

India's Home Products Market – Contradictions, Challenges, Opportunities



Arvind Singhal
Chairman, Technopak Advisors

Structure Of The Presentation



India's Consumption Priorities



What Next ?



Suggestions



Conclusions

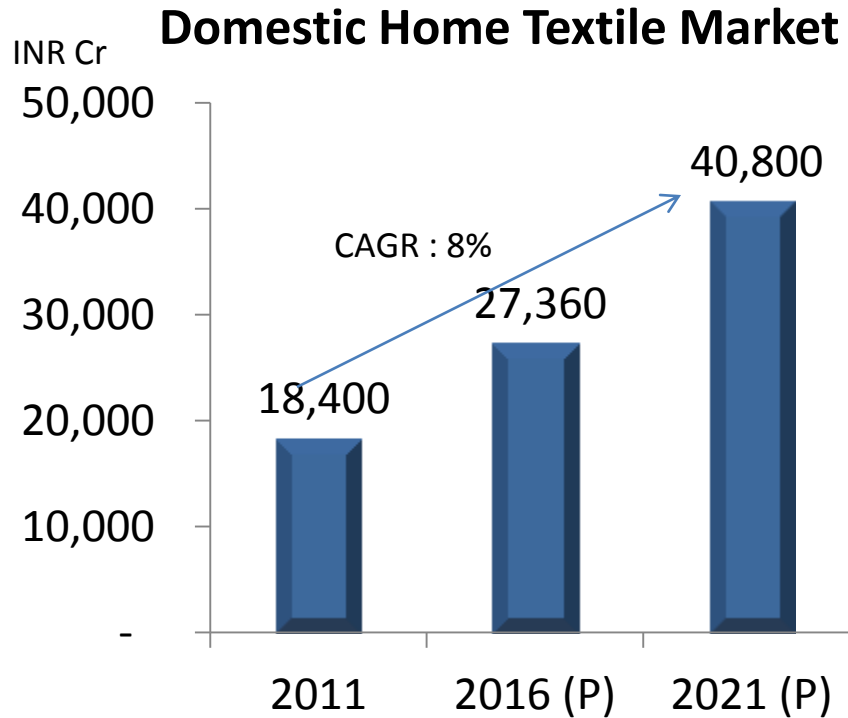
India's Consumption Priorities ...



India's Consumption Basket (Key Categories)

(All Figs in US\$ Billion)	2010	2015*	2020*
Food & Grocery	308	400	500
Pharmacy, Wellness & Healthcare	60	120	250
Telecom Services, Home Electronics/ Appliances & Personal IT products	44	75	125
Education (K-12, higher education, vocational & coaching)	33	55	90
Apparel & Home Textiles	33	45	60
Personal transport (vehicles + fuel + repairs + insurance)	30	48	75
Jewellery & Watches	23	37	65
Travel & leisure	15	25	40
Home – Furniture & Hard Furnishings	13	20	30
Hotels, Restaurants, & Cafes	6	12	25

Indian Home Textiles Market Growing Modestly @ 8% CAGR – Barely Keeping Pace With Inflation



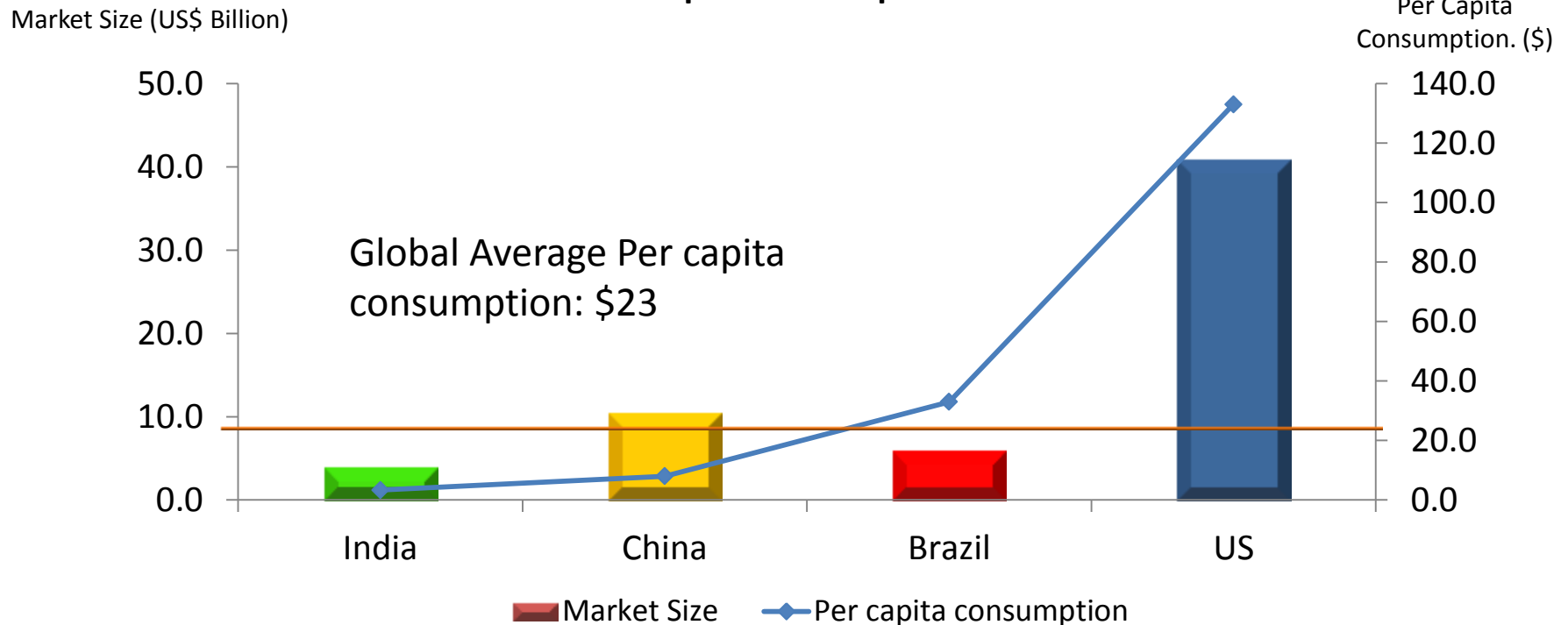
Category wise Market Breakup

INR Cr

Categories	2011	2016(P)	2021(P)	CAGR 2011-21
Bed Linen	8965	13170	19350	8%
Towels	3320	4840	7060	8%
Curtains	1850	2975	4790	10%
Blankets	1465	2040	2850	7%
Upholstery	1190	1915	3080	10%
Kitchen Linen	1110	1635	2400	8%
Rugs & Carpets	500	790	1250	9.5%
Total	18,400	27,360	40,800	8%

Per Capita Consumption Of Home Textiles Abysmally Low In India Compared Even With Developing Markets Like Brazil & China

Market Size & Per Capita Consumption of Home Textiles

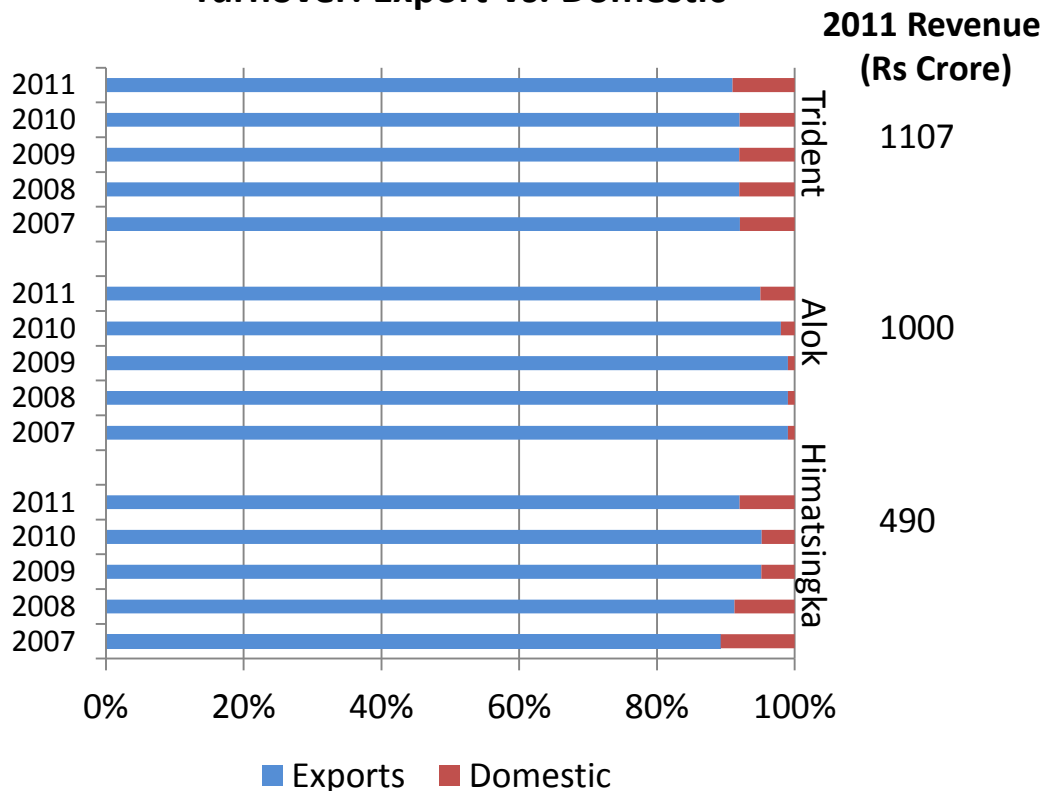


Annual per capita consumption of home textiles is about US\$3 (About Rs 150) in India compared to world average of US \$23 (About Rs 1200)

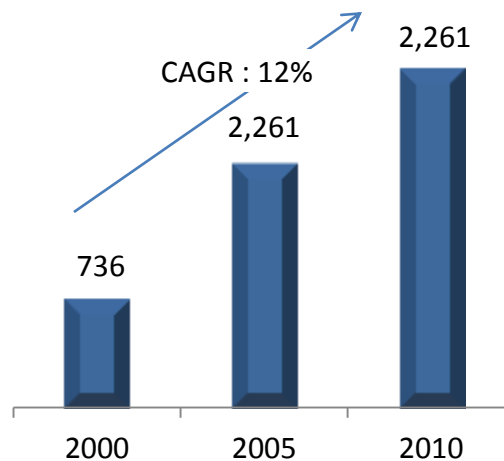
Source: NBS, cib.eu, US census, Websearch, Technopak Analysis

So, Naturally, Leading Indian Home Textile Companies Are Export Focussed

Turnover: Export Vs. Domestic



Export of Home Textiles (Mn \$)



Unit Value Realization

Export	\$ 11.5 / Kg
Domestic	\$ 8 / Kg

Low unit value realization and highly unorganized market structure are deterring factors

Less Than Stellar Performance Of Pioneers In Indian Market ...

- Several notable attempts from some very strong and able textile companies to crack the domestic home textiles & furnishings market, but spectacular success still elusive ...
 - DCM
 - Bombay Dyeing
 - Raymond
 - SKNL
 - GHCL
 - Welspun
 - Himatsingka
 - Others

Could They Have Done Something Different ?

- Almost all have tried the usual, intuitive strategies and almost have backed it up with requisite managerial and financial resource to attempt :
 - Design & product innovation
 - Multiple price point segmentation – from mass to premium
 - Branding
 - Exclusive retail stores / Shop-in-shops
 - Marketing & promotions including Point Of Sales activations
 - Metros to Pan-India penetration

So, What Next ?



A Few Reality Checks ... Indian Consumer

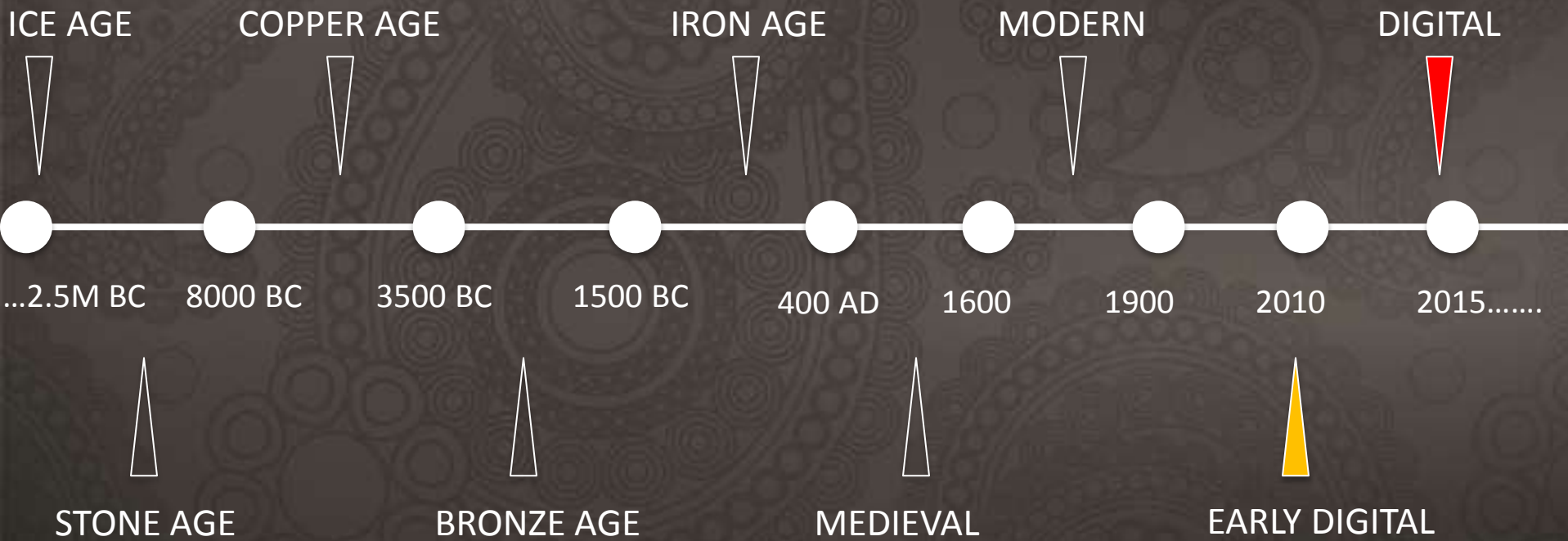
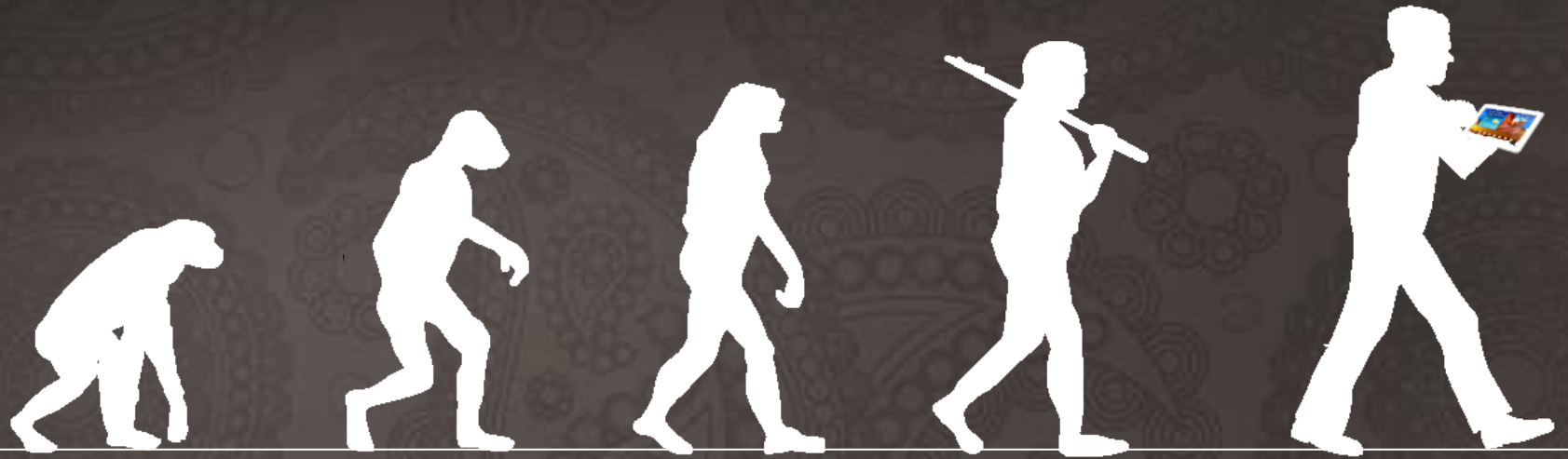
- Indian consumers' behavior perplexing not only when it comes to home textiles and furnishings but a many other categories too e.g.
 - Oral care (toothpaste & tooth brushes) (annual per capita spend < Rs 50)
 - Footwear (annual per capita spend < Rs 350)
 - Ready-to-eat processed meals (not snack foods) (annual per capita spend < Rs 40)

A Few Reality Checks ... Indian Consumer

- Indian consumers are spending at higher-than-GDP-growth rate levels in many other home categories including:
 - Paints
 - Furniture
 - Kitchen appliances and furnishings (e.g. chimneys)
 - Bathroom fittings
 - Flooring and floor coverings
- CAGRs in the last five years generally in the range of 15% (or even higher) while home textiles have languished at about 8% - perhaps due to a rapid increase in acquisition of new homes and increasing nuclearization of households

Trend : Increasing Time Poverty

- Convenience would be one of the defining “themes” in the current decade:
- Several parameters of convenience which include:
 - Access (ease and time)
 - Decision (information, ease of making choice, and time)
 - Transaction (ease and time)
 - Timing (flexibility)

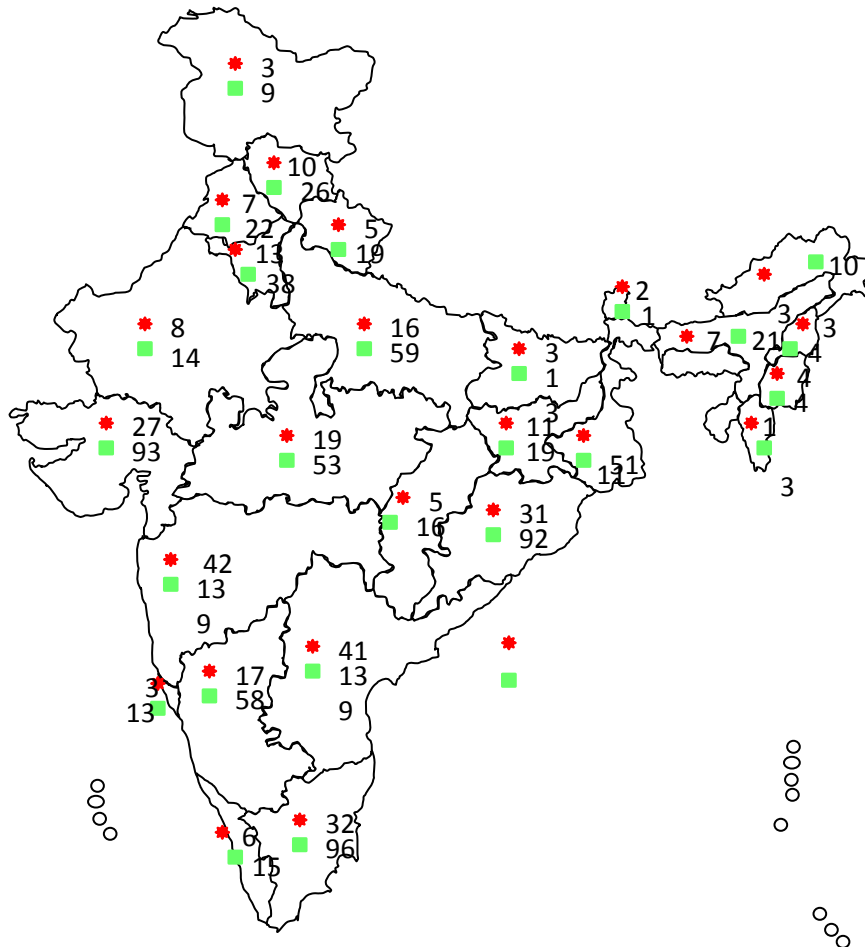


Trend : Geographically Spreading Market

- Indian market is moving beyond the classic segmentation of Metros, mini Metros, capitals of large states, and then tiered definition of cities
- Widespread investment activity is creating new economic hotspots almost all across India, and with this, purchasing power is rapidly spreading pan-India
- With universal reach of media, consumer and market trends getting disseminated across India almost in real time, with little lag between rest of the world and India, and then between Metros and rest of India

2020 : Emergence Of New Economic Hot Spots

- High investment activity has led to the creation of new economic hot spots



- India will see the emergence of ~350 Hot Spots & Over 1,000 Moons – areas of high economic activity
- Though consumers will have the propensity to buy, the lack of access & availability to products & services locally will lead to growth of alternate retail channels
- Also, conventional model of modern retail will not be able to offer all formats or cater to all customer groups in these hotspots

Suggestions ...



1: Invest In Better Understanding Of Consumer & Market

- India is undergoing several fundamental shifts (economic, demographic, ambitions and aspirations, economic activity hotspots)
- Home textiles and home products' market dynamics may be poised for some fundamental shifts too, and at a take-off point
- Hence, the industry as a whole should come together to invest in a very comprehensive, pan-India market and consumer insights study and then use the findings to identify new trends, segments, and develop specific strategies

2: Develop Some Product Ranges (And Retail Channels) Only For Gifting Purpose

- India has an estimated annual US\$30 billion gifting market
- Home décor, home electronics / small appliances are the existing big categories in the space
- Home textiles can also tap this opportunity using both B2C and B2B route by developing special product ranges only for gifting purpose with appropriate packaging



3: Event / Occasion Specific Collections

- **Occasion specific:** e.g. Wedding collection / housewarming collection / Silver and Golden wedding anniversary collection etc.
- **Event specific :** e.g. Diwali / Holi
- **Retailer specific :** Exclusive product range / co-branded products with leading retail chains and for upcoming pure-play e-tailers

4: Explore E-tailing Enthusiastically

- E-tailing in India will grow @ about 75% CAGR over the next decade, and likely to reach US\$ 60-75 Billion by 2020
- Home textiles and home-furnishings are very suitable products for E-tailing channel
 - No challenge on size / fit
 - Less issues with “touch and feel”
 - Easy to pack and ship
- E-channel can provide a much better medium for stocking of a much wider range and actually much more effective product display
- Negligible incremental cost in reaching out to customers in small cities and upcoming hot-spots

To Conclude



Conclusions ...

- The hitherto slow growth of domestic home textiles market, and the slower growth in customers' willingness to upgrade qualitatively, quantitatively, and pricewise is a conundrum that needs to be researched and analyzed more intensively
- Other home categories showing very encouraging growth, and so perhaps a tipping point for home textiles and furnishings may also be around the corner
- Some product-usage based and channel-based segmentations could offer new opportunities to stimulate domestic demand

Thank You
Very Much !



For Further Dialogue, Please Contact :

Arvind Singhal
Chairman,
Technopak Advisors (India)
T : (+91) 124 454 1111

E : arvind.singhal@technopak.com

Web : www.technopak.com

