Study Summary: Growth Strategies for the Indian Fashion Design Industry

November 2006
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Dynamics of the Indian Fashion Design Industry
Indian fashion design industry estimated at INR 1.8 - 2 billion

A Fashion Design Council of India (FDCI) study estimates the industry's to grow to INR 10 billion in the next 5-10 years

Core revenue earner for Indian designers remains high-priced 'couture', focused especially on wedding trousseaus

Industry is largely unorganized with its “cottages industry” style of functioning

- Back-end requires at best a couple of skilled craftsmen and master tailors
- Number of pieces to be produced is small
Changes Altering the Face of the Indian Fashion Design Industry:

- Dismantling of Quotas Under the Multi-Fiber Agreement
- Globalization of Indian Designers
- Growing Corporatisation of Designer Wear
- Growth of the Prêt (Ready-to-wear) Segment
Growth of the Prêt Segment

- Growth of organised retail and mall culture
- Growth being driven by the upper middle and middle classes
- Increasing awareness about designer clothing
- Shifting choices from unbranded to branded clothes
- Changing lifestyles and value systems
- Increase in individual expenditure on clothing

Prêt market has the potential of generating business worth INR 25 billion annually
Growing Corporatisation of Designer Wear

- Designers realizing the tremendous potential that exists in the affordable ready-to-wear market.
- Indian designers facing the challenge of scale up - procurement, people, processes and capital
- Designers looking actively at strategic tie-ups with large corporates to provide financial support and operation management expertise
- Ritu Kumar and Satya Paul (Genesis Colors took over the label in 2001) among the few ‘truly corporatised’ designer labels in the country
Corporate fashionwear houses entering aggressively into ready-to-wear designerwear segment

Raymond and Pantaloon are among the early movers in this segment

Raymond’s strategy of corporatisation of designer wear emphasizes affordability, accessibility and acceptability. “Be:” stocks over a dozen top designer labels, with 15 outlets spread across the country. Its turnover last year was around INR 170-180 million and it is reportedly improving its sales by 30 per cent a year.
Globalization of Indian designers

- Indian designers showcasing their creations at events in global fashion capitals such as Paris, Milan and New York
- Leading designers have now set foot in the international markets with their own signature collections.
  - Ritu Beri's label is available at Liberty's in London and Nieman Marcus in the US
  - Tarun Tahiliani's label is available at Whistles in London and Fasateel in Dubai
  - Kimono by Kiran Uttam Ghosh at RCKC in London
- Designer Rohit Bal has been selected to design a new South Asian uniform for British Airways staff
All quotas under the Multi-Fiber Agreement (MFA) were completely phased out by January 2005.

International buyers are no longer constrained to source from varied nations; can consolidate their supply bases.

China and India’s share in the global apparel market has increased substantially post-MFA.

India’s apparel exports are expected to grow at a CAGR of 19 per cent from $7.9 billion in 2005 to $18.9 billion in 2010.

China more cost competitive in the basic garments category.

India can compete with China through value addition and delivering low volume-high value exports in the high-fashion segment.
Surface Ornamentation

- Providing design elements and embellishments such as hand-crafted embroidered materials, scarves, textured fabrics and accessories
- Global design houses and labels such as Kenzo, Armani, Galliano, Dior and DKNY etc. Among key clients

Opportunities for Moving Up the Outsourcing Value Chain
High Fashion Garment Exports

- India is now **emerging as the new hotspot for sourcing high-end fashion garments**
- Design has emerged as the trump card for Indian exporters seeking a marketing edge over Asian competitors.
- Big international players like Walmart, JC Penny, Banana Republic, Marks and Spencer, Nike, Lee, DKNY, etc. have identified India as the outsourcing destination so as to take advantage of low costs.
- Current exports of fashion garments is pegged at around **10% of total** garment exports, translating into approximately **USD 790 million**
Design Process Outsourcing

- **Global fashion houses, especially in Europe** have always been the originators. But ironically, their ideas are getting staid and they are now looking elsewhere for fresh interpretations.

- Companies are **now seeking unknown and small design houses** with a brief to interpret a product in a completely different way.

- **Fashion czars of the world like Calvin Klein, Tommy Hilfiger, Benetton**, among several others, have been frequenting India in search of exclusive designs.

- **Saks Fifth Avenue and Browns** were among **400 buyers** who had gathered at the recent **India Fashion Week**. Others include **Maria Luisa from France, Sanskrit from Dubai, RCKC of London**
Key Factors Driving the Design Outsourcing Opportunity

- **Growing organised retail presence** is creating a market for designer wear and fashion products.

- **Market attractive** to global fashion houses such as Giorgio Armani, Gucci, Escada etc., besides large domestic garment manufacturers.

- Indian export houses and manufacturers **teaming with global fashion houses to meet their domestic and international sourcing needs**

Need for a new business model – an Indian Fashion House focusing on design innovation and offering **Design Process Outsourcing (DPO) services**
Design Outsourcing Opportunity Model
The Design Outsourcing Opportunity (DPO) Model

Clientele for a DPO

- **Existing fashion product companies:**
  - Design consultants for product development
  - Broaden their product portfolio
  - Launching a new brand for an existing product line
  - Revamping and re-conceptualising the existing brand

- **Retailers:**
  - Develop private label designerwear collections
  - Resolving sourcing or marketing concerns
  - Assist in finding suitable manufacturers
  - Integrated solutions from concept to design and design to execution
German Mulliez Group company Orsay, an international fashion brand for women, has inked an outsourcing deal with Bangalore-based Munch Design Workshop for its designing requirements.

Orsay has above 400 outlets across eight European countries.

First time that Orsay has outsourced apparel designing to a non-European company.

Collaboration is a tripartite agreement between Orsay, Munch Design Workshop and sourcing agent Francis Wacziarg Agencies (FW).

Based on a design brief from Orsay, Munch would propose ideas and design lines to be converted into a commercial product line by FW.

A European fashion brand signing up an Indian company to design for its European customers proves that Indian design IP is of global standards.
Strengths of the Indian Fashion Design Industry
Strengths of the Indian Fashion Design Industry

- Technology
- Outsourcing Precedent
- Cost Advantage
- Design Capabilities
Ability to leverage India’s outsourcing experience

- India, a Dominant player in outsourcing market
  - Large English speaking population
  - Talented workforce
  - Average Indian is well traveled
  - Exposure to global trends
- Well-wired, with world class telecom services
- Success of the Design Outsourcing Model in other sectors:
  - Automobile design
  - Industrial design
  - Architecture
- Cost advantage
  - Saving up to 40-50% of costs for outsourcing organisations
Growing Recognition of Design Capabilities

- **Being recognised as a potential design hub**
  - Edge over other Asian competitors
  - Traditional designs, embellishments and prints increasingly used by leading western designers

- **Rural arts and crafts – integral to Indian design heritage**
  - Rich handicrafts and handloom industry employing 6 million people
  - Exports of USD 11.2 bn in 2004-05, 31% constituting exports
  - Inherent strengths in flexibility of production and openness to innovation
  - Initiatives underway to integrate rural artisans with mainstream
  - Significant value addition in terms of design

- **Design concept to manufacture**
  - Apparel value chain with complete backward integration to textiles

- **Leading design institutes in India such as NIFT, NID etc.**
  - Specialised fashion design graduates
  - Mark on the International fashion scene
Cost Advantage

- **Infrastructure**
  
  Cost per workstation in UK will work out to 4,000 pounds whereas the price for the same in India is between INR 20,000 and 40,000.

- **Skill sets**
  
  A pattern master in the US will cost about USD 6,000 per month, while it would just cost USD 500 per month in India.
Technology – A Key Enabler

- **India’s maturity in Technology and Software services**
  - Opportunity in CAD – BPO space already opening up
  - Design Schools imparting training in related technologies

- **Increasing use of technology in design in various stages of production (Eg: CAD)**
  - Global apparel brands can achieve standardisation in India
  - Reviewing designs, prints, patterns and finish becomes easier
  - Seamlessness from design review to manufacture
Industry Challenges & Strategic Imperative
Challenges & Strategic Imperatives

Talent Orientation

Industry Status

Brand Development Focus

Business orientation of the design studios
## Challenges & Strategic Imperatives

### Talent Orientation

**Challenges**

- Indian designers would have to develop **cuts and silhouettes in line with the needs of foreign consumers**
- In **non-apparel fashion products** also there are specific design preferences of foreign consumers

**Strategic Imperatives**

- To retrain Indian talent in International styles and cuts.
  - Institutes can initiate exchange programs with leading fashion institutions abroad.
  - Organizations train their designers through in-house or external training programs.
### Challenges & Strategic Imperatives

#### Brand Development Focus

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<th>Challenges</th>
<th>Strategic Imperatives</th>
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<tr>
<td>▪ Indian designers frequently experiment with designs showcased in shows abroad</td>
<td>▪ A conscious effort to develop a brand by <strong>developing a distinctive style</strong>, and then promoting it aggressively.</td>
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<td>▪ Very few develop their signature style which is essential for designers to develop a brand. Eg The “power suit” of Armani or the “polo” sport shirts of Ralph Lauren</td>
<td>▪ Support may be sought from <strong>professional brand development organizations</strong></td>
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**Challenges & Strategic Imperatives**

**Business Orientation of the design studios**

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<td>The concept of a design house has not yet evolved in India. Most designers in India provide end-to-end services.</td>
<td>Designers need to develop a design specific business model in servicing global fashion houses.</td>
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<td>Existing design houses should seek to <strong>expressly develop their credentials</strong> by sourcing contracts from leading labels across the globe</td>
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Challenges & Strategic Imperatives

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<td>✪ Currently the fashion design industry lacks formal definition as an industry</td>
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<td>✪ This is a hindrance in developing a cohesive policy framework for the companies active in the fashion design field.</td>
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<tr>
<td><strong>Strategic Imperatives</strong></td>
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<tr>
<td>✪ Essential to confer industry status for fashion design</td>
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<td>✪ Further the ‘Fashion Design Industry’ should be considered as ‘Industry’ under clause 6(c) of the Industrial Park Scheme, 2002 issued by Ministry of Commerce and Industry (Department of Industrial Policy and Promotion)</td>
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Suggested Policy Framework
The fashion industry policy framework could be determined as under:

- **IP Protection**
- **Cluster Formation**
- **Infrastructure Development**
- **Benefits on par with the industries such as ITeS**
- **Funding Initiatives**
Policy Framework

Cluster Formation

- An ecosystem which rapidly builds the competitiveness of all the companies in a cluster.

- A fashion technology cluster would be a cluster of design studios supported by suppliers of raw material and ancillary services.

- The Fashion Technology Park at Mohali would be able to develop such an ecosystem.

Cluster Formation Case Study: The Fashion Industry in New York

- Despite Paris and Milan being the traditional fashion capitals, New York has been able to carve a niche for itself in the fashion industry.

- The industry generates over $14 billion in annual sales, and employs over 90,000 people in 4,000 factories. It also employs a number of models, salespeople, photographers and advertising executives forming a vibrant fashion community.

- A key element of the city’s success is its fashion cluster where designers, merchandisers, raw material suppliers and wholesalers, work in close proximity to each other creating a natural cluster drawing significant synergies across the value chain.

- This is also an effective market research medium wherein designers are able to quickly learn about latest styles and fads.
**Policy Framework**

**IP Protection**

- As compared to the Copyright Act, the *Designs Act of 2000* provides a stronger framework for protecting the intellectual property of the designers.
- A design registered under the Designs Act, Section 11(1), it gives the registered proprietor of the design a ten-year copyright on the design.
- Need for initiatives to increase the awareness of intellectual property rights among the designers and also a framework to implement the similar to the initiatives by the music industry and the film and television industry.

**Benefits on par with Industries such as ITeS**

- It is essential to promote the industry with *incentives similar to other knowledge intensive sectors such as the ITeS industry*.
- *Indirect tax incentives such as duty relaxation* on imports of capital goods or raw materials.
- *Direct tax incentives* such as 100 % tax holiday for the first 10 years of operation.
Funding Initiatives

- For upcoming designers, unavailability of funds have always been a serious deterrent.
- Industry status would be able to help designers in raising funds.
- It would be helpful if the Government is able to develop a corpus of funds which can be disbursed as debt or equity.

Infrastructure Development

- IT connectivity, urban and social infrastructure which are critical to most other industry sectors are essential for the fashion design industry as well.
- Specialized facilities such as FTP can provide an edge to the Indian fashion design industry.
- Developer benefits similar to those available to developers of SEZs or Software Technology Parks; such as 10 year tax holiday; should be made available to the developers of such fashion technology parks as well.
Fashion Technology Park (FTP) - A Defining Step
Proposed Fashion Technology Park at Mohali

Objective

- Creation of a complete fashion industry cluster
- Work with various promotion councils such as the AEPC, FDCI etc. to create a global image of Indian fashion
- Promote the country’s domestic potential for consumption of fashion products.
Proposed Fashion Technology Park: The Concept

FTP Nucleus

- Industrial Zone –
  - Design Studios

- Knowledge Center –
  - Business School of Fashion

Support

- Commercial Zone –
  - Mall
  - Retail Boutiques
  - Hotel

- Residential Township

Promoted by Chandigarh Overseas Private Limited (A Green Field Ventures Group)
Impact of the Fashion Technology Park

Formation of Fashion Clusters

Social Benefits

- Increases operational efficiencies
- Enhances cluster competitiveness
- Knowledge Center provides trend forecasting

Benefit to Fashion Designers

- Generates direct employment
- Generates rural employment
- Provides opportunity for SMEs

Economic Benefits

- Provides common physical & infrastructural facilities & marketing services
- Increases economies of scale
- BPO in Fashion design services

Other Stakeholders

- Contributes to the regional economy
- Boost for small business community
- Steady income for rural craft persons
- Provide latest design & innovation services to fashionwear producers
- Dedicated commercial areas such as malls & boutiques gives direct access to consumers

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Thank you

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