

***Evaluate how macro-environmental factors impacting India are affecting how fashion marketing is executed.***

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**Abstract**

This report will explore the macro-environmental factors unique to India, and analyse how they are affecting fashion marketing within two selected brands. A definition will be given of both macro-environmental trends and market strategies. Macro-environmental factors specific to India will then be analysed including the economic, social, political, legal and environmental aspects. The report will then relate the factors arisen and apply them to Zara and Versace; two brands that have both been successful and struggled in landing in the Indian market. A comparison will be drawn to fully evaluate the brands successes and failures as a result of marketing strategies which will lead to the recommendations, made for both Zara and Versace. The report will conclude three key issues that have emerged from the research and analysis, as well as further suggested research.

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## Introduction

This report will look at the macro-environmental factors affecting India and how they are influencing fashion marketing. Macro-environment is defined as 'the wide-ranging global, economic, technological, sociocultural, demographic, political and legal forces that affect an organization and its task environment ... it is uncontrollable and its forces are broad-based and not necessarily industry specific' (Jones & George 2008, p38).

With a population of 1.21 billion, India is diverse, with an elaborate history reflected in its architecture and ways of life; it is a very colourful country, visible in traditional clothing, food and a number of festivals (Hole, 2011). Politically, the country is the world's largest democracy, and women are becoming increasingly independent. There is widespread poverty but due to a rising economy, this percentage is diminishing and a middle class is emerging (BBC, 2013 [Online]).

These macro-environmental trends will affect marketing strategies of many brands expanding into India. Ferrell and Hartling define marketing strategies as the connection between the organisation to its customers, as well as the flow of product from the point of conception to the point of consumption (2014). The impact of India's external environment on Zara and Versace's marketing strategies will be explored fully throughout this report.

Aim:

- To investigate how macro-environmental factors impacting India are affecting fashion marketing.

Objectives:

- To identify India's current economic, social and political trends using relevant and international sources.
- To describe and compare how these trends have affected both Zara and Versace's marketing strategies in India using brand databases and academic publications.
- To summarise three key issues emerged from the research and suggest avenues of further investigation through analysing the outcomes.

## Macro-environmental Factors Unique to India

### *Economic*

According to Live Mint, India is expected to become a \$2 trillion economy by the end of 2014-15 (Mishra, 2014 [Online]). The Reserve Bank of India predicts a growth of 5.5% by the end of the current fiscal, increasing to 6.3% in 2015-16 (Times of India, 2014 [Online]). Figure 1 shows the annual growth rate from 2012 – 2014, supporting the prediction of RBI.



**Figure 1 - Graph showing India's annual growth rate in GDP 2012 – 2014 (source: Trading Economics, 2014)**

Despite India's fast economic growth, it is largely impoverished. There is a clear divide between rich and poor, although between 2005 and 2010 'the number of poor has declined significantly from 41.6% of the population to 32.7%' (Mishra, *Op-Cit*).

### *Social*

As a result of the growing economy, India has seen an emerging, urban middle class in recent years. This new middle class have higher aspirations and increasing exposure to western products (Fashion United, 2013 [Online]), meaning western brands are more desired in India, making it more viable for companies to expand.



**Figure 2 - Slums vs. Skyscrapers in Mumbai (source: Langley, 2013)**

In keeping with this trend, the number of households with a television doubled between 2001 and 2011 (Mishra, *Op-Cit*), which equates to more than 150million (BBC News, *Op-Cit*). There are more mobile phones in the country than toilets (BBC News, *ibid*) which suggests that society are willing to spend more on technology than basic hygiene standards – something western brands could capitalise on. ‘12.6% of Indian citizens are online’ (BBC News, *ibid*), quite a small percentage when compared to the total population; however this could be a reflection of widespread poverty, depicted in figure 2. Along with television, mobile and internet technology, Bollywood film is a renowned product of India, contributing approximately \$1.5 billion dollars to the economy (Box Office India, 2010 [Online]).

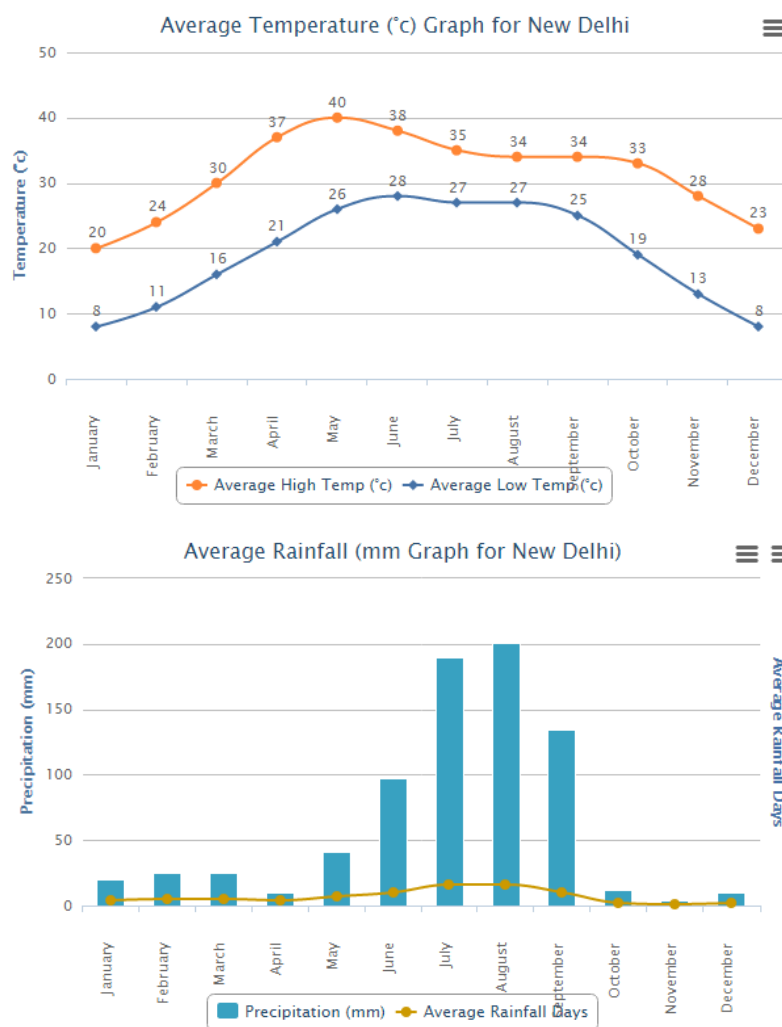
Professionals in the emerging middle class now have more money to maintain a middle class lifestyle, and 57% of them visit luxury stores rather than ordinary neighbourhood shops (Lange & Meier, 2009); ‘the ability to buy expensive goods from upmarket shops and malls represents their newfound economic and social status’ (Lange & Meier, *ibid*). With growing disposable income and relative increase in the younger population, there has been a change in attitudes towards shopping. ‘The emphasis has changed from price consideration to design, quality and trendiness. The desire to look and feel good is also guiding factor for customers [...] shopping has changed from a chore to an enriching experience’ (ICMR, 2007

[Online]). These are aspects that market researchers would need to evaluate when considering the most appropriate method of marketing for Indian consumers.

### *Political/Legal*

Import duty is an issue faced by both individuals and commercial entities in India. Rates vary from 0% - 150%, and are worked out based on CIF – cost of imported goods, insurance and freight; along with these high rates, landing duties and countervailing rates are also payable for imported goods (Duty Calculator, 2014 [Online]). Import duty could make it difficult for companies to bring products into India, and depending on how high the rates are; their pricing strategy may be higher than it might otherwise be in order to make a profit.

### *Environmental*



**Figure 3 & 4 – India's average temperature and rainfall (source: World Weather Online, 2013)**

India's climate is consistently hot, with a monsoon season from mid-May to August (World Weather Online, 2013 [Online]). There is little change to temperature throughout the year, see figures 3 and 4, meaning consumers do not necessarily need to change their wardrobes seasonally in the same way UK consumers do. This could be problematic for western brands expanding in India as the majority of western product changes rapidly to match seasonal needs, while India does not have this same requirement.

## **Zara**

### *Company Background*

Zara is part of the Inditex group, opening its first clothing store in 1975 and the first Zara Home store in 2003 (Inditex, 2014, [Online]). Zara announced in 2007 plans to expand into India and opened their first store in Delhi in 2010 (Datamonitor, 2010, [Online]). 'Current regulations on FDI [Foreign Direct Investment] in India stipulate that foreign single-brand retailers must pass a 49% stake to a local partner' (*ibid*, 2010, [Online]). Therefore a partnership was set up with The Tata Group, India, in order to support Zara's move and create a local point of investment and alliance (Tata, 2009, [Online]).

### *Success in India*

India does not have 'many seasonal variations' therefore turning around the stock every season could form problems for Zara as they enter the Indian market (Roy, 2010, [Online]). Indian customers will therefore shop less than a European customer with a smaller need for an adapting, seasonal wardrobe. However, Western clothing is an increasing aspiration in India, with travel allowing global trends to spread due to 'India's rise as an economic power' (The Economic Times [Online], 27.03.2011).

'In India, most foreign retailers have struggled to build a strong franchise based around import-led premium pricing strategy' (Roy, *Op-cit*). Managing Director of Third Eyesight, Devangshu Dutta, suggests that Inditex are focusing on strategic pricing in order to keep it lower than its global competitors in India, and avoid high pricing due to the 30-40% duty pay (*ibid*, 2010).



### *Marketing Strategies*

'Zara is a follower in fashion but an innovator in the way the product is marketed and communicated' (Dahlen, M. Lange, F. & Smith, T., 2010, P.122). Inditex has a strong distribution strategy allowing a two week turnaround of product with competitive brands taking up to six months to get new merchandise into the store (The Economic Times, *Op-Cit*). This marketing strategy could be too complex for the Indian market as the climate in India is less diverse than that of European countries (Roy, S. *Op-Cit*). Therefore 'communication and integration are critical success factors' for Zara, especially as they grow into larger markets (Dahlen, M. et al. *Op-Cit*, P.122).

Marketing in terms of image and promotion is of little existence for Zara, relying on 'buzz marketing' and word of mouth (*ibid*, P.123). Chief Executive, Echevarria, understands the store to be 'the most effective marketing communications tool' (*ibid*, P.123), therefore the consistency of visual merchandising should be relevant to the Indian consumer while staying true to Zara's brand image (Figure 5). As the Indian market aspire to a Westernised wardrobe due to its rising economy (The Economic Times, *Op-Cit*), marketing via word of mouth will become a snowball effect in India giving Zara the potential for growth.



Figure 5 – Zara Store in Mumbai (Mumbai Boss, 2010 [Online]).

## **Versace**

### *Company Background*

Versace is known as one of the leading fashion brands worldwide, epitomising sensual glamour and a symbol of Italian Luxury (Versace A, 2014 [Online]). In 1978 Gianni Versace launched his company and first women's wear collection in Milan (Versace B, 2014 [Online]). From then on Versace has grown and now includes 93 stores worldwide (Reuters, 2013 [Online]), with the luxury brand now worth \$5.76 billion, according to Forbes (2013 [Online]). In 2005, Versace entered India through a partnership with Blues Clothing Company; however after the closure of several stores following a struggle to break the Indian market, Versace changed partnership to Infinite Luxury Group that also represents luxury brands such as Roberto Cavalli and Missoni (Live Mint, 2013 [Online]). Santo Versace, co-chief executive of Versace, said in a speech "India, in the luxury goods industry in particular, is not easy to conquer. High-end Indian consumers have centuries of aesthetic tradition at their backs that have shaped their taste" (India Real Time, 2011 [Online]); showing the understanding of the risk the fashion house would take to enter such a prolific market.

### *Struggle in India*

The lack of upmarket spaces for luxury brands to set up is a concern for the sector looking to move into the Indian market (*ibid*, 2011), with no equivalent to New York's Fifth Avenue or London's Bond Street. Furthermore Indian customers prefer to buy luxury goods abroad due to the high import duty of up to 150% (Economic Times, 2012 [Online]). The number of obstacles in place when moving to India reflects the 25% of markets that either change partners, or exit India altogether (Live Mint, *Op-Cit*) with Mehta of Reliance Brands adding that brands need to understand that payoff comes in the next 10 years, which not all companies can afford to wait for (Live Mint, *Op-Cit*).

### *Marketing Strategies*

As Ferrell and Hartline (2014, *Op-Cit*) described marketing as the connection between the company and the consumer, Versace's approach in India is paramount in reaching a new customer base in a different market. After the DFL Emporio Mall

was built in New Delhi, Versace opened a 230 square meter space with a minimalistic boutique style and Italian floor tiles shown in figure 6 (Vogue India, 2013 [Online]). This is the first store to open in partnership with Infinite Luxury Group, presenting a luxury and desirable space for their Indian customer base (*ibid*, 2013).



Figure 6 – Versace boutique, DLF Emporio Mall, New Delhi (Vogue India, 2013 [Online]).

## Comparison

As previously stated, between 2005 – 2010 poverty levels decreased significantly in India (Mishra, A, *Op-Cit*). Versace entered the Indian market in 2005 and struggled, while Zara opened their first store in 2010 and have thrived. Therefore this rising economy infers that the time a company enters a new market must be considered in order to succeed. Without a stable economy, consumerism levels will be low due to a lack of disposable income, creating obstacles for companies expanding into India.

Both Zara and Versace have joined with local partners as a point of investment under the laws of FDI (Data Monitor, *Op-Cit*). However, this is not always a route to success, as seen with the breakdown of the partnership between Versace and Blues Clothing Company. On the other hand, Zara's venture with The Tata Group, India, proved to aid company success overseas.

Based on the relationship between the organisation and customer (Ferrel & Hartling, *Op-Cit*), both Zara and Versace's approach to marketing in India is through their

store concept. The store setting is the fundamental marketing strategy both companies share in order to reach and communicate with their customers.

### **Conclusions and Limitations**

From this report, it is clear that the economy, the local Indian partnerships and marketing strategies of Zara and Versace are the three main aspects that have arisen. These issues will continue to impact brands considering expansion into India, but following the examples set by these two companies could lead to a positive position in the Indian market.

The macro-environmental factors impacting India have been addressed and linked to two global fashion brands and their marketing strategies. Having analysed contemporary sources and theoretical concepts, the economic, social and political trends of India have been considered against Zara and Versace, focusing on the effect these have had on their marketing strategies.

From the extensive research and analysis, certain limitations of this study occurred. These include a lack of contemporary literature and academic sources relating to the specific brands, and finding current macro-environmental trends in India without using digital sources.

Having concluded this report, to further enhance the research, more could be undertaken, including discovering global brands looking to enter the current Indian market, and how this would be undertaken. Deeper analysis of the current economic state and the successes and failures of companies that have previously entered the market can help guide prospective brands in their expansion. Furthermore, marketing strategies of existing Indian companies could be researched to allow for a more in depth understanding of the promotion that Indian consumers respond to.

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Appendix: Gantt chart

|                  |  |
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