

ZUDIO BY TATA GROUP: THRIVING IN THE BRICK-AND-MORTAR ERA

Dr. Aditi Mutha*

ABSTRACT

This study explores the strategic resilience and transformation of Zudio, a fashion retailer under the esteemed Tata Group. In an era overshadowed by e-commerce, Zudio, known for its affordable fashion offerings, has defied industry trends by thriving as a brick-and-mortar retailer. The study delves into the innovative measures and strategic decisions taken by Zudio's leadership to maintain its relevance and profitability in an evolving retail landscape. It provides insights into the challenges faced and the tactics employed to ensure Zudio's continued success as a physical retail brand.

KEYWORDS: Zudio by Tata, Brick-and-Mortar, Retail Management, Fashion Retail, E-commerce Disruption, Competitive Strategy

Introduction

In today's hyper-connected world, where digital marketing and e-commerce reign supreme, the retail landscape has undergone a seismic shift. The emergence of online shopping platforms, social media influencers, and targeted digital advertising has transformed the way consumers engage with brands. However, amidst this digital revolution, Zudio, a fashion brand operating under the umbrella of India's prestigious Tata Group, has dared to be different. Zudio's remarkable journey is a testament to its unconventional approach of wholeheartedly embracing the traditional brick-and-mortar retail model while sidestepping the digital realm. In this study, we delve into the fascinating story of Zudio, uncovering the compelling reasons behind its strategic choice to steer clear of digital marketing and maintain an exclusive focus on physical retail outlets. Overall, this study can be a valuable addition to various courses in business management, marketing, retail management, entrepreneurship, and strategic management, as it offers practical insights into the dynamics of a brick-and-mortar retail business in a digitally-driven world.

Zudio's Remarkable Beginnings:

In August 2016, Zudio, a Tata Group fashion brand, began a transformative journey in Indian retail, opening its first store in Bangalore with a mission to redefine the shopping experience. Zudio's philosophy, offering trendy clothing at an affordable range of 49 to 999 rupees (Kalidasan, 2023), resonated with budget-conscious consumers, strategically placing stores in high-traffic areas for accessibility (Haidar, 2023).

In six years, Zudio achieved remarkable sales of over 3200 crores, a testament to its formula of stylish clothing at irresistible prices. Introducing the "Pleasure Mega Store" concept expanded product offerings, showcasing Zudio's commitment to meeting diverse consumer needs (Nandi, 2023). This success, rooted in understanding consumer aspirations, has made Zudio a phenomenon, securing a special place in shoppers' hearts (Mint, 2023).

* Guest Faculty, Department of Management Studies, Jai Narain Vyas University, Jodhpur.

As Zudio faces new challenges and opportunities, maintaining its commitment to affordable fashion while adapting to changing preferences will be crucial for sustained success (Mint, 2023). Zudio's journey, from its Bangalore debut to a household name with record-breaking sales, exemplifies its vision, consumer commitment, and understanding of the Indian retail landscape—an inspiration for businesses providing value, accessibility, and style (Mint, 2023).

The Brick-and-Mortar Advantage:

The cornerstone of Zudio's strategy lies in its unwavering commitment to brick-and-mortar stores. While many of its contemporaries were scrambling to establish a digital footprint, Zudio was busy building a formidable presence in physical retail. It was a calculated move that went against the digital tide, but one that would ultimately set Zudio apart.

Key Strategies and Success Factors:

- **Affordability and Value: Zudio's Winning Formula**

In the competitive world of fashion retail, where trends come and go, Zudio distinguished itself with a clear and compelling value proposition - affordability without compromising on style. The brand's commitment to providing fashionable clothing at prices ranging from 49 to 999 rupees struck a chord with the cost-conscious Indian consumer. In a market where budget-friendly options often meant compromising on quality or style, Zudio disrupted the norm. It understood that affordability and value were not mutually exclusive but rather intertwined concepts that could coexist harmoniously. Zudio's offerings catered to individuals who wanted to look trendy, feel confident, and stay within their budget. This strategic focus on affordability and value not only attracted thrifty shoppers but also garnered loyalty from a diverse consumer base (Nandi, 2023). Zudio's ability to deliver on this promise made it a standout player in the fashion retail landscape, proving that style need not come at a steep price.

- **Extensive Store Network: Zudio's Expansive Retail Footprint**

While the world was witnessing a digital retail revolution, Zudio embarked on an unconventional journey by prioritizing brick-and-mortar stores. The brand's strategic decision to establish a vast physical retail network across India paid off handsomely. Zudio's stores are strategically located in prime and non-prime shopping areas, bustling malls, and high-traffic zones, ensuring that they are easily accessible to customers seeking the latest fashion trends. What started with just seven stores in 2018 quickly gained momentum, with the number of stores growing exponentially. By 2019, Zudio had expanded its presence to 40 stores, a six-fold increase from the previous year. The pace of growth remained impressive, with 81 stores in 2020, 133 in 2021, and a remarkable leap to 233 stores in 2022, adding a staggering 100 stores in a single year. Zudio's commitment to its brick-and-mortar strategy was reaffirmed in 2023 when the brand celebrated a significant milestone, boasting a total of 396 stores across the country. This rapid expansion not only marked Zudio's physical presence in numerous cities but also solidified its reputation as a fashion retail powerhouse, defying the conventional wisdom of the digital age.

- **Minimal Digital Presence:**

Unlike many fashion brands, Zudio has not heavily relied on digital marketing or e-commerce. Its online presence is limited to a basic website with no e-commerce functionality. This decision was made to maintain the brand's focus on physical stores.

- **Strategic Product Merchandising:**

Zudio's success in the Indian fashion retail market is attributed to its unique approach in understanding diverse consumer preferences in both big and small cities (Sinha, 2022). Unlike competitors, Zudio tailors its product offerings to suit various segments of the Indian population, fostering customer engagement and loyalty. Notably, Zudio minimizes investment in product design, foregoing extensive design-related expenses by focusing on existing trends and styles (Reddy, 2023). The brand also refrains from manufacturing, relying on an efficient private-label system to streamline the supply chain and adapt to market demands.

Inspired by fast fashion leaders like Zara, Zudio adopts a rapid stock churn strategy, refreshing store offerings every 2-3 months (Reddy, 2023). This keeps inventory dynamic and attracts frequent customer visits. Zudio's localization, cost-effective product approach, and nimble inventory management resonate well across the socio-economic spectrum of Indian consumers (Haidar, 2023).

- **Franchise-Based Store Expansion:**

Zudio's store expansion stands out with its distinctive franchise-based model, minimizing upfront investment in infrastructure (Reddy, 2023). The approach involves franchise partners funding store construction, reducing Zudio's financial burden. Operating under the "FOCO" framework, the franchisee invests in store building, and Zudio takes over operations once established. This ensures a significant franchisee investment while Zudio manages critical aspects, maintaining quality standards and minimizing capital expenditure.

Franchisees, in return for infrastructure investment, agree to a percentage of store profits (Surti, 2023). This aligns their interests with Zudio's success, fostering a stake in store performance. Zudio's innovative franchise-based strategy leverages partner entrepreneurship, curtails upfront costs, and facilitates rapid growth in India's competitive fashion market. This approach has been pivotal in Zudio's Tata Group journey and broader retail industry impact.

- **Cost-Effective Store Locations:**

Zudio adopts a strategic approach when it comes to selecting the locations for its stores. Unlike many other fashion retailers that focus on prime, high-rent areas in major cities, Zudio takes a unique route to keep its operational costs low and pass on the benefits to its customers.

- **Avoiding Prime Locations in Big Cities:** Zudio consciously avoids setting up shops in prime and expensive locations within big cities like Mumbai. Instead, the brand opts for suburban areas, where the cost of rent and operational overheads are significantly lower (Surti, 2023). By doing so, Zudio reduces its expenditure on renting high-cost commercial spaces, allowing it to allocate resources more efficiently.
- **Penetrating Interior Areas:** Zudio takes its cost-saving strategy a step further by venturing into interior areas. These locations often have lower rent costs compared to metropolitan areas. By establishing a presence in these regions, Zudio ensures that its cost-effective approach extends to all aspects of its store network.
- **Strategic Location Selection in Small Cities:** In smaller cities like Jaipur and Jodhpur, Zudio makes a calculated decision to open stores in prime locations. Surprisingly, the cost of rent in these areas remains reasonable, and Zudio capitalizes on this by setting up larger stores with ample inventory (Surti, 2023). This approach aligns with Zudio's business model of offering affordable yet trendy clothing to a broader customer base.
- **High Per-Square-Foot Revenue:** Zudio's unique location strategy results in impressive per-square-foot revenue. While the industry average typically hovers around 8k to 10k INR, Zudio manages to outperform competitors. Its per-square-foot revenue ranges from 12k to 15k INR, signifying the brand's ability to maximize its profitability despite avoiding premium locations.

For instance, Westside, another brand under the Tata Group, also maintains a healthy per-square-foot revenue, showcasing the success of this approach within the conglomerate. Zudio's ability to generate substantial revenue per square foot is a testament to its efficient cost management, inventory control, and understanding of its target customer base. This strategy ultimately allows Zudio to offer its customers fashionable clothing at attractive price points while ensuring sustained business growth.

- **Quality Control:**

Zudio maintains strict quality control standards to ensure the durability and quality of its products. This commitment to quality has helped build trust among customers.

- **In-Store Experience:**

Zudio places a strong emphasis on creating an enjoyable and personalized shopping experience in its physical stores. The brand believes that this in-store experience fosters customer loyalty and repeat business (Vora, 2022).

- **Marketing:**

By abstaining from digital marketing and online sales infrastructure, Zudio avoids significant technology and operational costs associated with e-commerce platforms (Kalidasan, 2023). This allows the brand to maintain competitive pricing for its products.

Results and Achievements:

- **Rapid Expansion:**

Zudio's journey has been marked by remarkable growth and rapid expansion. Since its establishment in August 2016, the brand has strategically expanded its physical store presence to encompass over 253 locations across India. This impressive proliferation of stores signifies Zudio's wide acceptance and growing popularity among consumers from diverse backgrounds (Vora, 2022).

- **Revenue Growth:**

Zudio's financial performance has exhibited consistent and robust revenue growth over the years. The brand's ability to sustain and increase its revenue in a highly competitive fashion retail market underscores its effective business strategies and consumer appeal.

- **Customer Loyalty:**

Zudio has successfully cultivated a devoted and loyal customer base. This loyalty is rooted in Zudio's commitment to offering stylish and quality clothing at affordable price points. Additionally, the brand's strategic placement of stores in inaccessible and high-traffic areas has contributed to customer convenience and satisfaction (Sinha, 2022).

- **Employment Generation:**

Zudio's extensive expansion initiatives have resulted in the creation of employment opportunities in various regions across India. This not only bolsters local economies but also underscores the brand's positive impact on the communities it serves. Zudio's commitment to job creation aligns with broader social and economic development goals.

Zudio's journey from its inception in 2016 to its current status as a prominent fashion retail brand with a vast physical store network is marked by impressive growth, financial success, customer loyalty, and positive socio-economic contributions. These achievements position Zudio as a unique and thriving player in the retail industry, defying conventional norms in the age of digital retail.

Challenges in Zudio's Brick-and-Mortar Strategy: While Zudio's brick-and-mortar strategy has shown remarkable results, it faces challenges:

- **Limited Online Reach:**

Zudio's focus on physical retail may limit its market access, particularly among tech-savvy consumers who prefer online shopping. The risk of missing out on a significant customer base is heightened as digital shopping becomes ingrained in consumer behavior.

- **Competition from E-Commerce :**

The Indian fashion retail landscape is highly competitive, with established brick-and-mortar brands and dynamic e-commerce giants. Zudio competes not only with traditional retailers but also faces strong competition from online platforms. Maintaining market share requires differentiation and adaptation to changing consumer preferences.

- **Evolving Consumer Preferences:**

Rapid changes in consumer preferences in the fashion industry necessitate constant monitoring and response. While Zudio's value-focused approach has been successful, staying relevant demands ongoing innovation in product offerings, store design, and customer engagement strategies.

- **In-Store Innovation:**

To drive foot traffic and keep customers engaged, Zudio must invest in in-store experiences. This could involve interactive displays, technology for personalized shopping assistance, and creating an exceptional in-store ambiance. Failure to innovate may result in a decline in foot traffic and sales.

Navigating these challenges while adhering to the core principles of affordability and value is crucial for Zudio's ongoing success. Striking a balance between its brick-and-mortar foundation and adapting to the changing dynamics of the retail industry will determine its resilience and future growth.

Conclusion

In conclusion, Zudio's journey in the retail industry provides valuable insights into consumer behavior and strategies. Its success, primarily relying on physical stores, emphasizes the significance of understanding diverse consumer segments. Core strengths include a commitment to affordability, value,

and a localized approach, resonating with cost-conscious consumers across India and maintaining a competitive edge.

However, Zudio faces challenges such as limited online reach, e-commerce competition, evolving consumer preferences, and the need for in-store innovation. These challenges reflect shifts in the fashion retail landscape, highlighting the importance of adaptability.

As Zudio expands its physical store network, balancing brick-and-mortar roots with digital opportunities is crucial for sustained growth and customer engagement. Zudio's unconventional journey demonstrates that a focus on affordability and localized strategies can yield remarkable results in the face of digital disruption. Addressing challenges and capitalizing on strengths will determine its success in the dynamic Indian retail market.

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