

POSITIONING IN A COMPETITIVE MARKET: A DISCOUNT KING - SHANTABIL

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ABSTRACT

Apparel industry is highly competitive in nature with many big players like ITC, Raymond, Aditya Birla. The market shares are distributed in uneven manner due to highly competitive market.

Aggressive market, Innovation, Variety & unique selling proposition [USP] of different nature make the apparel industry highly competitive, price sensitive and user friendly. Shantabil Apparel (identity not revealed) is a unique marketing phenomenon of failure, success and rebirth by using innovative marketing strategies. Established a decade ago with a small capital and innovative practices, the company now established its own position with unique brand entity. At the beginning the promoters of Shantabil found it difficult to sustain their readymade garments because of extremely price sensitive market. The initial efforts could not work to offer desired sales and profitability. The primary marketing strategy of the company was to offer quality product but for the want of right positioning and identity by the customers, the product miserably failed.

Survival and rebirth became the primary marketing strategy of the marketing planners. A careful study of Indian market specifically young and urban middle class buyers was made to understand how a positive response can be evoked. This resulted into designing a marketing strategy based on following features:

1. Identifying the right customer segment
2. Niche marketing strategy
3. Developing USP
4. Creating product differentiation

The multi prong marketing strategy was thus designed keeping in mind the above four basic elements of marketing strategy. Marketing planners of Shantabil thus found a new marketing mantra that brought heavy selling success. Heavy discounts round the year was made the USP of the company, instead of offering discount on selected item for a season or specific period. This resulted in perfectly impacting the psychology of the Indian customer. Similar efforts were made to offer large varieties of products in the same product range. In a competitive market mere discount can not work as a USP, hence the company also introduced quality and innovation as its two other major strengths. The company established its own R & D department to offer high quality product with creative designing for fashion conscious customers. Today the company has established its brand name on a firm footing and hence the company is coming up with an IPO [Initial Public Offering] for the establishment of new integrated marketing facility and the expansion of exclusive brand outlets.

INSIGHTS

The case promotes following insights

1. Working in a competitive environment requires a highly structured marketing strategy
2. To establish a brand, a strong USP is required Market positioning is the function of price, innovations and quality as the basic determinants.

Keywords: Discount, competitive market, apparel industry, marketing strategy, unique selling proposition [USP]

INTRODUCTION:

Retail is a flourishing industry in India boosted by growing economic prosperity, with millions of middle class consumers enjoying a new affluence. In terms of numbers, the country provides the second best global opportunity for retail development. In the last five years, India has become a hot destination for the entry of global consumer brands and international business entities.

Despite the changing economics, the Indian consumer is shaping how modern retail grows. The change that is being witnessed is that the consumer is getting more conscious and is demanding more value for money. It has become important for retailers to understand the consumers and position one's retail stores accordingly.

The Indian retail market has been ranked the most attractive emerging market for investment followed by Russia and China in the retail sector by AT Kearney's eighth annual Global Retail Development Index (GRDI), in 2009. It has improved upon its second rank in 2008 when Vietnam led the pack. It indicates that India is still one of the most preferred destinations for retail among international investors.

INDIAN TEXTILE INDUSTRY:

Textile industry is one of the most important industries in the Indian Economy both in terms of employment generation and contribution to GDP. It provides employment to about 91 million people (both directly and indirectly) in textile and allied activities and this figure is likely to reach approximately 105.39 million by 2012. This sector also contributes about 4 % in country's gross domestic production (GDP), 14 % of industrial production and over 13 % of the country's total export earnings.

INDIAN APPAREL MARKET:

The domestic apparel retailing industry is estimated to be round US\$ 2.7 billion and in spite of recession is likely to grow at 5-7 per cent in 2009-10. The domestic organized garment retailing clocked a growth of 13-14 per cent for year ended March 2009. Clothing & Accessories segment dominates the organized retail sector contributing over 38 per cent of the organized retail pie. The stupendous growth of organized retail since 2004 has had a positive impact on apparel industry.

BACKGROUND OF THE CASE:

At a time when the world's top brands have stormed the fashion markets of India, Mr. Rohit Sharma who comes from the small town of Jind in Haryana, created Shantabil – a brand that rose to a presence of 381 plus showrooms across India in about 8 years. After completing B.Com in 1979, he got involved in his family business of FMCG distribution in Haryana. In 1989, he got into the business of garment accessories, which again he ran successfully for another 10 years. In 2000, he launched Shantabil. Initially, he had to struggle a lot in the starting phase because fashion clothing was altogether a new line for him, considering his past entrepreneurial ventures. Initially, it took him three years just to understand this business. In fact at one stage he had even a thought whether he had chosen the right business because it was not going as planned. However, he did not give up and slowly things started shaping up in the direction as he wanted. The owner decided to enter this business because he saw a lot of scope and margin in the garments business. His second business had helped him establish contacts with several local Indian manufacturers. He had tasted success with his earlier businesses be it the FMCG distribution business or the garment accessories business.

When he had entered this business, Nirma, T-Series and Pan Parag were the three big businesses which inspired him because they had risen from scratch and that too in a very short time. He was enamored by their growth and used to think if they can make it big then why cannot I?

OBJECTIVES OF THE CASE:

The presented case attempts to study the following objectives:

1. To study the strategies adopted by Shantabil in competitive environment.
2. To study the growth of Shantabil.
3. To examine the implications of the out of the box marketing approach.
4. To identify as to how a marketer can position a brand in niche stage and promote it in the competitive zone.

ORGANISATION UNDER THE STUDY:

The organisation is in the business of designing, manufacturing, branding and retailing of apparels under the brand names of "SHANTABIL" and "Fa LANSO". The company has a network of 381 exclusive retail outlets

(as of August 31, 2009) spread across India.

The “SHANTABIL” brand with 206 exclusive retail outlets offers the complete range of formalwear, party-wear, casuals & ultracausal clothing for Men, Women and Kids in the middle to high income group. In the last 9 years, “SHANTABIL” has become a complete family wear brand with addition of women’s wear segment in 2007 and Kidswear segment in 2008. Sales from SHANTABIL brand has increased from Rs 730.07 million in fiscal year 2007-08 to Rs 1138.27 million in fiscal year 2008-09 and has contributed 82.91% of our total income in 2008-09. The “Fa LANSO” brand caters to men’s segment in lower to middle income group and focuses on casual, ultra casual and formal wear. It is also retailing various accessories like ties, belts, socks, caps and handkerchief under the brands.

Exhibit 1: Year wise turnover of Shantabil

Year	2009	2008	2007
Total revenues	Rs 1383.23 million	Rs 733.58 million	Rs 443.72 million
Profit after tax	Rs 95.53 million	Rs 44.72 million	Rs 43.63 million

Source : Red Herring prospectus of the company

Presently the company has three in-house manufacturing / finishing units and four warehouses located in Delhi. It also has three third party dedicated units manufacturing exclusively for it.

To enhance visibility and to ensure maximum footfalls, the stores are situated at malls and at prominent locations of the major metros, mini metros, large cities and other Tier II cities. Such metros and cities includes Delhi, Mumbai, Kolkatta, Bangalore, Hyderabad, Pune, Jaipur, Ahmedabad, Vadodra, Lucknow, Kanpur, Patna, Ranchi, Dehradun, Meerut, Ludhiana, Jalandhar, Udaipur, Agra, Ghaziabad, Gurgaon, etc.

Exhibit 2: Region wise break up of exclusive retail outlets (as on August 31, 2009)

Regions	No. of Stores	
	Shantabil	Fa Lanso
North	112	119
South	9	0
East	18	7
West	61	47
Central	6	2
Total	206	175

Source : Red Herring prospectus of the company

If the geographical spread of the company is analysed, it can be said that the north region has the highest no. of stores of Shantabil i.e. 112 and of Fa Lanso 119. The second highest region is west region, followed by east region. It shows that there is lot of scope for expansion in other regions.

Exhibit 3: Key events and Mile stones

Year	Events
2000	Launched the brand “Shantabil”
2007	Launched women’s wear under the brand “Shantabil”
2008	Launched the brand “Fa Lanso” exclusively for men Launched Kid’s wear under the brand “Shantabil”
2009	Change in the name of the company from Shantabil Retail India Private Ltd. To ‘Shantabil Retail India Ltd’

Source : Red Herring prospectus of the company

The Apparel maker ‘Shantabil’ Retail India Ltd has received approval from SEBI for an Initial Public Offering (IPO) to raise up to Rs. 1.05 billion. The funds raised through the IPO would be used to set up a new manufacturing facility at Kishangarh, expansion of retail network of the company, repayment of part of debt and part finance additional working capital requirement.

STRATEGIC MARKETING STRENGTHS OF THE COMPANY:

The company is having certain major competitive advantages over its likely rivals. This helps the company to differentiate in terms of approach, positioning its products in a different way and create as specific brand identity. The major strategic strengths of the company can be illustrated as follows:

- 1.Exclusive brand outlets.
- 2.Specialised and creative designing through in-house research and development team.
- 3.Variety and product range.

4. Strong IT infrastructure.
 5. Continuous expansive and integration of capacity.
 6. Quality conscious approach.
 7. Value Proposition and Understanding the Consumers
 8. Strong Management Team with Industry Specific Experience
1. **Exclusive brand outlets:** The company has adopted the proven sales formula of opening exclusive sales outlets wherein the company distributes its own brands Shantabil and Fa Lanso in an exclusive manner. This helps the company to develop a unique and specified image. The exclusive brand outlets help to have a higher recall value and create an upward positioning for the product.
 2. **Specialised and creative designing through in-house research and development team:** The company has established its creative designing centre by garnering talent from renowned Fashion institutes. This has helped the company to introduce a variety of designer products as well as many new and highly rated product's variety. The company as a philosophy believes in innovation for development. This has been possible by adopting a concept 'Idea seeds' where heavy emphasis is given on understanding customer perception and knowing the reasons of product perception.
 3. **Variety and product range:** The company is a family wear brand in the country which offers a wide range of apparels ranging from sophisticated formalwear and party-wear to casuals, ultra casuals and contemporary clothing for Men's and formalwear and casual range for women and kids. Majority of the products of the company are targeted towards the customers in the age group from 20 - 45 years, which comprises 36.3% of the Indian population besides expanding the Kids wear range for kids between 5-14 years which constitute 24.6% of the total population. Shantabil is also into retailing various accessories like ties, socks, caps and handkerchief. And hence the company offers the complete range of apparels for Men, Women and Kids in middle to high income group
 4. **Strong IT infrastructure:** The company have successfully managed the growth by investing in infrastructure, including human and IT infrastructure. It being an apparel manufacturer and retailer, the company understands that the key to succeed in the long term is to invest in software. It has specially-designed software to maintain the sales records and outlet inventories. All daily transactions at the outlets are updated through pooling of incremental data of transactions. The head office thus maintains full control on all the stocks and sales on a daily basis.
 5. **Continuous expansive and integration of capacity:** The company is an integrated apparel manufacturing and retail company with in-house capabilities for designing, sourcing of fabric and garment accessories, manufacturing and retailing of apparels. Its core competency lies in the designing and stringent quality control. It centralized purchasing system for sourcing of fabric directly from mills or from suppliers which helps the company to reduce cost of inputs and maintain quality of fabrics.
 6. **Quality conscious approach:** In a business, a consumer always looks for quality at a reasonable price. These are the two main things. Another important thing is maintaining the quality. The product has to be value for money. The company strive to provide the best of quality with regard to fabric, garment accessories and have put in place stringent quality control systems to ensure high quality garments. It also has a system wherein customers if find any defects in their garments, they can replace it within 15 days of the purchase. The company, therefore, never compromise and is fully committed to providing only quality products.
 7. **Value Proposition and Understanding the Consumers:** Consumers are looking at seeking value on all that they purchase, especially in tougher times. They want to seek that extra value/ benefits at no extra cost as compared to what they have been used to, whether in terms of product attribute, styling or services. Understanding the customer is one of the most important skills required to be successful in the business. This apparel brand is based on innovative designs relevant to Indian taste. Also the promoters of the company have over 20 years of experience in this field and understand the consumers' needs.
 8. **Strong Management Team with Industry Specific Experience:** the company has strong management team with many years of hands on experience in the apparel industry. The promoter directors have an extensive experience in apparel and garment accessories industry. This understanding helped the top management in taking appropriate decisions. It has also created a highly empowered team with industry specific knowledge in activities like cutting, stitching, washing and finishing for carrying out the day to day operations of the company. It has also created a team of managers in the second layers below top management. The company strongly believes in regular training of their managerial and supervisory staff in their respective jobs.

WEAKNESS:

1. **More dependence on third parties for sales and manufacturing:** The company depends substantially on third parties that is franchisee for several critical elements of the business including retail outlets

management/ operations and sales. Since the company is on the path of growth and intend to increase substantially the number of exclusive retail outlets all over the country, there can be no assurance that these franchisees will be able to establish or maintain adequate sales capabilities. In the absence of these, the business could be negatively impacted. Additionally, if the company is unable to maintain the relationships with the franchisees, then the ability to properly manage their retail outlets and generate revenues through the sale of the products could be negatively impacted.

Hence the company should focus to reinforce and increase in-house manufacturing capabilities as it will decrease company's dependence on third party fabricators and enable it to have better control on the quality of the apparel and the cost of manufacturing.

2. **Labour problem:** According to the company, another weakness is the labour problem in India. It is not easy to handle labours in India

OPPORTUNITIES:

1. **Enhance the presence of the company across pan India:** The company intend to expand the presence, both geographically and in terms of number of exclusive brand outlets. Fast developing smaller towns are currently under-served and there is a huge scope for this brand. It plans to have at least 20% of the upcoming outlets in Tier II cities and towns. The company should also seek to increase the business with their existing customers by offering them apparels that are in line with latest fashion trends at affordable prices. It also plans to experiment with different styles through Shantabil brand. Through FA LANSO brand it intends to introduce more products to cater to the mass segment in men's wear.
2. **Strengthening of the brands:** the company also intend to invest in developing and enhancing recognition of their brands, through brand building efforts, communication and promotional initiatives such as advertisements in print media, hoardings, televisions, organizing events, participation in industry events, public relations and investor relations efforts. The company should continue to sponsor/ participate at fashion shows and trade seminars.
3. **Enhancing manufacturing capacities**
The company is focusing to reinforce and increase their in-house manufacturing capabilities as it will decrease their dependence on third party fabricators and enable it to have better control on the quality of the apparel and the cost of manufacturing. At present it outsource washing from third parties. The company is now setting-up a washing plant at Sonipat Industrial area in order to be self sufficient in washing process.

THREATS:

1. **Entry of new players:** In any industry, new entrants bring in new capacity, the desire to gain market share and often, substantial resources. Seeing the potential in garment sector new players are entering in this sector, which may take away the share of existing players.
2. **Entry of MNC's in retail after changes in FDI policy:** With the possible changes in the FDI policies regarding entry of foreign players in multi brand retail, the scenario of retail and garment sector may change.
3. **Changing tastes of customers:** In many industries, customer tastes and preferences keep fluctuating. And customer's brand loyalty too keeps on changing. Today customer may want a cheaper version of a given product; tomorrow however, they may be bothered more about quality and may therefore go after some specific brands. Only by keeping track of changing customer needs, one can grab the opportunities emerging in the environment.

PROBLEMS HIGHLIGHTED:

Though Shantabil is a rapidly growing garment industry, the growth cannot continue to remain apex. After careful understanding of the garment market, it helps to easily highlight the likely marketing problems the company will face because of marketing dynamics. The major problems in relation to marketing strategy in the study are:

1. Growing competition and intensifying marketing war to retain market share.
2. Impact to external factors resulting in high degree of uncertainty, competition and posing challenges which cannot be rightly met by fostering internal strengths alone.
3. Garment being a young industry there are many new entrants willing to enter and challenge the leaders and followers. The composition of market keeps on changing because of high rate of new entrants who disturb the market composition.
4. The tastes of consumer regarding garments are changing and highly volatile in nature. These tastes are influenced by trends in markets, celebrity and their influence, technology, changes in the designing, approach, price as well as promotional campaigns.

5. At the international level also, many new factors are influencing the garment industry. The conditionality of WTO, implications of GATS, as well as intensified competition among international majors are some important factors.

IMPLICATIONS:

The company managers are aware of the changing market composition and the threats arising out of new entrants and competitors' policies. As a part of marketing strategy, the company has adopted innovative marketing strategy. The major features of these strategies can be highlighted as follows:

1. **Discount:** A feat made possible by pioneering the concept of offering huge discounts round the year and strong emphasis on marketing skills, something which the rival brands in the mass apparel segment started copying. It was a well-calculated move to take the wind out of sails of this company's rivals. ITC, Raymond and Aditya Birla group had already established brands such as Park Avenue and Allen Solly. But none offered discounts round-the-year. For this company concentrated on volume and it worked wonders for it.
2. **Personal relationships at the outlet floor:** the company has experienced that improved customer service provides a tremendous boost to sales. Handing over the decision making in customer service to their outlet managers have empowered them to understand the customer better and address their needs and woo them in order to increase brand retention
3. **Satisfying wider customer base through large apparel range:** The company is a family wear brand in the country which offers a wide range of apparels ranging from sophisticated formalwear and party-wear to casuals, ultracasuals and contemporary clothing for Men's and formalwear and casual range for women and kids. Majority of the products of the company are targeted towards the customers in the age group from 20 - 45 years, which comprises 36.3% of the Indian population besides expanding the Kidswear range for kids between 5-14 years which constitute 24.6% of the total population. Shantabil is also into retailing various accessories like ties, socks, caps and handkerchief. And hence the company offers the complete range of apparels for Men, Women and Kids in middle to high income group
4. **Maintain the Focus on Long-term Relationships:** The Company should follow a policy whereby it focuses on building long term sustainable relationships with all the parties involved, be it suppliers, franchisees or customers. Most of the agreements with franchisees or lease deeds are on long term basis with an option to further extend the agreement as per the mutually agreed terms and conditions. The company believes that there are significant business opportunities for additional growth with the existing customers as it diversify product portfolio. Also, to further strengthen relations with their customers, it should launch loyalty-based cards.
5. **Continue to invest in human resources and IT infrastructure:** The company believes that it has managed growth on the back of their infrastructure, which ensured quality and timely delivery. They should continue to invest in infrastructure, including human resources, to meet their growing needs. It should plan to maintain the quality of human resources and to continuously upgrade and benchmark their HR practices. It should also plan to further strengthen IT support by installing latest software to integrate and keep track of their growing business.

REFERENCES:

It one carefully studies the marketing phenomenon influencing garment industry in particular; certain important lessons can be easily learned.

- [1] Working in a competitive environment requires a highly structured marketing strategy
- [2] To establish a brand, a strong USP is required. In a competitive market, a mix of marketing elements can work in favour of the company. This mix in this particular situation is in-house research and development for creative approach, exclusive outlets for systematic customer relationship management and heavy discounting to influence psychology of the customers.
- [3] Market positioning is the function of price, innovations and quality as the basic determinants. The core marketing strength of the company is always customer care, satisfying variety of customer taste and offering innovative products.
