



# Trends in India's Domestic Fashion Market

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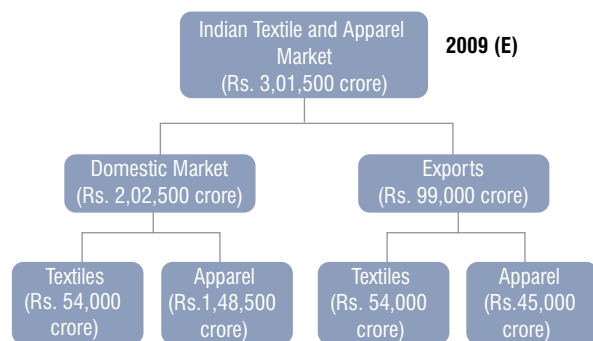
# Trends and Business Opportunities in India's Domestic Fashion Market

01

The Indian textile and apparel industry has witnessed tremendous growth in the last 2 decades and its market size today stands at US\$ 67 billion. India has positioned itself as a manufacturing destination with cheap labour, cotton-based raw material and easy access to US and Europe markets. With the abolition of quotas, India surged ahead of other non-competitive countries and positioned itself as a value-added manufacturer with a varied material base, an educated and English-speaking class of executives with high product development and design orientation. While textile and garment exports have been growing at an average pace of 8 per cent, it is the domestic market that presents itself as a larger opportunity, hence firing the imagination of manufacturers, entrepreneurs and marketers. The Indian domestic apparel market size is US\$ 33 billion of which only 16 per cent is organised.

Exhibit 1:

## Overview of Indian Textile and Apparel Industry



All the figures in Rs crore

Source: Technopak Analysis estimated exports for 2009 values rounded off

A number of factors are expected to fuel the growth of the domestic market in spite of the many challenges faced by this industry. Growth drivers include increased incomes, high growth of GDP leading to rapid urbanisation, growth of organised retail with the entry of a large number of domestic and international players, and a growing awareness of global trends along with the need to look fashionable.

Through our work in the textile and apparel sector, we analyse a number of trends which represent opportunities for companies already in this space or planning to enter it. Based on the Indian consumer's current needs and aspirations, this article covers six categories which may have been present for long but now present a bigger than ever canvas for companies to expand in or to enter for the first time.

We look at sports brands like Nike, Reebok and Adidas—how they changed their product mix in India to include more casual wear after realising that the Indian consumer, lacking options, opts to wear their apparel for 'everything outside office'. They positioned themselves more as lifestyle apparel than as a pure sports brand. Now, with growing consumer interest in fitness, they offer a wide variety of fitness apparel/footwear options. We take on the positive effects of the entry of international brands—the concept of 'affordable luxury' which acts as a bridge between mid-premium and luxury presents the perfect opportunity for brands to take consumers to the next level of spending.

We also cover notable changes in the women's category by presenting the story of how women's ethnic wear is constantly innovating itself to capture the mind of the Indian woman and how brands can increasingly use this as an opportunity. Another related trend is the growth of over-the-counter fabric comprising unstitched ethnic wear, trousers and shirts. In spite of migration of consumers to ready-to-wear apparel, this category constitutes ~23 per cent of the Indian apparel market size, growing at a steady rate of 5 per cent and witnessing the entry of some large players. We also explore the kids' category, which is expanding due





to the increased needs of both indulgent parents and decisive kids. This presents a large opportunity for specialty kids' stores with an expanding product range. With the increase in number of school-going kids and the new-age concept of international schools, uniforms are another area which presents a large opportunity to become organised. Last, we cover a unique concept called 'Pop-Up Retail' which presents an interesting and out-of-the-box marketing concept for brands wishing to introduce customers to their new product/range.



# The Growth Story of Sports Brands in India: 'Sports Inspired Casual Wear'

02

The term sports wear brings to mind the image of an athlete or sportsman. However, it is interesting to map the growth of Nike, Reebok, Adidas, Puma and Lotto—iconic, global sports footwear brands—over the last few years in India as they have expanded what was traditionally the sports category into a larger category called 'sports-inspired casual wear'. These brands together have captured a large part of the casual wear branded 'apparel' market with consumer recall for them as brands worn for 'everything outside office'. This coincides with a shift in the Indian consumer lifestyle to greater fitness awareness and health consciousness, thus paving the way for these brands to benefit from the prevalent consumer trend. With a well established distribution network and strong brand presence, these brands are upgrading consumers to newer concepts of fitness products, including special shoes for jogging, rock-climbing or gym-use, dry fit t-shirts, breathable apparel for active sports like football, swimming, etc.

In this article, we outline the growth drivers for the growth of such 'sports-inspired casual wear' brands, understand their India growth stories and how sports retail will evolve going forward.

## Sportswear Brands in India: Understanding their 'Casual' Strategy

The premium sportswear market in India is dominated by global brands like Reebok, Adidas, Nike and Puma, with a collective market share of 84 per cent. Over the last 3-4 years, sportswear brands have tried to transform themselves into lifestyle brands. Almost all the brands are investing to orient young consumers to their brands as they understand that the potential for sportswear will be very big in the coming years.

**Reebok** is a good example of a brand which used its early mover advantage to penetrate into the casual and sportswear category through aggressive advertising and its marketing campaign. Reebok's Lifestyle line targets the consumer interested in wearing a sports-inspired product without stepping into a field, court or track. About 80 per cent of Reebok customers in India have purchased something from the urban casual Lifestyle line. Reebok has a junior collection of athletic and casual shoes and apparel, sold at its own junior stores, which is designed to tap into India's massive youth population both on and off the field. Reebok India sold approx 3 million pairs of shoes and ~8 million pieces of apparel in 2009. Other brands are also following suit by signing top actors and models to gain higher visibility.

**Puma** is focused on being categorized in the 'lifestyle' brand as a 'sport-lifestyle' brand and not as a mere sportswear brand. It is engaged in the development and marketing of a broad range of sports and lifestyle goods including footwear, apparel and accessories apart from apparel. Its mission is to become the most desirable sports lifestyle company in India.

**Adidas** has also recently launched a new brand called S&N, which aims to be a fusion of lifestyle and sporty edginess, reconfirming the trend that most brands see themselves worn not as high-performance sports wear, but more as a lifestyle casual wear category.

The above statement is reiterated by looking at the breakup of sales for these brands (exhibit 2). It is not surprising then that more than 50 per cent sales for these brands in India comes from apparel and the balance is split between footwear and related accessories.

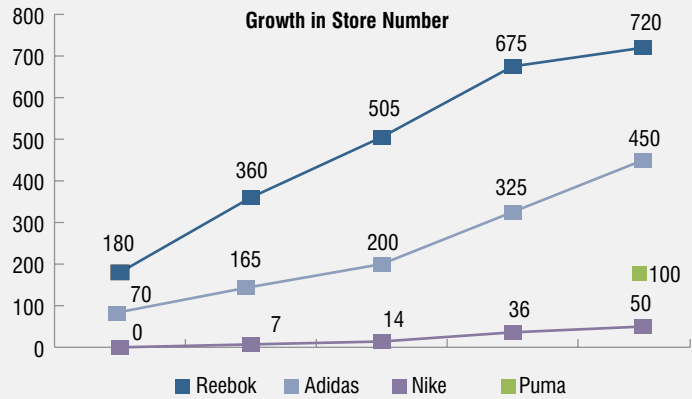




Exhibit 2:

**Comparative Analysis of Industry Players**

Retailer	India Entry	Share of Apparel in Total Sales
Reebok	1995	50%
Adidas	1996	45%
Nike	1995	40%
Puma	2002	30%



Source: Primary Research, Technopak Analysis

### Main Growth Drivers for the Industry

While the brands have expanded their product mix to include a larger part for apparel to suit Indian consumers' casual needs, simultaneously, Indian consumers are also becoming more health and fitness conscious than before. They aspire to look and feel good by exercising, taking up active sports and experiencing the outdoors through treks, climbing, camping, etc. We expect the health and fitness category, which is currently in a nascent stage, to see more spending in the coming years.

Exhibit 3:

**Growth Drivers**

Indian getting more health conscious and taking preventive actions	Greater influence of health and fitness publications	Aspiration look like their favorite sportsman
Desire to be fit for social acceptance	Non-cricket sports also getting popular	Increase government initiative in sports infrastructure and corporate sponsorships

Source: Technopak Analysis

Another growth driver for sports categories is the interest in sports. While cricket is still the most dominant sport, it has also seen great changes in the recent years, especially with Indian Premier League (IPL) which has commercialised it even further. India's performance in wrestling, boxing and shooting at the Beijing Olympics as well as hosting the 2010 Commonwealth Games, have rekindled interest in many other sports categories like swimming, football, shooting, etc.

With these growth drivers and the increased spending power of consumers, retailers are developing sports goods with very specific offerings. Adidas will be launching 95 products related to football including apparel, footwear and protective gear this year. Reebok has come up with a variety of new and specialised offerings in the shoe category and will also launch affordable soccer shoes for kids and adults in the Rs 2,500-3,500 price range.

### Premium Sports Market in India: Current and Going Forward

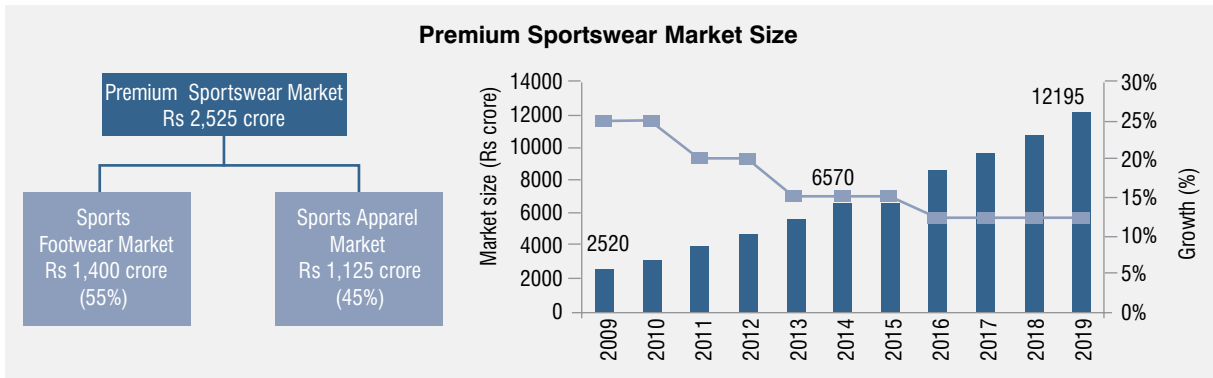
At present, the premium sports goods retail market (apparel and non-apparel) in India is approximately Rs 2,525 crore of which ~45 per cent is the sports apparel market. The total market is expected to grow at a decent annual rate of 13 per cent to reach ~Rs 12,000 crore by 2020.

With such a large market and high growth going forward, this is the perfect stage for sportswear retailers to enter the segment or to expand their existing portfolio.





Exhibit 4:



Source: Technopak Analysis

However, to truly tap into this opportunity, the consumer needs to be initiated and his awareness regarding fitness, sports equipment and sportswear needs to be improved. The very idea that different sporting activities require different types of shoes is still not well established in India. There are no ‘footwear specialists’ to guide consumers about shoe types specific to their requirements.

The consumer is ready to make the move to high-performance sports options, it is now up to brands to make use of changing consumer habits and introduce products to suit their aspirations.



# Brands Eye the ‘Affordable Luxury’ Segment

‘Brand’ is almost an overrated word now; it’s not enough for Indians any more to just be wearing something with a recognisable name tag. With increase in purchasing power and options available in the market, the consumer is going through a natural progression, fast moving up from a lower segment to a higher one. Availability of adequate upgrade options in super premium and affordable luxury segments today has helped these segments to grow in most categories. With the emergence of a new class of very affluent young Indians, who are ready to spend money to be considered classy and elite, India is no more a testing ground for premium and luxury brands, but a lucrative market with explosive growth potential.

Exhibit 5:

**Luxury Market in Developed and Developing Countries**

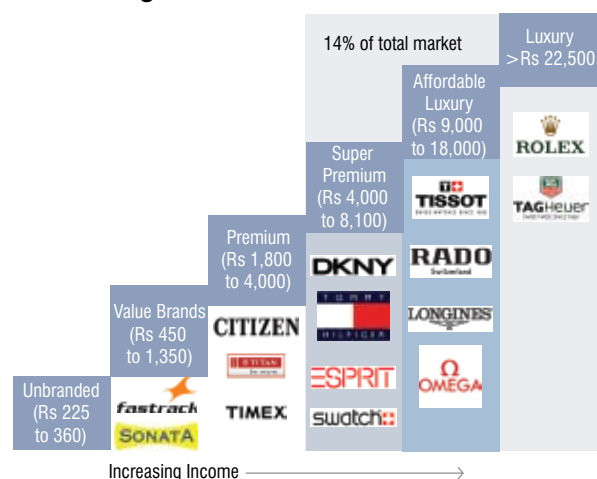
Country	Europe	Japan	China	China	India
GDP	72,855,000	22,464,000	21,748,500	5,706,000	5,332,500
Luxury Market	495,000	90,000	38,250	29,250	6,300
Luxury Market as % of GDP	0.68%	0.40%	0.18%	0.51%	0.12%

All figures in Rs crore  
Source: IMF Industry Report

A few product categories, especially accessories like watches, sunglasses, bags, etc. are good examples of how the retail market has thrown up various options for upgrading consumers and how consumers on their part have boldly upgraded themselves. Till a few years back, time-wear was dominated by home-grown brands or brands targeting the mid-market, like Times, Citizen, HMT, Sonata, Timex, etc. The brand Titan, and its select few products were considered aspirational or premium as an exception. With rising incomes and a growing population, brands started to realise the huge potential of the market and the consuming class decided to capture the buoyancy in premium retail business in India. It was the entry of Esprit time-wear in India in 2005 that revolutionized the Indian watch industry. A watch is now considered a fashion accessory and the brand name a fashion statement—consumers have been able to move up the value curve by buying watches in the range of Rs 4,000 to Rs 20,000. Many international brands are positioned in the super premium to ‘affordable luxury’ segment, as seen in exhibit 6.

Exhibit 6:

**Progression of Watch Retail in India**



Source: Technopak Analysis

The case of sunglasses is similar. Traditionally in India this category has been very unorganised and dominated by non-branded products. While Ray Ban is the only eyewear brand name which can be



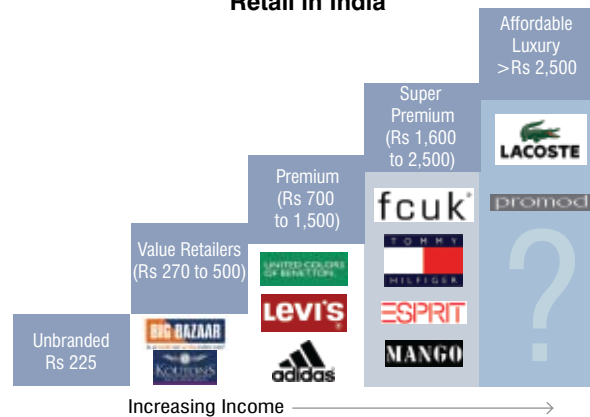


remembered from earlier days, the market now has innumerable names to choose from: Polo Ralph Lauren, Police, Oakley, Bvlgari, Burberry, Chanel, Dolce & Gabbana, Donna Karan, Prada, Versace, Polaroid, etc. Sunglass Hut is one such international retailer who, under a franchise agreement with DLF brands, is selling all these brands under one roof in India, offering today's spendthrift consumer a similar international experience.

However, it is to be noted that consumers find it easier to upgrade to higher-priced products for watches and sunglasses since there is a longevity associated with these products. The same, however, cannot be said for apparel, which is highly fashion-driven and has a shorter life span, making it harder for consumers in India to upgrade. Comparing India with other developing markets like China also reconfirms that their spending patterns on apparel differ a lot. The Chinese spend nearly 10–11 per cent of their household income on clothing, while Indians still spend only between 5–6 per cent on clothing. Indians tend to spend more on transportation, communication, education, homes, etc.

Exhibit 7:

**Expected Progression of Branded Apparel Retail in India**



Source: Technopak Analysis

However, this space is fast being populated by international brands which have learnt that consumers need to be offered entry level products to help them upgrade from premium to super premium to affordable luxury brands. This is the reason Esprit, Tommy Hilfiger, Lacoste, and Benetton have all reworked their pricing in India to be lower than what it is internationally. Brands like Esprit and Tommy constitute the super premium segment and have introduced entry level products at lower prices so that Indians can try their product instead of categorising them as international high-priced brands. In the 'affordable luxury' segment, Lacoste and Promod are two brands that have positioned themselves well. Interestingly, Hugo Boss has introduced Hugo Boss Red, which is lower priced and has helped them gain visibility as an 'affordable luxury/ brand for consumers to upgrade to.

It can thus be safely said that while the purchasing power exists, consumers are unable to spend on luxury goods primarily due to limited upgrade options. These consumers are still very 'value conscious' and discreet and prefer to shop for the same brand at an overseas store due to availability of superior quality and more variety than India.

Going forward, we expect these international luxury brands to introduce bridge/semi-premium lines for greater penetration or introduce more brands from their umbrella in different segments or through different routes. In this scenario, it can safely be assumed that the availability of greater variety and brand names will definitely act as a medium to graduate the Indian consumers from the current mid-segment to super premium and affordable luxury brands. The super premium and affordable luxury segment as a category has big potential for brands having patience, readiness to operate on a longer breakeven period and a long-term strategy to create a unique brand identity in the Indian consumers' mind.





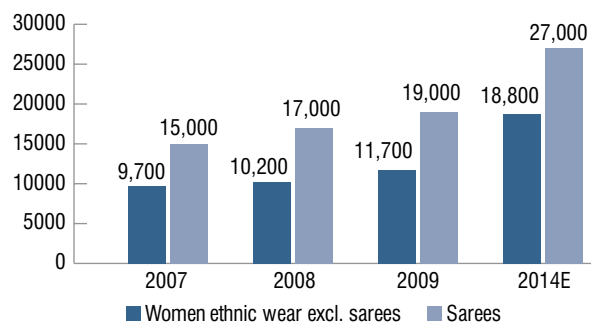
# Women's Ethnic Wear: Contemporising Indian Wear to Capture a Larger Market

04

Much has been said about the advent of Western culture and its impact on Indian clothing. The Western style of dressing has made a remarkable impact on the Indian fashion industry. Although Western wear like jeans, tops and evening dresses have become favourites amongst the young generation, 'Indian wear' has remarkably stood its ground all this time through sheer popularity and by successfully contemporising itself. There has been an emerging trend of customising Indian wear by going back to basics and yet making it look trendy and comfortable in its fit. More and more brands, retailers and designers are contemporising Indian wear to suit current requirements.

Exhibit 8:

**Market Share of Women's Ethnic Wear**



All figures in Rs crore

Source: Technopak Analysis

The current market of sarees and ethnic wear stands at ~Rs 31,000 crore and is projected to grow at 10 per cent to reach ~Rs 45,000 crore in 2014. Major growth is projected in the saree segment with the revival of sarees in new and more innovative formats and with new styling, fabric and fits for salwar-kameez and dupatta. Brands are trying to create a fusion of Western and Indian patterns and designs of the traditional sarees. In this article, we chart the story of ethnic wear in India and how it is here to stay.

## Growth Drivers

Traditional ethnic wear comprises primarily sarees and salwar kameez and dupatta (SKD) and other regional attire. There are a number of factors that catalyse the growth of ethnic wear.

### Increasing workforce impacting women's Indian wear

There is a rise in the awareness and purchasing power of the middle class due to the boom in the service industry. The majority of India's female workforce still prefers to wear the traditional Indian SKD to work. The size of the organised female workforce has increased from 5 million (4 per cent) in 2001 to 7–10 million (4–6 per cent) in 2010. Therefore, the size of the market for women's Indian wear has increased and is likely to do so in the future as well.

### Food trends and the changing anatomy of Indian wear

Fast food culture, overeating, eating at odd hours has led to a change in the physical attributes of people in general. Fashion has also managed to target the so-called obese/ overweight strata where the demand is remarkable, with plus-size fashion gaining importance. The market for such brands is growing by the day. Brands like All, Revolution and Lakshita are some pioneers offering Indian, Western and Indo-Western outfits in this segment. They realized well in time the scope of such products.





### Personalised styles and cuts

The India wear still gives a lot of flexibility in terms of getting personalized designs, cuts and styles made. Western wear is limited to the available stock in ready to wear category. But the Indian ethnic and more specifically the salwar kameez dupatta (SKD) can be tuned to one's design sensibility and more importantly fitting.

### Traditional occasions

Indian wear is still the most preferred choice for any traditional occasions like marriages and family functions. In spite of the big influence of Western wear, a majority of women still have a large representation of ethnic wear in their wardrobe for various occasions. In fact, the willingness to spend has increased all the more with different traditional and contemporary designs being offered.

## Current Market Scenario

The current Indian ethnic wear market is highly unorganized with a few branded players operating primarily in metropolitan cities. The organised sector has players like W, Biba, Fabindia, Tacfab, Hakoba, Prafful, Vipul, etc. catering to the low to mid segment. Satya Paul, Anokhi, Meena Bazaar, CTC cater to the premium and super premium segment.

What is interesting to note is that most of the above retailers have been able to maintain the interest of the modern Indian woman by offering modern prints, designs and fits. Like other items, sarees have also evolved. While traditional regional sarees like patola, kanjeevaram, kantha are still popular, contemporary sarees with prints, embroidery work, chiffon sarees with borders, net sarees with extensive gem work have also caught on as a reflection of the grandeur of movies. Satya Paul was amongst the first to come out with prints on sarees which are abstract, geometrical and completely in sync with print forecasts. Today, retailers like Meena Bazaar and CTC keep pace with the most important trends and have new collections every season. Brands like Anokhi and Fabindia have greatly helped in popularising ethnic apparel which has been sourced from handloom clusters following traditional methods of vegetable dyeing, block printing, etc.

The changing face of SKD is perhaps the biggest success of this category through the fusion of fabrics, prints, styling and fits. Almost 10 years ago, Shoppers Stop changed the way we buy SKD by offering mix and match options. Then we saw the advent of the kurti which was traditional in its look, but could be worn well with trousers. It is here to stay with the options it offers. The last 2–3 years have seen the introduction of lycra churidars which offer better fits and comfort than the traditional options. They have become tremendously popular and have revolutionised a garment which was essentially stitched into something that is picked off the counter. W has offered a merchandise mix with many interesting combinations of knit kurtas with traditional prints/ embroidery – clearly a fusion of our heritage in new fabrics.

## Opportunities in Womens Ethnic Wear

Going forward, there is a lot more that can be tapped in this reviving market. The very first opportunity comes from making an entry as a big branded retailer of traditional wear. Except brands like W and Biba which have a pan-India presence, no brand has been able to spread beyond its region. In the absence of any player in the mid to super premium segment, there is a lot of potential demand in this area. The opportunity lies in bringing to the forefront our centuries-old heritage and culture in the form of traditional attire. Different regions of our country have different things to offer like mirror work, chikan work, tie-and-die, phulkari prints, etc. Designers and retailers can revive the traditional work done by artisans with a touch of big prints or latest styles and cuts. These designs can be used to contemporise traditional Indian wear and repackage basic things in a modern format. The fusion of all such work can be showcased under one roof. Fusion concepts of kurtis, harem pants can be taken forward to create kurtis with knitted fabrics or chudidar/salwar with stretchable material. The Indianisation of Western wear makes it trendy and easy to handle. This appeals to youngsters and working women alike.





Another very interesting idea can be a 'marketplace concept' like Dilli Haat where artisans can be invited from all over the country to showcase their talents. While Dilli Haat is a government initiative, it has great scope as a concept for a private retailer or a mall developer who can take the initiative to get artisans together, imparting a certain design direction to their work to modernise it and then showcasing a new collection to the consumer every few months.

## Challenges for Ethnic Wear

In spite of the growth factors in the sector, there are a few challenges that market players need to be aware of before entering the market.

### **A good fit is important**

The body sizes of Indian women vary a lot across different age groups and regions. For example, North-eastern women are comparatively slimmer than women in north Indian states like Punjab or Haryana. A proper fit of ethnic wear is very important to suit customer requirements across segments. Feasible research on the target segment, well-trained designers and other local requirements need to be addressed.

### **Competition from unorganised market**

Since the organised market for Indian ethnic wear is still not very big, there is direct competition from the large unorganised sector. Most offerings come from regional stores in different localities, as they are better able to sell products to meet customers' requirements.

### **No unified fashion across diverse regions**

One has to be very careful of the trends prevalent in different regions. A country of India's size and diversity poses a challenge. Designers and market players must understand all these varied trends and come out with a line of desired products.

Given its flexibility, comfort and traditional appeal, Indian ethnic attire is very much in demand and the market for it poised to grow. Organised players and designers can tap into a lot of opportunities by coming out with a fusion of basic, traditional yet modern styles. Brands can revive age-old prints and traditional/regional apparel further to meet the growing demand from both national and international clients.



# Growth of Over-the-Counter (OTC) Fabric Market

## Keeping the Neighbourhood Tailor Afloat

During the last decade, we have witnessed a big market share shifting towards the 'Ready to Wear' (RTW) apparel category. There has been a visible migration from tailored clothing to readymade garments due to the launch of brands such as Louis Philippe, Van Heusen, Allen Solly, Peter England, Arrow, Koutons, etc. Factors like easy availability, variety of colours and styles, etc. gave consumers a reason to shift their preferences. The RTW comprises approximately 77 per cent of the apparel market while OTC fabric constitutes the balance. However, the demand for OTC fabric is still large and growing at an annual rate of 5 per cent, contrary to what most market analysts had predicted for this category due to the rapid increase in Ready-to-Wear apparel. It negates the popular perception that all the growth is only in the RTW category and the share of OTC fabric has shrunk. The OTC market is also termed as the 'Ready-to-Stitch' (RTS) market.

We summarise here the Technopak analysis and insights into how the OTC market is growing. While worsted and polyviscose fabric is mainly meant for the formal suit market—which is also growing, we have explored the opportunities in the everyday wear cotton and cotton blends categories, such as fabric for salwar kameez dupatta (SKD), shirts, pants, etc.

## Overview of Indian Apparel Market

Out of the total Indian apparel market of ~Rs 1,54,000 crore, the ready to wear market totals ~Rs 1,19,500 crore and is expected to grow at a compounded annual growth rate of 9 per cent. Most of the urban population today prefers RTW apparel as it saves the time and effort of getting it tailored.

Exhibit 9:

**Comparison in Market for Indian Domestic Apparel : 2009 vs 2015**

	2009		2015		CAGR 2009-15 (%)
	Value (Rs Crores)	Share (%)	Value (Rs Crores)	Share (%)	
India Domestic Apparel Market	1,54,250		2,43,300		8
RTW	1,19,500	77	1,96,500	81	9
RTS ( OTC Fabric )	34,750	23	46,800	19	5
Shirtings	11,900	34	14,150	30	3
Trousers	10,400	30	13,000	28	4
SKD*	9,800	28	14,900	32	7
Others **	2,650	8	4,750	10	

\* Salwaar, Kameez, Dupatta \*\*Other OTC fabric covers : Suiting, Kurta pyajama fabric etc.

Source : Technopak Analysis





## Growth of OTC Market

In India, the OTC fabric market totals approximately Rs 35,000 crore, most of which is still unorganised. But many organised players are looking towards it and gradually entering this market. In spite of direct and stiff competition from the 'ready to wear' category, the OTC fabric market is growing as it allows for comfortable fits, lower prices, and personalised cuts and designs.

Exhibit 10:

### Growth Drivers of OTC Fabric Market

Growth in the Indian population (age > 40 years) that prefers RTS wear
Greater consumption potential for RTS in rural India
Fast growth in the plus-size population in India
Price differential between RTS (ready to stitch) and RTW (ready to wear) has been growing
Increasing women workforce driving growth of SKDs

Source: Technopak Analysis

### Growth in Indian population that prefers RTS wear

The majority of the Indian population aged 40 years or above still prefers RTS fabric as it ensures the comfort and personalised fit and style they seek. This bracket of population is growing at a pace of about 3 per cent, giving an impetus to the RTS market.

### Greater consumption potential for RTS in rural India

It is also observed that rural consumers are shifting from traditional attire like dhotis to more Western garments like trousers and jeans. In this scenario, they prefer RTS over readymade garments due to price and availability issues.

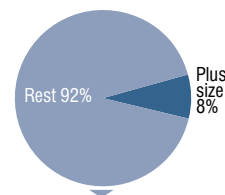
### Fast growth of plus-size population

The trend that is fast emerging is of the growing obese population in India. Around 8 per cent of the Indian population (96 million) is considered obese and with this is further growing with changing lifestyles. Plus-size clothing in RTW is not readily available for this category. But the current market of ~Rs 11,000 crore is virtually untapped by the RTW segment. The ready to stitch segment is effectively catering to their needs.

Exhibit 11:

### Growth in Plus-size Population

Plus-size % of Indian population



Share of plus-size is expected to grow providing additional opportunities for RTS

Source: Technopak Analysis



### Price inflation differential between RTS and RTW

Another aspect is the better value realisation associated with RTS. The cost of branded readymade garments is often escalated due to brand name, design, distribution network, etc. These aspects are irrelevant in the RTS category and hence it is more cost-efficient. For example, if you get one premium pair of trousers stitched and another 'readymade', the price of the latter would be Rs 500 to 800 higher than the former.

### Growth of Salwar Kameez Dupatta (SKD) market

With an increase in the number of working women and with ethnic wear still the preferred choice for many of them, the SKD market is set to grow. Apart from this, an important reason for RTS preference is that it gives a better fit. India is a diverse country, with varying lifestyles, preferences and body sizes. In the absence of perfect fits in the RTW collection, people look to the RTS category. Better design flexibility is also an important aspect. The majority of women aged 30 years and above still prefer to get their salwar kameez stitched to ensure personalised designs, colours and fabrics.

Despite these positives, market players must be cautious in light of the threats associated with this market.

- Increasing penetration of RTW brands/retailers in smaller cities
- Growth of value apparel retailers and hypermarkets in India
- Growing popularity of casual wear





Retailers such as Big Bazaar, Westside or Pantaloons, that offer RTW apparel at competitive prices, are gradually increasing their reach in smaller cities. With rising demand and awareness, the consumer is also shifting more towards the casual wear category. Our studies show that casual wear segments are expected to grow between 10–15 per cent vis-à-vis 9 per cent growth in the Indian apparel market. The woven RTS market may be affected due to the competition from knitted garments.

### Players in the OTC market in cotton and cotton blends

The market is currently dominated by a few big players like Arvind Mills, Raymonds, Donear, etc. that offer a range of products for the mid to premium segment (average shirting price Rs 150). Most of the big players create finished fabrics and distribute them over the counter at retail outlets across India, in all the 29 states and seven union territories. They interact regularly with the retailers, along with routine market surveys in terms of designs, colours, textures, etc., to guarantee a quicker and a firsthand feedback that results in offering fabrics to customers as per the trend.

Arvind Limited launched its range of pre-treated 'ready-to-stitch' (RTS) denims under the brand name of 'Arvind Intellifabrix' in Ahmedabad. This was in response to the demand for denim fabric for the masses, especially to suit Indian body sizes and to be comfortable as both work-wear and casual apparel.

Grasim Industries entered the market of fabrics for women, with its concept of RTS formal wear. Since the number of working women in India has gone up significantly, the demand for ready-to-stitch formal wear has gone up too.

A number of players like Forbes Gokak, Century and SKNL have recently made a gradual entry in the market. SKNL has started the manufacturing of shirting a few months ago and is catering to the mid to premium segment. Century is focusing on shirting more than trousers.

The SKD market is still fragmented and highly unorganised, with hardly any key players having a national reach. Organised players are mostly regional brands like Supertextiles, Tacfab, Hakoba, etc.

The sheer size of the existing OTC fabric market coupled with the fact that is expected to grow further at a growth rate of 5 per cent provides an opportunity for existing players and new players in this segment. Another area of opportunity is the lack of a well-established brand in this segment. While Raymond, Siyaram, Grasim, etc. constitute the worsted and polyviscose suiting brands, there is no fabric brand in the cotton and cotton blend category.

Exhibit 12:

#### Comparative Analysis of Industry Players

Company	Product Mix	Positioning
Arvind	Shirting , Trousers	Market leader
Alok	Shirting (25%), Trousers (75%)	Selling surplus in the domestic market
Century	Shirting (60%), Trousers (40%)	Entered OTC 1 year ago
Forbes Gokak	Trousers (100%)	Entered recently in premium category: exclusively 100% cotton trousers
SKNL	Shirting	Shirting manufacturing
Biba	Sarees, RTW SKD, RTS SKD, Mix 'n Match	Leading brand – present in exclusive outlets
Tacfab	Sarees, SKD	Looking to establish pan-India RTS brand

Source: Primary Research



# Kids are the New Shoppers

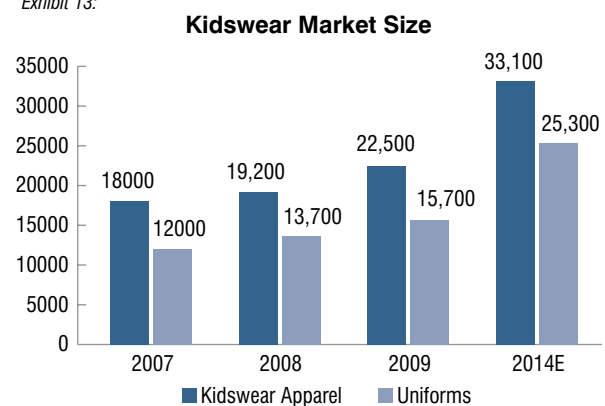
The increasing needs and demands of children present a larger opportunity for apparel and textile players. Kidswear is one of the fastest growing categories in the domestic market. Last year the segment witnessed a growth rate of ~17 per cent making it one of the most attractive categories. Brands are realising that the children of today cannot be ignored considering their independent and adult-like purchase behaviour. They display an incomparable power of pestering parents and completely influencing the buying decision. Increased exposure to the media, growing up in double-income households, international travel and pressure from equally well-informed peers ensure that children today are highly fashion-conscious.

The children's market refers to the specific age group of children from 3–13 years. These children have an individual identity and are in a hurry to grow up. This is evident in the way they talk, how they look and what they wear. They do not spare their parents in the demands they make. Parents are also more than happy spending on their kids as they enjoy rising incomes, suffer from the 'guilt' associated with less time spent with their kids and need to 'gain acceptability' in the eyes of their fast-growing children.

The total kidswear market in India is currently valued at approximately Rs 38,000 crore. This constitutes a 25 per cent share in the total Indian apparel category. This segment, which is split into 'kidswear' and 'school uniforms' is expected to reach Rs 58,000 crore by 2014 (see exhibit 13).

Technopak offers an insight into this segment by not restricting itself only to kid's apparel, but looking at everything that comprises their needs and aspirations. The growth drivers and opportunities available have also been highlighted.

Exhibit 13:



All figures in Rs crore

Source: Technopak Analysis

## Growth Drivers

### Increasing needs of indulgent parents and decisive kids

There is no doubt that the needs/requirements of the kids have increased manifold in the past few years, leading to the creation of segments within the segment. Parents are also more indulgent and want the best for their children, starting with all the essentials for newborns to the fussy demands of toddlers and varied needs of school-going children.

There are some concepts like Mom & Me by Mahindra Group which cater to this large gap in the market and are offering products from newborns upwards, for all ages, under one roof. From feeding accessories, cots, bassinets, strollers, prams and bath chairs for newborns to toys, footwear, outdoor-gear like cycles and push cars for toddlers, to concepts for young girls/boys like fancy children's toothbrush, cartoon-printed towels, bed-sheets, curtains, rugs and stationery material and even the paint on the walls—everything is on offer to lure child customers.





### **Growing brand consciousness**

Another recent phenomenon is the growing awareness of branded goods. Kids have started asking for exclusive, branded products. Brands like Gini and Jony, Lilliput and Catmoss have expanded their presence exponentially in the last 2–3 years with Lilliput having the maximum store count at ~260.

These brands and retailers are contributing towards niche retailing in kids clothing sales by building categories such as infant wear, kids' formal wear, kids' ethnic wear, swim wear, casual wear and pre-teen wear by stocking a wider range of merchandise and differentiating between them at the retail store level. Last year, Reebok launched the 'Reebok Juniors' concept store to tap into this segment by offering a one-stop shop for apparel, footwear, accessories and sports equipment for children in the age group 4–14 years. Similarly, Gini and Jony has the 'Freedom Fashions' stores, offering licensed products of brands like Reebok and Levi's along with their own products. Lilliput is planning to launch 'Lilliput World', which will be a specialty kids' store with a greater merchandise width and depth. Keeping in mind the 'important kid shopper', departmental stores are creating an experience during shopping by having play areas and child-oriented promotional activities.

### **Kids have become influencers in decision-making**

With the rising nuclear family culture, the child's say in decision-making has increased a great deal. They display an incomparable power to pester their parents and completely influence the purchasing decision. In addition to their own needs and demands, kids are also influencing general buying decisions in the family. For instance, the choice of a sofa set for the family, colours of the wall, brand of car to be bought, curtains in the house or the furniture—they are involved in the decision-making for all these purchases. Though their inputs might not be the final word on a purchase, they are definitely able to influence decisions. Brands are increasingly including children in advertisements of products not directly targeted towards them, knowing that they will influence adult-buying behaviour.

## Opportunities in the Kids' Space

In light of such decision-making behaviour, there are many opportunities that present themselves in this category.

### **Becoming a specialty kidswear retailer/brand**

The opportunity lies in offering the large basket of needs and aspirational products parents feel their children should have or those which children feel the need to own. Retailers and manufacturers can make this offering by stocking a wider range of merchandise and differentiating between them at the retail store level.

With a large number of international brands entering the country, the standards in design and product development have been considerably raised in this category. These international brands are abreast with the latest trends in fashion and design. Considering the innovations taking place in this industry, one cannot doubt that the industry is here to grow. Not just apparel but home textiles like curtains, bed sheets, towels, rugs, curtains and home improvement products can be customised to suit kid's tastes and preferences. Welspun and Bombay Dyeing are among the very brands that offer home products for kids and there is a large potential to create child-specific products. Additionally, products like bags, stationery and furniture hold great potential.

### **Cartoon and character licensing**

The growing trend amongst children to emulate characters in their everyday life is another important opportunity which is enabling apparel companies to take licensing of popular characters and icons to be used in their merchandise. As per the licensing update 2009, the business of license merchandising of animated characters is estimated at Rs 360 crore in India. India has emerged as the No. 1 market in Asia-Pacific for companies like Cartoon Network in terms of viewership and, more importantly, revenues. 'Interestingly, children's licensing and merchandising market accounts for 10% of Cartoon Network's







revenues i.e. approximately Rs 300 crore, of which a large percentage is contributed by apparel, accessories, footwear and home textile products.'

A closer look at the international kidswear market also shows a big influence of movies on kidswear. The recent Hollywood movie Kick-Ass, the story of a teenager (fake superhero) who is inspired by a comic character, is just one such example. The very famous brand French Connection has launched an exclusive range of tees and sweats to celebrate this hotly anticipated 2010 superhero action movie. Children and teenagers get a sense of association with iconic empowering catchphrases, film logos, and original comic-book illustrations.

Themed in-store advertising and visual merchandising is another area through which brands are trying to lure the new young consumer. Apple all over the world is helping Disney stores revamp the look of their stores by creating small theme parks for children. Raymond brand Zapp has set up igloo-shaped trial rooms in its stores. Hannah Montana is another teen celebrity show that has greatly influenced children and many stores are seen to sell her merchandise or create store themes around her.

### **Branded school uniform market**

Another very lucrative and untapped area from brands and manufacturers perspective can be the concept of branded uniforms.

There are ~55 million private school-going students and another 172 million in public schools. Estimates of school student requirements in few categories include ~5 million t-shirts in a year and ~1 million sweatshirts/tracksuits. Schools like DPS and many of the new-age international schools which are opening up across the country offer huge potential for a brand which can cater to their needs for apparel and related accessories.

Technopak estimates this market to be ~Rs 136 crore and this space is virtually untapped by any organised player except S. Kumar's. Internationally, there are a number of school uniform brands like Trutex, First in Class, K-12 gear, etc. Many international retailers like Marks and Spencer, JC Penney and Next have extended their brands to include these products. There lies a large potential in India to do the same.

It is clearly not an easy task to cater to the demands of this new set of consumers, who not only influence decisions for their own apparel shopping but also for adult purchases, causing bigger brands to spend relatively larger budgets on advertising for children. The key success factors in this highly competitive category lie in product differentiation, creation of a unique retail experience and innovative marketing and promotion techniques.



# ‘Pop Up’ Retail Concept: Temporary Stores to Attract Consumers and Create a Buzz

07

The concept of pop up retail has been around for a few years, especially in matured retail markets. It’s a temporary retail location used either to launch a new product or to sell limited edition products. Sometimes, the concept is even used for pilot runs before launching the actual product. Every now and then, retail stores as well as company-owned brand outlets have been seen to pop up unannounced at unique locations and disappear at the same pace within a few days. This concept has always been used as a means to create curiosity amongst consumers, engaging them with an element of surprise and interactivity.

Exhibit 14:

### A Typical Pop-up Story



Source: Technopak Analysis

Globally, many brands have tried to use this concept of temporary retail locations to boost sales, gain market visibility and build a brand. It could be either for selling an existing product or a new launch, however, always at unique locations, away from traditional retail markets.

Many such other examples exist in the market with retailers like JC Penney, The Vacant, Ann Taylor, Harvey Nichols, etc. who have repeatedly experimented with this concept and achieved results. The global recession in 2008–09 made this concept even more popular and attractive since it led to quicker sales with reduced expenditure on rentals. The growing importance of this strategy has led to a few companies like Brand New Stores and Metropolitan Green letting out permanent stores with brick and mortar at short-term leasing offers, at retail or non-retail locations.

Exhibit 15:

### Pop-up Store Concepts in Action

		
2003: Target opened temporary 1500 sq. ft. store in Rockefeller Centre for 5 weeks in Oct 2003	September 2006: Uniqlo set up temporary container stores around NYC to announce the launch of their flagship store. It drove 2 shipping containers into the city and used them as stores that ‘popped up’ in various locations	July 2009: ebay opened a pop up shop for 5 days with the objective of showing people what just a fraction of its inventory would look like in-store, and planned on showcasing many ‘wow’ items’

Source: Technopak Analysis

This trend is catching on in India as well. While a modified concept in the form of kiosks in and outside malls has been around for a while, many brands are now seen setting up temporary stores in food courts of office complexes etc., in order to test new products or to sell off leftovers and limited products. Till date kiosk retailing in India is limited to temporary fit-outs inside malls or at retail destinations, for products which require minimal staff, less preparation and small storage space, stationed, however, for a longer period of time. So while it is similar to pop up retail in terms of the absence of brick and mortar, it lacks its temporary nature, and also does not generate the eagerness and element of surprise which a pop up store creates in a consumer’s mind, forcing them to make impulse purchases. Technopak feels that Pop Up is a kind of marketing tool which can be integrated with an existing marketing concept for an established brand or can be used as part of a new product launch as well. So, while there is still some time to go before vehicles would carry mobile stores all over the country, with the trend emerging fast in other forms India will soon have caught up with this global concept.

## Summary

The Indian apparel retail market (organised) is still not as mature as Western markets and thus presents a number of opportunities in various categories. We have mentioned in this article some of these categories as over the counter fabric retailing, affordable luxury retail, sportswear retail, Indian ethnic wear and kidswear. Of course, these are only a few of the many opportunities available to investors. There are other opportunities such as value retail, cash and carry retail, etc., all of which are lucrative and present industry players with a good opportunity to grow. While all these opportunities exist, there are also challenges which need to be overcome to change these opportunities into thriving businesses with sound bottomlines. Industry players who constantly innovate and keep consumers at the centre of their strategy will surely be able to make the best use of these opportunities.

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