Case Study 1

SG's adherence to its strategic vision is pivotal in maintaining its competitive advantage in the fast fashion industry. Concerns about the quality of products from fast-fashion companies are common, as these companies often aim to sell more by cutting costs. However, SG's robust quality control system ensures the delivery of high-quality products, distinguishing it from many of its competitors.

One of SG's key strategies to sustain its competitive edge is minimizing the time span between design creation and store availability. The fast fashion industry is accelerating, with companies continuously reducing the time from product design to distribution. The integration of online platforms and the normalization of one-day delivery are becoming industry standards. SG is committed to keeping pace with these developments to stay competitive.

Marketing and communication also play crucial roles. Leveraging information technology, SG can identify customer preferences and reach a broad audience. Social media is a significant tool in building relationships with customers, and SG utilizes these platforms effectively. It also utilizes it for super-efficient analysis of what’s selling and being said on social media platforms. However, in a highly competitive industry, SG must constantly innovate, focusing on quality, pricing, and speed to retain its market position.

SG operates globally, with a substantial presence in Belgium and a significant influence in the fast fashion market. Competing with brands like RopTop, Rametton, R&M. SG produces over 20,000 designs annually and employs a strategic pricing strategy to carve out its market niche.

Pricing is critical for SG, which targets a wide market by offering products for women, men, and children. SG’s pricing strategy aims to attract both the middle class, its largest market share, and wealthier individuals. In the South Asian market, SG’s products are relatively affordable, catering primarily to the middle class. Conversely, in regions like Europe, SG’s products are more expensive, targeting consumers with higher social status. In South Asian market, SG employs a below-market or penetrating pricing strategy, often referred to as a charming price tactic, which involves setting prices lower than the competition to attract a larger customer base, particularly among the middle class. This approach helps SG capture a significant market share by appealing to price-sensitive consumers. In contrast, SG adopts a different approach in the European market by setting prices higher than those in other regions. This strategy targets consumers who are less sensitive to price and are willing to pay a premium for SG's fashionable and trendy products. By catering to a wealthier segment that values brand prestige and exclusivity, SG effectively maximizes its profits in Europe.

SG's pricing strategy is part of its broader 4Ps marketing mix: product, price, promotion, and place. With a diverse product range, SG attracts a broad consumer base, launching new products regularly to meet changing fashion demands. This approach maximizes profit margins by aligning product prices with consumer behavior and preferences.

SG has used almost zero advertising and endorsement policy throughout its entire existence, preferring to invest a percentage of its revenues in opening new stores instead. It spends a meager 0.8 per cent of sales on advertising compared to an average of 5 per cent by competitors. The brand's founder Mr. Goyal who is the ninth richest man in the world, has never spoken to the media nor has in any way advertised SG.

It currently operates in 1113 retail stores across 93 markets (countries). The flagship locations are located in the most critical markets that appeal to their most loyal shopper. SG uses its store location and store displays as key elements of its marketing strategy. Its window displays, which showcase the most outstanding pieces in the collection, are also a powerful communication tool designed by a specialized team. A lot of time and effort is spent designing the window displays to be artistic and attention grabbing. According to SG's philosophy of fast fashion, the window displays are constantly changed. This strategy goes down to how the employees dress as well – all SG employees are required to wear SG clothes while working in the stores, but these "uniforms" vary across different SG stores to reflect socio-economic differences in the regions they were located.

SG's pricing strategy and broad product range have given it an advantage over rivals like R&M and RopTop, enabling global expansion to meet product demand. A company's pricing strategy significantly impacts market presence and revenue returns. SG's strategy aims to meet consumer needs and outperform competitors to maximize returns.

SG, part of the Goyal group, has gained global recognition through its innovative retail strategy. Unlike many competitors, SG minimizes the time between design conception and store availability to just two weeks, allowing it to respond swiftly to market demand fluctuations. This agility is enhanced by SG's vertical integration and avoidance of outsourcing, maintaining control over production and quality.

SG's business model is meticulously designed to maintain its competitive edge in the fast fashion industry. A key element is the short lead time, which ensures that SG's products are always aligned with the latest fashion trends. This is complemented by the strategy of reduced risks through limited production runs, allowing SG to quickly pivot away from unpopular designs. The company focuses on producing styles rather than mass-producing clothing, which helps keep its offerings fresh and desirable. Vertical integration, with manufacturing based in Asia, allows for rapid adjustments in production to meet market demands.

SG's marketing strategy is innovative, investing in making its products easily accessible rather than relying on traditional advertising methods. The company is highly reactive, swiftly responding to market demands as they arise, and it emphasizes affordability, offering stylish clothing at reasonable prices. Interactivity is another crucial aspect, as SG closely engages with consumer trends through social media, ensuring that it stays in tune with customer preferences. This combination of elements creates a dynamic and responsive business model that drives SG's success.

Aware of SG's recent successes in becoming a major player in the global fashion industry, many smartphone and mobile software manufacturers quickly sought to partner with the company. For instance, since 2012, Ramson smartphones have been sold with the preinstalled SG mobile application. Ramson Electronics announced the launch of the SG fashion app, which will showcase the global fashion chain's latest collections on Android smartphones for the first time. The app allows fashion lovers to browse the new season must-haves and make immediate purchases. This initiative has significantly contributed to SG's substantial sales growth. With the SG mobile application installed on their smartphones, customers can conveniently purchase the company's products online without needing a computer.

SG's success stems from a combination of innovative manufacturing and marketing strategies, allowing it to remain competitive. However, maintaining this edge requires continuous adaptation and technological advancement in marketing activities.

Particulars of SG India (Indian Subsidiary)

Employee Details and Profit Distribution- SG India has a headcount of around 1,000 employees in 2023- 2024. As per the company's policy, the employees are given 35 days of privilege leaves (PL), 15 days of sick leaves (SL) and 10 days of casual leaves (CL). Out of the total PL and sick leaves, 10 PL leaves and 5 sick leaves can be carried forward to next year. Based on past trends, it has been noted that 200 employees will take 5 days of PL and 2 days of SL and 800 employees will avail 10 days of PL and 5 days of SL. Indian Subsidiary has been incurring profits since 2018. Therefore, it has decided in 2023-2024 to distribute profits to its employees @4% during the year. But, due to the employee turnover, the expected pay-out of the Indian Subsidiary is expected to be around 3.5%. The profits earned during 2023-2024 is ₹ 2,000 crores. It has a post-employment benefit plan also available which is in the nature of defined contribution plan where contribution to the fund amounts to ₹ 100 crores which will fall due within 12 months from the end of accounting period. Indian Subsidiary has paid ₹ 20 crores to its employees in 2023-2024.

Corporate Social Responsibility- The management committee of SG India Ltd has issued right shares to all its shareholders which include employees of the company. Furthermore, SG India issues its own shares to a charity without any consideration to an NGO which is working for promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward group.

Asset Acquisition - On 1st April 2023, SG India acquired machines for production at Gwalior plant under the following terms:

List price of machines	₹ 80,00,000
Import duty	₹ 5,00,000
Delivery fees	₹ 1,00,000
Electrical installation costs	₹ 10,00,000
Pre-production testing	₹ 5,00,000
Purchase of a five-year maintenance contract with vendor	₹ 7,00,000

In addition to the above information, it was granted a trade discount of 10% on the initial list price of the asset and a settlement discount of 5%, if payment for the machine was received within one month of purchase. The company paid for the plant on 20th April, 2023. The machines were operating below capacity for 4 months. During this period, production cost of ₹ 2,00,000 per month was being incurred. The proceeds from sales was ₹ 1,50,000 per month. Similarly, the proceeds of sales from pre-production testing was ₹ 1,00,000.

Real Estate Transaction- SG India holds a commercial plot in Mumbai which it intends to sell. M/s. Best Broker, a real estate broker with its Head Office in the USA, has been appointed by SG India to find some suitable buyers for the said commercial plot in Chennai which is situated at a prime location. M/s. Best Broker identifies Legacy Estate Inc., based out of USA, as the potential buyer. It is to be noted that Legacy Estate Inc. is controlled from India and hence, is a 'Person Resident in India' under the applicable provisions of Foreign Exchange Management Act, 1999. A deal is finalised and Legacy Estate Inc. agrees to purchase the commercial plot for USD 7,00,000 (assuming 1 USD = ₹ 84). According to the agreement, SG India is required to pay commission @ 7% of the sale proceeds to M/s. Best Broker for arranging the sale of commercial plot to Legacy Estate Inc. and commission is to be remitted in USD to the Head Office of M/s. Best Broker located in USA.