

"Fabindia: Crafting Sustainable Success Through Heritage and Innovation"

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Abstract

Fabindia exemplifies sustainable business practices by blending Indian artisanal heritage with modern retail strategies. It empowers rural artisans, promotes handcrafted products, and emphasizes sustainability, creating a unique value proposition. By leveraging ethical sourcing, community-focused initiatives, and innovative marketing, Fabindia has positioned itself as a pioneer in preserving culture while achieving commercial success..

Keywords: *Fabindia, sustainable business, artisanal heritage, handcrafted products, ethical sourcing, rural empowerment*

1. Introduction

FabIndia was founded in 1960 by John Bissell, an American working for the Ford Foundation in New Delhi. Its initial focus was on exporting home furnishings made by Indian artisans with a mission of "to revive, sustain & promote India's traditional crafts and handlooms."

It operates in the handicrafts & lifestyle products industry, which is a sub segment of the larger retail industry. The company primarily targets the middle-class & upper-middle-class segment.

FabIndia's primary focus is the B2C market, it has limited B2B presence. It opened its first retail store in Greater Kailash, New Delhi. The company focused on niche audience to enter the market. They highlighted the unique aesthetics & handcrafted nature of the products for product differentiation.

In 1980s it expanded across major Indian cities, offering apparel, home décor, and personal care products alongside home furnishings, appealing to a wider audience by expanding their product range.

The company established its international presence with first store in Dubai in 2005. Along with it, the company also increased its focus on organic cotton, ethical sourcing & community development projects which helped them in aligning with evolving customer values.

The company received national award for Outstanding Textile Export Performance (2006-07) and World Business & Development Award in 2011.

In 2020's the company launched FabIndia Sanjeevani, connecting artisans directly with customers -and FabIndia cares to support artisans impacted by pandemic.

By 2024, along with increasing its online presence the company reached 320 stores in India & 14 international stores in 7 countries.

FabIndia's strategy evolved with time to cater the changing market trends, customer preferences & technological advancements.

2. Business Model

REVENUE MODEL

1. Artisan Partnerships: FabIndia pays its craftspeople more than 70,000 workers a fair value and directly engages with them. The rural residents are given more powers and thus the role of the middlemen is done away with. Especially, FabIndia especially assists craftsman in developing their skills and increasing their income through the training they offer.

2. Supply Region Companies (SRCs): Artisans own and control a part of these locally based companies. SRCs handle delivery, quality assurance and production, promoting craftsmen's autonomy and entrepreneurship. Also, the model ensures localized experience and adaptability to cater to regional peculiarities.

3. Extensive Product Range: FabIndia offers a vast array of items in several categories, such as clothing, home goods, organic food, cosmetics etc. This decreases the dependence on a single region for income since it addresses a diversity of customer needs and wants.

4. Private Label Brands: The private label brands of organic food and personal care, FabIndia Terra and FabIndia Organics have been created by FabIndia. These firms get higher margins because they have now found ways to better

control the quality of the product, the cost as well as marketing strategies.

5. Physical locations: Customers can enjoy FabIndia's real-world shopping at more than 200 physical locations in India; in addition to brand awareness and an opportunity to display the quality and workmanship of their products. For added convenience, these stores can also be used as pickup points for online orders as well.

6. Online Store: The FabIndia online store provides 24/7 accessibility and convenience to clients even beyond physical store locations. Moreover, it grants customers the opportunity to enjoy special online discounts and promotions, thus possibly boosting online sales.

7. Franchise Model: The local partners can take up the FabIndia outlets at their places under the FabIndia franchise model. This adds to market penetration and brand awareness while at the same time utilizing local knowledge and saving FabIndia on investment.

BRANDING STRATEGY

Ethical and Sustainable: FabIndia takes pride in supporting fair trade and adopting sustainable practices and ethical sourcing. Customers who prioritize social impact and conscious consumption will find a connection here.

Heritage and Craftsmanship: From the products and inputs that it makes, FabIndia supports India's heritage and traditional handicrafts. It encourages appreciation for artisan quality and cultural awareness.

Experience-Based Retail: FabIndia deals not only with transactions but also aims for a unique retail environment. Its retail locations are often licensed to have cafes, workshops, and cultural happenings that promote customer engagement and brand advocacy.

COMMUNICATION AND MARKETING

Focused Communication: FabIndia does the communicating part through influencer partnerships, social media, print media, and focused marketing activities, and it talks about its values and brand story.

Omnichannel Marketing: FabIndia provides collection deals, which allow customers to shop from anywhere within the network of stores whether online or offline, due to the ease of merging online and offline channels.

Content marketing and storytelling: FabIndia leverages documented anecdotes from communities and artisans to demonstrate the human part of its products and promote emotional relationships with consumers.

INNOVATION AND PRODUCT

Constant Innovation: Through the constant introduction of new designs, materials and concepts while staying loyal to the basic principles, FabIndia preserves its products being innovative.

Product diversification: Through the range of products, it offers a company appeals to the needs and tastes of the customers thus allowing it to be less limited to a certain market segment and attract a larger target group.

Development of Private Label Brands: FabIndia makes its private label brands, increasing its power in standards of its products, their costs, and its advertising strategies.

THE QUALITY OF OPERATIONS

The supply chain management and direct sourcing strategy of FabIndia ensures remuneration fairness for artisans and control over the quality of their output. An efficient supply chain saves costs and safe delivery.

Franchise Model: Through the employment of local knowledge and increasing FabIndia's market presence, franchises decrease the company's investment costs.

Emphasis on Technology: FabIndia utilizes technology to enrich the client experience through online platforms, improve processes and streamline data management.

USP

Ethical sourcing: FabIndia's direct sourcing approach eliminates exploitation by demanding fair wages and enabling craftspeople. This now interests a lot more customers that are ethical-minded.

Craftsmanship: FabIndia sells genuine handmade products and advocates of the Indian craft. It is the most appropriate for those who value originality, demand uniqueness and rebel against the predominance of industrial products.

Combining these two elements gives FabIndia a strong USP: purposefully created products that support positive social outcomes. This clearly distinguishes them from competitors and it closely matches the values that the modern customer segment is more and more keen on sharing.

3. GROWTH STRATEGIES

Expanding Their Reach: They are accelerating their omnichannel approach, making their web platforms robust, and exploring extra e-commerce pathways. Even if international expansion calls, franchises open new cities.

Creating Engaging New Audiences: The marketing strategies have been tailored for the younger generation, that is Gen Z, and their requirements are what influence product lines. Cities, in tiers 2 and 3, have great opportunity to grow but they also require unique product assortments and store configurations.

Product Innovation and Diversification: Sustainability is still a leading point of interest, and offerings are kept current via constant innovation in design, materials, and categories. Private label products could also mean more in terms of the profit margin and they need less overhead. Experience based services like cafes and workshops improves the customers perception.

Tech & Data Insights: In our presently data-driven environment, operations must be optimized, marketing should be personalized, and customers' preferences should be understood through data analytics. Efficient growth is achieved by making the most out of data-driven decisions in marketing strategies, resource allocation, and product development.

Craftsmen programs that we maintain build customer loyalty and commitment to sustainability fosters brand

image. It is like a strike as like a balance between influence and profit. The biggest dilemma today is between balancing financial sustainability and social impact.

PARTNER RELATIONSHIPS

The company has a close-knit relationship with 90,000+ weavers and 20,000+ Artisans for their collections. Even, the suppliers are region-based companies and they have created an ecosystem of great workspace and a good relationship with the Delivery Partners.

VALUE PROPOSITIONS

The concept of Made in India is striking well with the current Business Model of FabIndia. Their primary value proposition is into Indian Ethnic wear and providing a wide range of collections as part of their Indian wear. In their operations, they have also received the organic cotton certification as their weavers are using organic cotton in the production of their clothing line. As part of customer relationship management, in their store, they have provided self-service and easy return and exchange policies for the clothes. They also provided crafted lookbooks and style guides to help customers decide. As part of their sales, they provide customized recommendations, frequent sale promotion activities are put in place and call-back features and chatbot are also introduced.

CUSTOMER SEGMENTATION

1. Geographic: The company is having a mix of online and offline presence in India. To capture people from around the world, online platforms has been introduced and marketplaces such as FabIndia App, Amazon, and Flipkart provide a reach to customers from different parts of the world.

As part of its offline presence, FabIndia has set up Retail stores in metro cities and tier 2 cities. Through the offline stores, they provide a wide range of collections and in- store experiences to the customers.

2. Psychographic: Through Psychographic segmentation, they have catered to customers who are looking for collections as part of weddings, Festivals, Ethnic wear, and cultural needs. In India, the diversity and celebrations are bringing them more customers as their potential customers. The customers can be segmented based on their lifestyle too, as there would be customers who would be buying traditional daily wear. Therefore, lifestyle also plays a crucial role. Affinity towards made-in-India products and patriotic customers would also be a potential segment for FabIndia and that also would primarily contribute.

3. Demographic: The targeted age group would be from 20-45 years and the socio- economic status of the customers is upper middle class and middle-class segment. Most of the segment is women and men.

Market standing of FabIndia –

Because of its emphasis on craftsmanship, FabIndia has a strong brand history. Beyond clothing, it pledges to offer a broader range of products, including food, personal hygiene, and housewares. They are renowned for their dedication to

advancing fair trade ideals, sustainable practices, and traditional Indian crafts. Their products are meant for a discerning customer base, so they are typically more expensive than those found at mass-market stores. In India, FabIndia has a strong brand recognition and a devoted customer base, especially among urban consumers looking for products that are genuine and ethically sourced.

FabIndia is a dominant force in the Indian ethnic wear and lifestyle market, but it still has a small overall market share in the larger retail sector. Recent years have seen fluctuations in their revenue and profitability due to a few factors, including the state of the economy, competition, and disruptions caused by pandemics.

Revenue of FabIndia –

In the fiscal year 2022, the company's sales increased by 29% year over year, which was a reversal of its declining sales during the pandemic's peak. FabIndia recorded revenue of Rs 1,081 crore and a net loss of Rs 117 crore for the fiscal year 2021.

5. FUTURE GROWTH OPPORTUNITIES

While FabIndia is presently concentrated on business-to-consumer (B2C) sales, they may consider diversifying and introducing business-to-business (B2B) strategies to improve their prospects and long-term viability.

To change their emphasis from B2C to B2B, FabIndia can incorporate a few components. The following is a list of these components.

Interior design firms: By utilizing their unique style, FabIndia can work in conjunction with interior design firms to supply bespoke furniture and décor pieces for commercial projects.

Private label manufacturing: Utilizing their production capabilities and ethical sourcing techniques, FabIndia can offer other brands private label manufacturing services.

Wholesale collections: To help retailers who have similar values sell their products outside of their own stores, FabIndia may also try to create specialized whole sale collections.

There are three possible scenarios for FabIndia if it enters the B2B industry and this will determine their future trajectory.

Scenario 1 – Gradual Development

FabIndia concentrates on its B2B relationships with eateries, hotels, and interior design companies. These segments are growing gradually, but they are unable to grow dramatically because of the lack of marketing and resources dedicated to B2B. The B2B contribution is still relatively low when contrasted with their well-established B2C business.

Scenario 2 – Expansion Strategy

FabIndia allocates resources and teams specifically for developing B2B offerings and marketing campaigns. They effectively introduce wholesale collections and private label production, gaining popularity in the appropriate markets. Growth in B2B revenue is steady and contributes

significantly to overall growth, though it does not outpace growth in B2C sales.

Scenario 3 – Disruptive Innovation

FabIndia uses its business-to-business (B2B) relationships to create creative sustainable or ethical sourcing solutions for other companies. They rise to prominence in supply chain management and B2B sustainability consulting. FabIndia's B2B revenue is growing at an exponential rate and has the potential to surpass B2C sales. This growth has made FabIndia a prominent B2B player with a significant social impact.

Potential challenges in FabIndia Growth Trajectory-

1. Market and Competition:

As the landscape intensifies, established brands such as Westside and Reliance Trends are facing formidable competition from online giants such as Myntra and Amazon. For FabIndia to thrive, it must strengthen its distinctive value proposition and constantly innovate. In today's fast-changing consumer landscape, agility is key. With shifting preferences, it is crucial for FabIndia to remain attuned to emerging trends and address unmet needs to stay relevant. The ever-fluctuating economy in India poses a potential challenge for consumer spending. In such uncertain times, strategic adjustments and resilience will be essential for FabIndia to navigate any economic slowdowns and maintain its success.

2. Product and Sourcing:

Finding the right balance between ethical sourcing and affordability while also being able to scale can be a complex task. It is crucial to have strategies in place that allow for cost optimization without sacrificing ethical values. This challenge is further amplified when expanding product offerings beyond apparel and homeware, as it requires careful consideration to uphold the brand's identity and quality standards. Effective inventory management plays a fundamental role in maintaining profitability across multiple store locations with a diverse range of products. Implementing strong inventory management systems is essential for streamlining operations and maximizing profitability.

3. Operational and Financial:

Maximizing the effectiveness of store locations and skilful negotiation of rental agreements are essential to combat the challenges posed by high real estate costs. Considering that these agreements make up a significant portion of fixed expenses, they must be optimized to ensure a promising outlook for the future.

Efficient Supply Chain: The establishment of a strong and efficient supply chain throughout India demands considerable investments in logistics and infrastructure.

Mastery of E-commerce: Achieving success in e-commerce requires substantial investments and expert knowledge to effectively compete with established brands online.

4. Brand and Perception:

As FabIndia strives to connect with younger generations without losing the essence of its brand's tradition and heritage, strategic communication and tailored product offerings are a must. Its premium positioning strategy requires a steadfast dedication to maintaining superior quality, exceptional customer service, and a distinctive value proposition amid intense competition. To protect and preserve its brand's image, FabIndia proactively manages public perception and handles any ethical issues with urgency and effectiveness.

6. Growth Opportunities in FabIndia Growth Trajectory-

1. Leveraging Growth Opportunities:

Strategic Expansion: Tapping into untapped markets and catering to unique demographics with customized offerings holds vast promise.

Holistic Approach: Fusing online and offline channels seamlessly, providing convenient click-and-collect options, and delivering personalized online experiences, entices fresh clientele.

Immersive Shopping: By hosting workshops, cultural events, and partnering with artisans, its brand fosters stronger connections with customers and inspires brand loyalty.

Eco-friendly Endeavours: Demonstrating transparency, traceability, and actively engaging in sustainability initiatives resonates deeply with consumers who prioritize the environment.

2. Product and Sourcing Innovation:

By working together with designers, artisans, and social enterprises, FabIndia can expand its range of products and appeal to a wider audience. By prioritizing sustainable materials, design, and functionality, FabIndia stays ahead of the ever-evolving trends. The implementation of strong private labels with distinct value propositions not only increases profitability but also enhances brand authority. Additionally, by offering upcycled products and refurbishment services, FabIndia embraces the rising trend of the circular economy.

3. Operational and Financial Optimization:

Incorporating a franchise structure can greatly expedite expansion, particularly in smaller communities, while alleviating financial constraints. The adoption of cutting-edge technology for supply chain administration, inventory optimization, and data analysis greatly enhances operational efficiency and profitability. By providing personalized product boxes or exclusive access opportunities, subscription services generate consistent revenue streams and foster greater customer involvement. Leveraging strategic alliances with logistics firms or e-commerce platforms not only streamlines distribution but also allows access to untapped markets.

4. Building Brand Affinity and Trust:

By FabIndia having together captivating narratives about artisans, eco-friendly techniques, and societal contributions, it deepens the bond with Its brand and inspire unwavering support from Its audience. Its strategic use of social media tactics like targeted advertisements, partnering with influential figures, and fostering a community on various platforms allows it to expand Its reach and foster a genuine connection with new follow. By aligning its marketing efforts with meaningful social causes, FabIndia can strike a better chord with conscientious consumers driven by their values.

7. STRATEGIES TO OVERCOME CHALLENGES

While operating in the B2B (Business-to-Business) market, FabIndia may encounter various obstacles, some of them are :

1. Customization and Scalability: Meeting the diverse and often customized needs of B2B clients can be challenging. Ensuring scalability to handle larger orders while maintaining the quality and uniqueness of handmade and traditional products may pose operational challenges.

2. Intense Competition: The B2B market can be highly competitive, with multiple suppliers vying for the same business clients. FabIndia needs to differentiate itself through product quality, uniqueness, and value-added services.

Example: FabIndia competes with other suppliers in the B2B market for a contract to provide traditional Indian textiles to a large retail chain. To differentiate, FabIndia needs to showcase the authenticity and uniqueness of its products compared to competitors.

3. Negotiation and Pricing Pressure: B2B customers are often more price-sensitive and may negotiate for better terms. Balancing competitive pricing with maintaining profit margins may be an obstacle. It would be putting pressure on FabIndia to maintain competitive pricing without compromising on quality.

4. Cultural and Market Differences: If operating in international markets, cultural and market differences can pose challenges. Understanding the business practices and preferences of clients from different regions is crucial for success.

5. Digital Transformation: Embracing digital technologies for order processing, communication, and supply chain management is essential in the modern B2B landscape. Adapting to and investing in digital transformation can be challenging for traditional businesses

Some strategies that FabIndia could adapt to overcome these challenges are as follows:

1. Customization and Scalability:

Solution: Implement flexible production processes that allow for customization without compromising efficiency. Utilize technology to streamline order processing and production planning. Work closely with artisans to optimize workflows for scalability while maintaining product quality.

2. Intense Competition:

Solution: Focus on unique selling propositions (USPs) such as the authenticity of handmade products, sustainable practices, or exclusive designs. Invest in marketing strategies that highlight these differentiators. Consider forming strategic partnerships to enhance credibility and expand market reach.

3. Negotiation and Pricing Pressure:

Solution: Clearly communicate the value proposition of FabIndia's products, emphasizing quality, authenticity, and any unique features. Explore opportunities for cost optimization within the production process. Consider offering value-added services or bundled offerings to justify pricing.

4. Cultural and Market Differences:

Solution: Conduct thorough market research before entering a new international market. Adapt product offerings, marketing messages, and business practices to align with local preferences and cultural nuances. Consider forming partnerships with local businesses to navigate cultural differences effectively.

5. Digital Transformation:

Solution: Invest in comprehensive training programs to ensure that employees are comfortable with new digital systems. Collaborate with technology partners to customize solutions that seamlessly integrate with existing processes. Provide ongoing support to address any challenges during the transition.

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