

## Apparel Retailing in India

Isha Tyagi\* Dr. Anita Rani Ph.d Scholar Asst. Professor  
Dept. of Clothing and Textiles, G.B.P.U.A. &T., Pantnagar (Uttarakhand), India  
[ishatyagi.gbpuat@gmail.com](mailto:ishatyagi.gbpuat@gmail.com)

### Abstract

Indian textile is witnessing great growth and development in the industrial sector in India as well as abroad. After China, India has been perceived as the next country with the biggest 'Growth Potential' due to its cheap manpower and natural resources in this era of globalised market. India has also emerged as one of the most attractive market destinations for apparel retailers over the years. In India, apparel is the second largest retail category having yearly growth rate of 12-15% and is expected to lead the organized retail sector in India in upcoming years.

**Keywords:** manpower, resources, globalised market, retail

### Introduction

Apparel industry is one of the most important sectors of the economy with regard to investment, revenue, trade and employment generation all over the world. The significance of the apparel industry is entirely based on the contribution of the industrial productivity and employment. Apparel sector contributes to the country's GDP after agriculture and thus plays a major role in its augmentation.

The apparel industry covers all those companies that are largely engaged in producing various types of garments. The clothing that is manufactured includes kid's clothing, men's clothing and women's clothing.

The apparel industry in India has been substantially diversified on the basis of fashion, climate, region, culture and fiscal factors. Indian textile is witnessing great growth and development in the industrial sector in India as well as abroad. Over the past years there have been sweeping changes in the general retailing business, mainly in apparel retailing which was once strictly a made-to-order market for clothing which has now changed to a ready-to-wear market. Flipping through a catalogue, picking the color, size and type of clothing a person wanted to purchase and then waiting to have it sewn and shipped was standard practice. Fashion element and design content was minimal in the pre-1990s, owing mainly to the lack of national level brands. At the turn of the century some retailers have established storefront where people could browse and order new pieces being sewn or customized in the back rooms. Among the few players who have been catering to the branded market are Park Avenue, Liberty, Double Bull, Proline and Snowwhite. It took a quite long time for brands such as Allen Solly and Van Heusen to create a respectable market share in the ready-to-wear market. Big players like Tata, Raheja, Biyani, etc. have intensified the competition with their professional retail chains like Westside, Shopper's Stop and Pantaloons with their private labels. Recently, India is increasingly being looked upon as a major supplier of high quality fashion apparels. Besides this, Indian apparels have been appreciated in major markets internationally.

The apparel market includes menswear, women wear and kidswear. Among these the men's apparel market is 46 percent of the total apparel market in India. This is due to increasing preference for readymade garments and this has become inevitable with the rise in urbanization. On the other hand, women's apparel market covers 17 percent of the total apparel market in India and is increasing constantly owing to the changes in the dressing habits among the working women. Also the cross nation movement and employment in MNCs has resulted in increased preference for the branded Western and Indo-western apparels among the working as well as younger women. Kids' apparel market is 37 percent of the total apparel market but the brand penetration in this segment is lowest at 9 percent exhibiting a lot of potential for the branded players to exploit this segment.

The apparel market was thrown open to competition in the year 2005, due to expiry of Multi Fibre Agreement under GATT. After China, India has been perceived as the next country with the biggest 'Growth Potential' due to its cheap manpower and natural resources in this era of globalised market. The first decade of the 21st century has witnessed India as the major player in the apparel business - partly because more industrialized countries like Korea, Taiwan, etc. moved into other industries - and partly because the Indian Government support to grow the apparel export business, since it is a major earner of foreign exchange.

India has also emerged as one of the most attractive market destinations for apparel retailers over the years. In India, apparel is the second largest retail category having yearly growth rate of 12-15% and is expected to lead the organized retail sector in India in upcoming years.

The Indian apparel retail sector generated total revenue of \$28,102.6 million in 2009, representing a Compound Annual Growth Rate of 9.9% for the period spanning 2005-2009. This is currently growing at a great rate of knots and is expected to go up to US\$ 833 billion by the year 2013. It is further expected to reach US\$ 1.3 trillion by the year 2018 at a CAGR of 10%. As the country has got a high growth rate, the consumer spending

has also gone up and is also expected to go up further in the future. In the last four years, the consumer spending in India climbed up to 75% indicating further growth in the Indian retail industry in coming days.

### Indian Retail Sector

As stated above retail is one of the fastest growing sectors in India, especially over the last few years. The Indian retail sector comprises of organized and unorganized sectors. The unorganized sector still rules the Indian retail industry by covering 95% market and only 5% of the Indian retail market is occupied by the organized retail sector. However with the changes in the taste and preferences of the consumers, the industry is getting more popular these days and getting organized as well. By the year 2013, the organized sector is expected to grow at a CAGR of 40%. The organized branded apparel market is estimated to be around \$7 billion (approximately 32,000 crore) and is expected to grow to \$19 billion by 2015. The traditional Indian markets are adopting the new formats like hypermarkets, supermarkets, discount store formats and specialty stores. Western-style malls have begun appearing in metros and second-rung cities alike introducing the Indian consumer to a shopping experience like never before. Most credible factors in the prospects of retail in India is the increase in the young working population. Hefty pay-packages, nuclear families in urban areas, working women population are other factors that are driving the service sector called as Retail (fig. 1).

Rising consumer sophistication has mirrored India's retail sector as a whole. Traditional retail in India is highly fragmented and dominated by small, family-run shops like haats, mandis, etc. (fig.2). Whereas organized retail is owned by large retailers with regional or national reach. Public sentiment — often riled up by left-leaning politicians and NGOs — has largely tended against the incorporation of organized retailers into the market due to the fear of lost employment for mom-and-pop businesses as the former supposedly replaces the latter. But perceptions are evolving and a series of economic studies has revealed that the evolution of Indian retail from unorganized to organized can benefit producers, shop owners and consumers alike, with minimal adverse effects on employment. As Indians embrace modern retail — some analysts expect its share of the total retail market to exceed 10 percent by 2012, even in the face of the current economic slowdown — efficiencies will be built into supply chains, reducing costs for consumers and increasing returns for textile manufacturers. Coupled with India's economic growth and more sophisticated consumers seeking more and more diversified goods, the textile and apparel industry will find a growing market for its goods not just through exports, but also through domestic sales.

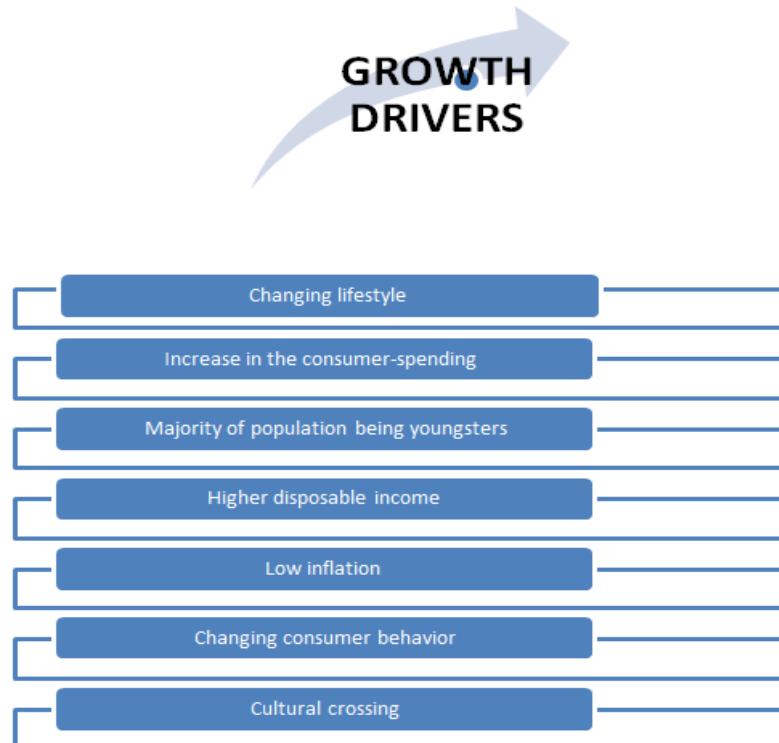


Fig.1. Drivers of retail growth

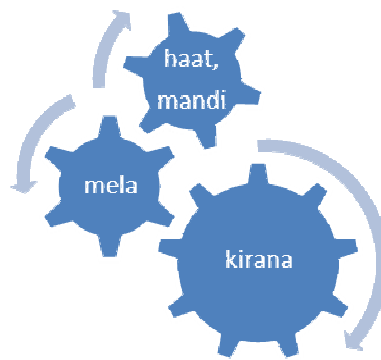


Fig.2 Traditional retail formats in India

Type of retail format	Characteristics
Supermarket/Hypermarket	• large self-servicing outlets offering products from a variety of categories
Specialty store	• retail chains dealing in specific categories and provide deep assortment
Category killers	• focus on specific categories, such as electronics and sporting goods, also known as Multi Brand Outlets or MBO's
Departmental stores	• general retail merchandisers offering quality products and services
Discount stores	• factory outlets that give discount on the MRP
E-tailers	• retailers providing online buying and selling of products and services
Shopping malls	• biggest form of retail in India, malls offers customers a mix of all types of products and services including entertainment and food under a single roof
Convenience stores	• located in residential areas with slightly higher prices goods due to the convenience offered
Vending	• relatively new entry, in the retail sector. Here beverages, snacks and other small items can be bought via vending machine
Mom and pop stores	• family owned business catering to small sections

Fig.3. Existing Indian retail formats

**Recent Trends in Retail Business**

Owing to globalization of trade, the retailers in Indian market are being forced to adopt the practices that will enhance the possibilities of their business. This effort of the retailers has resulted in few changes in the retail sector (fig.4).



Fig. 4. Trends observed in retail business

- **Visual Merchandising:** It is being adopted in a big way to create a customer-pull environment which increases the frequency of impulse shopping.
- **Unorganized retailing is getting organized:** To meet the challenges of organized retailing such as large multiplexes and malls backed by the corporate houses, the small shopkeepers are adopting practices of organized sector like franchisee format, visual merchandising, merchandise categorization, etc.
- **Online Retailing :** With the use of Websites or web portal or tie-ups with horizontal players like Rediff.com, Indiatimes.com, and other Internet players the customers are offered the products with consuming deals and additional offers.
- **Emergence of discount stores:** The availability of merchandise at reduced prices has led to the organized retailing revolution.
- **Mass Media:** It has impressive role in making the people aware of all the new technologies, formats and trends of market. A supermarket has limited area of operation. It caters to customers of a city (and/or its suburbs), but televisions or newspapers can pass information to any part of the country or for that matter from any part of the world, thus increasing the potential customer base.

### **Apparel Retailing**

Apparel is the second largest category in the Indian Retail Business. It is predicted to grow by 12 to 15% every year. By the end of 2015, major retail developments will be seen in all Tier-II and Tier-III cities in the country. International retail giants are seeking entry into the country. Marks & Spencer is planning to set up around 30 more stores in the period of 5 years. India is now on the radar of global retailers. Accelerated development of the retail industry in the country and building brand value of domestic products is essential not only for marketing the consumer products more efficiently, but also for the development of the retail industry.

### **International Brands in Indian market**

India continues to be among the most attractive countries for global retailers owing to the fact that the largest purchasing population resides here. Foreign Direct Investment (FDI) inflows between April 2000 and April 2010, in single-brand retail trading, stood at US\$ 194.69 million, according to the Department of Industrial Policy and Promotion (DIPP). International apparel and fashion brands are now getting settled in Indian markets and Indian consumers as well. Big time global brands like Diesel, Zara, Yishion and Vero Moda have opened outlets in India in the last few months. British high street retailer, Marks and Spencer (M&S) plans to significantly increase its retail presence in India, targeting 50 stores in the next three years. M&S currently operates 17 stores in India through a joint venture (JV) with Reliance Retail. Chinese retail major, Yishion has entered the Indian market and plans to have at least 125 points of sales, including exclusive stores and multi-brand outlets, across India by 2012. Spain's Inditex, Europe's largest clothing retailer opened the first store of its flagship Zara brand in India in June 2010. It further has plans to open a total of five Zara outlets in India. According to Technopak a retail consulting firm, the premium fashion retail segment is expected to grow at between 25-30 percent annually from the current 20 billion to 60 billion over the next five years. Indian markets were opened to foreign brands in the 90s when many apparel and fashion retailers opened outlets in India. The pricing strategies of these retailers nevertheless made their products beyond the reach of a majority of the consuming segment, which led many to close down their operation. However, now the fashion retailers are positioning their brands and pricing them competitively to catch the eye of the discerning Indian consumer as well as carve out a bigger slice of the Indian fashion and apparel market.

Entry of foreign brands was inevitable as Indian economy is the fastest growing economy in terms of Purchase Power Parity (PPP). The Foreign Brands have been trying hard for changing policy on FDI in Indian Multi-Brand Retail segment. Currently 51% foreign equity is allowed in single brand retail of apparels and 100% is allowed in cash and carry (B2B) wholesale (indirect retail) in India.

The world's top multi-brand American and European retailers like Carrefour SA, Metro AG, Walmart Inc. and Tesco plc are ambitious about growth in India. With the rise in middle-class incomes, value retail customers are moving to premium brands which are likely to further fuel and facilitate the growth of foreign brands in India.

### **Retail Preferences of Indian Consumers**

Several researches have been conducted to study the taste preferences of Indian consumer. According to Sengupta, 2008, while disposable incomes have been growing among middle-class Indian consumers, disposable time has been on a decline, or as one author put it, Indian consumers are "money-rich" and "time-poor". As a result, consumers preference for the retail formats have differed than what had a few years ago. There has been a growing patronage of hypermarkets such as Big Bazaar and Subhiksha, since consumers find all categories of products including food, groceries, garments, home appliances, durables, toys, cosmetics,

toiletries, and books in these stores. Department stores are also a popular format among Indian consumers since these are viewed as one-stop shopping that provide the right blend of novelty, variety, ambience, entertainment, and convenience to the shopper (Srivastava, 2008).

Besides type of retail format, the five main factors that accounted for 65 percent of the variance in a survey related to store selection criteria included:

1. attractive indoor and window displays
2. specialty, popularity, and credibility
3. repeated customer satisfaction and reward
4. personalized assistance, attention and service
5. travel and shopping convenience (Mohan and Gupta, 2007).

Among these factors, personalized attention and service was rated highest by 69 per cent respondents followed by specialty, popularity and credibility (by 62 percent of respondents) and travel and shopping convenience ranked third in importance. These factors reflect on the paucity of time in the lives of Indian consumers. Repeated satisfaction and reward through implementation of loyalty incentive programs by modern retailers affected the consumer's choice for store. Lastly display emerged as an important factor for a large segment of female consumers, particularly those in the age group of 20–30 years that was decisive in selection of store for apparel purchases (Mohan and Gupta, 2007).

Although the factor of ambience did not emerge as important in the above study, retailers are increasingly emphasizing ambience since shopping constitutes a social event and a form of entertainment for Indian consumers.

While concluding one can say that, the changing Indian demographic scenario resulting from the growth of the middle and upper class professional segments has transformed the landscape of consumption and retail in India. Retailers are continually experimenting and opting for new products, brands, formats and services to reach to the expectations and to fulfill the needs of Indian consumers. This trend is likely to continue well into the future. Indian consumers present a tremendous market opportunity for international retailers but along with this opportunity comes the challenge of understanding their cultural nuances and strong links to tradition that are unique to this consumer. Success of international apparel brands in India may lie at the heart of adaptation and cultural authentication of western style so that they resonate on an emotional level with the Indian consumer.

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