

APPAREL AND ACCESSORIES

Regionally tailored approach needed in India's rapidly growing fashion market

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Flipkart is one of the leading online retailers in India for fashion. Image credit: Flipkart

By SARAH JONES

While India's apparel and textile market is only fifth in the world by size, it is growing at a faster rate than the fashion and fabric businesses in China and the United States.

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According to a new [report](#) from Fashionbi, from 2017 to 2025, India's fashion market is set to grow from \$51 billion to \$97 billion, increasing at a compound annual growth rate of 8 percent. Creating an opportunity for international fashion ecommerce players, the smartphone and Internet penetration in the nation is climbing, coupled with factors such as a younger population and a growing middle class.

"India's luxury goods segment will be worth \$8 billion and showing a 6.6 percent CAGR growth during 2019-23," said Dhara Kapadia, business representative for India at [Fashionbi](#).

"Fine jewelry is one of the most important categories, as India became the second largest fine jewelry market in the world in 2018 after China, replacing the U.S.," she said.

Growing market

China has surged ahead of the United States, becoming the largest fashion market in 2019 ([see story](#)). However, India is seeing the fastest growth in the apparel and textile sector, with China and Russia taking second and third place.

Currently, men's and women's fashion have about an equal market share in India. According to estimates from PwC India, women's fashion is expected to grow its share from 37 percent to 41 percent between 2017 and 2025.

In addition to Western fashion styles, many of India's leading fashion labels and groups, including Raymond, produce ethnic garments. The growth of India's economy is also boosting traditional textile production, such as hand-loomed fabrics.

According to research from Technopak, the ethnic wear market is currently valued at about \$11.5 billion, and it was expected to reach \$17.6 billion by the end of 2019. This segment of the market is dominated primarily by women's wear.



Fashion from Reliance Trends. Image credit: Reliance Trends

Consumers tend to shop in multi-brand environments, such as Reliance Trends and Pantaloons. Often these stores make their sales primarily by selling the brands that they own.

For instance, brands held by Reliance Trends make up about 70 percent of total sales in the chain.

While only 13 percent of the population in India currently owns a smartphone, those that do are prolific mobile shoppers, with 91 percent using their mobile device to search for products. About half of smartphone owners have used their phones to make a purchase.

India's Internet penetration is also rising at a compound annual growth rate of 31 percent. Currently, about 37 percent of the nation is connected to the Internet.

Despite having a smaller Internet penetration than some other nations, India still has a considerable role in ecommerce. By 2023, RBC Capital projects that about 13 percent of international Amazon sales and 4 percent of overall Amazon sales will come from India.

Amazon is one of the leading ecommerce platforms in India, along with local players Flipkart, Myntra and Nykaa.

"A mobile-first strategy is being used by many players for example Myntra to reach the tier 2 and tier 3 cities, as 92 percent of rural users consider mobile as the primary device for accessing the Internet, largely driven by the availability and affordability of smartphones," Ms. Kapadia said.

Luxury opportunity

While much of the Indian fashion market is centered on value and mass brands, some platforms have developed offerings for high-end goods.

In 2016, Tata CLiQ delved into luxury goods with a new division that focuses on high-end products to capitalize on the potential that luxury can have in the market.

Tata CLiQ Luxury sells brands such as Hugo Boss, Armani Jeans and Michael Kors to reap the benefits that can be

seen from luxury goods in India. The decision came from the growing market demand for luxury products in the country, but a lack of available bricks-and-mortar retail space ([see story](#)).

Fashion brand Raymond created a luxury concept called "Atelier" at its Mumbai flagship, which offers affluent shoppers a high-end lounge accessible by invitation only.

Retailer Shoppers Stop offers a personal shopping service, which accounts for almost 14 percent of total sales. The average order value for consumers who engage with a stylist is also three times greater.

Myntra offers an alteration service for ecommerce purchases, through which consumers can schedule a doorstep tailoring appointment.



Myntra works with local tailors for its alteration service. Image credit: Myntra

As luxury brands look to reach India's customers, they can learn from local players.

"High reach, in terms of reaching a big number of PIN codes, has helped ecommerce brands scale up in India," Ms. Kapadia said.

"Also, accepting forms of payments such as cash on delivery for ecommerce and PayTM and UPI payments for traditional retail could be beneficial," she said. "Local stores accept UPI payments, brands are still accepting only card/cash payment, but newer payment modes will give them an advantage."

As China has affirmed its place as one of the most influential luxury markets, India's luxury business has seen double-digit growth and is likely to become one of the most valuable emerging markets.

Indian affluents are likely to increase spending across luxury categories, including fashion and travel, according to Agility Research's 2019 Affluent Insights study. As infrastructure in India continues to improve, the domestic luxury market is likely to see significant growth, similar to the evolution of the Chinese luxury market in recent years ([see story](#)).

"It is important for brands to understand that India's customers differ vastly in taste in every region, and having the right merchandise in each store is of utmost importance," Ms. Kapadia said. "Social media also plays a very important role for the consumer right from the awareness through ads to reading product reviews on sites before purchase."