Ethnic Wear Market in India

Presently valued at USD39 billion, the Indian Apparel market is expected to grow at a CAGR of 9.5% to reach USD 60 billion by 2017. The women's wear segment contributes a large share of 38% to the total market and will continue to grow at a CAGR of 10% over the next decade. The optimistic growth of the sector is due to the increase in the number of working women. Over the next decade, India will witness an increase of more than 10 million ladies within the working middle class across the top 115 urban Indian cities, thus presenting a potential of 35 million consumers by the year 2020 in the relevant cities. Further, since this growing population of women includes a large proportion of working women, there will be a corresponding increase in the disposable income of families. This surplus income within households will directly impact the consumption of both essential and lifestyle products, such as various apparel categories.

Ethnic wear comprises 75% of the total women's wear market, at USD10.82 billion. It is a dominant contributor and will continue to grow at an optimistic 9.3%. This category offers a unique blend of comfort and fashion to the consumer making it the preferred apparel for most occasions. Although sarees have the largest share of 53% within the segment, the salwar kameez category will be the primary driver of its growth. The salwar-kameez category contributes almost 38% to the overall ethnic wear market and is growing at 10.8%. The preference for salwar kameez and sarees is a regional choice; in northern regions of India, it is the preferred apparel for both regular and festive occasions as it has been a traditional garment across generations while other regions also prefer sarees for special occasions. While the Tier I cities tend to be strongly governed by a traditional usage of the sari, the ethnic wear category is increasingly becoming the category sought as it offers both convenience and conformity. Thus the focus tends to be on comfort fabrics such as cotton with mid-fashion quotient.

Currently, ethnic wear is dominated by the unorganized sector. Interestingly, the unbranded and unorganized sectors straddle all segments of the Indian ethnic wear market and continue to dominate 85% of the market. Further, in the organized sector, the largest skew of brands' as well as formats' product offerings is within the mid-premium segment. Overall, the sector is fragmented, with few brands having a strong positioning. The lack of clear product and service differentiation has however led to low brand loyalty and few national brands are gaining salience. The organized sector is dominated and driven by brands and formats offering mid-fashion, contemporary wear. Ready-to-wear (RTW) has a greater presence in the organized sector in comparison to Ready-to-stitch (RTS). Consumers are increasingly seeking convenience, comfort, and style from the ethnic wear segment and this trend seems to be driving the growth of modern formats, the organized sector, and Ready-to-wear.

The quest for convenience as well as fashion is reflected in the skew towards RTW product offerings from key brands and formats. Further, the RTW segment will continue to grow at an optimistic rate and also drive the growth of the organized sector. A limited number of brands focus on RTS offerings within the organized sector. The preference for RTW and RTS differs based on region and occasion. In the larger cities, RTS fabrics are preferred primarily for special occasions as it offers the option of customizing embellishments and styling the offering's uniqueness. Being a regular article of clothing for most consumers, ethnic wear emerges as a mid-involvement category leading to a fairly high purchase frequency and impulse buying, although specific occasions tend to witness higher involvement of the consumer in the decision making hierarchy. Consumers spend moderate amounts on ready-to-wear salwar kameez with a high frequency of purchase. Ready-to-stitch, being an occasion-based wear, witnesses a lower frequency of purchase but with higher ticket value.

Characterized by the rising number of independent women indulging in value-seeking shopping behavior, ethnic wear has transitioned from being just traditional wear to daily wear that combines tradition with contemporary fashion. Brands have identified the transition and offer products positioned across occasions as casual, formal, weddings, semi casual. etc. They are targeting the younger generation with ethnic wear being positioned as affordable, comfortable, and contemporary fashion. Fashion quotient is a combined function of fabric, innovative and contemporary styling and vibrant, varied colors.

The growth in the organized sector is primarily due to consumers' seeking contemporary everyday office-wear. With the shift in usage and fashion trends, ethnic wear is being accepted by the younger generation as everyday apparel.

With the increasing penetration of brands and large format stores in metro cities, consumers analyze such factors as product offerings, and convenience, while choosing the shopping destination. They prefer national brands and LFS for RTW owing to relevant product offerings. Further, large format players have tapped into the need-gap in ethnic wear by offering their own private labels. These private labels straddle the mass as well as popular price segments. Across all type of metro cities, the traditional or unorganized market is preferred for RTS fabrics as these markets offer a varied choice across a wide price spectrum. In Tier I cities, local retailers are preferred while large format retailers are gaining in preference. The lack of established brands drives consumers towards local traditional retailers for both ready-to-wear and ready-to-stitch products in Tier I and Tier II cities. However, with modern retail penetrating smaller towns, consumers are seeking convenience and product choices and therefore preferring large format retailers as well. There also is a strong presence of regional brands in metros, mini metros, and Tier I and Tier II cities. Strong loyalty emerges towards regional brands owing to heritage and trust factors and they are preferred over national brands as well as LFS equally. Regional brands have carved out a niche through a comprehensive ethnic wear ambience and experience as well as product offerings. This, coupled with the heritage aspect, leads to consumers' willingness to pay a slight premium. Along with a strong casual and contemporary ethnic wear range, they also offer occasion-based and bridal collections which make them a preferred destination for many.

Overall, the increasing number of women within the working force, coupled with the keen desire to experiment, leads to an increase in the acceptance of contemporary ethnic wear with trendy and comfort elements. Key trends of mix-and-match fashion, vibrant prints, minimalistic embroidery, comfort at smart pricing, and easy accessibility are visible across India. The mid-premium range across pricing and product offerings with an optimum mix of RTW, RTS, and sarees within the ethnic wear category, coupled with an enhanced shopping experience, will increasingly lead to a high preference among consumers and the success of ethnic wear players.

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