

An International Open Access Journal
UGC ID : 63975 ISSN : 2349 - 5162



**INTERNATIONAL JOURNAL
OF EMERGING TECHNOLOGIES
AND INNOVATIVE RESEARCH**

National Conference
on
Recent Trends in Business Management



Organized by
Post Graduate Department of Management Studies

PES COLLEGE OF ENGINEERING

(An Autonomously Institute Recognised by AICTE New Delhi Affiliated to VTU, Belgaovi)

(Aided by Govt. of Karnataka & Accredited by N.B.A & NAAC, New Delhi)

MANDYA 571 401- KARNATAKA

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(Registered Under the Karnataka Reg. Act 1960)

Bengaluru, Karnataka - Reg. No. JNR -S211-2015-16



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RAYMOND RE-IMAGINED: A CASE STUDY

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Introduction:

Raymond India Pvt. Ltd., a leading Indian textile brand, now a diversified conglomerate, begin its journey 9 decades ago and is now at an exciting phase of transformations. With its current initiatives, the brand since 2017 embarked on the journey of 'Raymond Reimagined' aims to transform organization into new-age customer centric and future ready organization. This case study analyzes all the current initiatives which would render brand a long term sustainable competitive advantage, the case also analyzes diversified product portfolio and innovations of Raymond and its business model of excellence.

About Raymond

Raymond is India's largest integrated worsted suiting manufacturer that offers end-to-end solutions for fabrics and garmenting. Over the years, Raymond has been synonymous with quality, innovation and market leadership. It has some of the leading brands within its portfolio – Raymond Ready to Wear, Park Avenue, ColorPlus, Parx, Raymond Made To Measure amongst others. Raymond has one of the largest exclusive retail networks in the country with over 1000 stores across 400 towns.

As a part of the diversified Group, they have business in men's accessories, personal grooming & toiletries, prophylactics, engineering and auto components across national and international markets.

Having enjoyed the patronage of over a billion consumers, Raymond as a brand has been consistently delivering world class quality products to its consumers over the past nine decades.

Objectives

- Analyze Raymond's Product portfolio in context of a complete solution for an Indian male's wardrobe.
- With respect to current diversification strategy of Raymond, What could be key potential product portfolio expansions for global excellence
- Evaluate the recent digital / E-commerce initiatives and current strategies of the Raymond in terms of creating sustainable competitive advantage for the company.

Methodology

Secondary as well as primary sources of information are used. For gathering secondary data, recent newspaper articles and company website, its annual reports and official corporate presentation, chairman speeches etc., have been considered. A rigorous literature review of published case studies on Raymond India has been carried out to identify the gap between previously conducted case study and the need to address the recent strategic initiatives.

Primary data is collected by conducting personal interviews through structured questionnaire administered from managers in various verticals of business and qualitative analysis is performed through grounded theory approach.

Outcomes

The case study identifies the value proposition Raymond is creating through its various initiatives under 'Raymond Re-imagined' by having a clear strategic focus in the following key area of business :

• Digitization initiatives/ E-commerce strategies:

By developing digital platforms like Raymond Next Online tailoring, MTM App, Stylist App and E-commerce market place, company is able to generate 5 million + customer member base. These digitization and e-commerce initiatives as addressed by IT process head at Raymond Mr. Subramanian in our interview with him, with the changing scenario in the entire sales process over the last decade, as quoted by Mr. Subramanian, IT Head, Raymond, "At Raymond we observed a change in process of product exploration, discovery, sales transaction closure and feedback everything which was earlier managed by sales franchisee is now transformed in online mode. People read about Raymond products online, buy it on Myntra, write about it on twitter and on all this Raymond had no control."

"Raymond has thus formed digital team which had a look at all customer touchpoints and started selling online through Myntra and Jabong predominantly and also at Amazon, Flipkart and Paytm thus E-commerce revenue is now substantially contributing to apparel segment sales."

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By establishing its own website for sales, as Raymondnext.com, company provides all products of all its brands like Raymond, Park Avenue, Color Plus, Next look, Khadi, Parx etc. Company also introduced MTM platform which stands for Made to Measure, for providing customized tailoring services. MTM digital platform is available at all MTM stores.

Company website provides customer facing interface for lead booking. For custom tailoring service a tailor can be booked online to give home visit to customer for measurement, fabric and pattern choice and custom-made apparel can be delivered from factory at customer door-step. PADIY (Park Avenue Design it yourself) platform at MTM stores, give customer visualization on large screen in the selected type of attire. With this Raymond is the only player in market which provides end-to-end solution right from fabric manufacturing to custom designing, stitching, alterations, customization and delivery to customer all through modern IT interface.

There is also a StylistApp, which provides a customer with visualization of various patterns and cuts and styles with more styling features. An innovative platform is "Magic me" which is installed in kiosks in the select stores. Is kind of magic mirror where in you stand in front of kiosk, select a fabric and apparel pattern and it shows your entire image in that so the person gets a clear understanding of how the product looks on him.

In this way all digital platforms are contributing immensely in value-addition to the brands' existence and transformation.

- **Diversification and growth strategies**

The structural reforms that took place in financial year 2017-18 tested the suppleness of the Indian economy and businesses faced with the biggest economic reform. Having the implementation of GST created headwinds, that had short-term impact across the value chain, but still most of the businesses of Raymond have grown steadily. Raymond Reimagined journey continued through focus on 'Customer Centricity' and agility in services thrusting the group to new altitudes of success. Raymond businesses are now equipped to embrace the future with vigour and are fully geared to combat the increasingly volatile environment due to decisive action and strong execution.

Market & Category expansion and channel penetration, asset-light network expansion (setting up mini TRS), Exclusive Raymond retail network of 800 TRS are the key highlight in expansion. Category expansion in FMCG segment and plans to explore

opportunities in the real estate sector are under finalization. Establishment of a garmenting plant in Ethiopia to ensure duty-free access to key export markets of the US and Europe and established plant in Amravati to support government's Make in India initiative. Registering growth through digital platforms, MTM business in the USA contributes to 15-20 % revenue.

The top-line growth of the Group was possible due to the product innovations coupled with implementation of financial prudence and consistent delivery mechanism which can be seen in the improved financial indicators as seen below.

Having commissioned two new state-of-the-art greenfield projects, in Ethiopia for the Garmenting business and Amravati Plant for Linen manufacturing, already capex had near to the peak and hence now company is going forward with the focus on asset-light expansion model. The Ethiopian plant will meet the demand from the increasing global garmenting business and with this plant Raymond has doubled its production capacity, as quoted by Mr. Subramanian in the interview with us, while the Amravati plant will largely cater to the high-margin Linen portfolio. In the Tools & Hardware segment, the successful turnaround strategy of building operational efficiency and product rationalisation has enabled in significantly improving EBITDA margins to 9% vs. 2% in the previous year.

The Auto Components business witnessed robust sales growth driven by high demand from passenger and commercial vehicle segments. Acquisition of customers in the industrial segment also contributed to this expansion. The high growth in profitability continued with EBITDA increasing by 90% from ₹24 Crore in FY 2016-17 to ₹45 Crore in FY 2017-18.

- **Innovation and sustenance strategies**

With innovations like waterless technology, use of organic cotton, product portfolio innovations like Techno Series, All black collection and Raymond Whites. 'The Raymond Store of Future' uses cutting edge technology. New differentiated product offerings that included a sustainable range using organic cotton, post-consumer waste (PCW) and waterless technologies, among others.

In 2011, Raymond became the first textile company in the world to produce the Super 250s fabric and the first in India to produce innovative fabrics from bamboo fibre, stain resistant and UV resistant fabrics and many such innovations.

Raymond has always pioneered with innovative products, with its Techno series has fabric called

'Techno-stretch' is all about stretchable fabrics for catering to body-fit trend in office wear, these are termed as 'Workplace Celebrate'. Raymond also ventured in 'Khadi' by procuring khadi cotton from farmers and woven through bringing innovation in 'charkha', khadi line introduced 2-3 years ago has an extremely complex procurement process and the fabric is used to manufacture khadi line many types of apparels like shirts, trousers, kurtas, bandh-gala even wallets and belts etc. which is still expanding. Khadi and Village Industries Commission (KVIC) had received its largest ever order worth Rs 2 crore from Raymond for the supply of 98000 metres of the fabric.

3-D printing for male accessories are yet another innovation for cuff-lings, belt-buckles etc. is also a unique way of doing things and the production and design cycle is very small, instantly after designing it can be produced so it provides additional advantage in faster manufacturing of accessories.

'Raymond Store of Future' is all about integrating all channels of shopping. The concept of a futuristic store is based on four pillars, i.e. knowing the customer, his history, his buying preferences and need identification of customer. All the channels of shopping should integrate and linking all channels of shopping seamlessly with each other. Company should have a single view of customer and inventory as well elevating the level of customization by providing innovative features like Magic mirror, digital wall, MTM interface pick and drop etc. contribute.

Another innovation called Waterless technology focuses on primarily reducing water usage in entire fabric manufacturing process from weaving to dyeing at operational level.

• Shareholder value creation

Company has designed a roadmap by creating financial targets in terms of revenue growth, increase between 10-12% EBITDA margin, +80-100 basis points, ROCE of 12%-15%, free cash flow – from negative to positive and significant increase in EPS (till 2020).

The consolidated revenues have grown by 9% (13% on excluding GST impact) from ₹5,509 Crore to ₹6,025 Crore. The EBITDA margin increased from 7.7% in the previous year to 9.1% in year 2017-18.

The flagship business, Branded Textiles, witnessed 7% increase (10% on excluding GST impact) in sales, driven primarily by the wedding season, recovery in the wholesale channel post GST stabilisation and growth in the institutional category.

The Branded Apparel segment posted strong sales growth of 12% (19% on excluding GST impact) on

the back of continued focus on strengthening of brands and Raymond's core proposition as a wardrobe solutions provider despite facing industry-wide challenges on account of heavy discounting and extended EOSS across the industry.

Sustained investments in 4 Power Brands coupled with widening the retail footprint is further consolidating leadership position in the menswear category. Additionally, the portfolio is now ably supported by two new customer segments, Ethnic for ethnic wear and The Branded Apparel margin expansion is on track and the business continues to drive momentum and maintain a profitable growth rate. During the year, export business in the branded textile and garmenting businesses faced short-term challenges due to currency fluctuations which moderately impacted the margins.

Conclusion

It can be concluded that Raymond's apparel division has made several key moves to support company's transformation journey which includes expansion of product categories for all occasions, omni-channel retail network and seamlessly blending it with digital channels and interface and cutting-edge technology in product innovations to appeal the dynamic needs of present customer.

The company has also strengthened its global outreach with increase in global manufacturing base to significantly expand its production capacity as well as tapping more global market through its digital platforms.

Thus to sum up on all transformation drivers for Raymond, the company is focusing on enhancing stakeholder value through growth by innovation in products and services, category expansions as well as channel penetration by sustaining the margins in their core business of textile. In the apparel business as a growth engine transformation took place through asset-light network expansion, enhanced retail experience, omni-channel penetration.

The task of turning Raymond into a true lifestyle, fashion retail company is still a work in progress, but it is safe to say that the company has turned around. It reveals from the facts that the company had formed its FMCG Group in 2016 and its products reach 25 lakh retailers, including 90,000 pharmacies and also exports to Southeast Asia, West Asia and Africa. Furthermore the domestic men grooming industry is estimated to be ₹5,000 crore and Raymond's new strategy of launching new products in the category will definitely a matter of wellbeing to the company. In the next step, an enhancement of product line by exploring the women's segment predicts the future of the company.

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