

Denimwear market in India reaching to tier-II and III cities

The acceptance of denim in India has grown tremendously over the years. While metros have been the key driver of growth in the initial phase for most denim wear brands in the country, the largest growth is now expected to come from a more deep penetration of denim in India.

The denim market in India was pegged at USD 1.2 Bn in 2011. This is projected to grow at the CAGR of 15-18% and has the potential of almost doubling its size by 2015. In terms of volumes the denim market is estimated at ~ 300 Mn pairs of jeans which is projected to grow to 550 – 600 Million pairs by 2015. While elsewhere in the world, Denim started as a workwear apparel – The Denim story in India started as the youth story, which found denim wear to be fashionable, comfortable to wear to most occasions and gave the necessary style quotient.



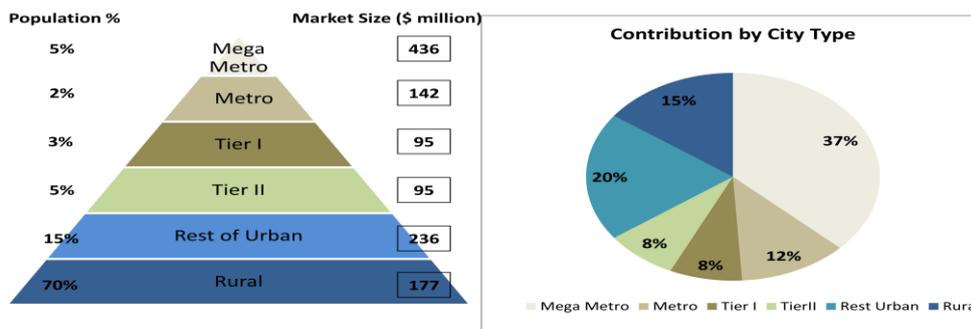
73% of India's population is young with a median age of 26. Even after 10 years, the median age will only get to 29 years. The target population of Denim wear has been 14 to 39 years, which will be the majority of the population in the next 10 years. This is one of the primary reasons why most brands today, have a reasonably large portion of Denim in their offering to the consumer.

The current denim market is largely skewed towards men's segment which can be taken as about 80% of the total market. While the young girls have got addicted to wearing denim, a large portion of women still prefer wearing Indian wear like salwar suits at work and at leisure. Even with the above constraints, the women's jeans market has been growing rapidly. The women's wear market is projected to grow faster here onwards and will potentially account for about more that 25% of the total market by 2015.

On the city wise mix, currently the larger cities and the metro's together contribute nearly 57% of the total market. Denim Jeans has seen a growing popularity as a casual/ leisure wear in almost all large cities in India. The primary reason for the initial growth in the metros and large cities was availability. Most brands started retailing from the large cities and metros. The earlier phase of scalability also happed in the same cities making it easily available to consumers. The popularity among youth makes it a day wear for college and for other non formal occasions. People have also used denim in semi formal occasions. Brands have been able to create the high aspiration of denim wear by catchy advertisements made with big stars. There is also an increasing aspiration of the youth to engage with premium brands.

Increasing disposable incomes also led to an increased buy in terms of number of pairs per person. While there are no fixed numbers here, one can assume that the average ownership in terms of number of pairs per person - at least in the metros, would have increased 3-4 times in the past 5 years. This can increase further by more styles, fits, washes, colors being added by the brands to attract consumers to buy more.

Going forward, a large part of the growth of denim apparel shall be driven by deeper penetration in the smaller cities with increasing acceptance of denim within India. On comparing the current population spread and compare it with the contribution in the denim wear market, it becomes very evident on the largest market size between Metros and Mini metros.



Source : Technopak Analysis

The current market size of denim wear in India is largely skewed towards the Metros and mini metros. Metros and mini metros with about 7% of population contribute to about 50% of the market share in denim wear. The tier 2 and tier 3 cities - which again, constitute about 8% of the population, contribute only a 16% of the market share in denim wear.

The initial part of the lower contribution as mentioned earlier, can also be attributed to the low presence of these brands in the tier 2 and tier 3 cities. In the initial phase of the expansion, most expansion of brands and retailers happened in the metros in the mini metros. However, today - most brands understand that the tier 2 and the tier 3 cities present a large opportunity. Currently the real estate prices have sky rocketed in the larger cities, the tier 2 and tier 3 cities offer a low cost rental space to the brands and the brands have used these synergies to their advantage to scale up business.

In addition to the increased availability, the key factors leading to higher demand - is the acceptance of the youth and the aspiration to look up to date. Movies, Television and Internet have become key factors in the increasing aspirations of youth towards denim wear.

There might still be a challenge in pricing. The current offering is either non- branded /some unorganized players on side and the large known brands on the other side offering Denim jeans in the price range of Rs 3,000 and above. The youth of the tier 2 and tier 3 cities do aspire to wear branded denim wear but would probably be more interested in it - at a cost which is more affordable. While the definition of this will need to establish – on broader terms these would be branded denim jeans with contemporary fits and wash at price range of less than Rs. 1,500.

Better pricing combined with a mix of traditional and modern retail concepts like e commerce can then help brands and retailers scale up the business and drastically improve the penetration to tier 2 and tier 3 cities. In fact most brands now realize that the largest potential of growth comes from these cities, and because the operating costs are lower – these also present a more profitable avenues to the brands who struggle to earn decent bottom lines in the high cost operating structures of the metros and large cities.

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