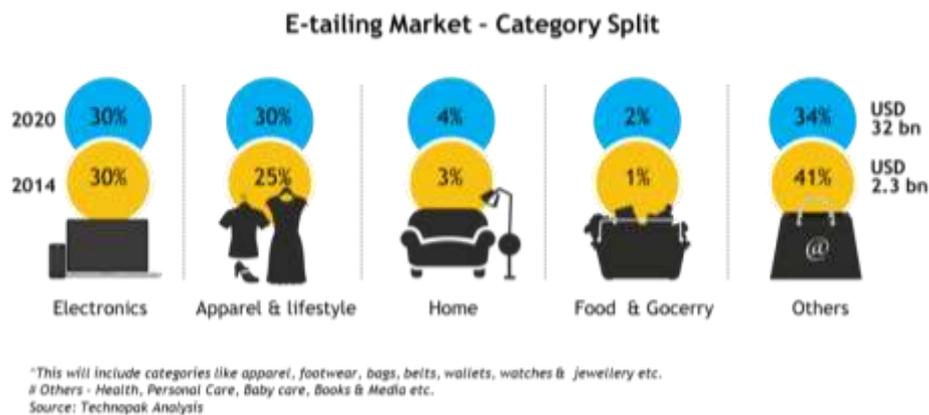


Trends in Fashion Retailing in India

Fashion retailing in India remains a lucrative business opportunity for both domestic and international retailers. After a period of low economic growth and sluggish business activity, the Indian economy has begun moving towards higher business activity and increasing consumer confidence. This, in turn, is expected to additionally boost the country's fashion retail market. India's merchandise retail market was worth USD 525 billion, in 2014, of which USD 41 billion, or around 8%, came from apparel. Further, this apparel market is expected to grow at a promising CAGR of 9% over the coming decade. Along with the increase in population and growth in disposable incomes, increasing access to fashion trends across the world, efforts by brands and retailers to allure Indian consumer, rapid penetration of organized retail into smaller cities, and spectacular improvements in product offerings and quality are some of the growth drivers for the fashion retail sector. Also, the widespread acceptance of e-tailing is most crucial in shaping the future of India's fashion ecosystem.

The fashion sector in India is registering certain distinct trends which have the potential to affect the way brands and retailers strategize their plans of action. While some of these trends revolve around the impact of technology in consumer expectation and business models of fashion retailers, some of them are related to increasing competition among brands and retailers vis-à-vis attracting consumers.

E-tailing in India has been growing rapidly, beyond gifts and books, and is now seeing traction from apparel and other lifestyle goods. Currently, apparel and lifestyle contribute around 25% of the USD 2.3 billion e-tailing market. Due to the increasing acceptance of e-tailing by consumers across the country, this share is expected to increase to 30% by 2020.



Brick & mortar retailers are also moving away from purely physical store-based e-tailing to multi-channel retailing, which helps them reach a wider customer base and also enables them to compete with pure-play online retailers.

The proliferation of digital technology and its utility in attracting consumers has helped e-tailing players explore new frontiers through launching user-friendly applications. In India, due to the increasing penetration of smartphones, consumers have also started purchasing their fashion needs via mobile applications.

Virtual reality is another frontier for e-tailing which is expected to impact the fashion ecosystem. E-tailing players have begun focusing on ensuring high quality user interfaces and browsing experience.

Although e-tailing has been the buzzword for fashion retailing sector, in recent times fashion retailing has also witnessed several trends relevant to both physical and e-tailing channels. While the blurring of seasons is one of the most distinct trends seen across product categories, the increasing importance of visual merchandising, deployment of advanced analytics, and reinvention of customer loyalty programs are some other interesting trends to watch.

There was a time when festive seasons used to contribute a large chunk of overall sales within the domestic Indian market. Now, however, the fashion retail market does witness an upsurge in the festive seasons, but retailers and brands manage to sell their products all year round due to consumers having higher disposable

incomes. It is expected that this blurring of seasons will continue and the Indian market will also show higher propensity towards fast-fashion models which introduce a greater number of designs in shorter seasons.

Visual merchandising is emerging as one of the most crucial factors in capturing consumers' attention and in converting footfalls into sales, thus resulting in higher store productivity. With an increasing number of product varieties and the availability of similar product offerings from multiple brands, visual merchandising has become more critical than ever.

Fashion retailers have access to much consumer data which provides a deep insight into consumers' buying behavior, their pattern of buying, etc. Retailers have started leveraging this data through the deployment of advanced analytics techniques to fine-tune their product offerings, SKU mix, logistics, operations, and marketing to cater to the specific needs of different consumer segments with higher efficiency and greater responsiveness.

Customer loyalty programs are also evolving with time. Some fashion retailers have started offering multiple loyalty programs from which consumers can select one, depending on their shopping frequency, value of purchase, etc.

The fashion retailer market is also witnessing a distinct trend towards casualization. Consequently, the demand for casual apparel categories including denims, T-shirts, activewear, etc. is outpacing that for the overall market. Casual dressing is gaining wider acceptance even for consumers employed in office environments. The denim jeans category is no longer limited to only blue color with consumers starting to flirt with other colors like red, purple, yellow, etc.

Consumers' wardrobes have also become more occasion-specific. They no longer consider fashion apparel as a basic, need-based product but instead as a product which reflects the overall personality of the consumer. The modern consumer does not want to be seen in the same attire all through the day and dresses differently for office, gym, parties, etc. In point of fact, modern consumers have gone a step further in ensuring that all their fashion requirements viz. apparel, watches, bags etc. are in sync with their overall personality.

Women's westernwear is another dynamic area which is witnessing some defining trends. Women in the metros and bigger cities have started accepting women's westernwear as a product of preference. Women's fashion apparel is also witnessing the acceptance of a blend of westernwear with the traditional ethnic salwar-kameez category.

A segment of Indian consumers has started showing an interest for eco-friendly fashion. Such concepts as "green", "organic", "ethical", and "recycled" have created a niche for themselves in the minds of fashion consumers. However, the market for such fashion products remains limited to a small section of consumers.

In a nutshell, India's fashion retail market remains dynamic and encompasses a number of trends. While some of the trends are consumer-driven, in some cases retailers and brands have managed to push the frontiers of retailing to new levels and redefine the retail landscape by addressing the latent needs of consumers. This rapid evolution requires market players to keep a vigilant eye on the trends playing out and align their business model with the changing nature of the fashion ecosystem.

Authored By:

Amit Gugnani (Sr. Vice President, Fashion)

Kanti Prakash Brahma (Principal Consultant, Fashion)