

GST

AFTER GST, MORE FOREIGN FASHION BRANDS TARGETING INDIA EXPANSION

— By Dr. Rupal Shah Agarwal, CSO at Your Retail Coach

Whoever said GST has been a spirit damper should check out a few stores like Levis, US Polo Association, Charles & Keith, H&M, Zara, Mango and Uniqlo, the latest international entrants in the growing apparel retail industry in India...



Global cues indicate that the fashion industry is moving towards the Orient. In India, the growth story is obvious, but the understanding the success story of any international brand in the country lies in comprehending the pre and post GST era.

Exclusive European and US brands have extended their business in many Indian metros. The young and aspirational crowd, the classic middle-aged bunch thronging the freshly smelling new stores with enthusiasm have helped lure these brands Eastward. Whoever said GST has been a spirit damper should check out a few stores like Levis, US Polo Association, Charles & Keith, H&M, Zara,

Mango and Uniqlo, the latest international entrants in the growing apparel retail industry in India. And each of these brands is working towards changing the social fabric of the country with their retail experience.

Here is a quick overview of how some brands have gained after GST implementation in India.

Pre-GST Tax Structure

Not many players in the apparel trade are likely to forget the unorganised taxation regime as it hurtles into the dustbins of history. Manufacturers, retailers and all stokers in between knew they had to pay 4.5 percent VAT along with 2 percent excise duty. Added to this were the new way of serving consumers, via e-commerce portals. Many branded retailers were also giving

heavy discounts and it added confusion to the pricing structure. Various portals and even showrooms offered schemes like 'Buy 2 Get 2 Free'. Added to these were 'End of Season' sales that made customers wonder at the drastically slashed prices.

A lot has changed now that the GST is in place. Before GST came into force, branded clothes above ₹1000 were being taxed at flat 12 percent. The problem was

accelerated by the technical and technological glitches that accompany with the new systems. As foreign brands are used to the system for them it has been an easy-peasy solution to showcase their polished stocks. They have benefits the most by the technological ease and GST software compliance. It is now left to the locals to match their fabrics and brands with them.



Post-GST Structure in 2018

As e-commerce also chips in, foreign brands are able to add more muscle to the local industry by giving employment and introducing global norms. The Indian apparel industry is shaped by growth from three main divisions - menswear, womenswear and kids wear. They all come under the same GST ambit. Shirts, trousers, and denim wear have the most hold over the ₹1,24,423 crore (US \$19 billion) market.

This year, Japanese brand Unilqo entered India with plans to go solo. Their main global rival is already in the country - Heinz and Mauritz (H&M) - and has previously taken over large retail spaces in leading malls. H&M, and other fast fashion brands like Mango, ZARA and Forever 21, will all be getting the benefit of the new GST regime of Asia's third largest economy, especially since the brands are geared to cater to the young and aspirational class with fresh stocks. All these brands together aim to open 10,000 stores by 2022 all over India.

As FDI in retail sector improves, one tax system is contributing at a national level. There is no confusion over different tax slabs. So,

FASHION BRANDS THAT HAVE ENTERED THE COUNTRY HAVE BOUGHT READY STOCKS FROM THEIR MANUFACTURING UNITS. THERE IS NO ADDITIONAL PAPERWORK OR DOCUMENTATIONS. THERE IS NO ADDITIONAL BURDEN OF DOUBLE TAXATION AS THEY ARE COMING FROM ANOTHER COUNTRY. ULTIMATELY IT IS THE CONSUMER WHO STANDS TO BENEFIT.

GST has come as a relief to all players as a level playing field has emerged.

GST: Re-Shaping the Retail Industry

Currently, foreign fashion brands that have entered the country have bought ready stocks from their manufacturing units. There is no additional paperwork or documentations. There is no



additional burden of double taxation because they are coming from another country. Ultimately it is the consumer who stands to benefit. For example, if a person is paying the same price of the garment no matter where he buys it from, it makes sense to make a local purchase where he will be allowed fitting, trials, and options of choosing sizes and colors and touch the garment.

It may be hard for the consumer to understand that

even if he is paying a slightly higher price, the benefits are enormous. The scissors have already been used to cut a lot of wastage in terms of many other business processes. In making the high couture trade more appealing to the Indian consumer the brand conscious consumer does not feel cheated as one price rules across the country.

For the companies that have already made the foray, the experience is better and fairly competitive. They find ease of business through:

- Control right from the warehouse for the inventory
- With technology it is easy to monitor stocks in various showrooms across the country
- With the use of cashless transactions, every deal is transplant
- Internal costs of transportation, logistics and delivery is more organised
- In every state, the taxation is uniform and unburdened with different payment structures
- With GST, there is no delay in any supply chain, payment to vendors, distributors
- Employees are being trained to utilize their time to focus on customer engagement rather than on the 'sale'
- The PoS system ensures that the potential consumer eventually comes to the counter and makes the purchase
- Different payment schemes have added the impetus to buy apparel at no extra cost

In conclusion, with the advent of GST, there is no reason why a brand's equity will not improve with the bespoke brand experience for the customer. **IR**