

Tectonic Shifts in Global Fashion Retailing and Implications for India

In 2014, Karl Lagerfeld signed up with H&M to design its capsule range of menswear and womenswear. The collection was sold out in minutes, something unthinkable even a few years ago. Weren't mass fashion retailers supposed to be untouchables for the trendsetters of Paris? Mass retailers are not supposed to be known for making cutting edge fashion statements! So, what was Lagerfeld doing with H&M? Indeed, the past five years have been unprecedented for the global fashion business. It would be fair to argue that the fashion business has witnessed several tectonic shifts which have significant implications for the Indian fashion industry as well.

The first such shift is the transition of power from brands to retailers in terms of driving global fashion trends. Today, players like H&M, Primark, Uniqlo, and Zara define trends, launch designs, and capture the imagination of consumers, while brands like A&F struggle for survival and relevance. Between these two extremes is the war between brands and retailers which is clearly tilting in favor of the latter. New age retailers have successfully positioned their retail brand as a fashion microcosm. More importantly, they have managed to replicate their success across geographies. This power shift has also put a lot of pressure on multi-brand retail chains, which are now working overtime to align with the new reality.

Fashion has rapidly become more "democratized" - connoting mass appeal and affordability - in the past five years than it did in the past five decades. This is the second tectonic shift. In the good old days, new fashion used to be the *raison d'être* for premium prices, exclusivity, and differentiation between fashion brands. Fashion cycles created lags, of six months up to a year, before new designs were made available for masses. Today, new fashion is a mass trend right from day one. This shift is an outcome of multiple trends. A well-connected world has disrupted the fashion industry in terms of design, supply chain, and going-to-market.

This means that a new washed denim look can concurrently be procured from a Diesel as well as an H&M store, never mind the fivefold price premium for the former. This convergence of fashion at retail destinations is increasingly making the consumer reluctant to pay a premium for new fashion. Mass retailers have been extremely successful in exploiting this shift and are now being seen as fast fashion retailers. It is thus no surprise that Karl Lagerfeld no longer views H&M as an untouchable.

The onset of the digital age has altered consumer behavior towards forming opinions and triggering purchases, thereby making fashion consumers more heterogeneous than earlier. This third tectonic shift has seen niche themes, special interests, and lifestyle associations become powerful platforms to imagine new fashion businesses. Lululemon for Yoga Pants, Bonobos for customized denim, Under Armour in active and sportswear, and ASOS for teens are all multi-million dollar fashion businesses that are less than twenty years old. All these businesses managed to discover a large-enough market niche that didn't set the radar of mainstream fashion businesses buzzing.

It will be imprudent not to acknowledge the impact of these shifts on Indian fashion businesses. Branded behavior in India is severely restricted to a few categories, viz. men's formals, denims, etc. There is no fashion brand that has an annual turnover of over INR 3,000 crore (USD 0.5 billion). Consumers' low attention spans and heterogeneous behavior will increasingly pose a challenge for brands seeking to build scale. This will also threaten fashion retail businesses which are built on brand aggregation models.

On the contrary, the decade to come will be a great time for fashion retailers to aspire to and expand their businesses in India. Leading fashion organizations have already acknowledged this opportunity, while domestic organizations like Arvind, FabIndia, Biba, and Raymond's are increasingly repositioning themselves as retailers. Again, while international fashion retailers like Zara and M&S have tasted success, fashion retailers who are yet to make a foray, e.g. GAP, H&M, and Uniqlo, are building ambitious plans.

Over the next ten years, Indian fashion consumers will increasingly display ambidextrous behavior. While on the one hand, these consumers will become aligned to the global fashion sensibilities, on the other, they will also seek "Indianness" in trends. The outcome will be interesting fusions like a Nehru jacket with jeans or kurtas with denim leggings.

The rise of the habitually digital consumer will place e-commerce at the forefront of fashion retailing. This will allow fashion-led e-commerce start-ups and existing online retail businesses to dovetail ambitions, efforts, and resources. The Jabongs, Yepmes, and Zovis will corner a major share of mind as well as market.

All these developments are good news for both the consumer and for the industry. The entry of international fashion retailers will bring in best practices which will enable creating an ancillary vendor base. Fashion retailers will open up the fashion market for the masses, and e-commerce will provide an efficient and rapid route to market. Fashion also symbolizes quality and, by that yardstick, consumers are poised to get better products at better prices. Whether this is seen as an opportunity or a threat for Indian fashion businesses depends on the side of the table from which one views this question.