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Eco-Fun-Omics: Fashion Industry!

Tricks or Treats?!

Louis Vuitton, Gucci, Dolce & Gabbana, Valentino do they rule your world? Not quite so? Well, its time to rethink your fashion quotient. With the world becoming a global village and creative minds growing wilder; the fashion world is gaining new heights and importance. The fashion industry is cross-pollinating trends and creating new fashion breeds. In this changing fashion trend only those who are keeping up are considered fashionable. Confused? Well, Brands are legacy. Brands with years of tradition make the cut. They saw their ups and downs to make it to the breakfast table of the upper class. Did they keep up with 'the changing trend' or are they 'the changing trend'? Bell bottom pants of 1960s to straight cuts in late 90s and then back to fit and flare or Palazzo Pants as they call it now. Trends repeat and create history. And history like a phoenix rises from ash again. So how is fashion and changing trend affecting our economy? Is it bad to be fashionable or trendy in today's world? *Answer is No.* Why should it be? You are allowed to love and respect yourself as well as the things you admire. People spend plenty on their hobbies. Who knows?! May be, dressing yourself is a hobby to you. May be, your creative side of the brain works better. May be, you don't know yet but you are a designer yourself! So go for it pal! Enjoy every bit of looking good.

Fashion is one of the past decade's rare economic success stories. Over that period, the industry has grown at 5.5 percent annually, according to the McKinsey Global Fashion Index, to now be worth an estimated \$2.4 trillion. In fact, not only does it touch everyone, but it would be the world's seventh-largest economy if ranked alongside individual countries' GDP. Yet 2016 was one of the industry's toughest years. Terrorist attacks in France, the Brexit vote in the United Kingdom, and the volatility of the Chinese stock market have created shocks to the global economy. At the same time, consumers have become more demanding, more discerning and less predictable in their purchasing behavior, which is being radically reshaped by new technologies.

source: McKinsey Global Fashion Report

Even when the industry was facing so many grey clouds, it did not stop to shower its wonderful collection or even prevent us from basking in its design. Even though these brands have monopoly and oligopoly powers yet they rule the hearts of the consumers. So how does these companies plan their strategies? They have never stepped back to contribute towards the global GDP. So how do they do so? The fashion brands are renowned never to born alone. They always have a sister or a sibling to back them in their times of crisis.

Presenting to you are some examples of fashion brands with siblings.

Diesel and Maison Margiela: OTB is an international fashion group, assembled like-minded iconic brands like Diesel, Maison Margiela, Viktor&Rolf, Marni and Paula Cademartori.

Miss Selfridge and Topshop: Both the brands belong to Arcadia. The Arcadia Group is the UK's largest clothing retailer, reaching our customers through seven brands in the UK and a growing number of international stores.

Victoria's Secret and Bath & Body Works: L Brands owns both *Victoria's Secret and Bath & Body Works* which in fact makes them sister brands. The beauty products and the lingerie no doubt go hand in hand. Both make it directly on the skin.

Fashion is to be thought of as an entertainment. A luxury brand cannot charge abnormal prices or beyond the purchasing power of a consumer. So, if the prices are too high an individual will find fashion which fits his cup of tea. Basically, he will find alternatives. He may purchase once in a while and repeat his clothes as long as he can. Or dye his jeans or call his torn jeans as distressed.

Now let us enter the deep enigmatic world of the fashion industry. The fashion brands or the siblings know the meaning of team work. They generally sell a high end range to the upper class and a low end range to the remaining population (you must have heard repetitively 'high end products' and 'drug store products'). This way they ensure that they target and win the hearts of every consumer. However, they

have a challenge to work with. They need to make sure that the high class people do not fall for the low end range. That is where advertisement and veblen effect (veblen goods are types of luxury goods for which the quantity demanded increases as the price increases. Consumers actually prefer more of the good as its price rises) plays their game. The upper class or the royal bloods need to be believed that the high end brands are made for them which will give them an escalated dignity of patrician. That is the reason ladies prefer Gucci since that gives them the superior feeling. Whereas a man wearing an Armani suit, sub consciously considers himself superior and hence more confident.

Let us now consider a model to understand how these companies work to win our hearts. We all know, *no pain no gain*. The fashion companies really put in immense hard work and creativity to drive us crazy with their collections and designs. As I always mention, if you are not acquainted with economics please move to the end of the model.

Let, Q_1 = type 1 consumers who has lower purchasing power and hence less willingness to pay.

Q_2 = type 2 consumers who has higher purchasing power and hence higher willingness to pay.

P = price

$q(1,2)$ = Quantity

$U(q)$ = utility function or satisfaction derived from purchasing a certain brand

Focusing only on the Q_1 consumers i.e. (lower consuming power consumers)

The Q_1 consumers will only buy a certain brand if it satisfies their desire of fashion in their budget. Basically, Q_1 consumers would buy the brand if the utility derived from it is greater than equal to the price they are paying. They would make sure never to

increase or spend more than their purchasing power. In economic terms their consumer surplus would never fall beyond zero.

$$\text{i.e. } Q1 \ U(q1) \geq P1 \geq 0 \dots\dots\dots(1)$$

Focusing on the Q2 consumers i.e. (high consuming power consumers)

The Q2 consumers have higher desire to be fashionable, trendy and happening. So, they would be ready to pay (infact would want to pay) more than the Q1 consumers.

$$\text{i.e. } Q2 \ U(q2) \geq P2 \geq P1 \geq 0 \dots\dots\dots(2)$$

$$\text{or, } Q2 \ U(q2) \geq P2 \geq Q1 \ U(q1) \geq 0 \dots\dots\dots(3)$$

Equation (3) refers to the fact that Q2 consumers would derive more satisfaction by consuming higher end products compared to lower end products.

This is where the work of a fashion house comes in. They need to identify the consumer needs of each class and manufacture accordingly. In reality, there are more than two types of consumer and the equations are plenty. The fashion houses have a tough job to identify the consumer type of each city, country or even on a global scale and work out their products accordingly keeping in mind their profits. This explains the growing companies and the associated jobs in this industry. Just like any other firm these companies also need to study the market and then take gradual steps. Well, it wouldn't be wrong if I quote 'success is no accident' it's indeed their sheer hard work. And with hard work comes great success...