Capitalism at a Crossroads: The Return of Responsible

Today's customers yearn for a return to business done right, not just fast. Companies that are providing responsible products are standing the test of time.

If you visit **Grannies Inc.**, you can choose the design of your own scarf, gloves or beanies. You can also choose a British granny to knit it for you. This personal level of customisation delights consumers who get something real in their hands when they buy it. It's also challenging Topshop and Zara, which produce masses of uncanny replicas of all their garments like a well-oiled machine.

In the food business, Shake Shack, which prides itself on premium ingredients, is starting to rumble McDonald's as customers are growing suspicious of the processed ingredients and preservatives it puts in its food. Shake Shack just went public and more than doubled its initial public offering price on the first day of trading as investors ate up its appeal.

This return to the real thing is fuelling the sales for companies willing to go the extra mile to give customers just such an experience. Some go even further, doing good at the same time with social enterprise. But this is not as new a phenomenon as many commentators make out. In a **recent case study**, we looked at Fabindia's rapid but challenging road from a small exporter in 1960 to international retailer of handmade Indian fashion and household products today. However, the journey was far from easy. Despite its policy to stay true to its hand-made roots, it faced many challenges to its identity along the way as western buyers demanded the speed, price and consistency of the machine-made.

Artisanal beginnings

Fabindia started as an exporter of Indian fabrics. Founder John Bissell went to India in 1958 on a Ford Foundation grant to advise the All India Handicrafts Board and Cottage Industries on handloom fabrics. During his two years as a consultant, he travelled all over India and met many rural artisans who impressed him with their work. When his assignment was up, he decided to stay on and start Fabindia to market the handloom tradition of India and provide sustained employment to rural artisans.

As Bissell's export business grew, he formed two important relationships that took it to new heights. One was with Habitat, a British retailer which became a major buyer of Fabindia's merchandise and Bharat Carpet Manufacturers. Moving from handloom fabrics, a small line of clothing was introduced by 1970 and the growth of the business led to the decision to open a small shop front in New Dehli to test the consumer response to Fabindia's range, selling mainly leftover supplies from export orders or home furnishings.

It wasn't long before garment sales were riding a trend. Kurtas (upper garments made from handwoven cloth) were the garment of choice for the first generation of post-independence university students who had a strong sense of Indian identity. But with increasing size came challenges. By the end of the 70s, Bissell was worried that growth was stalling as the rural artisans couldn't keep up with demands from western retailers expecting the same output as automated manufacturers. Furthermore, as part of their creed to support poor artisans, Fabindia never rejected or returned products that weren't up to scratch, but instead tried to use them elsewhere. If that wasn't possible, they stored them in warehouses, which quickly became full of products they couldn't sell.

By the 1990s, western buyers were running out of patience. In 1993, Habitat ended its 28-year relationship with Fabindia after it had been taken over by Ikano, the Swedish group behind Ikea. It was no longer willing to accept unpredictable delivery and higher prices than machine-made fabric. As India was also in the midst of liberalising its economy, western buyers who wanted access to handloom fabric no longer needed the likes of Fabindia to get it. They could make their own inroads into rural India as communication and infrastructure grew more sophisticated.

Riding the next wave

It was also around this time that Bissell's son, William, took the helm after his father had a stroke. With retail sales growing at home, William had other plans for Fabindia with the view that the sun was setting on its export business.

He put the focus on growing sales in India and expanding stores into second tier cities, a move that helped the company to stay relevant and tap into a less cosmopolitan, more traditionally Indian customer-base. The expansion also made Fabindia aware of the potential opportunities in other segments and it started selling furniture and household goods such as trays, mirrors and lighting.

It also took the opportunity to structure itself for a modern customer.

Facing competition from machine-made products, Bissell junior realised that Fabindia needed to brand itself better to command a premium. He helped to create the All India Artisans and Craft Workers Welfare Association (AIACA) to increase the domestic market for crafts and improve the living conditions of craftspeople. A certification was also launched to distinguish Indian handicrafts from machine-made products. William also started to exercise control over supply with a centralised warehouse for suppliers to deliver their output and collect fabric to be made into garments.

Fabindia also had to start adapting to modern trends. The company had previously preferred standalone stores and resisted setting up in shopping malls, but as that's where the younger crowds now went to shop, it could no longer resist the tide. It also had to start categorising its stores and hiring professional managers to run operations. It also gave them leeway to customise the product line due to regional preferences. For example, in Delhi, men were more conservative and liked to wear greys, olive greens, navy and brown, whereas in Bombay, influenced by Bollywood, men preferred slim-fitting styles in bright colours.

Fab-Peru?

Fabindia has proved that it has the capability to become the global purveyor of Indian chic. It made the right decision to localise its range both in India and internationally. Its range in its Singapore and UAE stores, for example, is slightly different to that in India, but it has found a balance and kept to its roots of hand-made, by branding it and selling a real experience. It has also built the unique capability to cultivate and incentivise artisans with guaranteed business and financing with a separate investment arm providing microfinance. The company could one day apply such lessons to other markets, such as South America.

Throughout much of its history Fabindia has had to adapt to changing times but has managed to maintain its resolute focus on artisanal craftsmanship at the core. Its next challenge will be to compete for an increasingly affluent customer overwhelmed with choice from global retail brands. Having entered the shopping mall, it is now seen as one of the many big multi-brand outlets (MBOs) in India such as Lifestyle and Pantaloons. It will also need to consider how it positions itself to be vibrant and contemporary and less middle-aged. Riding the next wave won't be easy, but Fabindia is an example of the value to be gained by working with enterprising artisans at the bottom of the pyramid. The next wave of customers globally may very well support that creed.

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