

Fabindia- Fabric of India

In 2009, with more than 90 stores across India, Fabindia, is looking towards expanding its operations overseas. Initially an export house, Fabindia has emerged as one of the leading players in the ready to wear segment, with the image of a quintessential 'Indian' brand.

The questions now confronting Fabindia are how it is supposed to take its expansion plans forward and increase its global reach, and whether the 'Indian' brand can gain enough of a foothold in the international market. Fabindia has also become a fashion statement in the "elite" and "intellectual" customer segments. It had also come to represent organic products.

"Fabindia was founded with the strong belief that there was a need for a vehicle to market the vast and diverse craft traditions of India and thereby help fulfil the need to provide and sustain rural employment."

"Our endeavour is to provide customers with hand crafted products which help support and encourage good craftsmanship."

John Bissell

Early Times

John Bissell who founded Fabindia was born in Hartford in Connecticut and was educated at the Brooks School in North Andover, Massachusetts, and at Yale. He was introduced to India by his father, who told him stories of his time in India when he was posted there during the Second World War. John Bissell worked as a buyer for the American departmental store, Macy's. In 1958, under a programme run by the Ford Foundation, he came to India to advise the Central Cottage Industries Corporation created by the Indian government, on showcasing Indian handlooms and handicrafts. His role was to advise on issues relating to marketing Indian handicrafts. He was new to India and he did not know any Indian language. In spite of these inconveniences, he travelled extensively over India and met several craftsmen. He came

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across a lot of skill, among craftsmen but he also observed that they had no idea about marketing their products and they were in no position to access distant urban or international markets. He liked his experiences in India and hence kept coming back. What Bissell discovered was a village-based industry with a profusion of skills hidden from the world. However, they lacked the skills to market their products and access the large urban and foreign markets.

Determined to showcase Indian handloom textiles, and providing equitable employment to traditional artisans, and sensing an entrepreneurial venture, Bissell established Fabindia in 1960. It was also to fuse the best aspects of East & West collaboration. Initially, Fabindia started as a wholesale export company, concentrating on the export of upholstery fabrics, durries and rugs.

Initially his goal was to export to the US and to other western countries. With that aim in mind, he incorporated Fabindia in 1960. The company operated from Bissell's residence in the posh Golf Greens locality in New Delhi. Growth was initially slow for the company and in 1965 the company moved out of his house into a proper office. By then, Fabindia had an annual turnover of rupees Rupees 20 lakhs. Most of this turnover was accounted for by a single buyer and a single supplier. A. S. Khera made durries and other home furnishings in his workshop in Panipat and most of the output was purchased by the UK based Habitat, which was founded by a famous interior designer, Sir Terence Conran.

Retail Foray

Bissell's Greater Kailash shop was a success. It attracted a distinct category of customers. But in spite of such success in its direct retail business, Fabindia remained dependent on

exporting and Habitat continued to be their single major buyer. In the early 80's, Fabindia made a significant addition to its product range by adding ready to wear garments too in their retail offerings. In an interview in 1977, Bissell said, "The greatest thing that happened to our business was the move in Europe and America a few years back to the natural look - natural textures, natural fibres - and away from things like polyester and nylon". Similarly, like in Europe and America in India, a distinct group was emerging. Some of India's new young

politicians, media stars and other celebrities patronized Fabindia and were able to provide Fabindia with nationwide exposure for its products. In spite of all that, its domestic retail business grew slowly. It continued to focus on export business.

However as time passed Fabindia's marketing shifted from exports, to the local Indian retail market. This was especially so from 1990s.

In 1999, on John Bissell's death, his son William aged 32, formally took over as the Managing Director of Fabindia. The Company's domestic expansion had been spectacular after William took over. By 2001, Fabindia had six stores concentrated in the metro cities. By the end of 2004, these had increased to 20, and the company was seriously considering expanding its stores into the tier-II and tier-III, cities as well as overseas. By the end of 2007 Fabindia had 75 retail stores across India and in addition, stores in Dubai, Rome and Guangzhou in China.

Fabindia across India

What started as an export house has today become a successful retail business presenting Indian textiles in a variety of natural fibres, and home products including furniture, lights and lamps, stationery, home accessories, pottery and cutlery. In 2004, food products range was launched and in 2006, Fabindia Sana, their authentic body care products range, was launched. Recently, it has also ventured into the jewellery segment. However, the major chunk of Fabindia's product range is textile-based.

The company has continued its focus mainly on the artisans and sources its products from over 15,000 craftsmen across India. With a strong foundation, the company has been successful in increasing its presence all over India.

Channels of business

It has created a visibility in the international market either through its own stores or through other retailers and boutiques and also through institutional sales. The main advantage Fabindia has enjoyed is that its products have a distinctive and quintessential style and it can easily be identified by potential customers.

Retail

The retail channel is already developed within India with almost 100 stores in Tier I and Tier II cities. As of today, internationally Fabindia owns stores in Rome (Italy), Guangzhou (China), Dubai (UAE), Manama (Bahrain) and Doha (Qatar).

The product range consists of garments for men, women, children and infants; garment accessories; home furnishings – bed, bath, table and kitchen linen, upholstery fabric, curtains, floor coverings and a range of non textile products like furniture, lights, lamps and stationery. In addition to handcrafted clothing and home furnishings, Fabindia's product line includes organic foods and body care products.

Wholesale exports

As of today, Fabindia exports to more than 34 countries. The clients are wholesalers as well as secondary retailers. Products exported include home linens as well as garments. Exports are done as per the Terms and Conditions agreed by Fabindia and the customer.

The export being a very lucrative market, Fabindia develops a special collection for exports markets twice every year. The special collections are showcased at the Indian Handicrafts and Gifts Fair, New Delhi in Spring and Autumn. This collection draws on different techniques to present a range of home furnishings comprising bed and table linen, with a focus on textures – both visual and tactile. As different wholesalers and retailers flock to these fairs to address their sourcing needs, Fabindia is able to reach out to potential clients.

Institutional Sales

Fabindia envisages to service high business institutional segment especially the heritage hotels and multinational corporate houses. It provides customization and interior designing consulting for clients like heritage hotels, resorts and corporate houses.

Merchandise Mix:

During the early days, merchandising was not a planned activity. Whenever Bissell saw something of interest, he procured it for display at the store. Sometimes he would also invite the craftsmen, to display the products and assist in the sale. This orientation of customer relationship later became a part of the company culture.

The expansion in merchandise mix is mainly done through customer feedback especially that of its loyal customers. Fabindia believes: “ A delighted Customer is our Best Brand Ambassador”

Fabindia does not follow any customer acquisition strategy. It instead focuses on customer retention. Fabindia creates its market through its existing customers which is quite evident from the fact that about 85% of its customers are repeat customers. The Unique Selling Proposition of Fabindia is the quality of the fabric and the traditional style, which is always in vogue. It has designed the stores' decor and ambience keeping this in mind. It constantly attempts to improve the quality of the products in order to retain its customers.

The company concentrates on customer feedback by maintaining a visitors' register to record customer views. The store managers prepare a report on buying pattern among consumers which is periodically reviewed by the Product Selection Committee at Fabindia . Recently, the CRM software has been implemented in a select few stores which aims to help in maintaining a centralized database. This will help Fabindia in retaining customers by building lasting relationships and improving loyalty. The implementation, however, is still in its nascent stage, but is soon expected to be spread across all the stores in the country. Fabindia also has the Mystery Shopper Program to gauge the customer satisfaction level. Mystery shoppers posing as normal customers perform specific tasks such as purchasing a product, asking questions, registering complaints or behaving in a certain way and then provide detailed reports or feedback on their shopping experiences to the management. It serves as an effective tool to improve the customer experience.

Moreover, the brand managers at Fabindia rely upon a concept of intuition. If a new line of traditional kurtis is launched, the jewellery which suits the attire also gets launched. It automatically gets sold without any promotion. Before launching any new product, be it traditional, western, organics, jewellery or furniture, Fabindia looks into the value which a customer may feel by having the product as a part of his/her life. Some customers are so inclined to Fabindia that they just don't believe in going elsewhere else, and don't even tell other people that they have purchased the particular item from Fabindia. This helps them create an image of exclusiveness . Hence, uniqueness, innovation and intuition are the most important aspects of Fabindia's product planning.

Store layout and location:

The store layout in Fabindia depends upon the type of store. Fabindia works on various types of stores which include concept stores as well as full fledged store. In a posh locality in a metropolitan city, Fabindia works as a full fledged store which has almost all the product lines. On the other hand, in a concept store, the place specific products are retailed. Market

potential determines store location for Fabindia, which is fast expanding in Tier II cities like Bhopal where still mall culture is non-existent.

The layout usually keeps clothes section at the back of the store and the entrance area is utilized for home products. The exclusive jewellery counter is also kept in the fronts.

Why Fabindia?

Fabindia since its inception has concentrated on cultivating an image of 'Indianness'. Relying on its word of mouth publicity, Fabindia has been highly successful in creating a pool of repeat customers, who come again and again for the unique Fabindia experience.

The core values of Fabindia have always been to provide its customers with quality products which reflect the unique Indian culture and tradition. Since most of Fabindia's customers are repeat customers, the motivating factor for the customer remains the quality and consistency of product and the service provided by Fabindia.

The major problems for Fabindia occur in the maintaining the consistency of the products. Since the supply and the manufacturing happens on a small scale over a large geographical, it becomes difficult for the firm to maintain the same level of quality. Fabindia makes sure that a minimum level of quality is maintained, but it also has strong relationships with all its suppliers. It makes sure that a supplier does not suffer due to marginal quality lapses. The Fabindia customers also understand this and are largely tolerant of the discrepancies in garment in terms of size & prints etc. In fact, over 77% of the customers buy Fabindia, because of the 'Fabindia' brand and its contribution to improving the life of rural artisans.

Fabindia has in store posters which educate customers about the dyes used in the products, and also the possible problems which could be faced in washing and using them. Thus, Fabindia has succeeded in making the inherent inconsistency of the product into an appeal factor by positioning each garment as 'unique'.

Also, even though the products sometimes have problems due to the fading of colours, or shrinkage, the service personnel make sure that the customers are not inconvenienced on account of such problems. The general response is to exchange the garment for another, which makes sure that the customer goes back happy, and remains a loyal customer.

In case of organic products, it is still a nascent market. Its appeal is mostly to people who are already aware of the product offering and have been using similar products. The major

problem there is erratic delivery and product availability, which does lead to customer dissatisfaction. But this is a very small part of the clientele. Over 83% of Fabindia's customers go back satisfied, with 58% being highly satisfied with the brand and its offerings.

Fabindia has been expanding its product range to include jewellery, home furnishings, Body care products, etc. This has mostly been done as an extension of the Garment brand. For example, the men's garment range was started because the founder, John Bissell, needed shirts. Therefore, for quite some time, the Fabindia men's garment line was restricted to shirts and that too in only one size, because it was John's shirt size!

Although Fabindia appeals to the Indian customer's need to remain rooted with the tradition and culture, it has made sure that it changes with the times. It had inculcated a large number of western fashions and garments into its range. This is done keeping in mind the customer feedback received and the inputs given by the store managers. Fabindia relies on its managers to identify client needs and trim the store offerings accordingly.

Competition:

Competition Faced by Fabindia is from both the organised and unorganised retail sector. The **unorganised sector** has the local tailors who provide customised garments to the customers at reasonable prices and the local NGOs selling wares. However, the scale of operations does not pose a major threat to Fabindia.

One such competitor is the Delhi Haat, an upgraded traditional weekly market, located in the hub of south Delhi. The place has been developed by the Tourist Department of Delhi to enhance the craftsmanship of our country. It is an amalgamation of craft, food and cultural activities. Unlike the village haat, the Delhi haat is a permanent haat that offers a kaleidoscopic view of the richness and diversity of the Indian handicrafts and artefacts. Spread over a spacious six acre area, imaginative landscaping, creative planning, and the traditional village architectural style provide for a major tourist attraction. One is very happy to get goods at a very nominal price here.

Another such regional competitor is the market outside the law garden in Ahmedabad. The law garden is a famous place for buying handicrafts and Gujarati outfits from local hawkers. This garden provides one with various recreational options like music, theatre, rides for kids and a great variety of Gujarati food.

The common thread that links both the Delhi Haat and the Law Garden is the experience they create for the customer by combining crafts, food and cultural activities. Such an experience

is lacking in case of Fabindia. A tourist would be lured by the overall ambience he gets in the former case.

However, a far greater threat is posed by the **organised sector** especially Government owned Khadi Gram Udyog outlets and Cottage Industries Emporiums across the country. The product mix offered by both is similar to Fabindia. Also, they have the backing of the governments. However, the quality of products and service provided by Fabindia is perceived to be higher than that of the government run outlets.

Fabindia's main competitors are the ethnic wear retailers like Khadder, W and Good Things, who are also expanding at a rapid pace. W, for example, has well over 30 exclusive stores now, in addition to being available at some multi-brand outlets.. There is also severe competition from the ethnic wear labels of modern Indian retail chains, such as Shoppers Stop and Pantaloons. Stand alone stores like Shristi and Biba in Bangalore, Prapti in Kolkata and Sadka and Shoma in Delhi have been doing well for a while and could pose a challenge by expanding. New competition is expected from overseas retailers also. The government has already permitted single brand retailers to set up shop and others like Carrefour, Walmart and Metro have devised ways to get into the Indian market. Powerful Indian business houses like Tata, Reliance and Birla are expanding their retail businesses.

The organised retail sector also includes outlets by corporate houses like Lifestyle and Westside which cater to the same demographic profile. However, the products served are more contemporary in nature and does not aim at the same target audience. Stores like Anokhi have the same target audience, but do not have the reach of Fabindia.

International Presence

Fabindia has gradually attained a strong foothold in India. It has become the niche player of choice for the urban and semi-urban masses when it comes to buying something with "Indian flavour" added. The constant product innovations and agility in identifying associated product lines has been the key. Be it garments with distinctive folk patterns to furniture with carvings and designs reflective of rich Indian heritage, the products have an intrinsic appeal to customers.

As of January 2009, they have 97 stores across the length of the country. They have also opened international stores in Italy, UAE, Qatar and China. Their network is spread across 34 countries worldwide and 511 destinations in India.¹

Market

From a turnover of 36 crore rupees in 2000-01, Fabindia has grown to having a turnover of Rs.130 crore in 2005-06. It registered a CAGR of about 38% in the period 2002-06. Such phenomenal growth has not come at the cost of profits. The profitability has been maintained at a rate of 6% for the entire period (See Figure- 2). For Fabindia William Bissell has set a very ambitious target of reaching 250 stores and a turnover of Rs.1000 crore by 2011. The growth is expected to come from new stores as well as increase in sales from existing stores. That increase will be achieved by increased emphasis on premium products. Also, Fabindia has attempted to decrease its dependence on fabric based businesses by increasing its other product lines. Currently organic foods, body care products and handicrafts form a significant part of its total sales. Growth in locations was expected to come from expansion in overseas markets as well as a greater penetration of the markets in smaller towns in India. As mentioned earlier, Fabindia planned to expand significantly in tier-II and tier-III cities in India. India has a flourishing retail business but most of it is in the unorganized sector. There are estimated to be over 120 lakh stores in the country. Of this, organized retail is only 3% but is growing at the rate of 18%. This organized retail sector is vying for a share of the spending of India's rapidly growing middle class whose purchasing power is estimated to be around Rs. 10 lakh crore. An estimate made by a professional demand forecaster shows that out of the total retail business potential, the Indian market for ethnic wear is likely to be a about Rs. 9000 crore. For geographies outside of India, there is a strong mysticism about Indian culture and hence the products reflective of Indian folk art hold great potential in those markets.

Given the over 8% growth in the Indian market and an upwardly mobile India consumer, it was quite clear that product and services enable a customer to make a statement, are going to grow in volume and value. The question before Fabindia Management is that of making Fabindia product exclusive or mass product. If he decided to make it exclusive, then it will have to look at issues of product design, store layout and even the store ambiance.

Increasingly, its competitors were using ethnic themes for their store layouts as also for designing garments.

EXHIBITS



Store Layout: Upholstery

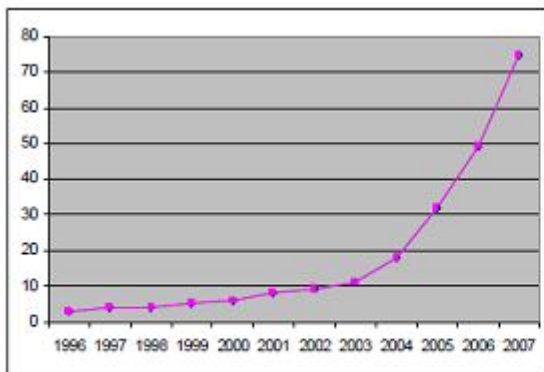


Figure 1: Growth of Stores since William took over as MD

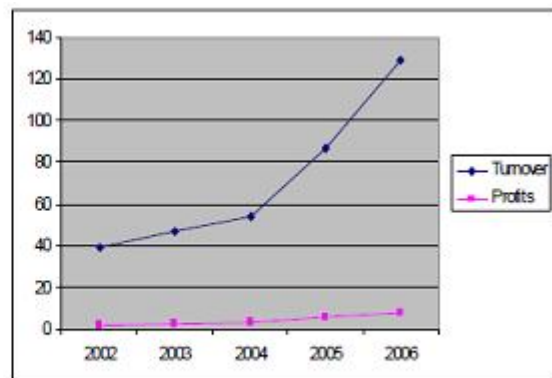


Figure 2: Profit and Turnover in Rupees Crores (2002 to 2006)

Competitors of Fabindia

	STRENGTHS	WEAKNESSES
UNORGANIZED SECTOR		
Tailoring Outlets	<ol style="list-style-type: none"> 1. Reaching out to customer with larger dispersion. 2. Ensures convenience of demanding service. 	<ol style="list-style-type: none"> 1. Very fragmented business approach.
NGOs Promoting Handicrafts	<ol style="list-style-type: none"> 1. Strong community based operations. 2. Complementary products manufactured with other firms. 	<ol style="list-style-type: none"> 1. Lack of retailing expertise and inability to minimize costs. 2. Products are mostly produced for souvenirs or artifacts of collector's interest.
ORGANIZED SECTOR		
RETAILING HOUSES :		
Garments Based (Shoppers Stop, Westside, Reliance Trends, Globus)	<ol style="list-style-type: none"> 1. National presence of outlets. 2. Retailing expertise and competitive pricing. 3. Agility for quick product development cycles. 	<ol style="list-style-type: none"> 1. Diversity of product is very less. 2. Retailing brands and in-house labels have a considerable share of product mix. The trends are designed as per recent garments and accessories trends.
Government Handloom Initiatives (Khadi Gramodyog, Cottage Industries Emporium, State Government departments)	<ol style="list-style-type: none"> 1. Strong legacy attached to products. 2. Subsidized manufacturing and costs. 	<ol style="list-style-type: none"> 1. Business is heavily influenced by bureaucratic approach of employees. 2. No significant product evolution.
Designer Boutiques	<ol style="list-style-type: none"> 1. Scope of product customization. 	<ol style="list-style-type: none"> 1. No uniformity in price across products.

	2. Highest level of customer intimacy.	2. Limited models of SKUs manufactured.
Organic Foods (Reliance, Godrej Agrovet, ITC Foods, Organic India)	1. Well established business houses with high brand equity. 2. Established and technologically equipped supply chains.	1. Profitability concerns as organic market is still at nascent state.
FABINDIA MODELLED GARMENT HOUSES		
Anokhi	1. Differentiable products. 2. Established brand and market.	1. Minimal product lines. 2. Handicrafts from western regions
Bombay (Swadeshi) Stores	1. Servicing high value customers.	1. Only located in Mumbai 2. Priced at a much higher prices than average Fabindia prices.

SWOT Analysis

STRENGTHS	<ul style="list-style-type: none"> • Differentiable products • Brand recognition and loyalty • Diverse product mix • Partnering with suppliers • In-house manufacturing • Price Trends Setter • Different categories of stores • Customer Loyalty 	<ul style="list-style-type: none"> • No specific promotions strategy • Limited channels of business • Sourcing strategy skewed towards suppliers • Inconsistent quality of products • Inconsistent service in stores 	WEAKNESSES
THREATS	<ul style="list-style-type: none"> • Substitute producing competitors • Not in touch with Fashion Trends 	<ul style="list-style-type: none"> • In store merchandising & navigation • Promoting e-business channel • Organic foods market • Customer acquisition strategies 	OPPORTUNITIES

Organized Retail

