

UNDERSTANDING INDIA'S *Ethnicwear Market*

Indian ethnicwear market was estimated to be of ₹82,220 crore in 2014 and is expected to grow at a CAGR of 9 percent to reach ₹1,26,210 crore in 2019. The market is dominated by women's ethnicwear which contributes 83 percent to the total ethnic market followed by kids' ethnicwear and men's ethnicwear with shares of 9 percent and 8 percent contribution respectively, shares Amit Gujnani, Senior Vice President - Fashion and Kanti Prakash Brahma, Principal Consultant - Fashion at Technopak.





ETHNICWEAR IS ONE OF THE MOST DYNAMIC FASHION CATEGORIES

India's fashion retail market is going through a dynamic phase marked by the transition from unbranded to branded apparel, from physical stores to omni-channel retailing, from utility based apparel purchase to occasion specific apparel purchase. Among various fashion categories, ethnicwear category has emerged as one of the most exciting categories owing to the revival of demand of ethnicwear across age groups, especially, among the youths of both the genders. Though the demand of westernwear categories has gained momentum in the recent years, ethnicwear has managed to reposition itself as a preferred attire for specific occasions. Combination of a numerous factors like product innovation, innovative marketing, amalgamation of ethnicwear with westernwear, relative under-penetration of brands in this category etc. have contributed to the exciting growth trajectory of ethnicwear.

ETHNICWEAR MARKET OF INDIA IS EXPECTED TO INCREASE AT A CAGR OF 9 PERCENT OVER THE NEXT 5 YEARS

Indian ethnicwear market was estimated to be of ₹82,220 crore in 2014 and is expected to grow at a compound annual growth rate of 9 percent to reach ₹1,26,210 crore in 2019 (Exhibit 1). The market is dominated by women's ethnicwear which contribute 83 percent to the total apparel market followed by kids' ethnicwear and men's ethnicwear with shares of 9 percent and 8 percent contribution respectively.

WITHIN WOMEN'S ETHNICWEAR, SALWAR KAMEEZ CATEGORY HAS HIGH GROWTH POTENTIAL

Sarees, salwar kameez and blouse/petticoat constitute the women's ethnicwear market. Saree is the biggest category by size with a share of 50 percent in 2014, followed by salwar kameez and blouse/petticoat at shares of 41 percent and 9 percent respectively (Exhibit 2). It is expected that the salwar kameez category will grow at a CAGR of 13 percent over the next 5 years while the corresponding growth rates for saree will be 5.5 percent and that of blouse/petticoat be 4 percent. In addition to the traditional use of salwar kameez, increasing acceptance of the category as a formal attire by working women is expected to contribute to the higher growth of the category. Owing to the higher growth rate of salwar kameez category, it is expected to become the most dominant women's ethnicwear category in 2019.

KEY ETHNICWEAR-SPECIFIC CONSUMER TRENDS THAT ARE ACTING AS GROWTH CATALYSTS

Indian fashion consumers have become more experimentative and image conscious. A strong and growing economy coupled with better job prospects, higher disposable income and profound impact of media and technology is revolutionising buying behaviour of Indian consumers. Consequently, the entire fashion landscape of the country is evolving at a rapid pace.

The Indian fashion market has also witnessed certain category-specific consumer trends that have impacted market dynamics of ethnicwear. The key consumer trends related to ethnicwear are: 1. Increasing occasion specificity of fashion, 2. Growing demand of branded



EXHIBIT 1: ETHNICWEAR MARKET IN INDIA

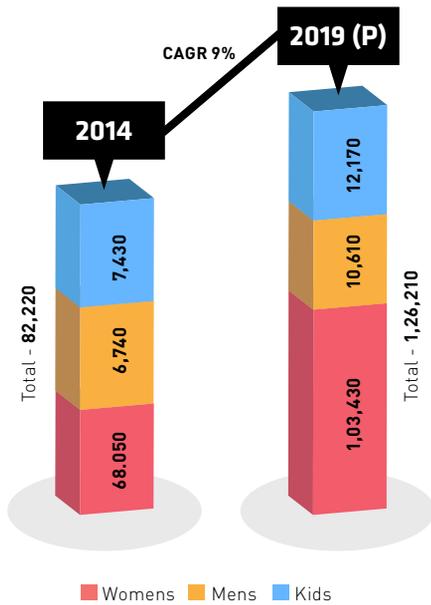
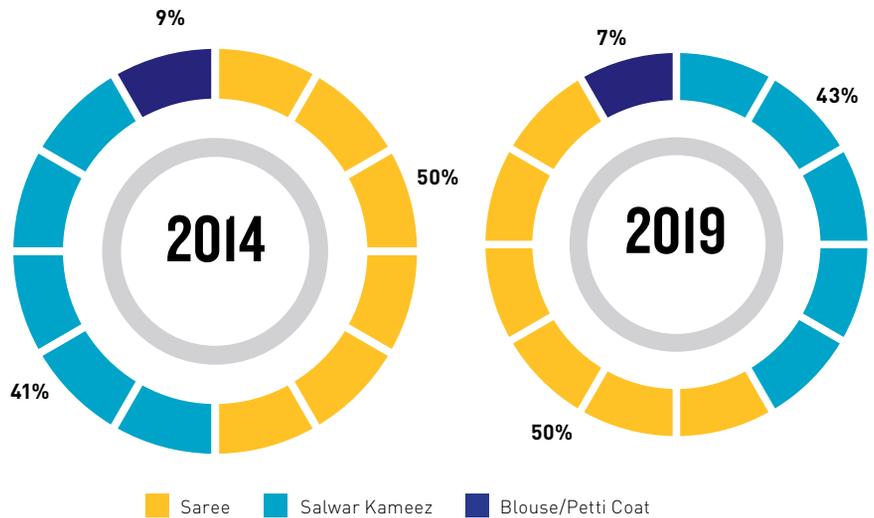


EXHIBIT 2: CATEGORY-WISE BREAK-UP OF WOMEN'S ETHNICWEAR



Source: Technopak Analysis

Indian consumers no longer stick to formal or casual attire for family functions and marriage ceremonies, they rather prefer ethnicwear that reflects uniqueness of the Indian cultural ethos.



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apparel, 3. Increasing value consciousness and 4. Rising acceptance of alternative retail channels (Exhibit 3).

Trend #1: Growing preference of occasion-specific clothing is making ethnicwear the most preferred choice for social functions.

Indian consumers no longer stick to formal or casual attire for family functions and marriage ceremonies, they rather prefer ethnicwear that reflects uniqueness of the Indian cultural ethos. This trend has extended to national days like the Independence day, Republic day etc., when ethnicwear takes a lead over other categories. Innovative marketing and promotion (by brands) that links days of national importance to display of patriotism through ethnic attire has contributed to the growing demand of ethnicwear for such occasions. Many corporates, both Indian and international, have started encouraging ethnic dressing during the occasions of Diwali, Holi etc.

Trend #2: The ethnicwear consumers are seeking association with brands.

The ethnicwear consumers have started inclining towards branded apparel owing to assurance of better design, quality and

fit. Growing disposable income, increasing aspiration levels among youths are driving factors for branded ethnicwear market in India. Consequently, the ethnicwear market, in recent years, has witnessed high growth trajectory of existing brands as well as entrance of many new brands. While the Indian brands compete with international brands in westernwear categories, they have an edge in ethnicwear products.

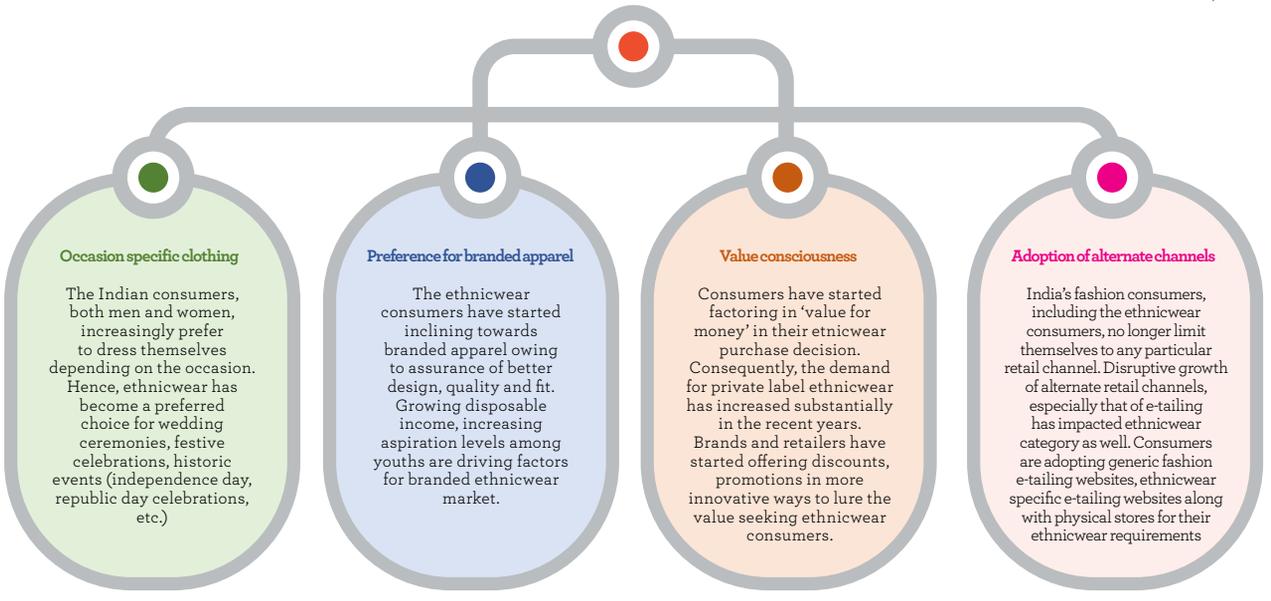
Proliferation of brands is more distinguishable in women's ethnicwear as unlike men, women use ethnicwear as formalwear as well.

Trend #3: The value conscious consumers prefer private labels, wait for discounts and promotion.

The value conscious consumers seek better deals while opting for ethnicwear fashion. They wait for discounts, gift coupons and special offers to purchase their ethnic fashion. High price inflation in recent years has increased the number of value conscious consumers. Private label offerings of retailers have managed to tap the quality and price requirements of these consumers. Almost all the key retailers have introduced their private labels that

Exhibit 3: Key ethnic specific consumer trends

Source: Technopak Advisors



offer optimum combination of quality, trust and reliability and consumers have started viewing these private labels as brands.

Trend #4: Consumers are increasing adopting alternate retail channels for ethnicwear as well

The ethnicwear consumers are no longer restricting themselves to traditional retail channels. Indian consumers have started looking beyond mere products, they increasingly seek quality shopping experiences combined with best pricing, wide range of product portfolio, multiple brands under one roof etc. Consequently, ethnicwear retailing has evolved from traditional family based stores of cities to large format stores, e-tailing, home shopping etc.

Consumers have also started accepting ethnicwear-only online retailers. In fact, some of these ethnicwear-only retailers cater to the Indian diaspora across Asia, Europe and the US.

KEY IMPERATIVES FOR SUCCESS IN INDIAN ETHNICWEAR MARKET

While the Indian ethnicwear market promises a plethora of opportunities for existing brands and retailers and new

Unlike Westernwear, ethnicwear category is directly linked with regional preferences and ethnicity. Thus, the degree of heterogeneity is much higher in ethnicwear category.

entrants, the market has its own set of challenges. Brands and retailers have to focus on the key imperatives of the ethnicwear market to emerge as long-term winners. The imperatives for success in India's ethnicwear market include: 1. Understanding the peculiarities of Indian ethnicwear consumers, 2. Creating and sustaining a differentiated market positioning, 3. Introducing innovative designs, styles and fits, 4. Developing strategic sourcing capabilities, 5. Integrating retail channels to provide seamless shopping experience (Exhibit 4).

Imperative #1. Understanding the peculiarities of Indian ethnicwear consumers

Indian fashion consumers are heterogeneous by nature, and the ethnicwear consumers are even more heterogeneous. Regional preferences, multi-ethnicity combined with income disparity, life-style differences make

it difficult to club Indian consumers in a single group. Unlike Westernwear, ethnicwear category is directly linked with regional preferences and ethnicity. Thus, the degree of heterogeneity is much higher in ethnicwear category. In addition to the above mentioned factors heterogeneity of choices of a consumer makes the market even more complex. For example, a women ethnicwear consumer might straddle between ethnicwear and westernwear, between branded and unbranded products within ethnicwear and between different brands within branded products. Availability of multiple retail channels have added additional complexity to the issue of heterogeneity. Brands and retailers have to dive deep into the consumer mind set and depend of granular segmentation of the market to address the peculiar needs of consumers. Ability to customise product offering, retail channel-mix and promotion strategy to address the specific needs of various micro-segments of ethnicwear market will unleash long-term growth opportunities for brands.



EXHIBIT 4: KEY IMPERATIVES FOR SUCCESS IN INDIAN ETHNICWEAR MARKET



Source: Technopak Analysis

Imperative #2. Creating and sustaining a differentiated market positioning

In a market characterised by multiple brands (especially in women's ethnicwear), heterogeneous consumer preferences and readily brand-switching consumers; creating a differentiated value proposition through any one or a combination of product portfolio, cost leadership, service, customer orientation, retail experience etc. shall be key to achieve sustainable growth. Deployment of advanced consumer analytics, right store location selection, judicious visual merchandising etc. are some of the areas that could differentiate brands and retailers.

Imperative #3. Introducing innovative designs, styles and fits

Both men's and women's ethnicwear markets have witnessed introduction of innovative products, attractive designs, contemporary styles and fits. The consumers will continue to seek new features in ethnicwear that will differentiate her/him from the rest. Hence, brands and retailers who could constantly introduce differentiated fresh merchandise are expected to sustain their market positioning.

Imperative #4. Developing strategic sourcing capabilities

Ethnicwear sourcing requires a deeper understanding of the strengths and capabilities of traditional artisans as well as that of organised manufacturers. As discussed earlier, the consumer class is characterised by heterogeneity and thus the sourcing volumes are low, sometimes sourcing gets localised depending on peculiar demands of specific markets. On the high end of the market, the affluent consumers seek uniqueness of the design, a glorified heritage of location that the product is sourced from etc. These additional requirements make the sourcing volumes per style even lower. In an era where the consumers are seeking instant gratification of their fashion needs, dealing with multiple artisans, sourcing partners, working in collaboration with them to develop products, managing inventory in the entire value chain shall be critical to achieve sustainable profit in ethnicwear market.

Imperative #5. Integrating retail channels to provide seamless shopping experience

With increasing acceptance of alternative retail channels, brands and retailers not only have to ensure presence in multiple retail channels, they also have to integrate various channels to provide a seamless shopping experience to the ethnicwear consumers. Omni-channel retailing has

the potential to increase fulfilment rates, reduce inventory cost, enhance customer experience and retain customers. However, achieving seamless shopping experience will require a robust understanding of consumers, retail channels, product and technologies. This is not very easy to achieve as in India all these factors, consumers, channels, products and technologies, are undergoing through a transitory phase marked by rapid evolution from one phase to another.

CONCLUSION

The Indian ethnicwear market is evolving, business models of brands and retailers have to evolve accordingly. It is critical to bear in mind that in a constantly evolving retail landscape, the set of associated opportunities and challenges evolve in tandem. The brands and retailers have to revisit their business model, strategic and tactical decisions on a regular basis to factor in the changed market dynamics. Understanding the consumers, keeping a track on technology innovations and building a customer-centric responsive and scalable business model are three key defining factors that will shape the future of ethnicwear brands and retailers.

