

Challenges for Fashion Retail Business in India: An Empirical Study

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Abstract

Due to a rapidly growing middle class and more consumer spending over the past ten years, India's fashion retail industry has seen substantial expansion. For fashion merchants who operate in the Indian market, however, this rise has also brought about a number of difficulties. According to preliminary research, the difficulties experienced by fashion retail companies in India can be divided into three categories: infrastructure, regulatory, and consumer-related issues. Logistics, supply chain management, and retail location are only a few examples of infrastructure-related difficulties. The issues facing the consumer sector include shifting consumer tastes, fierce rivalry, and price sensitivity. Different geographical regions in India have different hurdles for fashion retail firms. Tier-1 cities deal with more fierce rivalry and more expensive real estate, whereas tier-2 and tier-3 towns struggle with inadequate infrastructure and inefficient supply chains. It is crucial to identify useful information for Indian fashion retail companies, enabling them to create effective plans to deal with these difficulties. Retailers may customize their operations, marketing, and supply chain management strategies to enhance their success in the Indian market by recognizing the unique obstacles faced in various locations. This is a tool for researchers, entrepreneurs, and policymakers who want to learn more about the dynamics of the Indian fashion retail market and develop plans to support that market's expansion and sustainability.

Keywords: Business, Challenges, India, Fashion, Retail

Introduction

Over the past ten years, India's retail fashion market has undergone a spectacular expansion and transformation. India has emerged as a desirable market for both domestic and foreign fashion businesses due to the growth of the middle class, rising disposable incomes, and shifting

consumer preferences. Although this industry has many prospects, it also faces several obstacles that limit its capacity to expand and become profitable. Retailers may create efficient strategies to negotiate the changing Indian market and take advantage of its enormous potential by being aware of and solving these obstacles. India has a huge demand for fashion retail firms thanks to its rich cultural diversity, thriving fashion scene, and population of 1.42 billion. Consumer expenditure on fashion goods has increased as a result of the growing middle class and urbanization. According to a McKinsey estimate, the Indian fashion sector would develop at a 9.7 percent compound annual growth rate (CAGR) and get to \$115 billion by 2026. However, despite the promising growth prospects, fashion retailers in India deal with a number of issues that have an impact on their productivity and profitability.

The inability of India's infrastructure to support fashion retail operations effectively creates substantial barriers. Particularly in a nation with a diverse geography and transportation system, logistics and supply chain management are key concerns. Retailers have difficult challenges including managing inventories, coordinating with several stakeholders, and delivering goods on time. The location of the store is yet another important factor that might impact the performance of fashion retail businesses. Particularly in Tier-1 cities where competition for such locations is fierce, the availability of excellent retail space in high-demand regions and the accompanying pricing can have a substantial influence on merchants. In contrast, the lack of infrastructure in tier-2 and tier-3 cities is a difficulty for the development and maintenance of effective supply chains. A variety of elements have an impact on India's apparel retail industry under the heading of regulatory issues. For merchants, navigating complex tax regimes, such as those with numerous layers of taxes like the GST (Goods and Services Tax), can be challenging. Additionally, difficult license and permit application processes make it difficult to conduct business. Regulations and trade laws that frequently change can be unpredictable and have a negative impact on pricing plans, supply chains, and overall business planning. Retailers' operations become more complex and expensive as a result of the ongoing requirement to assure compliance and react to new policies.

Retail enterprises in the fashion industry in India must comprehend and accommodate the shifting nature of consumer preferences. The consumer market in India is broad, with a range of

preferences, cultural influences, and purchasing power. To choose products that are in line with changing consumer wants, retailers must be aware of these subtleties. In addition, India's fashion retail market is very competitive. International brands entering the market are putting pressure on domestic competitors.

Literature Review

According to Godart (2012), fashion is a means of self-affirmation. It is a general word that, according to Christopher et al. (2004), generally refers to any market or product with a stylistic aspect likely to be impermanent. The elementary definition of fashion is the types or style of accessories and clothing which are worn by different groups of individuals at any particular period. There will be disparities between the high-end designer clothes displayed on the New York or Paris catwalks and the mass-produced street wear or sportswear found in malls and markets around the globe. The fashion business includes the creation, production, distribution, marketing, selling, advertising, and promotion of all kinds of clothes, from the most exclusive and pricey designer and haute couture outfits to regular, daily clothing. The prime problem with the fashion business is that it always takes longer to obtain resources, transform them into products, and deliver them to the market than what the consumer is willing to wait for.

One of the most critical sectors of the global economy is the fashion sector, which encompasses textiles and garments. In emerging nations like India, it is also a significant sector. In fact, according to a report by the India Brand Equity Foundation, the Indian textile and garment industry currently offers 35 million job opportunities and 14% industrial growth is a result of the sector. A report by the European Commission and the United Nations Environment Programme states that the apparel and textile industry is the 2nd largest economic sector in the world and accounts for seven percent of all exports. Although the textile and fashion clothing industry has had sustainable economic growth, due to issues with pollution, waste, human rights violations, and other challenges, it poses a threat to social welfare and the environment. As a result, more factors than only economic growth must be considered to achieve sustainability in the apparel and textile industry (Jia et al., 2015).

The impacts of the fashion and textile industries on social welfare and the environment have been extensively studied in the literature. To be more precise, Diabat et al. (2014) stated that pressure is put on businesses, particularly those in the textile industry, to adopt sustainable practices in order to improve environmental performance. They conducted an analysis and found that the five key factors influencing whether Indian textile businesses implement sustainable supply chain management are acceptance of safety standards, adoption of green practices, employment stability, health and safety concerns, and community economic well-being. According to Gardetti and Torres (2013), the matter of cheap labor in the apparel and textile industries is related to international trade agreements and politics. Additionally, they noted how common it is for these businesses to mistreat working conditions, violate human rights through poor pay, and have lengthy workweeks. Based on environmental and social criteria like discrimination, child labor, unfair competition, abuse of human rights, long workdays, and pollution, Baskaran et al. (2012) observed the garment producers and their vendors (suppliers to manufacturers) in the Indian clothing and textile industry. According to their analysis, the producer side's top complaints are pollution and unfair competition, while the supplier side's chief concerns are child labor and excessive working hours. Environmental management systems are a severe liability for the modern textile and apparel sectors, according to Lo et al (2012).

Creating sales forecasts in the fashion retailing industry is a difficult task that necessitates innovative and practical solutions, especially when forecasts are generated for novel items without historical sales data. In a market that is getting more and more dynamic and dependent on a range of, and in some cases, unmanageable situations, a company's decision to predict sales volume with confidence is crucial to improving its performance. Businesses that use more precise prediction approaches to calculate how much of each item needs to be acquired from the vendors could help to enhance the buying choice. This approach will eventually lead to an increase in income because it will allow the company to operate more efficiently and leanly while avoiding excessive storage costs for unsold inventory. Tight stock control in retail establishments may provide an advantage over the competition. Customers will patronize businesses that carry the things they need in stock, which boosts customer happiness and loyalty.

Findings reveal that rising borrowing costs, labor costs, and employee pay, are other key difficulties in the fashion retailing industry. The main difficulties in the fashion retailing industry include taxes, regulations, and infrastructures (Prashar, 2019).

According to the respondents of the study by Prashar (2019), it is difficult to avoid high storage costs for unsold inventory in the fashion retailing industry, limiting exposure to cutting-edge technologies is a significant problem, and it is difficult to find means to display product intervals that satisfy consumer demand for contemporary fashions. To understand the difficulties faced by fashion retailing in India, the researcher considered industry professionals from the fashion retailing sector. A survey using a structured questionnaire and a random sampling approach was used to gather the study's primary data. Results were obtained using mean analysis and evaluation of the data. The respondents agree that close stock management in retail stores may give them an edge over competitors. They also agree that they are unable to satisfy international standards in the fiercely competitive international market and that they find it difficult to predict sales in the fashion retail sector.

Catchment areas, accessibility, the distance between shopping malls, the presence of transportation and communication networks, and tenant mix are all considered locational considerations for a fashion retail business to take into account for the success of the organization (Rabbanee et al. 2012). Population structure impacts fashion retail business performance and profitability, types of retail formats, the trade area, degrees of retail saturation, retailer competitiveness, economic variables, and the existence of anchor or magnet stores in malls. Indian malls are situated in thickly populated sites where there are problems with traffic congestion, travel time, and parking, unlike shopping malls and centers in developed countries that are situated on the outskirts of cities, occupying large spaces, and offering a large assortment mix at cheap prices. In terms of location, therefore, fashion retail businesses in India face quite a few challenges. This also affects consumer attraction and satisfaction, and the growth of the consumer base.

Objective:

To measure the challenges for fashion retail business in India

Methodology:

This study is descriptive in nature in which the data were obtained from the 190 respondents to find the challenges for fashion retail business in India. A checklist question was used to analyze and interpret the data. In a checklist question respondents choose “Yes” or “No” for all the questions.

Data Analysis and Interpretations:**Table 1 Challenges for Fashion Retail Business in India**

SL No.	Challenges for Fashion Retail Business in India	Yes	% Yes	No	% No	Total
1	Rapidly changing customer demands	173	91.05	17	8.95	190
2	Lack of adequate infrastructure	182	95.79	8	4.21	190
3	Economic trends and complex tax regimes	177	93.16	13	6.84	190
4	Heterogeneity of the market	165	86.84	25	13.16	190
5	Shortage of skilled manpower	169	88.95	21	11.05	190
6	Increasing international competition	162	85.26	28	14.74	190
7	Unnecessary textile waste	175	92.11	15	7.89	190
8	Supply chain bottlenecks	161	84.74	29	15.26	190



Figure 1 Challenges for Fashion Retail Business in India

Table 1 and Figure 1 show the challenges for fashion retail business in India. It was found that around 95.7% respondents believe that lack of adequate infrastructure is the main challenge for fashion retail business in India, Economic trends and complex tax regimes (93.1%), Unnecessary textile waste (92.1%), Rapidly changing customer demands (91.0%), Shortage of skilled manpower (88.9%), Heterogeneity of the market (86.8%), Increasing international competition (85.2%) and Supply chain bottlenecks (84.7%).

Conclusion

As a result of a growing middle class and shifting consumer preferences, India's fashion retail industry offers substantial growth potential. To guarantee sustained growth and profitability, this industry must also handle a number of issues. The operational effectiveness of retailers is impacted by infrastructure issues such as logistics and supply chain management, shop location, and poor infrastructure in tier-2 and tier-3 cities. The regulatory environment further complicates the corporate environment. Finally, consumer-focused issues including shifting preferences, fierce competition, and price sensitivity force retailers to make constant adjustments to their

plans. For fashion retailers doing business in India, the creation of specific strategies to improve their operations, supply chain management, marketing, and pricing strategies by being aware of and tackling these difficulties is helpful. The Indian market's distinct dynamics must be actively adapted by fashion merchants. Building good relationships with suppliers and manufacturers, utilizing technology to increase operational efficiency, investing in effective logistics and supply chain infrastructure, interacting with customers through customized experiences and value-driven products are just a few of the things that fall under this category.

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