

The Indian Apparel Market

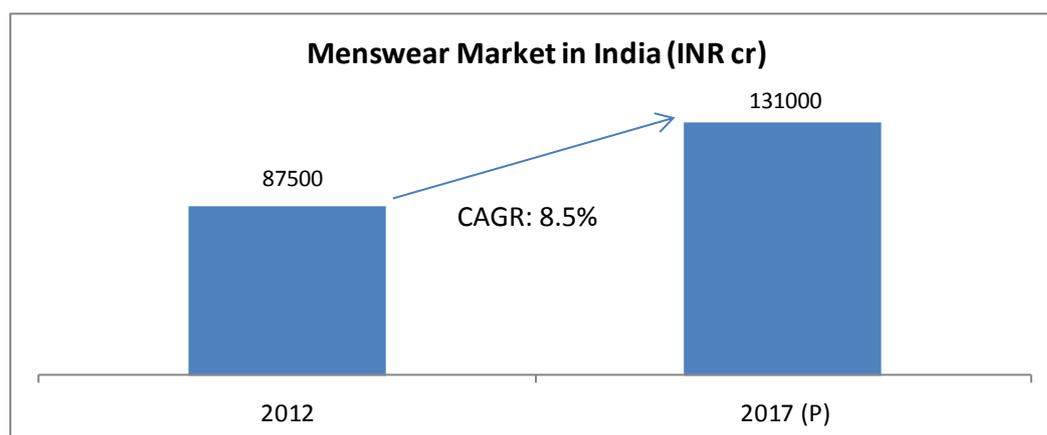
The Indian apparel market has demonstrated resilience and growth in an environment characterized by slow economic growth. The domestic apparel market, which was worth INR 207,400 crore (~USD 38 billion) as of 2012, is expected to grow at a compound average growth rate (CAGR) of 9% over the next decade. Further, the recent omission of excise duty on branded apparel has provided an impetus to retailers in terms of the overall market sentiment.

The Menswear Market

With a market size of INR 87,500 crore (USD 16 billion) in 2012, menswear is the largest segment in India's apparel market, accounting for 42% of the overall market. In comparison, womenswear makes up 38%, while kidswear comprises 20%, of the market.

Market Size and Growth Projections

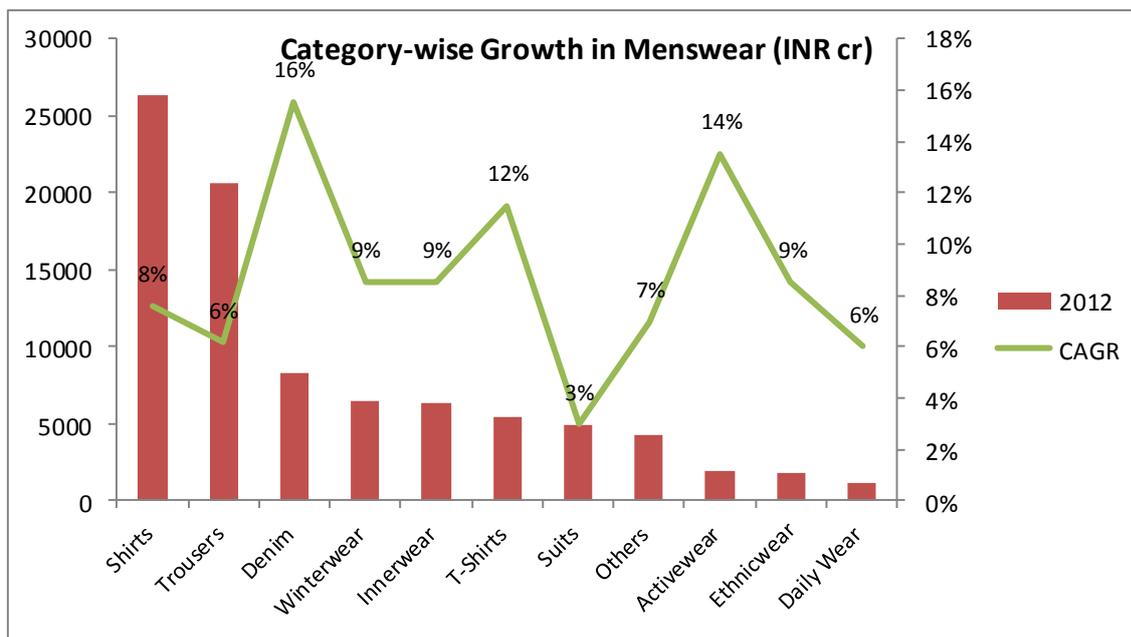
The menswear market can be divided into various categories including woven shirts, trousers, denims, winterwear, innerwear, T-shirts, suits, activewear, ethnic wear and dailywear. The woven shirts category is the single largest within the menswear market, followed by trousers and denim. The menswear market is expected to grow at a CAGR of 8.5% over the next five years to reach INR 131,000 crore (USD 24 billion) by 2017.



Source: Technopak Advisors

High Growth Categories

Denim, activewear and T-shirts are high growth categories within menswear segment with CAGRs of 16%, 14%, and 12% respectively. Despite the not so optimistic economic scenario of 2012, the demand for denim is growing among men, especially with the younger generation. The entire denim market of India hinges around the men's denim segment which contributes 80% to the market. The heightened acceptance of casual or 'Friday' dressing, and the penetration of denim into Tier II and Tier III cities and rural India are contributing to the growth of men's denim in India. The activewear category primarily constitutes of sportswear, gymwear, and swimwear. Increasing health consciousness has made sports, gym, jogging, swimming, yoga, etc. an essential part of modern life, especially in metros, as a result of which the demand for activewear is on the rise within Indian menswear market. The shift from formal attire to comfort-oriented casual attire is driving the market for men's T-shirts, alongside the demand for denim.



Source: Technopak Analysis

Market Trends

Menswear consumers are in a phase of transition; they no longer want to stick to wearing apparel of defined styles and silhouette but also want to experiment with the look of the clothing. The demand for occasion-specific clothing is rising within the menswear segment, e.g., the modern Indian male can be seen in activewear at the gym in the morning; in formal shirts, trousers, and suits during office hours; in smart casuals in the evening; and in dailywear/sleepwear at night. The demand for ethnic dressing at special occasions like marriages and social functions is also a distinct trend. Many brands have specifically forayed into men's ethnicwear to cater to this demand.

The menswear segment is also witnessing an increase in the demand for colored bottomwear. In addition to the traditional colors, viz. black, blue, brown and grey, Indian men have started experimenting with newer colours like red, green, orange, etc. Almost all domestic and international brands have started offering men's bottomwear in newer colors; they are also optimistic about the growth of colored trousers and denim.

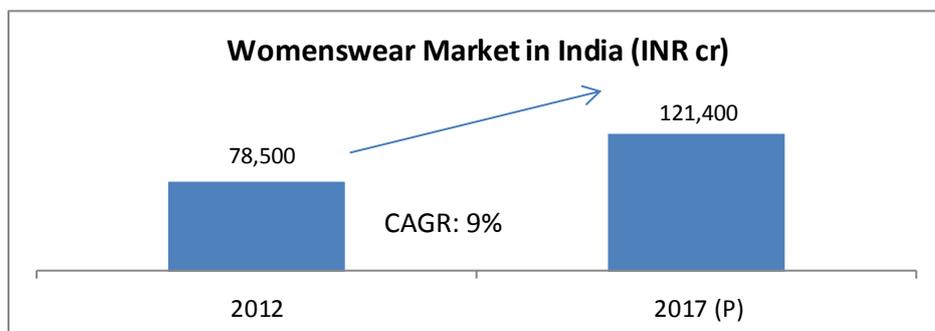
Another interesting trend in the menswear market is the steady growth in the premium tailoring segment comprising the fashion designers and the bespoke / luxury segment. Customers in the super premium segment are willing to pay a premium to ensure that their tailor-made clothing reflects their own personality and also helps them differentiate themselves and get noticed.

The Womenswear Market

The INR 78,500 crore (USD 14.4 billion) worth womenswear market contributes 38% of the total apparel market of India. The growth of this market is more rapid than the menswear market. With the relatively lower penetration of brands, and the growing disposable income of modern women, this segment has become the focus of many Indian and international brands.

Market Size and Growth Projections

The womenswear segment comprises various categories that include sarees, salwar kameez, innerwear, blouse, winterwear, sleepwear, tops/shirts, trousers, skirts, denim, T-shirts, etc. Indian ethnicwear, which includes saree, salwar kameez, and blouse, is the biggest category within the segment with a 75% share of the entire womenswear market. The market is expected to grow at a CAGR of 9% for the next five years to reach a figure of INR 121,400 crore (USD 22.3 billion) by 2017.



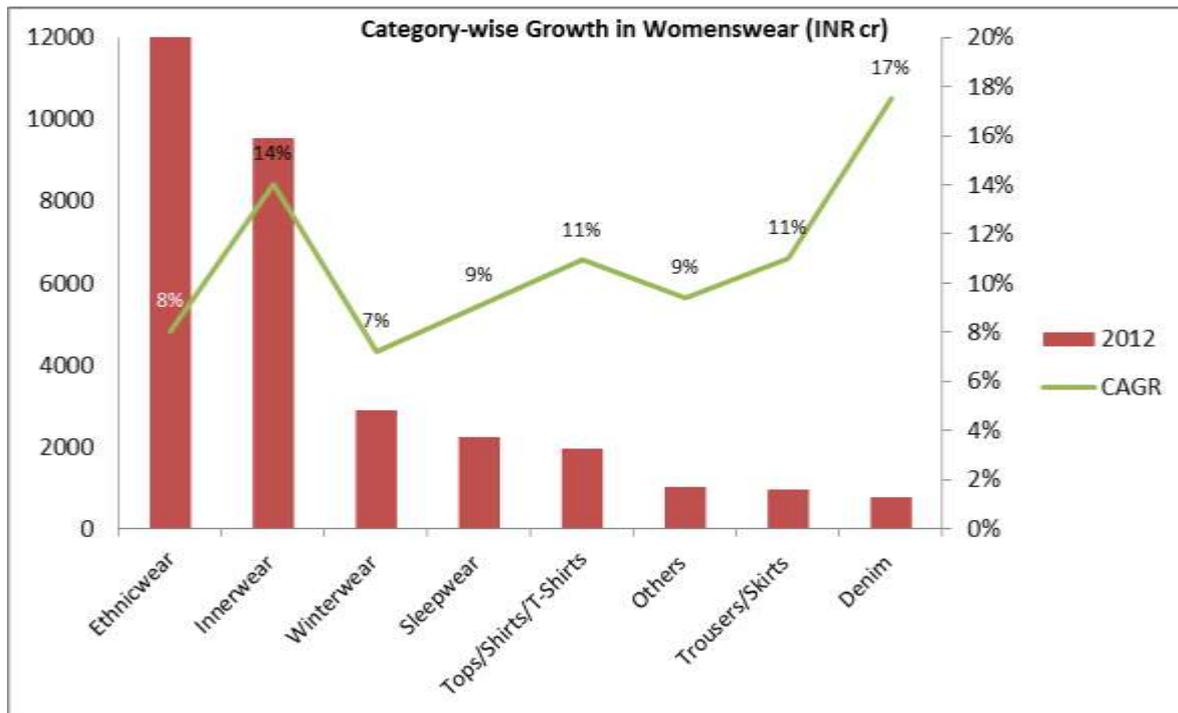
Source: Technopak Advisors

High Growth Categories

Denim, innerwear, and tops/shirts/T-shirts are the high growth categories within the womenswear segment, a consequence of the growing acceptance of women's westernwear in the Indian market. Denim is growing at CAGR of 17%, women's innerwear at 14%, and tops/shirts/T-shirts at 11%. Denim is penetrating deeper among women in the metros and mini metros, especially among the younger generation. Even working women in smaller cities have started accepting denim as a casual outfit. The growing focus of retailers and brands on women's denim will also contribute to its further penetration. The high growth of the innerwear category is driven by the transition of innerwear from a utility-based product to an aspirational one.

Market Trends

With increasing women in the workforce, and the growing economic independence of women, the demand for women's westernwear is at an all-time high, thanks to which women's westernwear is emerging a clear winner in the womenswear market. This trend is expected to continue as more women enter into the workforce or aspire to follow the lifestyle of working women. Within working women, there is a clear trend indicating the growing acceptance of women's dresses and western formalwear. The working women in the metros and mini metros, in addition to traditional sarees and salmar kameez, are moving towards dresses, formal suits, and business attire. Though these markets may remain relatively small, they are expected to grow rapidly.



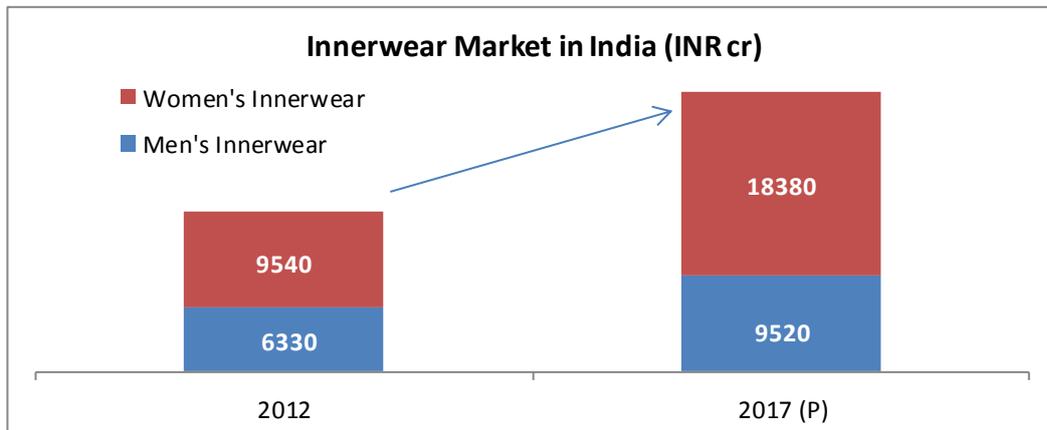
Source: Technopak Advisors

Despite the trend of consumers moving away from ethnicwear, some sub-categories within women's ethnicwear are emerging as promising business opportunities. The demand for contemporary ethnicwear with trendy look and comfort elements is accelerating. Even the traditional ethnicwear subcategory is witnessing the entrance of a growing number of organized players who assure the desired quality and right fit. The fusion of western style and cuts and even knitted fabrics with basic Indian ethnic designs is another noticeable trend in the womenswear market.

The Innerwear Category

Innerwear is one of the high growth categories in the apparel market and promises growth and innovation. The increase in income levels, along with higher discretionary spending, growing fashion orientation of consumers, and product innovations by the innerwear market have turned innerwear from a traditionally utilitarian item to an essential fashion requirement.

The size of the Indian Innerwear market is INR 15,870 crore (USD 2.9 billion); the category is also growing at an impressive CAGR of 12% and is expected to reach INR 27,900 crore (USD 5.1 billion) by 2017. The women's innerwear market, which is driven by value-added innerwear products, contributes around 60% to the market. The growth of the innerwear category is primarily centered in urban India. The trend towards western outfits, combined with the demand for occasion- and outfit-based innerwear, is acting as a boost for the market. The demand for innerwear with higher functionality and greater comfort is rising fast. The market for innerwear product variations like seamless intimates, plus size inner wear, body shape enhancers, etc. is burgeoning in the metros and mini metros.



Source: Technopak Advisors

The Men's Innerwear Market

The men's innerwear market, worth INR 6330 crore (USD 1.2 billion) is characterized by the presence of numerous Indian and international brands catering to different segments of the market. Though many fashion/apparel players have extended their existing brand labels in menswear to men's innerwear as well, but the product recall of players with focus solely on innerwear products is comparatively higher.

The various subcategories of men's innerwear include vests, briefs/boxers, basic T-shirts, shorts/pyjamas, sleepwear, and activewear. Consumers mostly purchase branded products for vests and brief/boxers, which are the largest category offerings from leading innerwear brands.

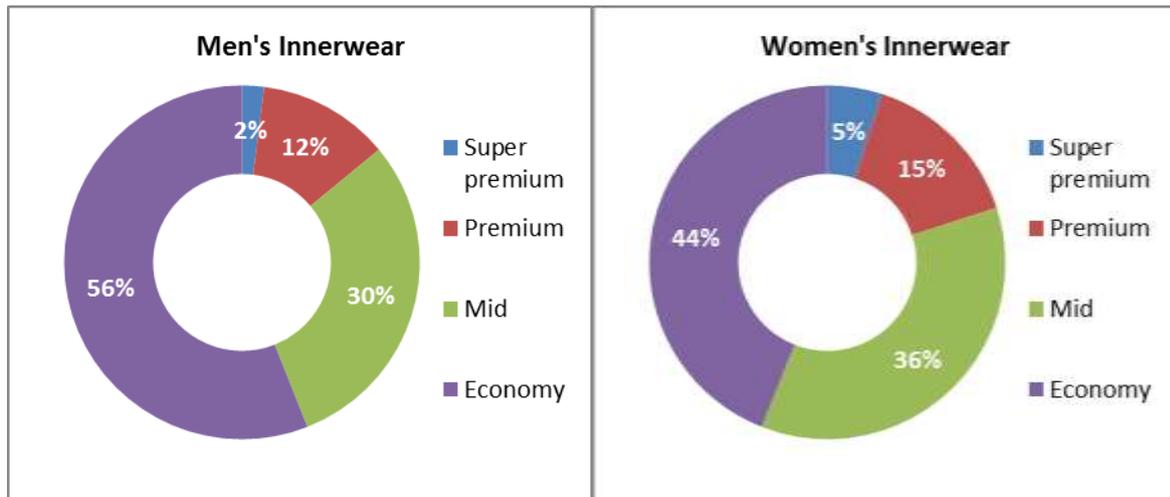
On the basis of product pricing, this market is further subdivided into super premium, premium, medium, and economy segments. The economy segment contributes around 55% to the market, while the mid-price segment makes up 36%, the remaining 14% comes from premium and super premium segments. The premium and mid-price segments are expected to witness a higher growth rate within this market. In these segments, the consumer seeks higher fashion orientation and higher comfort, as well as a strong brand name. The younger consumers in the metros engage with brands primarily within the premium segment. It has been observed that consumers in the Tier I cities play across segments, i.e. premium as well as mass segment; however, the premium segment largely fuels the aspiration quotient. In the mid-price and economy segments, value for money, easy availability, and comfort play a vital role in the consumers' purchase decisions.

These consumers, of men's innerwear, can be segregated into four groups on the basis of their attitude towards innerwear products and their buying behavior. These are: Young Aspirers, Discerning Urbanites, Optimistic Pursuers, and Corporate Climbers. The Young Aspirer group comprises men employed in high-paying jobs, who have high disposable incomes; they are ambitious and demonstrate a keenness to purchase branded innerwear. The Discerning Urbanite group consists of men employed in well-paying jobs, but they evaluate value on a benefit and convenience metric rather than purely on price. They engage with innerwear brands for the promise of quality and show no qualms paying a premium when quality is assured. The Optimistic Pursuer group includes men from smaller cities who are eager to pursue a prosperous lifestyle; they aspire to have a metro-like life and they seek opportunities to experiment with aspirational brands. The Corporate Climber group of consumers is made up of men who dream big and are keen to make a place for themselves. They have high aspirations, thus they want to engage with brands. But with limited disposable incomes, these people are cautious buyers.

The Women's Innerwear Market

The women's innerwear market, worth INR 9540 crore (USD 1.7 billion), is one of the fastest growing categories within women's apparel. This category is growing at a CAGR of 14%, and is expected to reach INR 18380 crore (USD 3.4 billion) by 2017. The women's innerwear market is considered to be more dynamic, with many design variation and the regular introduction of innovative products. Contrary to men's innerwear where a consumer comes across advertisements for several brands on a daily basis, brand promotion and advertising activities are comparatively lower in women's innerwear.

Price-based Market Segmentation



Source: Technopak Analysis

The subcategories in women's innerwear include brassieres, panties, camisoles, basic T-shirts, shorts/pyjamas, sleepwear, activewear, and maternity wear. Consumers in this category mostly purchase branded brassieres and panties, which constitute more than 90% of the category mix. However, the penetration of brands is comparatively low for other subcategories like camisoles, sleepwear, etc.

When it comes to price-wise segmentation, the women's innerwear market is dominated by products of mid-price and economy segment. These segments together contribute 80% of the market, while the remaining 20% comes from the premium and super premium segments. Like men's innerwear, the mid-price and premium segments are expected to grow more rapidly within women's innerwear categories.

On the basis of demographics, behavior traits, lifestyle activities, and purchase patterns, the typical consumers of the women's innerwear market can be divided into three distinct categories: Urbane Enthusiasts, Exuberant Seekers, and Thriving Homemakers. The Urbane Enthusiasts consists of young women employed in well-paying jobs who engage themselves with brands. The consumers in the Exuberant Seekers category live in the mini metros and tend to be ambitious and keen to make a mark for themselves. They are normally keen to experience modern retail formats & try aspirational innerwear brands. Consumers belonging to the Thriving Homemaker category generally live in the smaller cities. As homemakers, they do not have high disposable incomes and are primarily value seekers.

Looking to the Future

Simply put, the future of the apparel market, and the innerwear category, looks promising. At the same time, fashion retailers have to face some daunting challenges prior to tapping the extant opportunities. Rising real estate costs, increasing power tariffs, and supply chain inefficiencies are some of the issues that have to be tackled with utmost prudence. The growth story of Indian consumption is expected to revive in the medium to long term, but it will require improvements in the overall business performance and managerial prudence of the highest degree to benefit from this growth. To emerge a winner in a market marked by the presence of multiple players, brands and retailers have to optimize their business operations by addressing the challenges and harnessing market opportunities. Understanding the psyche of the Indian consumer, amalgamating the Indian style of functioning with western management techniques, and tailoring fashion offerings to defined consumer segments, are some of the key areas upon which fashion and innerwear players have to focus.

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