

Apparel, Accessory Brands to Raise Prices on Weakening Rupee

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Several international apparel and accessories brands plan to increase prices by up to 15% to cope with the rupee's free fall, while some look to absorb about one-fifth jump in their import costs in an already struggling market.

"Branded retail in the premium segment is probably in the worst time since I am in the business," says Ramesh Tainwala, co-owner and chairman of Planet Retail, which operates department store Debenhams, British fashion chain Next, men's lifestyle brand Nautica and fashion accessories brand Accessorize in India.

While a few international brands are locally manufactured for sale in India, many of them are imported as finished garments.

The Indian currency has fallen almost 15% in the past three months as it hit a record low of Rs 56.52 against the US dollar on Thursday before recovering to close at Rs 56.08.

Sportswear maker Fila, Italian baby care brand Chicco and even Louis Philippe—which is manufactured locally but imports about 40% of its raw materials such as fabric, buttons and labels—are among brands set to increase prices.

Others such as sport and lifestyle brand Puma, however, are reluctant to pass on higher import costs to consumers as the overall consumer sentiment is low due to increased prices and toughening economic conditions.

Reliance Brands—which partners premium and luxury brands such as Diesel, Paul & Shark, Timberland and Ermenegildo Zegna in the country—too is considering around 8% price increase, but only in the Spring-Summer 2013 collection.

This is because of the long lead time—or the time between placing of order and receiving of goods—it enjoys. The orders the company closes in June-July will be retailed at stores only around February, Darshan Mehta, president & CEO of Reliance Brands, says.

Chicco, which imports half of its apparel range and all of its toys, travel (strollers, prams) and nursing range from China and Italy, will increase prices by 10%-15% by July.

"Had we not chalked out plans for local sourcing of skincare and feeding bottle ranges, we would have had to pass on prices in those categories too," says Rajesh Vohra, director-sales and marketing at Chicco, which has 12 outlets in the country.

Fila, which imports its entire range from China, will increase prices in the Autumn-Winter season that begins in two months, officials say. Madura Fashion & Lifestyle's formalwear brand Louis Philippe too plans 5%-10% price increase. "We had worked out our costing on a Rs 45-48 dollar conversion. We cannot afford but to increase prices by 5-10% in Autumn-Winter 2012," Jacob John, brand head of Louis Philippe, says. He adds that many mills that the brand works with also im-

Rupee Dilemma



15%

Rate of price rise considered by intl brands

56.52

The record low Re has hit against the dollar



15%

Fall in Re has raised the import cost of brands like Fila, Louis Philippe, etc, which import 40% of its raw materials



20%

Rise in import cost due to Re fall is compelling the brands to raise prices



Apparel brands are likely to be cautious about price rise, given the market conditions. But this could impact margins

SHAILESH CHATURVEDI
MD, Tommy Hilfiger India

port cotton for their fabric.

Analysts say the impact of a price increase on sales would depend on the brand.

"There will be some amount of price elasticity for premium brands, but the extent will depend on the strength of the brand," Debashish Mukherjee, partner at management consultancy AT Kearney, says. "Typically, smaller brands will wait to see how much the market leaders will raise prices," he adds.

Most brands are cautious about increasing prices because the consumer is already paying more for petrol and essentials such as edible oil and pulses due to the falling rupee. Prices of imported food and spirits are also set to increase.

"My view is that apparel brands are likely to be cautious about price increases, given the current market conditions. But this could impact margins," Shailesh Chaturvedi, MD of Tommy Hilfiger India, says.

Clothing prices have already increased in recent months as brands passed on increases in cotton prices and excise duty imposition to customers.

"Weak consumer buying puts the retailer in the dilemma of whether he should go for a price rise to compensate the cost increase or whether that will further destroy demand," Planet Retail's Tainwala says.

The overall consumption sentiment was dull in the fourth quarter, which has prompted some companies to temper their expectations from the current fiscal. Sales in April have been particularly worrying, retailers say.

Rajiv Mehta, MD of Puma South Asia, says the sport and lifestyle brand will absorb the cost increase for the time being.