, it should be an achievable dream. 



is far neater and structured and lends itself to greater commercial benefits for all stakeholders.

I firmly believe that a department store focusing mainly on offering fashion brands is a really strong proposition from consumers' point of view as well. The malls today are flooded with brands and consumers are continuously figuring out the real value that is being offered by a plethora of players from all over the world. I have always maintained that Indian consumers, specifically in the case of fashion brands, have never been "brand loyal" but have been "loyal to brands." Most consumers have a certain set of brands that they consider and depending on the offer of the season

from these brands they make a selection for their wardrobe.

This set of brands is also not static and consumers are adding new brands and deleting old brands continuously. The biggest challenge for brands is to either maintain their position in that consideration set or somehow become part of this coveted set. While consumers are making these evaluation and selection, the whole process is quite tedious if the consumers have to go from one brand store to another.

This is where the role of department stores as "house of brands" come into play. Not only consumers can look at many brands at one place but they can also buy across categories. For example,

■ HARD TALK ■

# Need for a **Billion-dollar** Indian Fashion Brand

One of the most talked-about events in the Indian fashion industry has been the recent launch of Zara with a big bang. But the bigger bang has been the stupendous consumer response to the brand. If one is to believe the first week sales numbers being touted, it must be the biggest opening for any kind or any size of store in the history of Indian retail. This raises

Europe a couple of years ago. H&M had been holding that position for more than 10 years. Many turf battles had been fought during this decade-long war for supremacy. Finally, Zara came out on top and has since been holding strong.

Zara is a brand created in Spain – a country not known for its fashion brands unlike Italy and France, or for mass



the all-important question: How and why has an international brand been able to achieve this in India where veteran Indian brands have failed?

We are talking about Zara – a fashion brand that is truly global and probably the most powerful today. Zara replaced H&M as the largest fashion retailer of

retail businesses as compared to U.K. and U.S.A. Starting with the Spanish market, Zara's dominance quickly spread to Europe and today, it seems poised to become the new global leader in fashion.

This brings us back to the question: How did Zara do this? How did it not only dream but also achieve this





Zara - a fashion brand that is most powerful today was created in Spain – a country not known for its fashion brands...How did Zara do this?

tremendous feat in one of the toughest consumer product segments that is fashion clothing? Moreover, how is it that no Indian fashion brand can boast a reasonable share in their own domestic market – a market that is one of the fastest growing apparel markets in the world?

The answer probably lies in my query itself. I believe Zara dared to dream because Amancio Ortega, the ninth richest man in the world, with a net worth of USD 25 billion, had the courage to dream. Amancio Ortega has led his company from the front and continues to take active part in all design and related issues at Zara.

A noteworthy point here would be that there's an evident simple correlation between the GDP size of Europe and the U.S. (at USD 16 and USD 14 trillion, respectively) and the size of the largest fashion retailers – Zara in Europe at close to USD 10 billion and GAP in the US at around USD 15 billion. Hence, though it is probable that India at USD 1.0 trillion GDP may have a fashion retailer with sales of around USD 1.0 billion, in reality we don't have any brand or retailer even in the ball park.

What could be the possible reason for this underachievement of Indian fashion brands and retailers? The reason

certainly is not the market size or its potential. With more than USD 30 billion of domestic apparel consumption, there is certainly enough potential for a billion-dollar player. And with an economy that is growing at an 8 per cent plus rate, the opportunity to create a big brand is far more probable as compared to a stagnant or mature market. We can analyse other factors such as consumer readiness, price sensitivity or even lack of quality retail space, etc., but I believe the problem is more fundamental.

As I mentioned earlier, one of the biggest hurdles could be the lack of visionary leadership. India cannot boast of anyone who set such an ambitious target and then led the whole organisation to achieve this within a reasonable timeframe. We don't hear, much less read, of any such plans or even intent from any of the players in the Indian fashion market.


Another reason that comes to mind is the lack of attention to womenswear by most of the apparel companies. Women's brands by leading companies are either addendum to their men's range or are an extension of the men's brand. There are very few large "women's only" fashion brands that are successful. This is in complete contrast to the developed international markets where women's

fashion dominates the scenario. Most big brands and retailers derive more than 65 per cent of their sales from womenswear. The situation in India is not only reverse but worse; men's fashion contributes more than 80 per cent of the revenue.

Over years this gender bias has become a self-fulfilling prophecy. The whole eco-system from designers, merchandisers, suppliers, store staff, brand managers and all other stakeholders have become quite proficient at managing men's brand whereas there's a complete vacuum in the women's segment.

Coming back to Zara's blockbuster launch, it is quite evident that the majority of consumers in Zara stores are women, and therefore the sales are in the same ratio. So, if fashionable merchandise is available in a nice ambience, women are the best bet for any fashion player.

What remains to be seen is whether any Indian fashion business house will pick up this gauntlet and have the courage to create a really fashionable apparel brand and retail business targeting a billion dollar sales from the domestic market, and then raise the bar to make it an international power brand like Zara has done. There's ample reason for us to believe that it can happen, but there's enough reason to doubt as well whether there's any Indian company that actually believes that it can do it. In most likelihood, it will be a new entrant in the market. Someone who may not even be on the horizon today. Not unlike Koutons who have created India's first Rs 1,000-crore men's apparel brand whereas many old players have still not made the mark.

The worst scenario will be if all Indian players choose to go with international brands and retailers successful in India rather than creating their own brand. A market with such huge potential, with significant history of textile and apparel, and with tremendous fashion sense and fraternity, deserves to not only create its own brands but also owes it to the world to offer yet another unique model as Zara has done. 



■ HARD TALK ■

# Brands, Consolidation & Economies of Scale

**F**rom the launch of the first few men's shirts brands in the early and mid nineties, the Indian fashion industry has come a long way; and today it boasts of an excellent mix of regional, national and international brands vying for consumers' attention and share of their wallets. The memories of pioneer brands such as Stencil are still fresh in the minds of many. Arrow's educational campaigns teaching Indian consumers the merits of a

button down shirts may seem amateurish today but they created the long-lasting relationship with consumers who have made Arrow so stupendously successful today. While I still believe that the Indian market doesn't have enough brands on offer but I am quite satisfied with the developments over the last 15 years. The most satisfying has been the boldness and courage with which numerous Indian companies have launched their brands across segments. Without fearing the arrival of power brands from different

parts of world, the Indian fashion market players have shown a lot of grit to create fairly successful brands within their chosen niche. Let us compare this with another excellent market - QSRs (Quick Service Restaurants) wherein the early arrival of McDonald's has stopped any Indian player from even thinking of launching a burger chain. The only competition to McDonald's is other MNCs such as Burger King and KFC. No Indian company has dared to challenge McDonald's in its domain while Indian





fashion brands have been challenging the world's best across categories.

There have been many successes as well failures in the industry but all in all the progress has been quite impressive. In between from 2008 to 2010 there was a bit of lull in terms of entry of new Indian players and launch of new brands. However, if the trends of last 18 months are to be believed, there seems to be a lot of activity on this front once again. One of the major reasons has been the slowdown on the garments exports side and the dwindling realisations from exports. Many garment exporters and textile players have now started looking at the domestic market much more seriously and many have launched their brands and others are working on similar plans to join the domestic bandwagon.

I am excited to see this but am also concerned about these developments. Many of these players are not realising the big changes that the Indian domestic fashion market has gone through over the last 10 years. It is no more a basic market wherein anything sells. Consumers have evolved and competition is serious and costs are prohibitive. It is not difficult to sell the first few thousand garments under any label or set up few stores in few cities under any signage. The challenges are more once the business grows beyond the initial stage. The entry barriers are really low in this business but the hurdles in the way of growth are really high. We have seen so many excellent brands faltering the moment they hit ₹50 or 100 crore of business as the promoters weren't prepared and had not anticipated the challenges that scale brings along.

It made me think and I dug deeper to look for the reasons for that have



been stopping Indian brands from growing really large and move to the next orbit. I found numerous reasons but the most fundamental has been the original promoters' sense of achievement on reaching a certain landmark like ₹100 crore in sales or 200 stores or something like that. Since most of the brands are launched by first generation entrepreneurs or by exporters who had no experience in domestic market, the sense of achievement is quite understandable and more so in the eco-system wherein there aren't many brands that have achieved much larger numbers.

Another reason that I believe stands in the way of achieving scale for some of these brands is the lack of quality professional management teams. This too

is quite an understandable cause because which serious professional would like to risk his career with a sub ₹100 or 200 crore brand wherein the promoter is still fully involved in each and every decision. More so when the same professional now has the option to work with much larger Indian or international companies with much larger scope and much lesser or zero interference.

This brings me to the point wherein I reckon that there is a case of consolidating many Indian brands under a single umbrella of a fashion house on the lines of say a Liz Claiborne or Jones Apparel or Miroglio or Kellwood. Each of these fashion houses have anywhere between 6 to 40 brands in their portfolio. While the brands are managed independently, certain functions such as sourcing, real estate, finance and IT are managed centrally. This not only gives these companies the major economies of scale to negotiate better with the vendors of all kinds of services and goods but also allows them to attract best talent from the industry to manage the larger scale of the consolidated business. The power of unity of numerous brands is also wielded

There is a case of consolidating many Indian brands under a single umbrella of a fashion house on the lines of say a Liz Claiborne or Jones Apparel or Miroglio or Kellwood.

## ■ HARD TALK ■



Now is the time for a new player to walk in and consolidate many Indian brands in the range of ₹50 to 200 crore under one umbrella and leverage their unity to create a highly efficient and profitable, large and scalable fashion house.

while buying media for advertising various brands. The ups and downs of various consumer segments are also leveled out by having so many different brands. While some may falter in a season, the others do well to make up for the overall numbers. From the investors, whether stock exchanges or private equity, these consolidated businesses are a far better bet to count on versus a single brand business that is rightly seen as very risky.

In India we already have fashion houses such as Madura and Arvind from the very start of the industry, and Genesis and Reliance brands have joined in lately. The companies such as Raymond have been adding brands organically as well as inorganically to build their portfolio. However, I believe now is the time for a new player to walk in and consolidate many Indian brands in the range of ₹50 to 200 crore under one umbrella and leverage their unity to create a highly efficient and profitable, large and scalable fashion house. The timing is excellent as

many such brands are hitting roadblocks and struggling to move beyond a certain scale and thus the promoters may be open to discuss possibilities of selling out. There is another set of brands wherein many PE funds had made investments during heydays of 2006-2007 and are now desperately looking for exits. They are finding primary markets unwilling to offer a way out and also not finding other PE players willing to let them off the hook. Even the strategic investment by larger fashion houses is not looking possible as these houses are busy growing their own brands and not so flush with cash to

make acquisitions, even if the valuations are attractive.

The way I believe it can work is that a team of seasoned professionals can come together, to launch holding company and invite various brands to offload their ownership of brands to this company. In return the brand owners should be offered shares of the consolidated company. That means instead of owning 100 per cent of their own brand, the promoter can have a certain percentage of this consolidated entity depending on the size and value of the brand they brought in. However, the key will be to make all these promoters agree to let go of the management control of their brands. Technically speaking they are selling their brands fully to another company in exchange of stock and not cash. If this holding company is able to bring in six to eight brands with a combined revenue of more than ₹500 to ₹700 crore than it will be all set to move to the next orbit. This proposition is certainly better than trying to launch new brand(s) in today's environment wherein the initial burn can kill the brand in no time. Also, it is certainly better than creating a portfolio of international brands which eventually will still be owned by principals. Won't it be much more exciting and fulfilling to create a billion dollar company comprising all indigenous Indian brands as compared to opening stores for foreign brands and letting them hawk their aesthetics at obscene prices. I am quite hopeful that some of the very successful fashion industry professionals will take up this opportunity instead of looking for the next better paying job with another MNC or large business house. ☺



# About Wazir Advisors

Wazir Advisors is a management consulting firm assisting Indian and International companies on business strategy, mergers and acquisitions, joint ventures, funding and investments. Wazir focuses on clients who offer products and services in consumer-focused sectors –Textile and Apparel, Retail, Food, FMCG, Consumer Durables, Media & Entertainment, Healthcare and Education.

Having worked with numerous national and international companies, corporates, PE firms, government & development bodies; Wazir has developed deep understanding of business dynamics in its sectors of expertise.

With a team of experienced professionals, Wazir offers a comprehensive range of services to its clients to create, compete and develop their businesses in exciting and challenging markets. Wazir's team comprises engineers, MBAs, financial experts and economists from reputed institutes who have worked across industries.

Scope of Our Operations		
Strategy	Alliances	Implementation
To us, Strategy means understanding the fundamental dynamics of a business: elements that create value and factors that drive competitive advantage for our clients	To us, Alliances are about helping form entities based on cooperation or collaboration with the aim of perfecting synergies and developing new competencies	To us, Implementation means in working hand in hand with clients in bringing ideas to reality and be a partner with clients from start to end

Wazir also has an Africa based subsidiary – Wazir Africa, which has done a number of assignments in African continent. Apart from this, Wazir has high-placed partners in key global regions of US, Europe, Japan and Turkey for facilitating cross-border businesses. This helps in responding to business requirements and challenges immediately and cost-effectively.

**Wazir's service offerings:**

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- Corporate strategy
- Business performance enhancement strategy
- Market entry strategy
- Marketing and distribution strategy
- Sector growth strategy

**Market Research**

- Consumer surveys
- Trade research
- Market intelligence
- Customer feedback & relationship management

**Implementation Assistance**

- Apparel factory re-engineering
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- Cluster and textile parks development
- Supply chain optimization
- Training for operators, supervisors and middle management

**Support for Investments**

- Cross border investments
- Company due-diligence
- Location analysis
- Partner search - M&A and JV, other forms of business partnerships
- Feasibility studies and bankable Detailed Project Report (DPR) preparation

**Policy Support for Govt. and Development Bodies**

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- Policy evaluation
- Establishment of industry support centers

**Thought Leadership**

- Knowledge partner in conferences organized by government and trade bodies

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**Care Consulting - Turkey**

Care Consulting is a Turkey based strategic and operational consulting firm founded by Yakup Gungor in 2007. Its services include strategic and structural consultancy, operational consultancy, supply supports, strategic partnerships, critical personnel search, creating market potential and investment support.

**Infinity Creations - Japan**

Infinity Creations was established in Japan in 1982 by Indian entrepreneur, Atul Parekh and one of Japan's creative designers, Kazuo Ogawa. Infinity Creations has expertise in gems & jewellery and fashion segments with connects at highest level in these industries.

**PCI Xylenes & Polyesters Ltd - US, Europe, Far East Countries, South East Countries**

PCI Xylenes & Polyesters is the global leader in consulting for the polyester and raw materials markets and has been foremost in its field since 1988. With offices and representatives in Europe, Asia and USA, PCI's ability to follow and analyse the markets is second to none.



## Connect with Us

### **Wazir Advisors Pvt. Ltd.**

3rd Floor, Building 115, Sector 44, Gurgaon - 122 002  
National Capital Region | India  
T: +91 124 4590300; F: +91 124 4590333

### **Wazir Africa Pvt. Ltd.**

6th Floor, Tower A, 1 Cybercity,  
Ebene, Mauritius

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**Harminder Sahni**

Founder and Managing Director  
harminder.sahni@wazir.in

**Prashant Agarwal**

Co-Founder and Jt. Managing Director  
prashant.agarwal@wazir.in

**Renu Aggarwal**

Principal Consultant  
renu.aggarwal@wazir.in

[www.wazir.in](http://www.wazir.in)