



Department stores, online retail it's a mix of both that drives sales

Omni channel retail is perhaps the best way forward for brands in the fast growing kid's wear segment. However, Indian parents still prefer buying from local shops, so departmental stores will continue to be the best retail format for this segment, find out **Perna Sharma** and **Ajay Goswami**

Studies indicate the fast growing kid's wear segment is expected to grow at a CAGR of 8.1 per cent to reach Rs 145,445 crore by 2027. This has attracted numerous players into this segment both domestic and global brands. As Vinod Kumar Gupta, MD, Champion says, "The millennial culture, growing fashion awareness among kids and their active participation in dressing choices have led to a change and unveiled the true potential of the kids' segment. The emergence of e-commerce, have opened up markets, boosting growth of kids' wear in India. With increasing competition, success has to be a combination of high quality, good

- **Omni channel retail is the way forward for brands**
- **The major challenge for kids brands is to balance between lower price expectation and retail cost**
- **Despite growth in branded retail, Indian parents prefer to buy children's wear from local shops or street side shops**
- **In near future, large format and departmental stores will dominate kids' wear**
- **Growing influence of social media has given a boost to e-commerce**

design and right value for money product."

Giving a global perspective, Shantanu Dugar, Director, Nauti Nati sees the dominance

of domestic players in the segment, "While it may seem global players are playing a significant role, however, in reality this is far



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MD, Champion

“Despite growth in branded retail, majority of Indian parents prefer to buy children’s wear from local or street side shops. Moreover, 70 per cent population living in rural areas is still deprived of e-commerce benefits, online can never be the best option to reach the majority. EBOs, MBOs and LFS will gain more potential consumers to the market, if proper focus is given on right product sourcing and price point.”

from the truth. In children’s wear, 85 per cent of the market is driven by unorganized brands, which are 100 per cent domestic brands, even if international brands cater to 70 per cent of the remaining 17 per cent, it is still only 10 per cent of the overall mix.”

A blend of brick and mortar and online retail

Omni channel has been the mantra of most brands for every segment of apparel retail. And kid’s wear is also going through the same channels. Indeed, with demand from New Age consumers who have higher disposable incomes, internet retailing has seen the fastest growth among all retail formats. And with big brands offering variety at cheaper price through online discounts the medium appeals to many buyers today. Growth of mobile internet retailing has really caught on. People in smaller towns are now extremely fashion conscious and with a credit card and smart phone in hand, online retailing has only grown.

However, before deciding which method of retailing is best for kid’s wear business, it is

utmost important to understand the consumer psyche in India feels Gupta. “Despite growth in branded retail, majority of Indian parents prefer to buy children’s wear from local or street side shops. Moreover, 70 per cent population living in rural areas is still deprived of e-commerce, online can never be the best option to reach the majority. EBOs, MBOs and LFS will gain more potential consumers, if proper focus is given on right product sourcing and price point,” Gupta explains. Besides ensuring a prevalent marketplace on social media, Dollar Industries has over 1,00,000 MBOs and 20,000 shop in shops across the country. It has a presence in many large formats like: Brand Factory, More

From extensive promotions to building real-time connection with the audience, social media has enhanced the process of reaching consumers. Dollar Industries is relentlessly pushing for more and more digital outreach. The brand is utilizing every inch of space in e-commerce sector, apart from sustaining its own online shopping site Dollar Shoppe. After all, what was once a staple product with barely any innovation stands as an impregnable market today, thanks to the extraordinary advancement of digital forum.”

Indrayan too believes online retail is here to stay. Even though it has a downside, convenience is a great lure. “The biggest negative is that it has become purely discount



and Reliance Trends. “We believe reaching the potential customer both online and offline can help retain customers in this fast-changing and competitive market,” he adds.

Manu Indrayan, Co-founder and CEO, 612 League believes, “There is no single channel, which can justify kid’s wear retailing. Market situation is weak and it would not be right to single out any specific channel. Consumer sentiments overall is at its lowest and kids’ wear is affected by it. Moreover big structural changes are happening in the market. Junior wear manufacturers are struggling to get the right channel to retail their products. People who are already aligned in a certain way have to change. And online retail has spoiled the game with heavy discounts, gives low realization to business. The situation is complicated.”

Social media adds a new flavour

Growing influence of social media and influencers has given a boost to e-commerce. As Gupta states, “The trend of social media has come a long way from only connecting people to playing a deciding role in business.

driven. That should change. So far, there are no hopes of consumers giving full price for the merchandise they buy online. Indeed online channels have been helpful in reaching out to consumers in remote areas and for brands that have no physical presence. It is a good trend to first launch a brand online and then enter physical retail. It helps gain customer base and know the market better.”

Higher disposable incomes, exposure to global fashion trends have changed mindset with consumers more willing to purchase branded clothing. A report by the Internet and Mobile Association of India revealed of the total Internet users, 75 per cent of them are youngsters. Of the total estimated 9 million youth using Internet, 1.9 million are kids. This section is positively experiencing a 70 per cent year-on-year growth. Besides, many parents too find online retailing more convenient. Another advantage is that foreign brands are able retail easily online now.

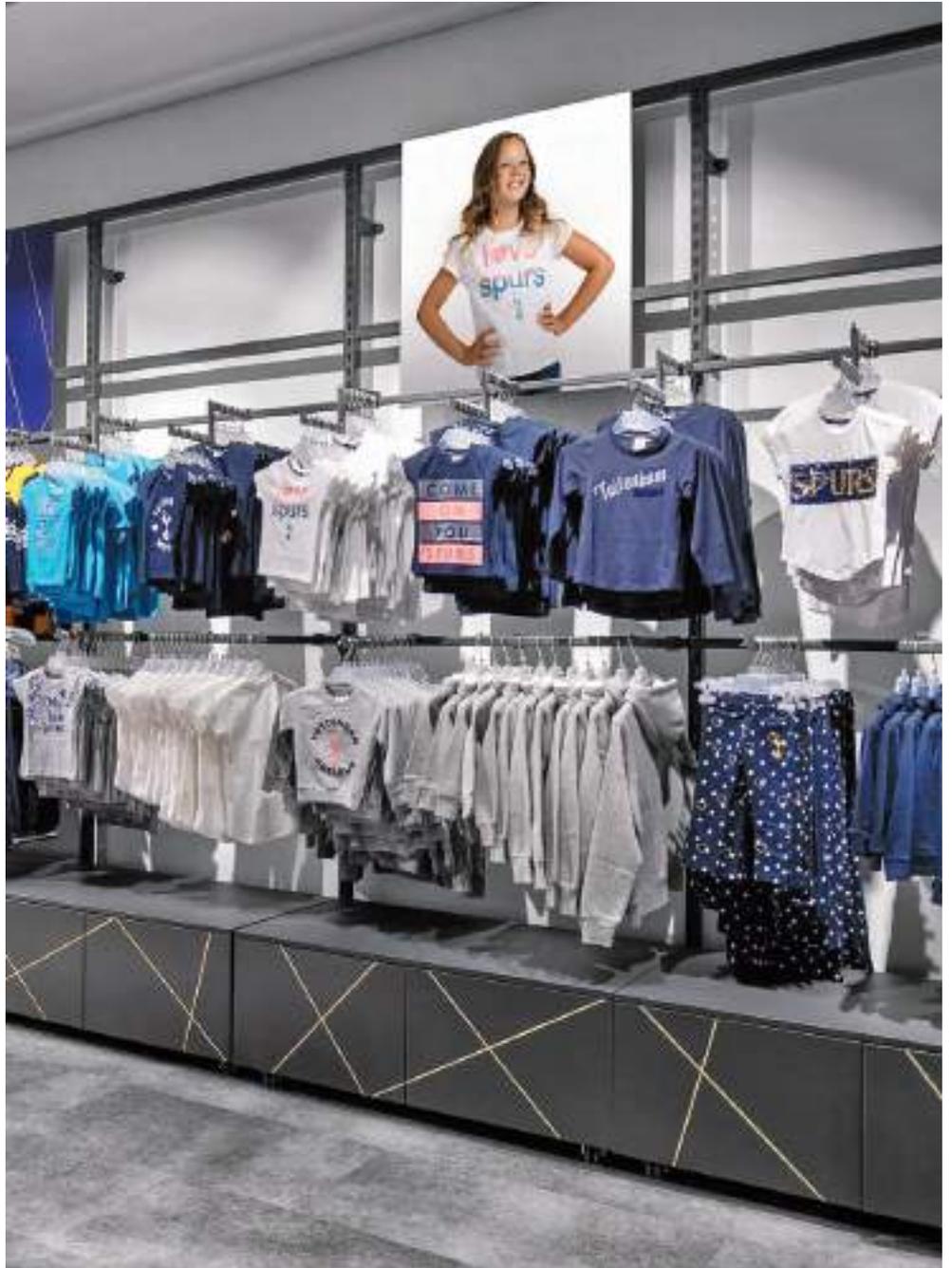
Gupta points out kid’s fashion category being the highest growing in fashion segment in recent times, has attracted the attention of



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online retailers. “Yet, in a country like India, where 70 per cent of the population is rural, it is not possible to gain business just through online marketing. Though few e-commerce companies are gradually tapping the rural market, it is still not enough. Moreover, majority of Indian consumers prefer to buy hosiery or kids’ wear from small mom and pop stores, which reduces the opportunity of online channels.” Due to a steep rise in e-commerce and consumer demand, online channels are definitely making a great impact in the growth of kids’ wear but in terms of value and volume, offline channels generate more revenue.

Indrayan adds, “We as a brand are now looking for modern ways for doing business. First step is towards B2C strategy, more in the e-commerce and digital space. Before e-commerce was popular, there were still many

private labels but they would deliver to brands, feeding to their clients or supplying stores, etc, but now e-commerce has taken retailers out of equation and private labels have come to front.” All small and private labels have found a space for themselves. It translates into an abundance of products as small labels can also reach out to consumers pan India. The culture of buying brands is also going down as people have enough brands and products to choose from. From consumer’s point of view, it is all about getting the right product, price and availability. The premium tag, which was associated with brands is slowly diminishing.

Retaining customer loyalty a challenge

With growing retailing opportunities, the most challenging aspect would be to keep customer

loyalty. While brands will bombard consumers with new promotions and sale offers, it will be challenging for a particular brand to stay loyal to its customers and meet their expectations.

As Indrayan puts it, “The major challenge for junior wear brand is to find a balance between low price expectation and retail cost because many have good products but where would they get the required money for the value they are providing. When I work with a departmental store or retail chain, they have certain margin expectations and discounting expectations since the entire market is driven by discounts. The kind of product positing and price is the biggest challenge for us.” The fact is, junior wear is a complicated category which is why there are fewer brands. It requires a lot of variety, continuous product development faces sizing issues. Moreover, it takes a lot of time and perseverance to establish



requirements are met and they also tend to shop more frequently with kids' rapidly changing. We are working in a wider assortment to address this. Secondly, the number of sizes is much higher than in case of adults, brands and one has to work on their own grading and sizing parameters and constantly evolve."

Future trends

Indrayan believes for now and future, large format retail and departmental stores are going to dominate the market. "The question is whether brands will be able to sustain as big retailers have their own labels. In this format whether consumers buy your brand or opt for private labels depends on how much space is given to each and what value proposition is given. So, consumers' preference will be towards departmental stores."

Dugar however sums up, "Going ahead, we would see a greater shift in preferences across



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Director, Nauti Nati

"While in women's and men's wear, physical stores can be run with limited assortment, in kids' wear, all categories have to be serviced primarily because mothers prefer going to those stores where most of their requirements are met and they also tend to shop more frequently with kids' rapidly changing. We are working in a wider assortment to address this. Secondly, the number of sizes is much higher than in case of adults, brands and one has to work on their own grading and sizing parameters and constantly evolve."



a junior wear. Big retailers have a good future as they have enough access to supply chains. Domestic brands, which are already established can grow but setting up a brand in present times is challenging."

While Dugar feels, "In women's and men's wear, physical stores can be run with limited assortment, in case of kids' wear, all categories have to be serviced primarily because mothers prefer going to those stores where most of their

regions from unbranded to branded as the latter can offer dependable quality and access to international fashion in an organized manner. Organized retail in general is increasing and this will make distribution for retailers/brands easier. Kids' wear will continue to outstrip men's and women's wear as the shift from unbranded to branded continues to accelerate. We can expect CAGR of 20 per cent over the next five years."