



VOLUME XIII. NO.1

INDIA BUSINESS OF FASHION REPORT 2016

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/// FOREWORD ///



Fashion has always been a dynamic business, but now it is also becoming an increasingly complex category to build profits on. Let alone the fact that macros – such as input costs rising the world over – are shaking the bottom-lines, in the past couple of years, dramatic interventions of technology have hardened top-lines as well.

Fashion companies today have to constantly find not just new and more cost-effective sources of production, but also efficiencies and savings in their own processes. And all of this while staying ahead of the next consumer switch and the next tech-driven disruption.

Many fashion companies are finding it difficult to produce in sync with demand, primarily because the latter has become a rapidly moving target. Consumers' fashion interests are not just changing rapidly; shoppers are also offered innumerable variations of the same product on multiple, competing channels.

On the other hand, some traditional brick-and-mortar giants such as H&M and Zara do appear to be sailing through smoother waters. I believe their character – as fast fashion retailers – could be a key ingredient. With their products changing every few days, these retailers are able to generate fresh demand more frequently. Also, the fast stock turnover allows them to offer more differentiation, thereby influencing shoppers.

If this all sounds despondent, it isn't meant to be. The truth is, fashion is being bought in increasingly larger quantities in India. The growth story remains robust, but consumers are no longer buying in the patterns they used to earlier. It is a case of wallets being split among many different sales channels. Pure-play brick-and-mortar fashion retailers have to embrace the omni-channel phenomenon (many already have, of course), and intricately optimise it. Which means deploying the most incisive of mapping tech tools – Shopper Analytics, Big Data, what have you – to influence customer behaviour in real-time, and potentially generate future consumption as well.

In this edition of the India Business of Fashion Report (IMAGES Yearbook of Fashion), in addition to rich studies on key fashion movements in India, you will find many references by experts to the criticality of product differentiation and omnichannel optimisation, among other factors. To me, these two are at the top of the list, and by themselves should take care of the profitability challenge I wrote about at the beginning of this note.

Amitabh Taneja
CMD and Editor in Chief, Images Group

/// FOREWORD ///



You ask any urban Indian youngster today to name three top-of-mind fashion brands, and chances are none of those will be an Indian name. In fact, it is highly unlikely. It is not like Indians are religiously unfashionable; in fact, in recent times, obsession with the 'Look Good, Feel Good' way-of-life has resulted in jaw-dropping spends at salons, spas and fitness centres across India. But why has this not translated to the creation of inspiring made-in-India fashion brands?

Every year, thousands of talents graduate from respectable fashion schools around the country, but a decade on, only a handful of them achieve repute of any standard. There could be many what-might-have-been stories hidden there. In the absence of adequate capital and practical knowledge of retail and marketing, many young fashion designers find it impossible to reach beyond a boutique or two. In recent times however, some of India's biggest fashion companies have drawn from fashion school graduates to bring differentiation into their ranges. Among many other such instances, the recent collaboration between The Woolmark Company and designer Suket Dhir – to develop a line for Raymond – emphasises how creativity and business can be married to achieve product differentiation, while also inspiring other design talent.

In the ongoing tech-embellished age of consumption, when me-too replicas and cheap variations are available at a click, it is even more imperative that fashion brands convey outstanding product differentiation. One may have countless boardroom meetings about in-store strategy, omni-channel excellence, et al, but all of this means nothing if the product fails to excite consumers. As rising competition forces India's fashion companies to take a hard look at efficiencies and profitability, it has never been more critical to elevate the 'fashion' content in our fashion.

I invite you to read through the following insight-rich pages of the India Business of Fashion Report (IMAGES Yearbook of Fashion) 2016, and discover for yourselves the many different ingredients of creating outstanding fashion, made in India.

A handwritten signature in black ink, consisting of stylized letters and a flourish.

R S Roy
Editorial Director, Images Group

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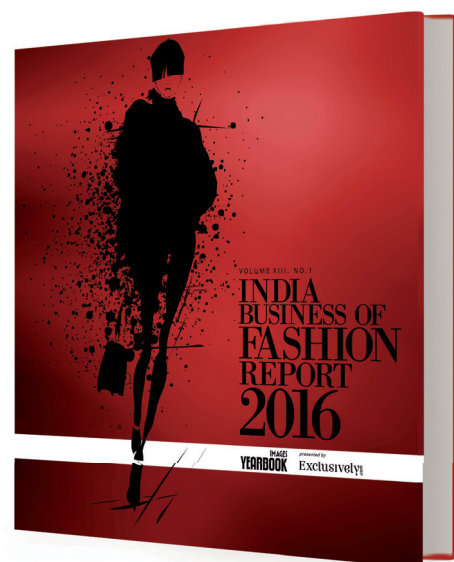
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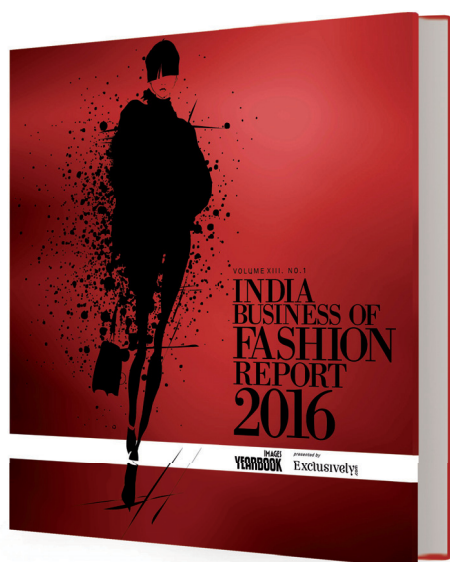
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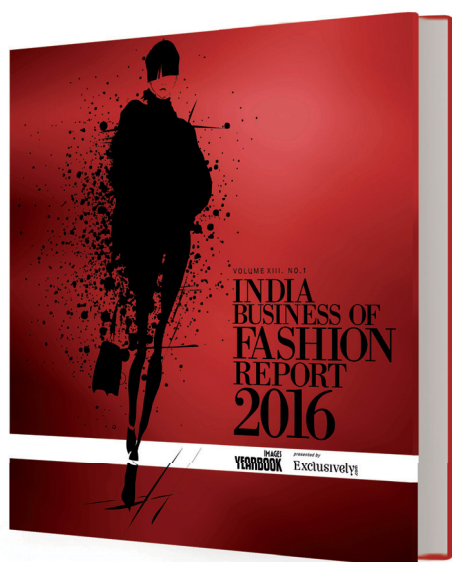
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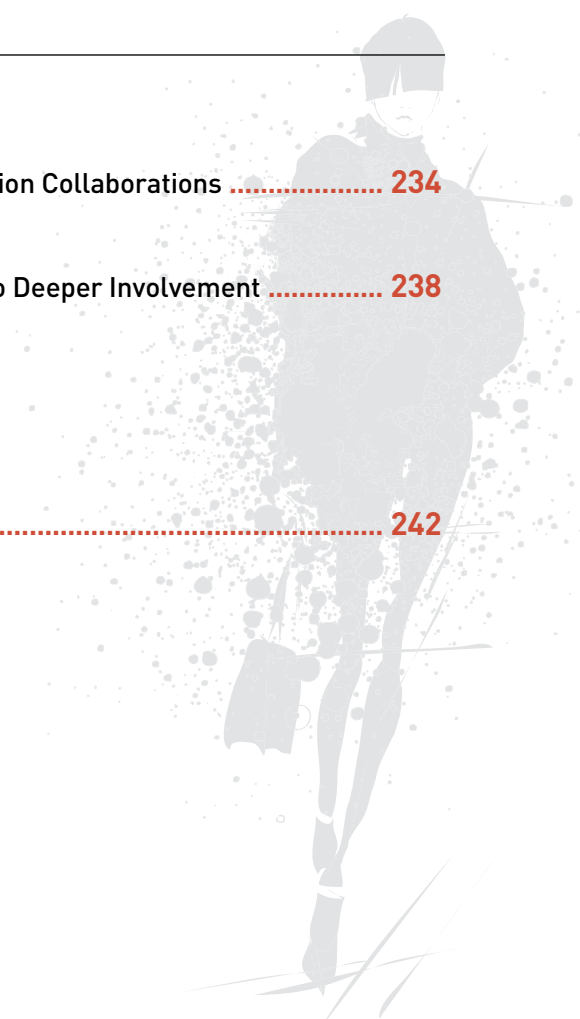
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THE GLOBALISATION OF FASHION: KEY MOVEMENTS, CURRENT TRENDS AND CRITICAL FORCES

By **Dr Thomas Vetter** Senior Vice President & Global Head-Consumer Industries, **SAP**

IN A GLOBAL FASHION RETAIL MARKET THAT IS INCREASINGLY GETTING MORE OPEN AND MORE COMPETITIVE, BRANDS NEED TO DRAW THEIR GAME PLANS FOR THE LONG RUN. DR THOMAS VETTER, WHO HEADS A TEAM AT SAP THAT HAS DELIVERED SOLUTIONS TO OVER 700 LEADING GLOBAL FASHION RETAILERS, SHARES HIS THOUGHTS.



EVOLVING RETAIL IN FASHION NETWORKS

By **Sanjay Behl**, CEO, **Raymond Limited**

ALONG WITH DEVELOPMENT OF TECHNOLOGY, RETAIL IS GETTING COMPLICATED. EMBRACING THIS REALITY OF DISRUPTIVE CHANGE AND STAYING NIMBLE FOOTED AS A RETAILER IS A PRE-REQUISITE TO PROFITABLY EXPLOITING THE IMMENSE OPPORTUNITY AND SMARTLY PARTAKING IN THE FUTURE OF FASHION RETAILING AND FASHION NETWORKS.



GLOBAL BRANDS IN INDIA: THE LATEST WAVE

By **Manisha Bapna**, **TEAM BoF**

IBOFR TAKES A LOOK AT THE LATEST WAVE OF INTERNATIONAL BRANDS THAT HAVE ARRIVED ON INDIAN SHORES OVER THE LAST YEAR. WE PRESENT BRIEF SNAPSHOTS OF THE BRANDS, THEIR ENTRY STRATEGIES AND INDIA PLANS.



With its huge catchment and consumption positive demographics the attractiveness of India as a destination market was never in doubt but the pre-game rules threw questions. "Are Indian manufacturers equipped to produce the high end quality products to the likes of Armani?"... counter asked the International giants for long. The embargo on 30 percent local sourcing and restricted entry channels for single brand retail companies, dipped Foreign Direct Investment (FDI) in retail year on year post 2011. As of November 2015, the FIPB could approve proposals worth ₹870 million only, compared to proposals worth ₹2.84 billion in 2014 for single brand retail.

The FDI policies were viewed as stumbling blocks for many luxury players as they were unsure about the manufacturing capabilities of Indian companies. However, government did tweak the 30 percent mandatory sourcing norm for FDI in single-brand retail to accommodate Swedish furniture maker Ikea after it made its application to invest Euro €1.5 billion in India. However, post the relaxation in FDI norms, single brand retailers can enter India without the 30 percent local sourcing clause, operate in India via both wholesale and single brand retail activities and set up their own e-commerce operations etc.

What has not changed is that brands still require government approval for FDI beyond 49 percent. Up to 49 percent is allowed under the automatic route subject to certain filings with the Reserve Bank of India. Additionally, mandatory local sourcing still applies to FDI beyond 51 percent requiring that at least 30 percent of the value of the goods sold be sourced from India.

For many foreign retailers, this requirement presents an obstacle to entering the Indian market due to myriad challenges in India's supply chain; however, there are many insisted on sailing in Indian waters. Here is a brief look on those who commenced operations from the beginning of 2015 till date.



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INTERNATIONALLY INDIAN: INDIAN DESIGNERS MAKING GLOBAL WAVES

By **Aarti Kapur Singh**

INDIAN DESIGNERS HAVE SHOWN THEIR CHARISMA IN THE INTERNATIONAL SPHERE AND THEY ARE WIDELY FLAUNTED BY TOP INTERNATIONAL CELEBRITIES AT AWARD FUNCTIONS, CELEBRITY EVENTS, RUNWAYS AND SOCIAL DOS. AARTI KAPUR SINGH PROFILES A FEW DESIGNERS WHO ARE HELPING PROMOTE INDIAN COUTURE GLOBALLY.



The 'Make In India Trumpet' has perhaps sounded the loudest in the fashion industry. Lady Gaga, Britney Spears and Katy Perry, among others, have become fans of Indian couturiers. Indian designers continue to create a name and distinct niche for their craft the world over. The demand for merchandise from Indian designers by global customers is on the rise and is ever increasing with the number of Hollywood stars donning outfits created by Indian designers for red carpet events and social dos. One reason behind this acceptance of the home country designers globally is also the spread of e-commerce. The entry of global designer labels such as Dior, Versace and Chanel notwithstanding, the West is lauding Indian design sensibilities.

Famous all over the world, our very own fashion designers have not only made a mark for themselves in the global market and fashion industry, but have also taken India to newer heights in the international fashion arena.



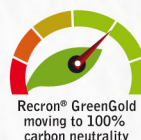
“DENIMS A RAPIDLY GROWING BUSINESS OPPORTUNITY FOR INDIA”

By **Dr. PR Roy**, Chairman, **Diagonal Consulting (India)**

INDIA CONTRIBUTES ABOUT 15 PERCENT OF THE GLOBAL DENIM PRODUCTION, AN INDUSTRY WHICH IS ESTIMATED TO BE AROUND USD 110 BILLION TODAY. ALTHOUGH, THE COUNTRY IS AMONG THE LARGEST PRODUCERS OF DENIM AND ENJOYS A HEALTHY COMPOUND ANNUAL GROWTH RATE OF 15 TO 18 PERCENT, THERE IS A HUGE GAP TO BE FILLED. SURVEYS DOCUMENT THAT BY 2020, INDIA WOULD NEED A GROWTH IN CAPACITY BY AROUND 40 PERCENT (AMOUNTING TO 1.5-1.6 BILLION METERS) FROM WHERE IT STANDS TODAY (1.2 BILLION METERS). THUS, A RAPID ADDITION OF SUCH CAPACITY IN THE COMING YEARS IS IMPERATIVE SO THAT INDIA BECOMES A GLOBAL HUB FOR BRANDED DENIM APPAREL.

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