



KIDSWEAR IN INDIA

A market marked by cautious optimism

The share of kidswear to total apparel market is higher for India compared to other developed markets like the US and Europe as India has a higher children population ratio. Amit Gugnani, Senior Vice President - Fashion and Kanti Prakash Brahma, Principal Consultant - Fashion, Technopak, study the critical kidswear category and its finer nuances.

KIDSWEAR CONTRIBUTES 20 PERCENT TO INDIAN APPAREL MARKET

In 2014, the menswear and womenswear segments contributed 42 percent and 38 percent respectively to the total apparel market while the contribution of kidswear segment was 20 percent. It is expected that by 2024, the contribution of kidswear to total apparel market shall increase to 22 percent owing to higher growth rate of kidswear segment.

The share of kidswear to total apparel market is higher for India compared to other developed markets like the US and Europe as India has a higher children population ratio.

KIDSWEAR MARKET IS EXPECTED TO GROW AT A CAGR OF 10.7 PERCENT BETWEEN 2014 AND 2024

Indian kidswear market was estimated to be of ₹50,120 crore in 2014 and is expected to grow at a compound annual growth rate of 10.7 percent to reach ₹1,38,540 crore in 2024. The market is dominated by boy's wear which contributes 52 percent to the total kidswear market followed by girls' wear with a share of 48 percent. In the next decade, girl's wear is expected to grow at a CAGR of 11 percent and boy's wear at a CAGR of 10.4 percent.

HIGH CHILDREN POPULATION GROWTH RATE AND HIGH PER CAPITA INCOME GROWTH HAVE ACTED AS GROWTH DRIVERS

Among the BRIC nations India is the only country which had positive growth of children population from the period 2000 to 2015. This coupled with promising growth in per capita income in this

period has made Indian kidswear market extremely lucrative for both Indian and International brands and retailers. Though China's per capita income increased at a faster rate than that of India in this period, children population of China has shrunk due to population control measures followed by it.

KIDSWEAR MARKET IS STILL EVOLVING, SOME BRANDS HAVE FACED STEEP LEARNING CURVES

A few years ago most of the brands and retailers were extremely bullish about the potential of kidswear market. Consequently, a few of them transformed from a kidswear export oriented model to a domestic market focused business model. Some of them banked upon high debt financing to achieve scale and expansion. However, later the business dynamics of the market forced many of them to reassess their business model and re-orient their business strategy with the ground market realities. Some of them right-sized their retailer operation indicating a shift towards a cautiously optimistic approach.

Allegations and counter allegations of financial irregularities with some of the Indian kidswear brands have made investors more cautious about the segment.



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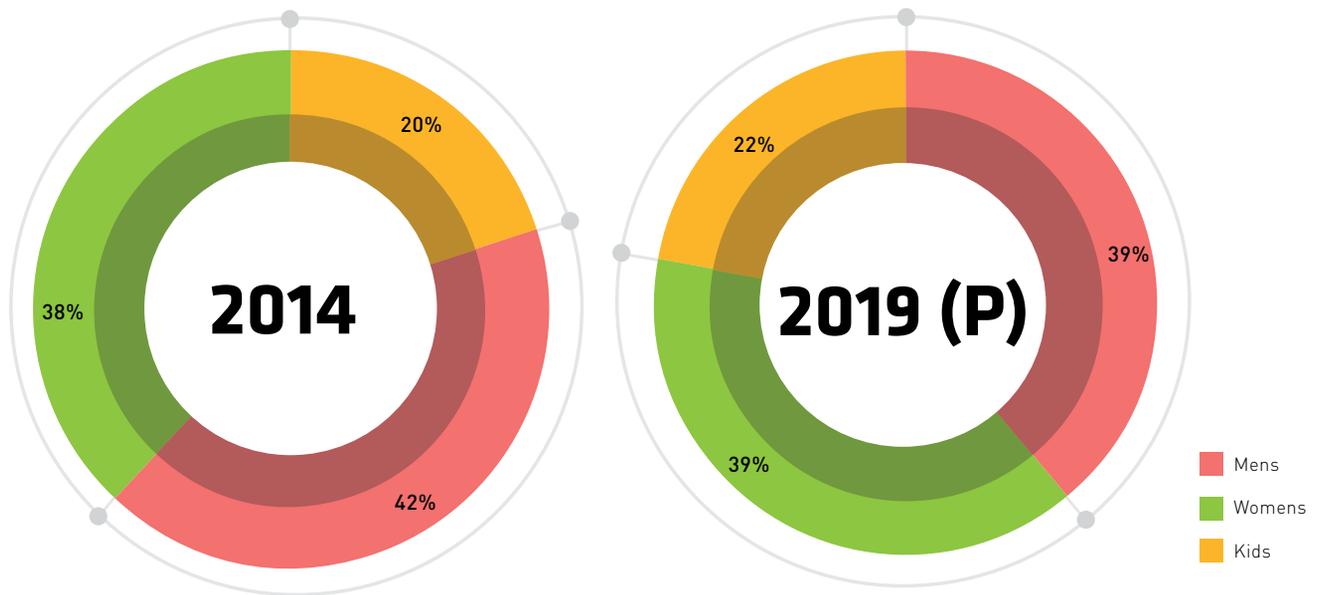


EXHIBIT 1: SHARE OF VARIOUS SEGMENTS IN INDIAN APPAREL MARKET

Source: Technopak Advisors

In case of economic down turn, parents consider trimming their own discretionary spending before considering any cut down in expenses incurred for kids.

On a positive note, the rapid pace of various developments in kidswear market has helped the brands to learn quicker by making the learning curve steep.

turn; in many cases parents trade down from a higher price segment to a lower price segment in times of financial stress.

TYPICAL CHARACTERISTICS OF CHILDRENSWEAR MARKET

CHARACTERISTIC #2: CONSUMERS HAVE HIGHER SAFETY CONCERNS FOR KIDSWEAR

The kidswear market faces its own set of peculiar characteristics and challenges. Some of the peculiar characteristics of kidswear market include: resilience to economic pressures, concern for safety aspects, high preference for cotton based clothing, high importance of product design and development, need of flexible manufacturing set-up.

Parents generally have higher concerns for safety for their kids and products that their kids use. Some of the key mandatory safety requirements for kidswear in developed markets include regulations related to flammability of kid's sleepwear, use of sharp edges and small parts owing to possible choking hazards, presence of cords and drawstrings in neck area, product labelling, use of chemicals in apparel as well as accessories. **Though mandatory regulations and awareness about safety aspects in much lower among Indian consumers, still many parents factor in safety related parameters in their kidswear purchase decision.**

CHARACTERISTIC #1: KIDSWEAR IS GENERALLY MORE RESILIENT TO ECONOMIC PRESSURES

CHARACTERISTIC #3: HIGHER PREFERENCE FOR COTTON BASED CLOTHING

In case of economic down turn, parents consider trimming their own discretionary spending before considering any cut down in expenses incurred for kids. In addition to this, kids normally outgrow their clothes quickly making it difficult to delay any purchase decision. However, kidswear is not entirely resilient to economic down

The preference for cotton is much higher for kidswear products across the globe and as



KIDSWEAR IN INDIA: A MARKET MARKED BY CAUTIOUS OPTIMISM

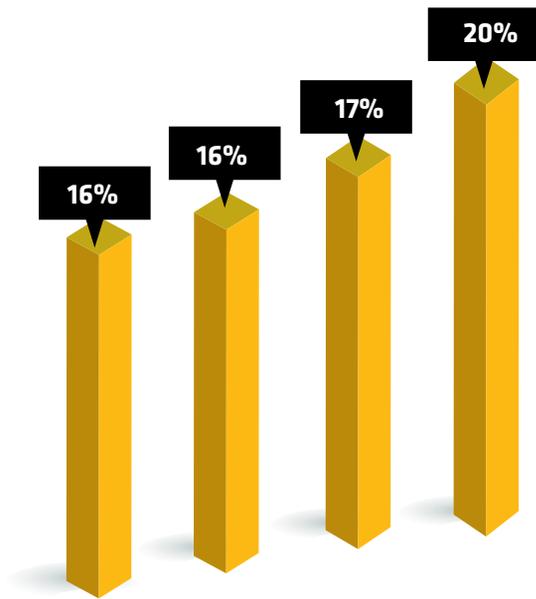


EXHIBIT 2: SHARE OF KIDSWEAR IN APPAREL MARKET OF DIFFERENT COUNTRIES, 2014

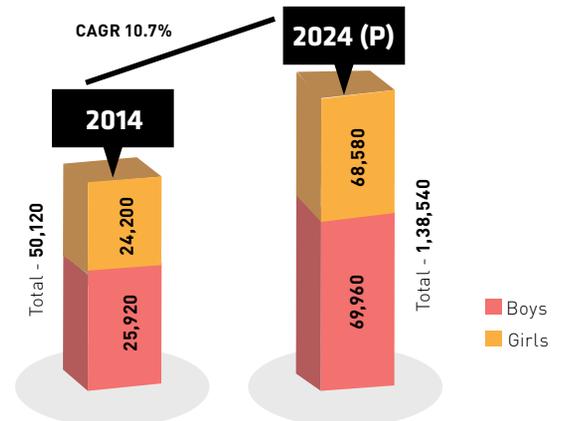


EXHIBIT 3: KIDSWEAR MARKET IN INDIA, INR Cr

Source: Technopak Analysis

The preference for cotton is much higher for kidswear products across the globe because of its higher moisture absorbency and better comfort characteristics.



well as in India. Cotton is preferred because of its higher moisture absorbency and better comfort characteristics. On the other hand, synthetics and synthetic blends are associated with low comfort properties.

CHARACTERISTIC #4: HIGH IMPORTANCE OF PRODUCT DESIGN AND DEVELOPMENT

Consumers, especially those of premium segment, prefer products with attractive designs and innovative patterns in kidswear. Many prefer garments with embroideries, patchworks and appliques in girlswear. Thus, product design and product development plays an important role in kidswear.

CHARACTERISTIC #5: NEED OF FLEXIBLE MANUFACTURING SET-UP

A high degree of complexity in manufacturing of childrenswear combined with smaller order sizes in the Indian

market makes kidswear manufacturing more complex than adult apparel. Hence, ability to manufacture and deliver quality kidswear of small order sizes is critical in Indian market.

KEY TRENDS IN KIDSWEAR MARKET

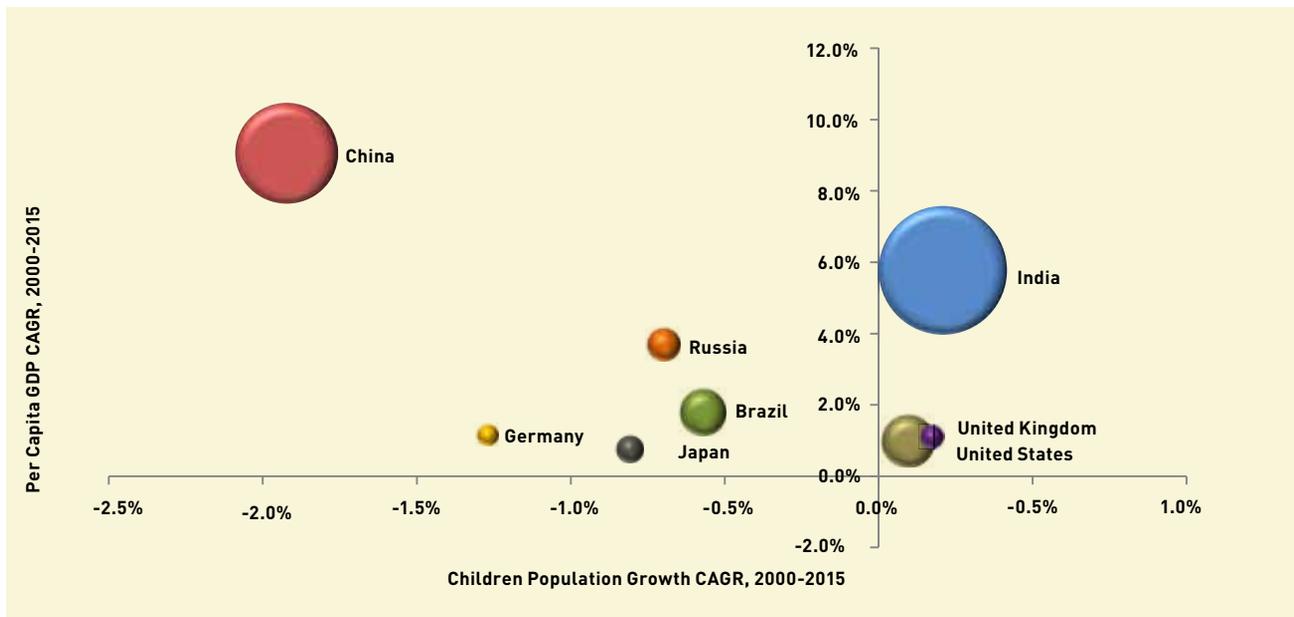
In the recent times, the kidswear market has witnessed several trends which have implications for stakeholders across the value chain. Some of these trends are discussed here.

The preference for branded apparel has increased in Indian kidswear market. Brand awareness of parents as well as that of kids of higher age brackets has improved owing to entrance of more brands and marketing activities of such brands.



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EXHIBIT 4: PER CAPITA INCOME GROWTH VS CHILDREN POPULATION GROWTH



BUBBLE SIZE REPRESENTS THE POPULATION SIZE OF THE COUNTRY

Source: United Nations, Technopak Analysis



School uniforms, which are also a part of kidswear market has also evolved as a category. Some of the schools mandate different school uniforms depending on specific functions as well specific seasons of the year.

CONCLUSION

Kidswear segment is expected to remain lucrative in the coming years, but it also requires cautious approach to penetrate deep into the segment. In the mass market price segment, the consumer is still very price sensitive as kidswear have limited life for the users. Managing a diverse product portfolio in kidswear segment also requires a well-structured approach which could adapt itself with the ever changing retail scenario of the country.

New entrants in kidswear market have to learn from the mistakes of the earlier players and factor in their key learning into their business strategy.

Retailers have started introducing kidswear specific private labels to cater to the price conscious consumer groups. Consumers have accepted these private label offering as alternatives to brands.

Brands and retailers are no longer restricting themselves to kids westernwear and have started offering kids ethnicwear as well. The trend of occasion-specific clothing has started gaining momentum even among kids.



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