

A Case Study on: The Balancing Act- Expansion & Affordability

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Kavita Pandey

FOSTIIMA Business School, New Delhi

Prof. Dhananjay Kumar

Asstt. Professor, FOSTIIMA Business School, New Delhi

dhananjay.kumar@fostiima.org

The Balancing Act: Expansion & Affordability

Introduction

In 2021, the founders of Tradecraft Pvt. Ltd., the company owning the renowned female clothing brand EleganceEra, were in deep introspection. They were contemplating the changes occurring in the women wear market. On the one-side designer labels were introducing new designs in the high-end of the market, on the other side large retailers like Westside, Shoppers Stop, Pantaloons etc. were launching private label apparels with higher margins. The EleganceEra brand was known for its exquisite ethnic-wear designs and premium fabrics among upper-segment women. The profile of their existing customers was mostly middle-aged 40+, independent, working woman who preferred ethnic costumes.

However, the company realized that the market was getting saturated and simultaneously highly competitive. Aditya Birla Fashion & Retail Ltd. (ABFRL) had recently acquired majority stakes in TCNS Clothing, owners of popular women brands like W, Aurelia, Wishful, and also purchased rights of Berrylush, Forever 21 brands. Similarly, Reliance acquired majority stakes in Ritu Kumar, Abraham & Thakore (designer wear) and 40% stake in Manish Malhotra, famous Bollywood designer. This had alarmed the founders as they did not have the financial or marketing strength to compete with these retail behemoths.

Hence, they wanted to expand their product range. The MD, Mr. Kapoor, was a visionary leader who believed in taking calculated risks. He saw the potential of young middle-class

working women segment and was eager to expand the brand's presence there. He believed that the potential of non-premium young middle-class segment could be tapped by launching an affordable series of products. He believed that it will give them competitive advantage over the large retailers since they are mostly focusing on premium segment, thus, the imperative of reaching the middle-class segment while safeguarding their premium brand identity.

The question was how to capture the market and whether to launch a new brand for the middle-class products or introduce them under the existing brand.

Founded in 2010, the brand has carved its niche in the world of women's fashion. It had started as a dream to create apparels that not only embraced the ever-changing trends but also celebrate individuality. The design should empower woman to express themselves through fashion. The company had 95 showrooms on Pan-India basis in cities like Delhi, Mumbai, Bangalore, Hyderabad, Kolkata, Lucknow, Bhopal, Pune and Chennai. The brand had expanded its offerings to cater to a wide range of styles and preferences, ensuring that there's something for every woman.

For the company it was not just about the clothes; it was about the experience. The brand had built a strong connection with its customers, creating a loyal community of fashion-forward women who shared a passion for style.

Different visions of the management:

Mr. Kapoor believed that the existing brand had built a strong reputation so introducing affordable products under the existing brand would allow them to tap into a wider customer base without diluting the brand's image. He had intuition about tier 2 cities that there was a growing middle-class population with disposable income looking for quality clothing options.

Whereas, the Marketing Manager, Ms. Goyal, was more cautious. She understood the importance of the brand's image and was concerned that introducing affordable products under the same brand umbrella might tarnish it. She believed that creating a new brand specifically for the middle-class market would be a safer approach. She was fearing that the company might not fully understand the dynamics and preferences of middle-class markets. She argued for conducting thorough market research before making any decisions.

Ms. Goyal, however, remained cautious. She worried that introducing affordable products under the same brand might lead to confusion among customers. She suggested that while the brand could expand to tier 2 cities, it should create a new sub-brand for the affordable line. This sub-brand could have its own unique identity and marketing strategy tailored to the middle-class audience. She argued, Armani exchange (sub brand of Armani), Trends and Ajio two clothing brands of Reliance and Zudio, Taneira and Westside of Tata group are example of how companies start multiple brands to cater different audience.

Talking about Zudio she said, Zudio focused on three core aspects: marketing costs, product quality, and strategic store locations. The brand has concentrated on creating a quality product that resonates with its core users. Additionally, by choosing store locations with low competition and moderate rentals, Zudio has been able to maintain a lean cost structure and sharp pricing. She suggested replication of Zudio business model wherein their company

should also start a new brand, focusing on mass-market option. LikeZudio the company should also offer trendy, quality clothing at an affordable price.

Marketing& Branding:

Marketing& Branding Strategies are the other major factor for expanding the business for affordable market segment. As till now the company was doing business in premium segment, the company was aware about its consumers and the trend of this segment. In premium segment the company had given preference to offline marketing like newspapers, general and women-specific magazines, Since, the company preferred physical stores to maintain the customer connect and provide experience, they used billboards and outdoor hoardings too in markets.

The company understood that branding strategies for young middle-class segment will need to be different from premium market segment, they need to identify their USP (unique selling proposition) its scalability and growth. Similarly, the promotional channels should be online marketing on social media platforms with celebrities and influencers, and more sales through their app and digital platforms like Amazon, Flipkart might be the way forward.

Brand Extension is also an option as the company have an existing brand along with that the company has to focus on the digital branding as the new product line was for young middle-class segment and popularity of online retailers like Amazon, Ajo, and Flipkart will also impact the company's business. As, the local competitors are also there so analysis of their strategies and market share should be also done by the company before entering the market.

So, the company decided to conduct a comprehensive market analysis and engaged a market research firm to gather data and insights. The research revealed some interesting findings:

S.no.	Particular	Idea1(new affordable series within the old brand)	Idea 2(new brand with affordable range)
1	Investment involved	Rs.9,40,000	Rs.8,00,000
2	salary	8 Sales man: Rs.1,60,000	5 sales man: Rs.1,00,000
3	Rent/Month	Rs.1,50,000	Rs.70,000
4	marketing	Rs.70,000	Rs.1,20,000
5	Footfall(expected)/day	Weekdays:1000 Weekends:1800-2000	Weekdays:500 Weekends:1200
6	Conversion rate	65-70%	40-48%

According to the survey the demand for branded clothing was on the rise, strong desire among young middle-class consumers for affordable yet stylish clothing. The existing brand had a strong reputation for quality and design, but it was perceived as expensive. Some respondents expressed interest in the brand if it offered more affordable options.

The dilemma company was facing are:

1. Identify the reason(s) for the company to look for diversification in the new segment.
2. Analyse whether the company should launch a new product line or a new brand for the young middle-class market segment?
3. Assess if the company launches an affordable product range within their existing brand, will it affect the brand image?
4. Recommend the promotional tools for marketing for the new affordable brand.

Teaching Note:

Synopsis:

In 2021, Tradecraft Pvt. Ltd., the owner of EleganceEra, a renowned women's clothing brand, faced a strategic crossroads. The company aimed to expand into young middle-class segment by introducing an affordable product line, all while safeguarding their premium brand image. The company, established in 2010 and till 2021 had 95 outlets in different cities.

Two contrasting visions emerged among the management. Mr. Kapoor, the MD, envisioned leveraging the existing brand, believing it could capture middle-class segment by offering affordable products without diluting the brand's prestige. Conversely, Ms. Goyal, the Marketing Manager, urged creating a new brand to protect the premium image.

Crucially, branding and marketing strategies needed careful consideration. While experienced in premium market, understanding middle-class market dynamics and the impact of online retail giants like Amazon and Flipkart and local players was vital. Market research unveiled a growing demand for affordable branded clothing among price-conscious middle-class consumers, yet the existing brand was seen as expensive.

The company has two options:

1. To launch the affordable products with the premium ones.
2. To launch a dedicated brand for the new product line.

Dilemma:

The management faced a pivotal dilemma: whether to expand their existing brand into the middle-class market or create a new brand. Mr. Kapoor advocated for leveraging the current brand's reputation, while Ms. Goyal preferred a separate brand to avoid risking the existing image. The dilemma extended to the potential impact on brand perception – would affordability under the same brand confuse customers? secondly, marketing & branding posed a challenge; adapting to the online retail surge required a choice between online and offline strategies tailored for middle-class market. In 2021, these intricate questions loomed large for Tradecraft Pvt. Ltd. and brand's expansion.

Learning objectives:

The case study presents a strategic decision-making scenario for Tradecraft Pvt. Ltd.

The key learning objectives that can be derived from this case study:

- Market Analysis and Expansion Strategies
- Branding strategies
- Product Line Strategy
- Risk Assessment
- Strategic Decision-Making

Link to theory:

The case represents classic brand extension dilemma faced by the companies. The case explores whether in certain instances brand extension will be preferable or a new brand needs to be conceptualized by the company.

Teaching the case:

The case study can be taught in Brand management chapter of Retail Management course at both graduate & Post Graduate levels. The students should be divided in small groups of 4-5 students each & case should be shared with them at least 3-days prior to class discussion. The students are expected to come prepared with the questions and the solutions.

The total case discussion should be around 45-60 mins and follow the below-mentioned board plan:

Board Plan

S. No.	Particulars	Time period (mins)
01.	Initial discussion/ Summary	05 mins
02.	Discussion dilemma 1	05 mins
03.	Discussion dilemma 2	10 mins
04.	Discussion dilemma 3	10 mins
05.	Discussion dilemma 4	10 mins

06.	Discussion dilemma 5	10 mins
07.	Summarizing & conclusion	10 mins
	TOTAL	60 mins

The dilemma company was facing are:

1. Identify the reason(s) for the company to look for diversification in the new segment.

Ans: The company which is presently catering to the middle-aged, upper-middle-class segment may choose to diversify into new segments for several reasons:

- **Market Saturation:** The brand's core segment may become saturated, with limited growth potential. Diversification allows them to tap into new markets with growth potential.
- **Changing Consumer Preferences:** Consumer preferences evolve over time. Diversification can help the brand adapt to changing fashion trends and cater to a wider audience.
- **Seasonal Variability:** Ethnic wear may have seasonal demand. Diversifying into new segments with different seasonal patterns can provide a more stable revenue stream.
- **Competitive Pressure:** Entering new segments can help the brand stay ahead of or compete with emerging competitors in the fashion industry.
- **Brand Equity Utilization:** The brand's reputation and equity can be leveraged to enter new segments successfully, building on the trust and loyalty established with the existing customer base.
- **Risk Mitigation:** Relying solely on one customer segment is risky. Diversification spreads the risk across different markets and customer groups.
- **Economic Factors:** Economic conditions can impact spending patterns. Diversifying allows the brand to minimize its vulnerability to economic downturns in any one segment.
- **Synergies:** There may be synergies in terms of manufacturing, distribution, or marketing when entering new segments, which can lead to cost efficiencies.
- **Innovation and Creativity:** Exploring new segments can fuel innovation and creativity within the brand, leading to fresh ideas and designs.
- **Global Expansion:** Diversifying into new segments can also open opportunities for global expansion, catering to a more diverse customer base.

By diversifying, the brand can not only broaden its customer base but also ensure long-term sustainability and growth in a dynamic and competitive fashion market.

2. Analyse whether the company should launch a new product line or a new brand for the young middle-class market segment?

Ans:The decision to launch a new product line within an existing brand or create a new brand for young working women professionals involves several factors. Here are the key considerations:

- **Target Audience:** Understand the distinct preferences, needs, and demographics of the new target market (young working women professionals) and whether they align with the existing brand's core customer base. If there's a significant disconnect, a new brand might be more appropriate.
- **Brand Identity:** Evaluate whether the existing brand's identity and image resonate with the new target audience. If it's a good fit, launching a new product line under the existing brand may be viable. Otherwise, a new brand can be created to establish a unique identity.
- **Market Research:** Conduct thorough market research to gauge demand and competition in the new segment. If the market is crowded with similar offerings, a new brand might help differentiate the products and capture attention.
- **Resource Allocation:** Consider the financial and human resources required for both options. Launching a new brand may demand more resources initially, whereas expanding within the existing brand can leverage existing infrastructure and customer base.
- **Cannibalization:** Assess the potential impact on sales of the existing product line if a new product line is introduced. If there's a risk of cannibalizing existing sales, it might be better to create a separate brand.
- **Marketing Strategy:** Determine whether the marketing and promotional strategies for the new line align with the existing brand's strategy. If the strategies are substantially different, a new brand might be more appropriate.
- **Distribution Channels:** Evaluate the distribution channels and retail partners. Existing brand relationships may facilitate the launch of a new product line, but if the channels do not cater to the new audience, a new brand might be necessary.

- **Brand Equity:** Consider the reputation, trust, and recognition associated with the existing brand. If it's strong and can be leveraged positively for the new line, continuing within the existing brand may be beneficial.
- **Legal and Trademark Issues:** Check for any legal constraints or trademark issues that might impact the launch of a new product line within the existing brand.
- **Long-Term Strategy:** Reflect on the long-term goals of the company. If the intention is to diversify and serve multiple market segments, a new brand may be more appropriate to prevent dilution of the existing brand's identity.
- **Competitive Landscape:** Analyze the competitive landscape within both options. If the competition is fierce in the new segment, creating a new brand can provide a fresh start and better differentiation.

Ultimately, the decision should be based on a comprehensive analysis of these factors, weighing the advantages and disadvantages of each option in the context of the brand's goals and market dynamics.

3. Assess if the company launches an affordable product range within their existing brand, will it affect the brand image?
4. Recommend the promotional tools for marketing for the new affordable brand

Ans: Promoting women's apparel for young, urban, professionally working women in an economic and affordable price range requires a mix of effective marketing strategies. Here are some recommendations:

Social Media Marketing:

Utilize platforms like Instagram, Facebook, and Pinterest to showcase your apparel through visually appealing posts and stories.

Collaborate with fashion influencers and bloggers to promote your products, particularly those who align with your target audience.

Email Marketing: Build and maintain a customer email list to send out regular updates, promotions, and exclusive offers. Personalize your emails based on customer preferences and purchase history.

Content Marketing:Create a fashion blog on your website to provide style tips, outfit ideas, and fashion trends.Share informative and engaging content on social media to position your brand as a fashion authority.

User-Generated Content:Encourage customers to share photos of themselves wearing your apparel on social media. Create a dedicated hashtag for this purpose.Repost and feature user-generated content on your website and social media to build community and trust.

Online Advertising:Use pay-per-click (PPC) advertising on platforms like Google Ads and Facebook Ads to target specific demographics and interests.Employ retargeting ads to remind potential customers about the products they viewed on your website.

Mobile-Friendly Shopping:Ensure your website is mobile-responsive to cater to customers who shop on their smartphones.Consider developing a dedicated mobile app for a more convenient shopping experience.

Customer Reviews and Ratings:Encourage customers to leave reviews and ratings on your products. Positive reviews build trust and influence purchase decisions.

Geo-Targeted Marketing:Use location-based marketing to target customers in specific geographic areas, especially if you have physical retail locations.

A/B Testing:Continuously analyze and optimize your promotional strategies by conducting A/B tests on different ad copy, visuals, and offers to determine what resonates best with your audience.

