

Development of global expansion strategy: india to britain



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What started as an export house has today become a successful retail business presenting Indian textiles in a variety of natural fibers, 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 40, 000 craftsmen across India. With a strong foundation, the company has been successful in increasing its presence all over India. The concept, now a Harvard Business School case study, is simple. A fully-owned subsidiary of FabIndia, Artisans Micro Finance, a venture fund, facilitates the setting up of these companies, which are owned 49 per cent by the fund, 26 per cent by the artisans, 15 per cent by private investors and 10 per cent by the employees of the community-owned company.

After a successful 50 years in India and after creating a niche market and millions of loyal customer base, company is going global. It is already present in 3 cities around the world. In this report we are going to look at the option of taking the company to one of the biggest economies of the world the Great Britain. We will study the market using the concepts of global marketing and try to analyze how successful venture it will be for FabIndia. The Porter's five forces are used to study framework for the industry analysis and business strategy development. This reports also talks about what are the reasons for entering into UK. The study of Birmingham and Liverpool, as potential cities for initial setup of the FabIndia store and later expanding to <https://assignbuster.com/development-of-global-expansion-strategy-india-to-britain/>

other places as the demand rises. This report will give us the in depth of setting up the FabIndia operations in the UK.

Introduction:

The history of India's freedom struggle is interwoven with the Charkha the unusual weapon, employed by Mahatma Gandhi to spread the message of Swadeshi. Gandhi gave the art of Khadi, a special status through this movement. Khadi simply means cotton, usually hand-spun. Khadi is Indian hand spun and hand-woven cloth. The raw materials may be cotton, silk, Polyester or wool, which are spun into threads on a spinning wheel called a Charkha. Khadi's earliest avatar was fashioned some 5, 000 years ago in India, the original home of cotton, hand spun and hand woven by crafts persons who in all likelihood followed the precise instructions on weaving, spinning and dyeing laid out in the Vedas. Khadi is part of Indian dressing from thousands of years and now is becoming one of the most sought out fabric in fashion industry.

John Bissell worked as a buyer for the American departmental store, Macy's. In 1958, under a program 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. 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.

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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 2010 FabIndia had 121 retail stores across India and in addition, stores in Dubai, Rome and Qatar.

Company Philosophy:

FabIndia is India's largest private platform for products that are made from traditional techniques, skills and hand-based processes. FabIndia links over 40, 000 craft based rural producers to modern urban markets, thereby creating a base for skilled, sustainable rural employment, and preserving India's traditional handicrafts in the process.

FabIndia promotes inclusive capitalism, through its unique COC (community owned companies) model. The COC model consists of companies, which act as value adding intermediaries, between rural producers and FabIndia. These are owned, as the name suggests, by the communities they operate from; a minimum 26% shareholding of these companies is that of craft persons.

FabIndia's products are natural, craft based, contemporary, and affordable. The essentials of FabIndia's new business model are simple. Bissell first created Artisans Microfinance (AMFL), an investment company, which identified and helped fund 17 community-owned firms that FabIndia calls "supplier-region companies," or SRCs. Many of these firms had at their core

non-profits and cooperatives that had been FabIndia suppliers for two generations.

But when they were restructured, their artisan-workers bought shares in the future – and a guaranteed piece of FabIndia's pie. By tapping the locals and angel investors, FabIndia got a 50-percent boost in investment. More importantly, the SRC shares have already appreciated 50 percent and more. Returns like those – and the jobs they generate – could spell an end to rural poverty and the ills of urban migrants.

The steps taken by FabIndia for the development of the weaker sections of the societies are well appreciated by the customers and also by the Industry, the rewards and recognition with the loyalty of the customers to support the causes for which FabIndia works are also the USP of the brand.

Why FabIndia Should Go Global?

Going Global for any organization promises tantalizing possibilities. It helps a company in increasing the international brand recognition, grasp greater market share, and achieve top line revenue growth. FabIndia is well established in India with almost 100 plus stores in all major cities of India. The option of going global is very much a strategic decision of the company as the brand FabIndia has got its footprints in the minds of international customers of ethnic Indian products. The domestic markets is well captured and catered to, so the it the time when FabIndia should look for expanding in global market. Some of the reasons specific to FabIndia expansion are:

Demand of Khadi (hand-woven fabric) and handicraft products in

international market as it is one of the most sought out product in fashion
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industry and by designers. Demand of Indian handicraft is also increasing in the global market.

The world market for handicraft products and ethnic products is approximately £152 billion. This is increasing at 15% per decade, out of which Indian share is only 2% as there is no major established retail store like FabIndia internationally. Most of the product which reaches to international market is through unorganized sector. So company has got a first mover advantage.

Thirdly, FabIndia works as a co-operative so the percentage profit is shared by the shareholders (weavers and artisan). So when a company like FabIndia goes global the cause for which they work also gets promoted which help them to make a loyal customer base.

FabIndia's Presence in UAE and Rome has given them the ground to know and research about the products which are widely accepted by people of not only Indian origin but also Western Expatriates working in that region. The store in Rome is the reflection of " Thinking Global Acting Local", as the products are designed keeping in mind the taste of Italian culture and aesthetic.

Selection of Country:

After doing the research, on various countries, like, USA, Australia, Canada, Japan, Germany, France etc. we have decided to launched new stores in United Kingdom. The main reason of selecting UK as our target market can be many, but we have mention some of those here which are as follows,

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Geographic-Economic Environment:

The United Kingdom is a country and sovereign state located off the North-Western coast of continental Europe. It is an inland nation spanning an archipelago including Great Britain, the northern part of the island of Ireland and many more small islands. The United Kingdom is a constitutional monarchy and unitary state consisting of four countries, England, Northern Ireland, Scotland and Wales.

The UK is a developed nation with the world's sixth largest economy by nominal GDP (£1.3 billion) and the sixth largest by purchasing power parity (£23,188). It provides a healthy environment for foreign direct investment and has low corporate and income tax rates that are 28% and 40% respectively in Europe. It is also a member of the European Union which has around 28 member countries in Europe. The UK is considered a higher income country with people's power of purchasing rising day by day. Besides this, some more reasons as follows,

The easiest place to establish and run a business is Europe: According to a World Bank study, it takes only 13 days to establish a business in the UK. The World Bank has ranked the UK first in Europe and sixth in the world to operate business.

Stable Political Environments: Transparency International rates the UK high on the transparency list. The UK is the country with the least corruption in the world. It achieves a higher rating in comparison to the US, Japan, Germany and France.

Stable Regulatory Environment: the UK follows a consultative approach for formulation of regulation which is beneficial for a business environment.

Gateway to the EU market: The UK acts as an excellent gateway to the European market which has 27 member states and an approximate population of 500 million.

Social-Cultural Environment:

Britain is often described as a 'secular' society but also, confusingly, as a 'multi-faith' society. The first term refers to the claim that the influence of religion has dwindled in modern societies. Although the 2001 census showed that 77% of people in Great Britain have a religious faith, the secular description is based on the claim that for most this faith is very shallow, with only a tiny minority being actively religious. The 'multi-faith' label refers to the co-existence within British society of many faith communities, largely as a result of immigration.

For every company it is dream location as British people are getting very open and accepting the other culture. Due to its peaceful atmosphere and the ethnic, modern and stylish lifestyle, it is a dream business destination for the companies. Now the culture is like Conglomerate that means a traditional company like is still having the opportunity to do the business and the same chances would likely be available for international marketing companies. Due to global fashion trends this open consumer behavior would widen the opportunity in fashion and company like FabIndia must have the opportunity in the casual and formal dressings.

Handicraft, Furniture and Organic Food Industry in UK:

The handicraft industry is contributing £ 100 millions to the UK economy. In terms of growth, this sector is growing on an average rate of 7%. Gifts and furniture industry contributes £ 9. 2 billion to the economy and organic food industry contributes £280 to national economy. However, gifts and furniture are increasing at very slower rate because of financial downturn in October 2008. But, now after recovery of financial crisis, these two industries slowly covering and the growth of it expected to rise very soon. The apparel industry in UK is both vertically and horizontally integrated for maximizing returns. Strong laws protecting patents, designs and brands play a vital role in attracting foreign direct investment in the apparel industry. Joint ventures and investments in apparel have also been greatly enhanced by the wide network of European Union which UK signed with 28 countries in 2007.

Handicraft Trade:

After entering in the European Union, the handicrafts sale in the UK has been raised and it is continuously increasing by 7% annually which is very higher than last decade. Mostly UK imports handicrafts from various countries around the world, like, India, China, Japan, Vietnam etc. however, Indian and Chinese handicrafts and crafts carry the most of the weight of the import because of its popularity, attractive and uniqueness.

Target Cities:

After deciding on the country the next stage of our operations was to look for cities where we can step-up a business and get great response from the

customers. Therefore, at the end we landed on two main cities in UK which are Birmingham and Liverpool.

Why Birmingham?

Birmingham is a city and metropolitan borough in the West Midland county of UK. It is the second largest city in the country after London with population of 1 million. Out of which 21% population is Asian British which will be the prime target for FabIndia at the initial stage of opening stores. The population age between 16-59 is 57.7% which is the main target customer for the company. As well as, it is industrial hub and second commercial centre of the UK. Its location is in the middle of the country therefore; it is much closer to cities like Leicester, Nottingham and Northampton where more Asian or Indian ethnic population stays. The city has highest number of foreign visitors after London therefore; there are high chances of getting business from this tourist who come from all over the world. It is shopping hub in the West Midland regions. The purchasing power of the city population is high as compared to other cities in the UK. The store will be open on the New Street which is shopping centre of the city and very popular place. Therefore, we think Birmingham is the best city for us to introduce a store of handicraft goods.

Why Liverpool?

The city of museum, Liverpool is a metropolitan borough of Merseyside of UK. It is a fourth largest city in the country with population of almost 0.5 million. Liverpool status as a port city has contributed to its diverse population which historically was drawn from a wide range of people,

cultures and religions. The economy of the Liverpool is one of the largest in <https://assignbuster.com/development-of-global-expansion-strategy-india-to-britain/>

the UK and per capita income of the local people is £ 17489. Another important component of the Liverpool economy is tourism and leisure sector. It is a shopping hub in the region and people of the city are very fashionable and like to wear handicrafts products. Liverpool One is the most famous place and main shopping centre in the city; therefore, we are opening a store at that place, where we can easily attract customers to the store.

Entry Strategy:

To entering the UK market, we have gone through the various factors of investment, but at the end we have decided to enter in the market with the Foreign Direct Investment. We will use Greenfield Investment and start our operation from the scratch. The reasons for taking a FDI may be many; some of those are as follows,

As we will get the total control of operation and do not need to depend on anyone in the business.

The government provides a good support for FDI and gives concession in the corporate and income tax rates.

It will helps us understand the UK market and in future our network and distribution channel which will be develop at the first phase of operation can be usable for future expansion in UK and in Europe.

The soft loans from government and local banks will be easier to get when it required for future expansion.

Global Marketing Strategy:

For marketing of our products at the first stage Focus Strategy will be applied. ' A strategy in which, an organization aims to achieve market share, by focusing its efforts on serving a narrow range of market segments well'.

At the beginning of the business Asian and Asian British will be the first target customers in both cities and in the later stage British consumers will be targeted. The reason for this, FabIndia is follow word of mouth publicity and people who are already aware of the brand and its product will be targeted easily.

Competitors Analysis:

Porters Forces Analysis:

This is used to analyze the competitive environment in each country market. The model identifies five sources of competitive pressures on the firm in a given country industry. It deals with global competition across several country markets.

New Entrants:

From the political analysis we could find that the country has an attractive business environment. Research also shows that entry barriers are low, so it is quite easy to set up a business in the country. Indian handcrafts and ethnic wear are popular among Indians and Europeans in UK. So, stores exclusively for Indian clothes are favorable in the country. This shows there is a high threat of new entrants who might want to set up a business in similar segments as well.

Substitutes:

The company has certain substitute's products which are served by brands like Wonderworld and Marks & Spencer. But, the good thing is there are only a moderate number of substitutes. This would be an advantage to the company. But still the company must have an eye on these substitutes which might face a threat to them. Thus, the company must provide service and improvise in their products, such that these substitutes do not become a threat.

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Buyer:

The bargaining power of the buyer is high. FabIndia is exclusively into the Indian ethnic and contemporary segment. There are moderate substitutes in the country and research shows that there are more Asians in the region. FabIndia is also a brand well known in India and there is quite some brand awareness amongst the people. Thus, the bargaining power of the buyer is high.

Supplier:

Most of the raw materials which the companies mainly require are readily available in the country. But, the main point of importing from India is because of its workmanship and the purpose of the company. Opening a new branch overseas involves risks too. All these indicate that the suppliers have a low bargaining power.

Rivalry:

There are only a few local competitors that offer the similar products and the company positions itself away from the international competitors and regards them as substitutes. Thus, the rivalry among the competitors is low. FabIndia's purpose is quite different unlike other companies whose motto is only to make money.

Thus from this analysis, we could draw a conclusion the country has a good market potential and the company could do good business in the United Kingdom.

Segmentation and Targeting:

Every company should embrace target marketing. Here, sellers distinguish the major market segments, target one or more of these segments and develop products and marketing programs tailored to each.

Target marketing requires taking three major steps:

Identify and profile distinct group of buyers who differ in their needs and preferences.

Select one or more market segments to enter.

For each target segment, establish and communicate the key distinctive benefits of the company's market offering. (Kotler, 2003)

We did analysis on our target market and split into the following parts for Fabindia:

Geographic:

Region: United Kingdom

Density: Urban (Birmingham and Liverpool)

Climate: Both winters and summers

Demographic:

Age: 5-15, 15-30, 30-65+

Gender: Male and Female

Nationality: Asian Expatriates, Asian of British Origin, British, Institutions
(Designers, Hotels and Restaurants)

Race: Asian and Asian British, White British

Social Class: Lower, Middle and Upper

Psychographic:

Lifestyle: Culture oriented, Ethnic Indian, Contemporary

Behavioral:

Occasions: Regular and Special

Benefits: Quality, Service, Economy , Speed

Loyalty Status: None, Medium, Strong, Absolute

Attitude Towards Product: Enthusiastic, Positive, Cultured, Indifferent, Hostile

Positioning:

Today's economies are afflicted with surpluses, not shortages. No company can win if its product and offerings resembles every other product and offering.

Positioning is the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market. (Kotler, 2003). All products need to be distinctive and differentiated. FabIndia's brand can be differentiated as,

Niche yet affordable.

Handcrafted yet high quality

This perceptual map helps the organization to identify where it stands in the market and also identifies its positioning strategy.

When plotting a perceptual map two dimensions are commonly used. Below is a very basic perceptual map. If we plot the UK Indian handcrafts and clothing market we can identify those brands which are high price and high quality. Both FabIndia and Wonderworld are plotted as high quality and high price. But, the former leads its way in the perceptual map.

C: UsersacerDownloadsPerception Map. jpg

In our basic map, we can see there is competition within that particular area. Though we have stiff competition and substitutes from the likes of Marks & Spence and websites like lehengahouse. com, we provide the real worth for the people's money with no compromise on quality and design and that is

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why FabIndia attains its high quality and high price position in the perceptual map.

Marketing Mix:

Product:

FabIndia has a variety of products in different ranged and caters from clothing to organic products.

Men, Women Apparel and Home Linen: The textile-based product range includes ready-to-wear garments and accessories for men, women, teenagers and children; bed, bath, table and kitchen linen; floor coverings, upholstery fabric and curtains. Cotton, silk, wool, grass, linen and jute are the basic fibers used. We also have considered the weather conditions in United Kingdom and have altered our products to support this. We have used more woolen products, as it is the best material for cold weather. Our home Linen line will give our customers a traditional Indian decor in their home.

Home Décor: Our home products range carries furniture, lighting, stationery, tableware, cane baskets and a selection of handcrafted utility items. Indian handicrafts have been accepted worldwide and since there is heavy demand we will offer wide variety of furniture's which will give our customers an opportunity to have an Indian theme and ambience in their very own homes.

Organic Food: We carry several types of cereals, grains, pulses, spices, sugar, tea, coffee, honey, fruit preserves and herbs in our organic food

range. The Organic food industry is one of the biggest industries today as it considered highly healthy and nutritional.

Jewellery and Gift Accessories: In 2002, FabIndia launched a new jewellery line which was made with wood, copper silver and gold. The jewellery line was well accepted. They also have products product line as gifts like clutches, purses and wall hanging. All handcrafted and made in rural India.

Ayurvedic Skin Care: Our range of Authentic Personal Care Products includes soaps, shampoos, hair oils, pure oils, moisturizers, body scrubs, face packs, hair conditioners and special skin care products. Ayurvedic treatment using Indian herbs is very popular in the western world today and is a big industry.

Price:

Our Pricing strategy will be made with the main objective on current profit maximization. In our entry strategy we will follow price-skimming strategy, as this is a new market and it would help establish ourselves and gain market position.

Cotton Wool Silk. jpg

Our price range will range from £15 to £150 as there are different materials that are used. After our second quarter we will follow the market based pricing strategy. Pricing will differ from Product to Product and will be at least 50% more than what it is in Indian market.

Place

We are looking at opening up our first 2 FabIndia stores at two prime locations Birmingham and Liverpool.

1. jpg

*** Traditional shopping area at Birmingham – New Street**

2. jpg

***Liverpool One Shopping Center**

These are the two locations where our store will be located, as all the local people know them as a shopping hub. Our stores will have an ethnic yet contemporary design. Our stores will be big as we need to display a wide range of products and this would also give our customers a wide variety to choose from.

Promotion:

We have various Promotion plans to attract customers and earn their loyalty. Given below are a few of the Promotional activities that we intend to organize and implement.

Customer Loyalty Program: In this scheme we will give our customers membership cards and allow them to collect points and allow them to redeem these points in forms of discounts and offering them gifts. We will have different Tiers, which will give our esteemed customers various privileges.

Sponsoring Indian Events: India has various festivals that are celebrated worldwide, so we will approach the Local Indian Communities and sponsor events as this would help our brand to reach various customers and at the same time build a wide network and help in Brand Recognition.

Organizing Fashion Shows: We will organize fashion shows to show-off our clothing line and this would help attract customers and make them aware on the actual appearance of our clothing line.

3. jpg

We will also Invite children and organize a fashion show for them to show our clothing line for kids.

Organizing an Indian Food Festival:

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As we already know that Indian Food is very popular all over the world we are planning to organize an Indian food festival offering various delicacies from all regions of India.

Inviting Artists and Authors: We will Invite Popular artists and Authors to our store and support their new launch of books or paintings as this will give our customers to talk to them and understand how they work.

Discount Sale in Festive Seasons:

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We are planning to offer discount sales on festive seasons to encourage consumers to choose our clothing line for their entire ethnic requirement.

Promotion of Cause: It is one of the USP of Fabindia in International market like UK. The cause for which they work i. e. for the benefit of weaker section of society. This cause has to be promoted in a way that more people contribute and they realize that when they are buying fabindia product they are giving back to the society.

Implementation Plan:

Phase 1:

This is one of the most important phases in our set up as we would start by setting up our corporate office to handle all operational and official responsibilities. We would also have to take the step of importing all the products and arranging all the logistics activities. At any initial it's very important to set up a system as this would help in us to carry out a smooth operation.

Corp office. jpg

Phase 2:

Now we will have to look out for stores in the locations suggested earlier and we will have to make sure the place is big enough to accommodate all our products as we want our customers to see our variety of products and choose. Once this step is complete we will have to recruit staff and train them on certain Indian festivals and also as to what clothing is to be worn on particular festive season as this would give our customers a comfortable

atmosphere and an excellent FabIndia Experience as, " A loyal Customer is a Permanent Customer."

GoldCard. pngSilver Card-send. png

Phase 3:

Once our store is set and we are ready to kick off we will have to introduce the promotions that were suggested earlier in this plan, as this would encourage more customers to come and have a FabIndia Experience and also help enhance the brand value and recognition. FabIndia has never done too much marketing as they heavily depend on word of mouth and this has really worked for us because they already have a commendable marketing position in India.

Phase 4:

This is a final Phase where we successfully established ourselves in the United Kingdom and have to keep updating on our clothing line by introducing new designs and also keep modifying our other products. Once we have a commanding market position we can look at expanding into new areas and opening up more stores as the risk will be much lower.

Risk Management:

Retailing is one of the world's largest industries. As retailing and wholesaling have become more global, competition has intensified. In addition to the global economic downturn, today's retailers face a wide range of challenges, including industry consolidation, employee attraction and retention, and

business continuity. And as always, consumers are demanding ever-higher quality at ever-lower prices for the products they buy.

For a retail business, these trends create a host of risks: strategic, financial, operational, and hazard – that can prove costly.

Claims Consulting – for company like Fabindia, employee and customer claims constitute the largest share of total cost of risk. Many claim consultants have partnered with these types of companies to manage these claims more cost-effectively.

Merger, Acquisition, and Divestiture – Mergers and acquisitions are common in the retail industry. They need to be efficient enough to minimize the risks associated with these complex transactions.

Property Prices-Ever increasing price can affect the revenues of the company. So Fabindia will opt for long term leasing of store space.

Competitors- Though highly unorganized there is threat of new entrance. So changes in strategies are important to keep competitive edge.

Forex rate and Economy: after the 2008 economic downturn European Economy is still recovering so a close watch is required by management team about the future plans and expansions.

Conclusion: