Need for a
Billion-dollar
Indian Fashion Brand

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

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 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 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 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

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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. BoF