FAISAL MAGRAY

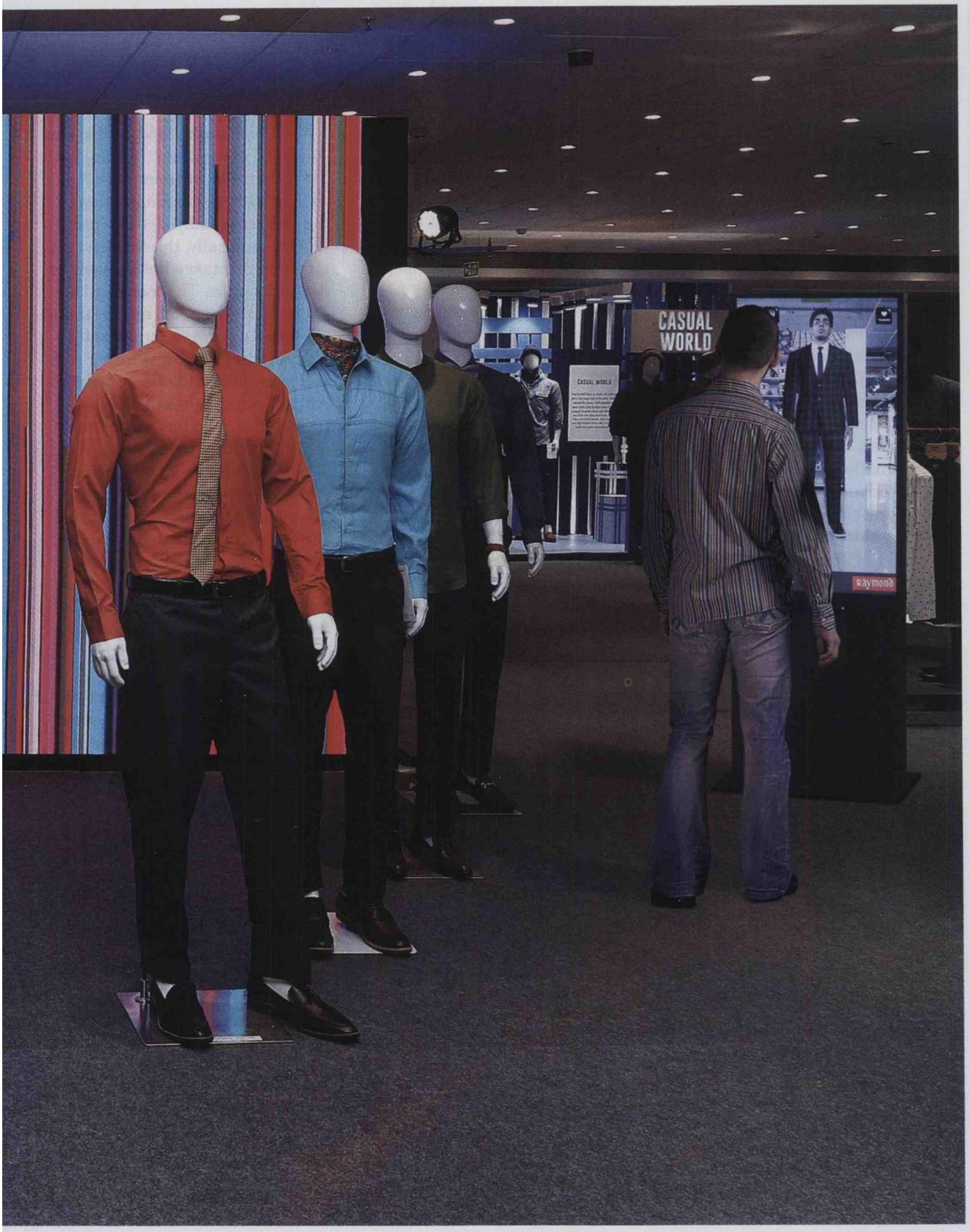
THE 'LEAP' YEAR

IN 2018, RAYMOND'S TEXTILE BUSINESS SHOOK ITSELF FREE OF A STUPOR, AND STARTED TRANSFORMING ITS SUPPLY-CHAIN AND TAILORING SERVICES USING TECHNOLOGY

Krishna Gopalan

Imagine if you have a way to see how you look in an outfit without having to actually try it out. So much time saved. So much agony saved waiting in long queues in front of the trial rooms. Especially during those mega sales! Well, you don't need to imagine, you can actually do that now.

Except, it's not for your convenience of trying out a ready-made garment, but to motivate you to buy fabric and get it tailored. Launched in 2018, the visualisation mirrors allow you to see yourself in 20 pre-loaded


CASUAL
WORLD
CASUAL WORLD
Raymond

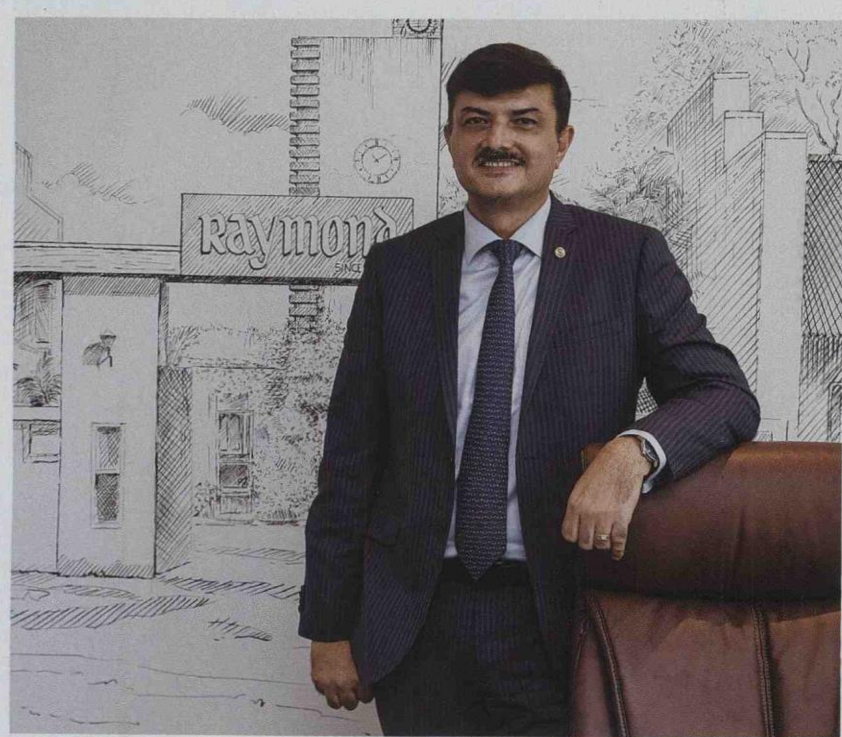
style of garments on a 42-inch or 55-inch screen. Called Style Me, these mirrors are a novel way to address a key problem why people are hesitant to buy fabric and get it stitched – the inability to see how one looked in the garment.

This, by the way, is just one of the many armours Raymond has developed to fight the avalanche of ready-made garments that is threatening to make tailored clothing a thing of the past.

Put it on the younger generation, or the emerging culture of informal workplaces or simply the economies of scale in manufacturing – the reality today is 'ready-made in, stitched clothing out' – well, almost. While this has pretty much signalled death knell for several Indian textile players, if there is any chance of a company surviving this storm, it's probably the maker of The Complete Man -- Raymond. For as long as one can remember, brands such as Park Avenue and the eponymous Raymond have been an integral part of the men's wardrobe.

But even a robust brand like Raymond, with great legacy and a degree of aspirational value for a large part of the country, pales in terms of growth compared with the trendy, fast fashion brands. Over the past three years, Raymond's branded textiles, the single largest contributor to the company's revenues, grew 16% closing FY19 at ₹31.53 billion. Branded apparel grew 30% in the same period at ₹16.47 billion.

But then, even as several companies of its age have fallen sick, 94-year old Raymond is doing something remarkably simple to continue to make its presence felt. Its strategy combines new-age technology with the old world charm of tailoring the perfect clothing to reach out to more customers, and delight them with the brand. CEO Sanjay Behl says, "Our main objective is to expand the market and do away with supply chain inefficiencies by using technology. As for suits, they can come from China or Italy, but whoever offers the end-to-end solution will be the winner."



CHANGING THE PRESENT

A few years ago, the business ecosystem at Raymond was settling into a stupor, which came from dispiritedness.

When Sudhanshu Pokhriyal joined Raymond as president (textiles) in December 2015, volumes were 70 million metres per annum, growing only marginally at 5-10% per annum. Ironically, this was the category that had taken the company to its lead position. The company had approximately 30-35% market share, but it had not grown significantly.

Textiles segment was losing relevance in the world of fast fashion. Arvind Gupta, a textile industry veteran, who has spent time at Arvind, Raymond and Reid & Taylor, points to a situation over two decades ago, when stitching made economic sense. "It was very much possible to buy fabric from a store and, with stitching, the cost would be ₹275 for a shirt, compared to a ready-made piece for ₹800. Over time, the number of tailors dropped and ready-made clothing became more affordable," he says. While once the wardrobe was 70% tailored, with the remaining ready-made, it is the other way around today. This has been most obvious in the virtual insignificance of brands such as Digjam, OCM and S Kumars. "Raymond is the only brand that has survived in the midst of all this. The challenge for them is to continue to charge a premium for fabric," says Gupta.

For at least six months, Pokhriyal spent time just "to get to a semblance of a strategy". It was obvious that ready-made apparels

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President (textiles), Raymond

were preferred, but there was also an emerging trend of making style statements. "When we dug deeper, we understood that customers were eager to dress up for an occasion, such as a wedding or a festival. So they were looking for a wider range and happy to spend on a stylist," explains Pokhriyal.

That fortified Raymond's thought of moving towards mass customisation. But more than that, there was need to whet the appetite for variety. Ironically though, Raymond had very little knowledge of what kind of fabric was selling where. While there were an estimated 20,000 stores (brand and multi-brand outlets, and dealers) across India selling Raymond fabric, data existed only for 3,800 of them. Quite clearly, there was a multitude of smaller outlets selling Raymond fabric of which the company had limited or no information whatsoever.

The distribution system had the wholesaler (105 in the Raymond network) at the centre, who himself, was unwilling to take any risk. Raymond has 105 wholesalers across the country. Based on his understanding of the market and a level of intuitiveness, he would place the order for fabric that he was confident of selling. The business was being dictated by the wholesaler's limited capital and the accompanying reluctance to not expand the retail reach within his area; he was happy to work with a limited bunch of stores, who would pay on time.

Vector Consulting Group, a supply chain and operations specialist, has worked very closely with Raymond on the exercise; and, according to founding partner, Satyashri Mohanty, the approach was inherently flawed. "The wholesaler was trying to forecast fashion for six months and the company was taking his word for it. With an unpredictable life cycle for fashion, this approach was always going to be a gamble," he explains.

There were other complications as well. The wholesale business calls for deep pockets and a 7-10% RoI, which is what the business generates at best — a clear no go for a new entrant, with the existing ones simply feeling stuck. "The real problem was to figure out why they were in a working capital jam. It had to be freed up on priority," adds Mohanty.

The unsold stock is what does the wholesaler in. The average Raymond wholesaler has inventory to the extent of six to seven months of sales, apart from two to three months of credit due from the retailer. In the midst of all this, Raymond has to be paid on time, and that puts him in a bind. He chooses to work with whom he trusts, but in the process, the retail reach for the brand is severely affected.

MAKING TECH WORK

It was time to question the status quo and take a few tough decisions. At the core was the booking period that needed to be addressed. On a pilot basis, the company chose Belagavi in Karnataka, a small place with potential to spend, and a big market for Raymond where the sole wholesaler reported annual revenues of ₹40 million.

According to Pokhriyal, the wholesaler covered 70 retailers (dealers in industry parlance), which struck him as being odd, since there appeared to be latent demand. When Vector Consulting scanned the market, it confirmed what they had guessed —there

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CEO and co-founder, Applicate

“The key challenge for Raymond now, is to continue charging a premium for its fabric

—ARVIND GUPTA
Textile industry veteran

were over 600 stores selling Raymond fabric, with their own innovative way of sourcing it. Some would source it from other large retail stores, to meet demand, at festive seasons for example. This was more expensive for the retailers, but they had no option because the wholesalers would not sell to them because of lack of trust.

This is where Raymond realised it was time to bring in the tech crowd. Applicate, a Gurugram-based start-up, came aboard in March 2018 and in the first phase, connected 2,500 stores, which covered The Raymond Stores and multi-brand outlets. In play is its proprietary application, Channel Kart, which is licensed to Raymond. This B2B e-commerce platform called Midas allows retailers to place an order, which goes to the wholesaler, and eventually to Raymond, who has full visibility on the order.

The platform is integrated with Enterprise Resource Planning (ERP) system at Raymond, facilitating the flow of real-time information. Applicate's CEO and co-founder, Ranjeet Kumar says the objective was to establish direct contact with retailers. “It was important to empower retailers, maximise their product assortment and minimise inventory,” he says. Pokhriyal says that Midas has given Raymond the first mover advantage of changing the industry model to made-to-available.

The wholesaler, in this case, Ghewar Porwal of Shah Shankarlal Manshalal (SSM) & Sons, then comes under the auto-replenishment model, where stocks are tracked on a daily basis. Each time a retailer in Belagavi places an order with SSM & Sons, the reduced quantity reflects in Raymond's system. “I have access to all the orders. The wholesaler is the contact point for the dealer, but it is replenished by us,” says Pokhriyal. The mechanism knocks off the unsold stock monster for the wholesaler, since his inventory does not last for more than a month. This should move the RoI for the wholesaler from 7-10% to 15%. The retailer too, with the app, orders only what he needs, as opposed to being forced to sell what the wholesaler gives him.

All the 600 retailers in Belagavi have the Midas app on their phone, taking anywhere between 5-15 minutes to place an order. “It is now possible for the dealer to be connected to the company not just for stock, but to get information on new styles and trends,” says Kumar, who also works with FMCG and lifestyle companies on similar projects. The wholesaler is still in the picture, but as a more efficient and profit-making node.

Key part of the strategy is in getting the right product mix to the trade. Historically, the wholesaler was shown approximately 25% of the total stock keeping units (SKUs) -- roughly 8,000-9,000, from which he chose 300-700 depending on the size of the dealership and his confidence to sell. Neither did he understand that a black fabric comes with many variations, nor did the company have much say in his decision.

Now, under a system called never-out-of-stock, which constitutes 1,050 SKUs, accounting for 50% of Raymond's volume, the stock is replenished automatically; and delivery to the outlets, regardless of location, is 10 days at best. The rest 97% of the SKUs also includes highly expensive fabric priced at ₹100,000 per metre or more but brings in limited volume. These are sold through custom tailoring and have to be stocked. The company has warehouses in Bhiwandi (Maharashtra), Vapi (Gujarat) and Chhindwara (Madhya Pradesh).

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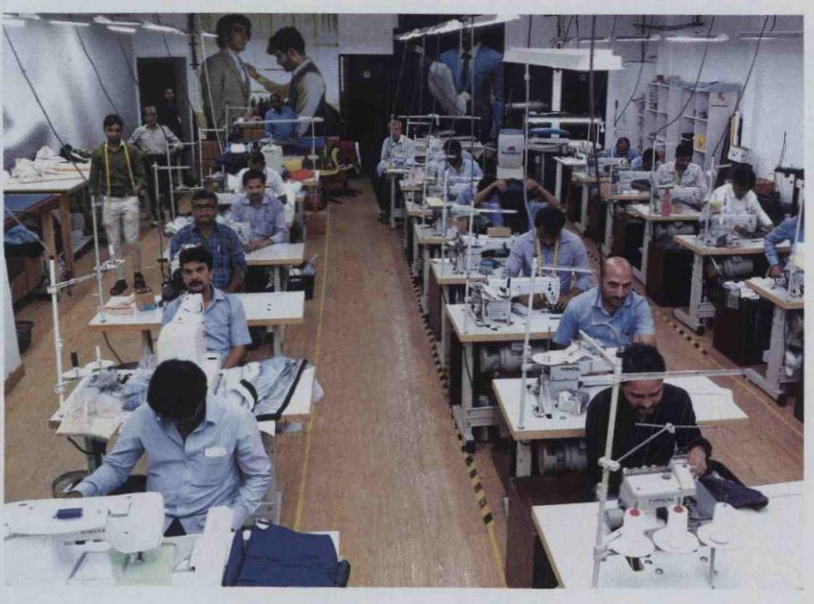

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Late last November, it was offered to the trade on domestic suiting business worth ₹18.5 billion, of which, ₹8.5 billion comes from wholesale and the rest from multi-brand outlets. Pokhriyal reveals that the NOOS alone has brought in business worth ₹500 million over three months. "For this fiscal, this channel's contribution will be 50% of what is ₹8.5 billion today," he adds. The plan is to extend it to shirting in May.

In this scenario, where the shift is from manufacturing based on booking to replenishment, the salesman's job will not be just expanding reach, but also analysing the market and convincing the wholesaler to stock the product. "Retail point data coming in is a big plus, which is of great value to our design team for instance. The entire relationship between the retailer and the wholesaler is a lot more transparent today," thinks Pokhriyal.

From Belagavi, Raymond's plan is to cover the rest of Karnataka and adjoining Maharashtra, which he says, will cover 10,000 stores by June. "It's a big jump from the 1,300 that we had data on."

STITCHING THE FUTURE

If Raymond continues to bet big on textiles, it's because the company still believes tailoring will take off in a big way. "The big trend we see is mega customisation, since it will only get tougher to make money on ready-made garments," Pokhriyal insists. The market could be ₹1-₹1.5 billion in size.

The trick to make that happen is technology. He cites the case of MTailor, a San Francisco-headquartered company, that sells men's custom shirts just by measuring a person with his phone's camera and having it tailored and delivered. Pokhriyal sees a clear opportunity to do something similar here.

For now though, Raymond offers the convenience of a tailor visiting customers at their residence for measurement, pick-up and drop of garments, and lifetime alterations. Launched in January 2018, the home-tailor service is now available in 10 cities. "We have to revive the old art of tailoring as the world moves into hyper personalisation. It is necessary for us to capitalise on our own tailor network; along with our fabric business, it'll put us in a strong position," insists Pokhriyal. Raymond has upskilled and certified 20,000 tailors, who work with Raymond based on orders.

According to Harminder Sahni, founder of Wazir Advisors, it will take a long time for India to reach a point where 99% of the market is ready-made, similar to what it is in the US or Italy. "Mega specialisation is an opportunity, and with technology that can deliver a finished product at home in 3-4 days, a new disruptive model can be created," believes Sahni.

"The opportunity for someone like Raymond in fabric is the limited number of players. Getting it right with distribution creates a strong network and equity for a brand," he says.

Three years ago, Pokhriyal and his team put together a centre of excellence for tailoring. The grand plan is to motivate customers to get their clothes stitched more confidently, and access tailors conveniently. Raymond could link all independent tailors to its 51 tailoring hubs through the Midas app. As the company trains the tailors and makes them tech-enabled, it will become possible to offer trends/fashions currently in vogue. "Eventually, all of this will have to move online and that will only open up the market for customised clothing," Pokhriyal predicts.

Raymond is hoping that much of what it has in mind will turn to reality in a world where fashion changes at the speed of light. Clearly, its oldest business has woken up to the new order. Maybe, just maybe, this could be the next part of the story in the journey to becoming the complete man.