

Topshop is a trend setting retailer marketing essay



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Topshop is a trend setting UK-based international retailer fashion brand. It is a much-loved brand amongst the female customers catering to womens apparels and fashion accessories. The brand is known for its cutting edge fashion at affordable price. Topshop product line ranges from Collection category providing basic range of product to Unique style providing designer wear which is publicized at Lakme Fashion Week. Personal Shopping service provided at its flagship store in London is utilized by famous celebrity like Kate Moss, Katy Perry, Rihanna and Beyonce.

It is key brand of the Arcadia Group which also owns several other retail brands which includes Burton, Wallis, BHS, Miss Selfridge and Topman. Since its establishment way back in 1964, Topshop has more than 300 stores across the UK and has international presence with 140 franchised stores across 37 countries which include Russia, Spain, Singapore, Sweden, Malaysia, Turkey, the UAE and the US. Topshop Oxford Circus, a flagship Topshop store is the world largest fashion store. The brand has its second largest and first flagship store outside UK at Broadway, New York. Along with its in-store retail, it also operates online retail business through Topshop.com shipping to more than 100 countries all over the world.

Sir Philip Greens, the billionaire owner of Britains Arcadia fashion empire aims to become a global empire in three years. The recent strategic partnership with Leonard Green & Partners (LGP) for its expansion in the US and further collaboration to enter the unexplored Asian market with LAB Concept, taking Topshop to Hong Kong and giving it an opportunity to enter the worlds most populated country China is another milestone for the growth of Topshop as a global brand.

Its ambitious international expansion programme to include worlds biggest markets is improbable without focusing on the emerging Indian market in Asia. It will be appropriate for Topshop to enter the potential Indian market. India, one of the youngest nations and a dynamic retail market creates a unique environment for Topshops young and reasonably priced fashion.

This research provides an insight of the approach that can be opted by Topshop to enter the Indian market along with identifying the target group and ideal location for its store. Further, the Marketing Mix for its success in the Indian market taking into consideration its competitors is determined and recommended.

International market selection India

Country selection is a crucial aspect of internationalisation for its incompetency to enter 192 nations due to limited resource constraints. It is essential to evaluate and prioritize the markets as not all markets have the same market potential. (Alon, 2004). As Topshop has already its presence in major developed countries, it will be primarily beneficial to look into the developing Asian market in particularly India.

A. T. Kearny in its 2012 Global Retail Development Index (GRDI) states that the BRIC nations of Brazil, Russia, India, and China continue to be the worlds largest developing markets, attracting global retailers and endowing them with new growth prospectus. As Topshop already has its presence in Brazil and Russia and has plans to open chain of stores in China, it will be advantageous for the brand to further expand and enter India.

India has a great potential market owing to its developing economy and favourable retail environment. With a 5th spot in the GRDI, it has a market attractiveness of 31%, country risk of 66.7% and overall GRDI score of 60.8 (see table). This makes it attractive to new entrants providing them with expansion opportunity and promising returns.

India economy is flourishing with a GDP growth rate of 6.8% (World, Bank 2011) and is the 4th largest economy in the world in terms of purchasing power parity. The Indian apparel retail industry is valued at \$9,133.5 million which grew by 10.4% in 2011 and has a compound annual growth rate (CAG) of 9.6% from 2007-11. The CAG for the period 2011-16 is expected to be around 6.7%. As regards to the womens wear fragment, it accounts for about 39.4% of the total apparel retail industry in India which is a prerequisite for Topshop. {Apparel Retail in India}.

Also, looking through the demographic point of view, India is the worlds second largest populated country with more than 1.2 billion people and is one of the youngest nations in the world with the median age of 26 years (CIA). Such market will be suitable for Topshop as it accords with its target segment comprising of young female fashion consumer.

Development continues to nurture India and widening urbanisation at an expected rate of 2.4% is leading to rapid transformation of the Indian consumer along with the demand for brands increasing substantially. Such dynamic opportunity and fast growing market has attracted a number of global retail fashion brands to enter India which include M & S, wrangler, forever 21, Guess, Zara and recently opened Superdry

Looking at the above strong fundamentals, Topshop should focus and gain access to the growing Indian retail market.

Entry Mode

International brands should consider a number of factors before selecting its entry mode which include the market competition, prevailing business practises, and cultural challenges of the country along with the political, economical conditions and the government restrictions and policies (Yao Lu). The entry mode depends upon the brands requisite of having a low control (exports) or high control (Wholly owned subsidiary) which will affect the degree of investment, control, risks, resources and returns involved (Hill et al., 1990).

Until January 2012, FDI regulation in India for single brand retail trading permitted foreign investors to have a maximum 51% stake in joint venture (JV) with a local partner. But regulation has now been relaxed to allow foreign investor to own up to 100% stake.

Such amendment is no game changer for the foreign brand as JV and franchisee mode still continues to be a favourable options. Christian Von Daniels, CEO, Van Laack states that the industry still has some bottlenecks and it is essential to have an Indian partner due to lack of knowledge and expertise of the market. International brand Van Laack took 3 years to enter India as store location was a hindrance and finally it entered through franchisee mode. (Times of India)

International fashion brands launched in India in 2010

Table 1. shows that major international brands are entering the Indian market through partnership either in the form of JV or Franchise. The most recent partnership was a franchise agreement between SuperGroup and Reliance Brands launching British fashion Superdry in India.

From the above rationale it will be practical for Topshop to enter the Indian market in a partnership form. Topshop should enter the India market in a joint venture partnership (JV) with Trent Limited (Trent) by having a 51% stake in the partnership shareholdings. Trent is a retail arm of the Tata Group, one of the most respected business houses in India. It is engaged in operating multi format retail stores and also has a joint venture with the Inditex group, thus operating the Zara chain in India

Through this strategic Topshop - Trent JV, the manufacturing facilities and experience of Trent in the Indian market can be combined with the expertise of the brand. This will also enable Topshop to overcome the government requirement of having mandatory sourcing of at least 30% of the value of product through small industries. Consequently, with this partnership Topshop can reduce its risk of entering the Indian market, involve itself in the operations and can develop and expand quickly in the flourishing Indian retail market.

Product Decision Topshop

Product is an important attribute of the marketing mix as without the product nothing can be strategically placed, priced or promoted. The crucial product strategies whether to standardise the product or go for product adaptation will determine the success of the firm (book). Sherlock, J, &

Reuvid, J (2005) states that modification of the product is important as the most successful products are customized to suit the target market preferences and expectations which differs in terms of tastes, style, preferences, climatic conditions and other aesthetic features (book)

Topshops product line has a collection from Mainline, everyday classic to the unique and designer wear fashion collection. Such range of products is suitable for the diversified Indian market which is influenced by the western fashion. Indian consumers prefer brands for the premium fashion products, comfort fittings and value for money. Along with its standard core products like tops, trousers, dresses, jackets and nightwear, they should also include different range of accessories like belts, scarfs, bags and footwear which is also in trend. Additionally it should also provide formal wear as the number of Indian working woman has seen a tremendous growth since the nineties.

The product attributes like the Indian size specification and climatic conditions are different from the western countries. Like during summers, they should bring in cotton or linen material clothes and in winters clothes like sweatshirts, leather jackets or coats have to be shelved.

The regional climatic condition is also important as in the northern region the demand for woollen wear is higher than the southern part where winters are mild.

Consider the intense competition in the market; Topshop should constantly bring innovation in the product line. In the fashion industry, the products have shorter life cycle due rapid change in the fashion trends.

Sales**Expenditure****Maturity****Growth****Extension Strategy****Saturation****Launch****Time****Development**

The industry has two cycles which is the spring - summer and the autumn fall winter season. As a new product is launched there is high demand to try the latest fashion. Sufficient quantity of the merchandise should be available during peak season. But, the product matures quickly due to shift of preferences. At the saturation level it can sell its outdated stock at discounted prices usually at the end of season. It is strategically important for Topshop to introduce new products frequently to avoid dip in its sales and extend its life cycle. As we can see that its competitor Zara adapts quickly to the upcoming fashion trends and launches around 11, 000 new items with stock changing of 2-3 times a week as compared to other brands which is around 2000 to 4000 items. Thus, constant innovation in the product line up, gives us a healthier the life cycle. As Topshop operates internationally, it has extended product lifecycle i. e. seasons are other way round in different hemisphere.

Price

Kotler states that among the 4 marketing mix; product, promotion and place implant the seeds of success; but price is the element which eventually reaps success (Kotler). Price is a competitive tool through which a company positions itself in the market and differentiates its product from the competitors (Michael R. Czinkota).

Topshop pricing decision will determine its positioning in the Indian market. A business has different pricing strategies to be considered which include cost-based pricing approach or market-based pricing approach. Topshop should consider the competitor factor as a major determinant for selecting its pricing strategy as any changes in the prices of the competitors largely affects the market share of the brand. Thus, Topshop should adopt a market based approach (justin paul book).

Indian consumers are price conservative and believe in value for money. Price should reflect its perceived value. Some consumers perceive value when the price is low while others may turn it away considering it lack of value. A balance between price and quality will be imperative (PDF). Topshop core strategy is to provide high fashion products at affordable prices.

The main competitors of Topshop in the Indian market are Zara, Mango, M&S, Benetton and Gap. With similar target consumer, product and pricing strategies and positioning of the brands, they make the apparel market more intense. If consumer demands are not met especially for price, brand switching is relatively high. There are some factors which still make Topshop valuable to gain customers confidence. They mostly deliver medium price range products as seen in diagram 2. The brand has differentiated itself as a

fashion-led trendsetter with its popular lines like mainline, premium, and unique. With being the only high street brand showing its product at London Fashion Week and working with Kate Moss and other designers, it has positioned itself as a gap filler brand in between the high street retailers and fashion brands (Joy London). Their target positions in the market are the customers who are willing to spend a premium price for the latest fashion style including designer wear. Thus, its price reflects the quality and high fashion merchandise it offers.

Place

Distribution channel is the mean through which the products or services are made available to the end users. Businesses can have direct marketing channel or indirect marketing channels consisting of intermediaries like retailers, wholesalers or distributors. (Philip kotler) Companies can gain competitive edge on the basis of the design of channel distribution they follow. Topshop should have a direct marketing channel, wherein the brand will directly sell its products to the final consumers without having any intermediary levels.

Topshop should initially focus on the two major metro cities of India i. e. Delhi and Mumbai. Delhi being the capital and Mumbai being the financial capital of the country has certain advantage. Both the cities have large potential fashion-oriented shoppers. The population dress more contemporarily than traditionally as they are exposed to the latest collection and are aware about the new fashion trend. Furthermore, as the cities are

more touristic based with frequent foreign travellers from different countries, this is a value added benefit for the brand.

The Indian retail scenario is transforming from the single retail stores model to a more modernised retail structure with the emergence of the shopping mall concept. Shopping malls provides a new experience to the consumer offering shopping, entertainment and food under one roof. Indian malls consist of more high value and brand outlets (changingretailsценepdf). Ernst and young also states that shopping mall represents a perfect format for international brands. Topshop should open its store at Palladium Mall in Mumbai which is a premier luxury destination for shoppers which consist of major international brands like Gucci, Diesel, also its competitor Zara and recently opened Superdry. It should consider the DLF Emporio mall in Delhi which is another high end luxury mall.

Online shopping is another unique distribution channel for the company. Through this mean customer can compare the product and prices with its competitors and also provide an easy, private and convenient shopping experience. (fulltext pg18) Topshop can sell its product through internet retailing via its online website [www. topshop. com](http://www.topshop.com). Through this mode it can also reach shoppers where its outlet store does not exist and also provide updates of it new products and sale offers online.

Promotion Fashion Marketing Communication

Promotion also known as marketing communication, the 4th P of marketing mix is a key element for attaining market for the brand. It is a tool through which company educates consumers about its products and creates its brand
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identity. (Easey) John Fralin classifies promotional activities into above-the-line advertisement and below-the-line activities. Above the line promotion utilizes mass media advertising to target large audience which includes television, radio, print, press or online media. Below the line uses media on which it has control which includes personal mailing or sales promotion. Topshop should use both these approaches to create a desire for its product.

Topshop should have an official launch party for its new store. A fashion ramp with some Bollywood celebrities on the runway will add glamour to the show and also create a media fizz. By this, Topshop will have a grand launch in India. In the opening period, it should use extensive promotional strategy to lure its customers into its new store which may include free gifts and discounts.

Visual merchandising is an important aspect of fashion promotion, wherein Topshop should continuously change its window display. It is the attractive and glamorous shop window that catches the eye of the onlooker and will attract them towards the brand. It should advertise in magazines like Elle, Vogue or Femina to promote their merchandise as its readers are the target consumers of Topshop. Additionally, linking to Social media like facebook or twitter is the best way for the brand to constantly engage with its customers. It should also make use of Direct Mail service through which it can post catalogue, newsletters to its subscribed members and keep them updated about any new collection or sales promotion.

Furthermore, it should have seasonal promotion like summer sale or New Years sale. Also having discounts during important festivals like Diwali or

Christmas can attract many shoppers as they are aspiring to make new purchases. An offseason stock clearance sale can compel shoppers to buy more.

Such promotional activities will help Topshop to create awareness and a desire to purchase its products. Products which communicate feelings and emotions gel well with the Indian consumers and develop brand loyalty. This will enable Topshop to develop a strong brand identity.

Conclusion

A comprehensive market analysis was undertaken to get an insight of the retail segment in India which included secondary data sources like journals, articles, reports and books. Through this research we tried to analyse the viability of Topshop to enter the Indian fashion market, its appropriate mode of its entry and the marketing mix it can adopt to successfully launch in the country.

The research showed that the Indian fashion market is growing at a phenomenon rate and that the income level and standard of living in the country are rising. Additionally, people are travelling abroad and are becoming exposed to the latest fashion. This is creating a change in the taste of the Indian consumers who are become more westernised and are now preferring the new fashion and adopting the latest trends.

The Indian retail market scenario is changing. With the latest shopping mall concept taking over, we can see a transformation in the retail sector. The demand for fast fashion brands are rising, due to which international brands

are getting attracted and coming into India to exploit such opportunities. Zara, Vero Moda, Jacks and Jones and Superdry are some of the fashion brands that have recently entered the Indian market.

Due to lack of knowledge of the Indian market, it is beneficial for Topshop to enter into a joint venture contract to successfully establish itself. With the intense competition in the fashion industry, it should have planned store location with exceptional pricing and promotional strategies to gain the customers confidence, thus improving brand loyalty and gaining competitive advantage over its competitors.

The above research provides favourable opportunity for Topshop in the Indian fashion market. Hence, it will be recommendable for Topshop to enter the Indian market and exploit the existing opportunities.