



# Apparel Consumption Trends In India



# Foreword

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India is one of the largest textiles and garments producer in the world, with an abundant supply of raw materials like cotton, wool, silk, jute and man-made fibres. In fact, our country is the world's largest producer of cotton and jute and the second largest producer of silk and man-made fibre, which gives India a distinct advantage in terms of backward integration over many other countries. The sector is one of the highest foreign exchange earners for the country and the second largest provider of employment after agriculture. Indian domestic textile and apparel industry contributes nearly 2% of India's GDP and accounts for 14% of industrial production, 27% of the country's foreign exchange inflows and 13% of country's export earnings.

India can also boast of the availability of young and skilled labour at a reasonable cost, with strong spinning, weaving, knitting and manufacturing capacities. Besides, a series of sustained liberal investment policies, such as 100% FDI through automatic route, have helped the country to emerge as one of the most attractive global investment destinations. The "Make in India" initiative, with its 'skill, scale, speed' and 'zero-defect, zero-effect' policy has further provided impetus to the employment, production and exports in the sector.

However, in order to sustain the growth of this vibrant industry, it is critical for the Government and Industry to work towards addressing key challenges, including old machinery and technology, crisis in handloom sector, power shortage, labor related concerns, raw materials shortage and lack of quality infrastructure in non-metropolitan cities. Also, with increasing competition in the global market, changing lifestyle and increased demand for quality products, it has become imperative for Indian manufacturers to build a 'brand image' for their commodities. We should aim not only at catering to the rising domestic demand but also towards greater penetration of the foreign markets.

To this end, this knowledge paper aims to provide an in-depth and detailed analysis of the Indian Textile and Apparel Industry in terms of its growth potential, investment opportunities and scope for promotion. The Indian Chamber of Commerce would continue to work for the development of this sector through business development, policy advocacy and thought leadership by bringing together industry leaders and regulators. We hope that the stakeholders involved in the sector shall be benefitted from this study, and the report will largely be able to lay down the broad contours of the future growth path of the Indian Apparel Industry.

# Apparel Consumption Trends In India

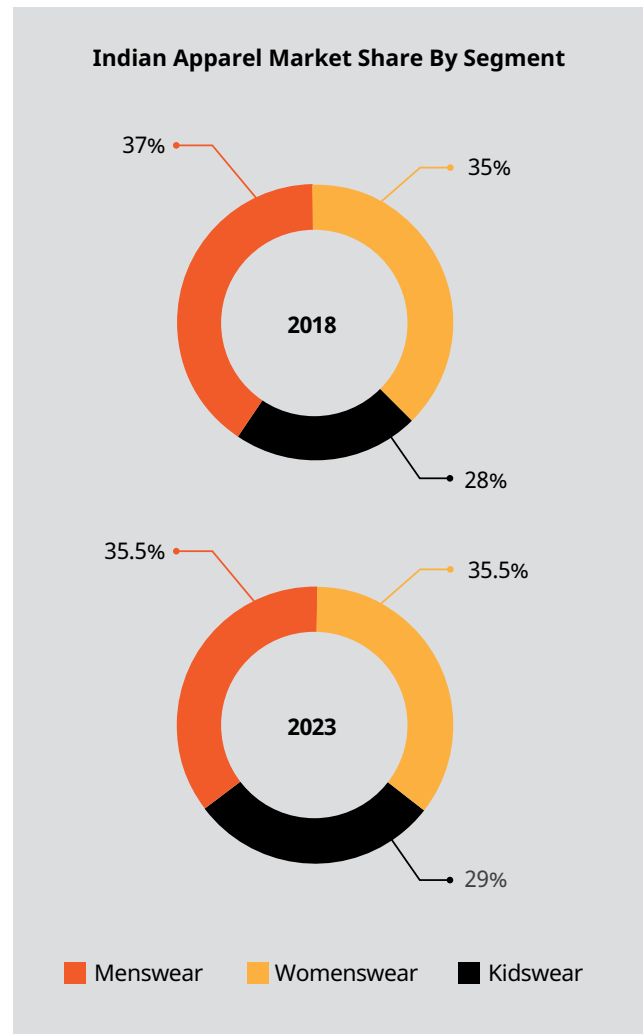
The Indian consumers and their apparel preferences are constantly changing. The apparel preferences which were deeply rooted to immensity and richness of Indian culture is now aligning itself to more refined and globally on-trend fashion. Contemporary Indian apparel has more variations and segments today, than ever before. It is classified into formal, semi-formal, casual, active, sports, ethnic, seasonal, leisure, party wears and more. This shift is due to the plenteous exposure of Indian consumers.

The Indian consumers which comprises of the largest Gen Y population in the world with a median age of 27 years are more experimental by nature and more inclusive and intermingling with different cultures and social structures. They are more time poor and money rich having started to earn at a much younger age and hence more inclined to spend on better and more aspirational things in life. These cultural, psychographic and behavioural changes are also reflective in their apparel consumption.

With India's economy expected to grow at 7 - 9 % CAGR, over the next decade, the per capita income will also increase. Increasing wallet sizes will result in consumers with more money to spend and greater enthusiasm for apparel consumption. The per capita expenditure on apparel is expected to reach INR 6,400 by 2023, rising from INR 3,900 in 2018. Therefore, the total Indian apparel consumption expenditure is expected to grow to INR 9.35 Lac Crores by 2023.



Further, not just the size of the market, but its construct will also change as women and kids market will grow at an accelerated pace.



These changes in Indian economy are explicit and so is the impact of these changes on the apparel industry. For new as well as existing textile and apparel business establishments, this means a great deal. The aforementioned macroeconomic changes will drive apparel consumption trends, giving rise to significant business opportunities.

Wazir has identified five key consumption trends in India that are shaping the apparel industry and present significant opportunities for new as well as existing businesses.



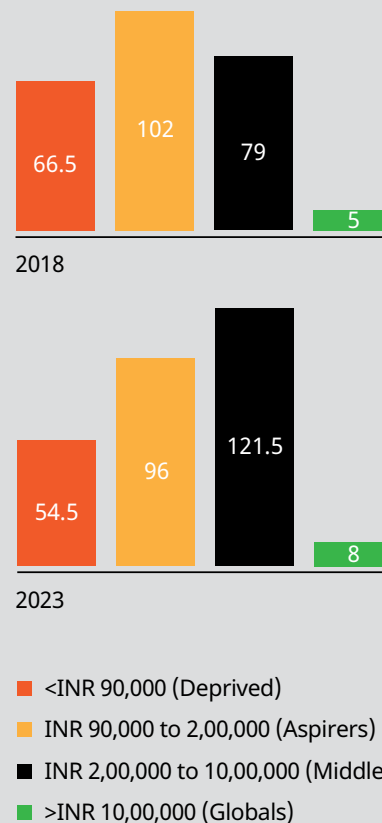
## Trend 1: Growing Market For Economy & Value Segment

In India, people are shifting from rural to urban areas in search of jobs and better education at a continually increasing rate. In 2018, 33% of India's population was living in urban areas, rising from 31% in 2010. By 2023, 38% of India's population is expected to be living in urban areas. Along with urbanisation, cities are also expanding by immersing the villages near them, as 32% of urban population growth between 2001 and 2011 was because of re-classification of towns and expansion of urban areas. Due to urbanisation, the size of working population is increasing and the type of occupations they indulge in is changing. The working population has increasing income with an attitudinal change to look better.

Furthermore, urban lifestyles and services are also spilling over to rural areas. A decade ago, the agriculture contributed to about half of rural GDP, but it is now only about one-fourth and decreasing further each year. The rural economy, which was dominated by agriculture has already diversified to manufacturing and service based jobs over the last decade.

Together Urbanisation and Rurbanisation are adding new consumers to middle class whose soaring aspirations are changing the dynamics of the apparel market. By 2023, the middle class consumers which will form 43% of total targetable customer base will contribute about 55-60% share of total apparel market size. The top tier cities will continue to remain dominant locations in terms of apparel market because of the presence of both middle class and affluent consumers. However, two third of this middle class will dwell in the middle tiers and smaller cities as well as large district towns which are and will continue emerging as increasingly attractive apparel markets.

**Total Households As Per Income Brackets  
(In Millions) (As Per Indian Rupees, 2000)**



Source: Wazir Analysis Based On Published Data

The middle class consumers spend relatively higher amounts than aspirers on discretionary apparel consumption. However, there are only very few apparel retailers and brands in India who have rightly understood the middle class consumers. The Indian middle class consumers are value conscious and at the same time want fashionable clothes too. They seek quality and design at the best price. Therefore, the Indian middle class consumers are creating an opportunity which needs to be captured with "economy and value fashion".

### Economy & Value Segment In Indian Apparel Market

	2018	2023	CAGR
<b>Market Size (In INR Lac Crores)</b>	2.8 – 2.9	5.4 – 5.6	13-14%
<b>Market Share (% of Total Market)</b>	53 – 55%	58 – 60%	-

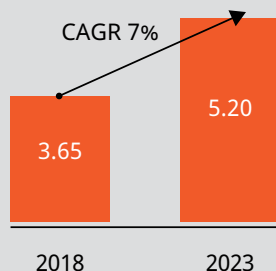
Source: Wazir Analysis

## Trend 2: Women & Kids Wear Leading Market Growth

The role of women in Indian families is changing and with women contributing more to household income, their influence in family decision making is also increasing. Even women who do not work are also stepping beyond their homes like working women and taking up male roles and responsibilities, as family work gets redefined, driven by pressures of urban living. While this may be more visible in metros and larger towns, the change is also happening across smaller towns and rural areas, where the girl child is slowly being encouraged to do more and achieve higher. This whole transition in the lives of the new age women has increased their awareness about themselves and how they look, which in turn is driving growth in the women's apparel market.

On the semi-urban and small town side, this means more spend on apparel, increasing adoption of ready to wear rather than home stitched apparel and increasing acceptance of western casuals (denims, T- Shirts/ Tops etc.).

**Number of Urban Women Entering Workforce  
(In Millions)**



Source: Wazir Analysis

On the urban side, with the rapid expansion of professional sectors in India where working conditions are more women friendly and hiring policy is inclined towards greater gender diversity, the number of women entering in workforce is constantly increasing. At the same time, the dropout ratio of women professional is decreasing and average tenure is increasing. Hence, the need of dressing smart and willingness to look better is driving urban women to increasingly accept western wear, leading to women western wear market showing more traction and wider acceptance in urban areas.

Recognising this changing scenario in urban areas, the women western wear is also evolving beyond denims and western casuals with innovative fabrics and stylised silhouettes. In an attempt to capture the growing transition towards western wear, increasing number of retailers and brands are introducing fashionably smart clothes for women, including office wear and party wear. Even the Indian ethnic wear is getting a twist with silhouettes becoming more westernised and moving towards "contemporary clothing." This growth of domestic brands like "W" and international brands like Zara are witness to this trend.

Furthermore, the way urban women perceive inner wear has also transformed. They no longer shop innerwear as a need based product or functional purchase. For urban women, contemporary inner wear is more associated with their aspirations and desires rather than functionality or need. Therefore, women western wear and inner wear market are big opportunities for growth and investment.

### High Growth Segments In Indian Apparel Market

Market Size (In INR Crores)	2018	2023	CAGR
Women Western Wear	23,500	62,500	22%
Women Inner Wear	12,000	27,500	18%
Women Traditional Wear	92,500	1,73,000	13%

Source: Wazir Analysis

The transition in the lives of urban women has in turn positively affected the kids wear market in urban India. With change in wardrobe preferences of the women, there is a subsequent change in the wardrobe preferences for their kids also.

In the past, urban consumers never considered “brand name” as a substantial parameter for buying kids apparel and were highly price sensitive.




Source: Wazir Analysis

This has however changed and urban consumer’s willingness to pay for kids’ apparel has increased with their higher purchasing power. Urban women are more status conscious and carefully contemplate on what their kids should be wearing. Also, smarter mothers are grooming smarter kids who have a lot of say in the purchase decisions. Kids are more aware about brands as they are exposed to media and surroundings more than ever. As a result, though quality remains paramount and price sensitivity high, the acceptability of brands for kids wear is increasing among urban consumers.

The absence of large number of established brands in kids wear market in comparison to men’s wear and women’s wear market is a big opportunity. The kids wear market in urban India is expected to reach INR 1,23,000 Crores by 2023. However, this opportunity created by the urban consumers only demands to be catered with the sustained combination of good quality, latest fashion and affordability.







### Trend 3: **Functionality and Fashion Are Key To Consumer's Wardrobe**

The urban consumer's way of living has dramatically changed. With this, the occasions and reasons prompting apparel consumption have also increased. Today, urban consumers are buying apparel which serves a specific occasion/usage e.g. they prefer plain shirts for meetings, checked or striped shirts for casual interactions, and shirts with funky patterns for night parties. Similarly, specific reasons can also trigger apparel consumption. There exist urban consumers who buy apparel because of functional/performance benefits and hence brands introduced clothing lines on the concept of shape retention, anti-stain, anti-odour, anti-perspiration, quick dry etc.


All the aforementioned developments are driving apparel retailers and brands to look beyond the predictable functional needs of urban consumers. For driving the sales growth, brands and retailers are on one side, creating and serving the new occasions in the lives of consumers and on the other are innovating performance features that will prompt apparel consumption. Some examples of traditional apparel advancing to the next level are as follows:

- **Biker Denims** – Denims that offer excellent full length abrasion resistance and feature integrated armour pockets at both the knees and hips unlike normal commuter denims.
- **Ably Apparel** – An eco-friendly brand which introduced apparel made up of 100% cotton activated with Filium™, a technology that makes natural fabrics repel liquids, stains and odours.

While functionality continue to increase consumption, the urban consumers desire to be more fashionable overrides all other factors boosting sales for apparel retailers and brands. While, considering apparel as a functional purchase, the urban consumers also see apparel as a form of self-expression. They consider it as a reflection of their personality and status. In an attempt to remain up to date with the latest fashion trends, urban consumers get influenced by their social circles, Instagram feeds and Facebook updates. Therefore, more and more urban consumers are buying apparel based on latest fashion trends and styles as well as aspiration based purchases rule. They are allured by brands and retailers that rapidly translate catwalk fashion trends to their stores.

In 2015, Zara became the fastest apparel brand in India to cross the USD 100 million sales mark within five years since its launch in 2010. Zara created this benchmark by leveraging the insatiable appetite of urban consumers for brands selling fashion. In order to tap the potential that Indian market possesses, the prominent international brands like H&M, Gap and Aeropostale also entered India in 2015.

Despite having seen phenomenal sales growth, the overall market sales of all these international fashion brands hardly accounts for even 1-2% of total market sales. The Indian apparel market offers much bigger opportunity for the emergence of new as well as existing Indian fashion brands that stand a fair chance to benefit from their better understanding of local fashion preferences and market dynamics. Hence, it is in this space that Indian brands and retailers are launching new brands like "Cover Story".



## Trend 4: Return of Custom Fit Clothing

The Menswear market in India transitioned from tailor-made to ready-made clothing due to the popularity of ready-made clothing among young and working Indian men. But now, the trend of custom-fit clothing in India is reviving as more and more men who have been buying premium or luxury readymade clothing brands want to wear a shirt or a trouser that fits them perfectly.

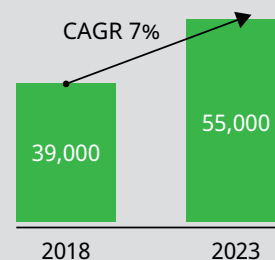
Custom-fit clothing is a term that is used to represent any garment that has been transformed to fit a customer on the basis of his/her measurements and styles. Custom-Fit Clothing is of two types – Made-to-Measure and Bespoke Tailoring. In case of made to measure, standard patterns of clothing are fitted to the measurements of the customers. Although, made to measure clothing fits better than readymade clothing but it is still not made 100% according to the customer's measurements. On the other hand, bespoke tailoring in terms of fit is incomparable. In this, customers have to choose from different options of body types, fabrics, cuffs, collars, pockets and buttons along with usual size measurements. After finalisation of all the details, a pattern is made for the garment on the basis of which it is designed and constructed. Therefore, bespoke tailoring offers higher exclusivity than made to measure.

In India, the premium brands like Raymond and Louis Philippe as well as luxury brands like Armani, Versace, Zegna, Cadini and Canali are offering made to measure service. Moreover, the premium brands like Creyate by Arvind Group have also introduced bespoke tailoring in an attempt to capture the growing trend of custom-fit clothing among Indian men.

The menswear ready-to-stitch market in India is expected to grow to INR 55,000 Crores by 2023.

Although, the share of ready-to-stitch in men's wear market is decreasing because more and more customers of local tailors who largely exist in small towns and villages are shifting towards readymade clothing. But there is high growth potential for premium and luxury brands offering custom fit clothing as this gives Indian men personalised clothes with perfect fit combined with a new experience, freshness and exclusivity which contribute positively to sales and consumer acceptance of brands.

**Menswear Ready-To-Stitch Market Size  
(In INR Crores)**



Source: Wazir Analysis

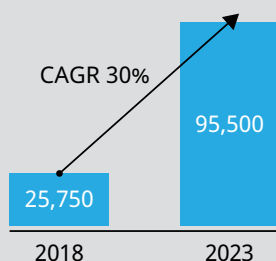




## Trend 5: Digital First Brands

The increasing access to digital devices and internet is enabling masses to have online shopping experience irrespective of whether they are living in urban or rural areas. The online shopping experience today gives rich, immersive and personalised shopping experience to a customer and this is a major reason which is driving growth.

**Projected Online Apparel Sales  
(In INR Crores)**



Source: Wazir Analysis

While the online apparel sales are growing, the opportunity to build digitally driven fashion brands is also emerging. The success of digitally driven fashion brands will be driven by vast young population with access to technology and desire to be fashionable. These brands will have to master the “content” as it is the only thing that runs the internet. These brands will have the opportunity to utilise the power of curated content to build their brand identity. They will present new fashion ideas and inspirations to people and effectively leverage proliferating social media as a marketing and distribution channel. Also, through collaboration

with existing e-commerce websites, a digitally driven fashion brand will be able to access large customer base at very low costs. The success of players like Yepme and LimeRoad is witness to this trend and what has been realised is just the tip of an iceberg.

	Yepme	LimeRoad
<b>FY17 Revenue (In INR Crores)</b>	120	64
<b>Past 3 Years Revenue Growth</b>	22%	102%
<b>Total Funding (In INR Crores)</b>	615+	325+

Source: Wazir Analysis Based On Published Data

Wazir believes that business entities looking at entry into the domestic apparel market, or growth, could leverage one or more of the above trends to start and scale up their business. The market growth and continuous shift towards brands will support new ventures, given the strength of product and clear entry or growth strategy based on real consumer insights.



At Wazir, we specialize in advising Indian and International companies to conceptualize, create and compete in consumer facing sectors.

From Indian to International corporates, from Private Equity groups to family owned businesses, our work centers around enabling our clients make the right moves – from strategy, to implementation, to value delivery and in forging beneficial alliances.

We possess more than 1,000 man years of cumulative team experience across industries, geographies and economic conditions. We leverage this to value add and get that edge in your business. Powered by our deep insights into the Indian consumers, spread across age, social strata, gender and geography, we put the consumer at the center of the decision making process and bring a unique outside-in perspective, imperative for success in a hyper competitive market.

The industries below have been our primary focus for the past several years.

- Retail
- Packaged Consumer Goods
- Fashion and Lifestyle
- Consumer Electronics
- Beauty and Wellness Services
- Food and Beverages
- Automobiles
- Education
- Healthcare
- Financial Services

Founded in 1925, Indian Chamber of Commerce (ICC) is the leading and only National Chamber of Commerce operating from Kolkata, and one of the most pro-active and forward-looking Chambers in the country today. Its membership spans some of the most prominent and major industrial groups in India. ICC is the founder member of FICCI, the apex body of business and industry in India. ICC's forte is its ability to anticipate the needs of the future, respond to challenges, and prepare the stakeholders in the economy to benefit from these changes and opportunities.

ICC's North-East Initiative has gained a new momentum and dynamism over the last few years, and the Chamber has been hugely successful in spreading awareness about the great economic potential of the North-East at national and international levels. ICC has a special focus upon India's trade & commerce relations with South & South-East Asian nations, in sync with India's 'Look East' Policy, and has played a key role in building synergies between India and its Asian neighbors like Singapore, Indonesia, Bangladesh, and Bhutan through Trade & Business Delegation Exchanges, and large Investment Summits.

ICC also has a very strong focus upon Economic Research & Policy issues - it regularly undertakes Macro-economic Surveys/Studies, prepares State Investment Climate Reports and Sector Reports, provides necessary Policy Inputs & Budget Recommendations to Governments at State & Central levels.

Mr. Shashwat Goenka is currently serving as the President of Indian Chamber of Commerce. The Indian Chamber of Commerce also operates state offices in New Delhi, Mumbai, Guwahati, Bhubaneswar, Patna and Ranchi.

# About the Authors

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Baqar is a seasoned retail professional with experience in retail strategy and operations, covering sectors such as Fashion & Lifestyle, Food & Grocery and Consumer Goods. Baqar worked for over 18 years as a management consultant in India, Asia, Europe and Africa and with American and European brands and retailers.

He has worked on projects including business growth strategy, market entry strategy, reboot strategy for multiple brands & retailers in India. His clients list includes Cotton Council International, Raymond, Arvind Ltd., Mahindra Retail, Heritage Foods, Metro Cash & Carry, Britannia, Walmart, Devyani Foods, Dabur, APEDA, Godrej Group, Aditya Birla Group, Reliance Group, Sequoia Capital, ICICI Ventures, AIG, CLSA, and IKEA India to name a few.

As Sequoia's nominated CEO, he headed a men's value brand with 600+ stores and 125+ Shop-in-Shops. As Co-founder and CEO he also started two e-commerce ventures, one an online portal selling high-end fashion apparel and the other an online social discovery platform.

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