



Stepping Into India's Footprint

December 2018

RedSeer

Bangalore | Mumbai | New Delhi | Dubai | New-York | Singapore

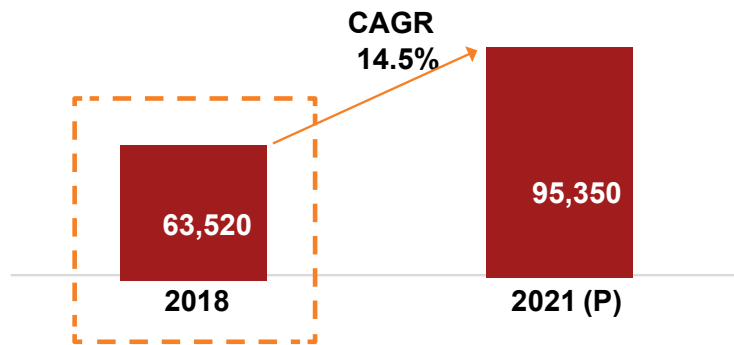
Flexible in Approach, Firm on Results

Key themes marking footwear segment

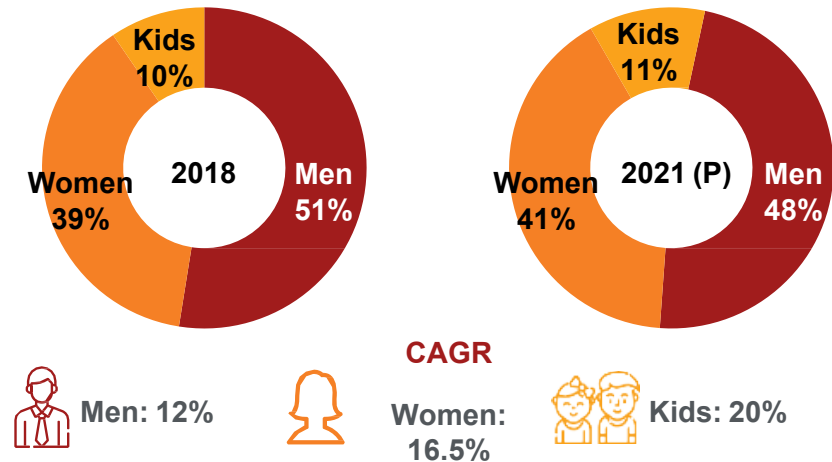
- A**
- Footwear segment is unique as it demonstrates **highest branded penetration @44.5%** across lifestyle and retail categories. This sizable, branded segment will continue to witness traction to reach 50% penetration by 2021
 - Whilst demand centric factors overlay all aspirational categories, **investments in product development, retail, distribution, from both retail and distribution brands to leverage this potential has contributed to branded segment growth. The retail centric brands reflect a CAGR of 17% while distribution brands project growth of 21% over next few years**
- B**
- Again, the footwear segment is singular, demonstrating **highest organized penetration @36%**, with a CAGR of 20.5% over next few years. The Online channel has emerged as key channel, and is marked by **distinct business models**
- C**
- **Casual segment**, albeit the largest with significant share of 70% will **continue to outpace growth, @14.5% CAGR**, of other key segments. International and domestic brands ensure blend of global and India inspired trends for relevant offering
 - **Sports segment** is witnessing varied dynamics. Whilst legacy brands dominate the premium play, key distribution brands and specialized retailers, Relaxo & Decathlon respectively, are leveraging the existent gap in the mid segment. Hence, i) erstwhile sports brands will increase focus on penetration into potential Indian Tier I/II cities as well as ii) legacy footwear brands will leverage gap in the mid segment offering

Footwear category reflects robust growth @14.5%, driven primarily by women's segment

Footwear Market in India (INR Cr)



Breakup of Market by Gender (%)



Increase from

1.25% to 1.35% of Retail

Contribution share of footwear within retail basket is expected to increase from 1.25% to 1.35% over next few years, translating into market opportunity of INR ~95K Cr. by 2021

Emerges as

Fastest growing

Footwear emerges as fastest growing lifestyle category

Highest Growth

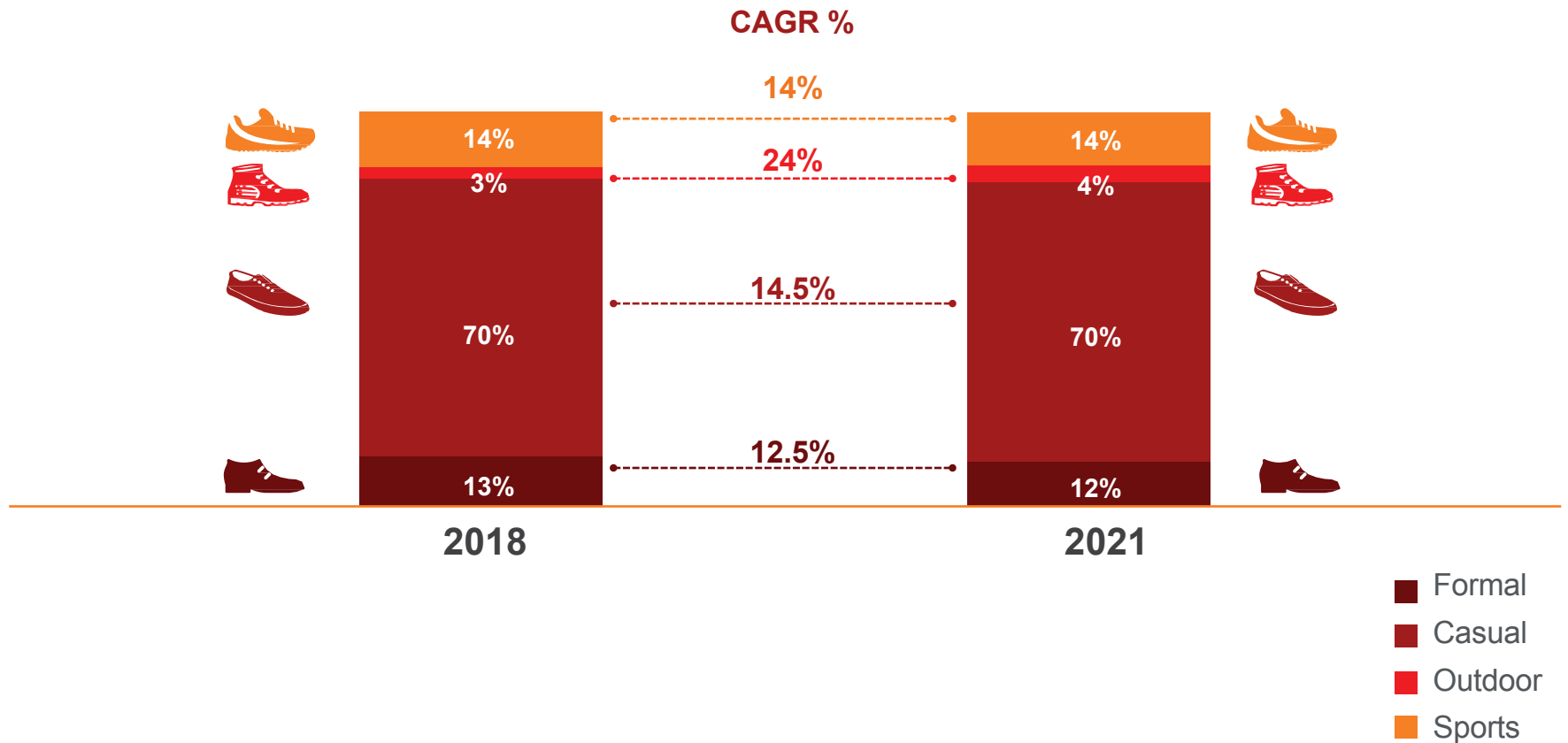
Women's footwear demonstrates highest growth @16.5%

As witnessed across aspirational categories, the Women's segment is at a traction, and a primary growth driver. Women's footwear demonstrates highest growth @ 16.5% across aspirational categories.

Women's innerwear @15%; Women's Ethnic @13.5%; Women's Precious Jewellery @13%

Players realigning offering mix in response to sizable and growth opportunity demonstrated by casual and sports category

Segmentation of Market by Product Type



Blended approach to design emerges key differentiator element

Hybrid model marks the design approach of footwear sector across the Premium and Mid segment



Brands adopt design and manufacturing models depending on

1) Stage of growth vis-à-vis Indian market

2) Potential presented by Indian market for their respective segment & category

3) Focus on Indian market over next five/ten years

SUCCESS FACTORS

Relevant Offering

Accessible Pricing

Adoption of global casualization trends for India lending to the growth of casual segment

Clarks.

International
inspiration of
increased
casualization



India centric
relevant
trends



Re-aligning assortment to offer mix of fashion and casual footwear compared to high focus on formal office wear shoes earlier

Brogues with comfort heels as well as contrast detailing with colour & material lending to casual appeal

SKECHERS

India centric
trends of unisex
casual sought
by the youth



Merging with
global
inspiration of
brand



Offer assortment which appeals to wide set of consumers base with accessible price proposition

Bata

Introduction of
more designs
in Women's
segment and
improving
in-store
experience



Launch of
premium label
in Women
segment such
as Red Label
collection



crocs

Introduction of
new designs
and shift from
clogs and flip
flops offered
traditionally



Introduction of
boots,
wedges,
loafers and
casual shoes



International brands realigning for “Made for India” model; Outdoor brands are testing Indian market through online channel



2014
3% contribution to
revenue



2017
10% contribution to
revenue



2020
20% contribution to
revenue



Adidas has increased its focus on Adidas Originals to tap the lifestyle segment and increase the assortment in premium range

The focus on Originals by Adidas has propelled the growth of the brand in the country and bring it on the path of profitability

DECATHLON



Footwear contributes to significant share of revenue for Decathlon and it offers wide variety of shoes for various sports and athletic activities including Running, Football, Badminton, Trekking, Basketball and Hiking

Quechua **newfeel**
wake your walk

MERRELL

hummel



UNDER ARMOUR

SUPRA

Leading international outdoor and casual footwear brands are partnering with online retailers in the country to test the Indian market and understand consumer dynamics before rolling out stores

Domestic brands are initiating global designs as well as leveraging understanding of Indian trends for scale



Lee Cooper, a popular casual brand internationally is initiating global designs for the India market after recognizing the potential of the market. The designs were largely India centric until recently. Lee Cooper has also re-aligned partners in India recently and are likely to foray into EBO formats.



Red Tape, a leading domestic brand continues to leverage the understanding of India trends to gain preference amongst consumers. Both brands i.e. Red Tape and Lee Cooper leverage India manufacturing for accessible smart pricing and have used distribution channel primarily to gain scale. However, Red Tape has presence across EBOs too.



■ Formal ■ Casual ■ Sports



■ Formal ■ Casual ■ Sports ■ Chappals



Men's Footwear

Red Tape and Lee Cooper have enhanced their focus on casual segment over the years which contributes to significant share (~40-45%) business for both the brands. Also, the two brands are on path of becoming lifestyle brands with increased focus on apparel, which contributes to ~25% of business for Red Tape.



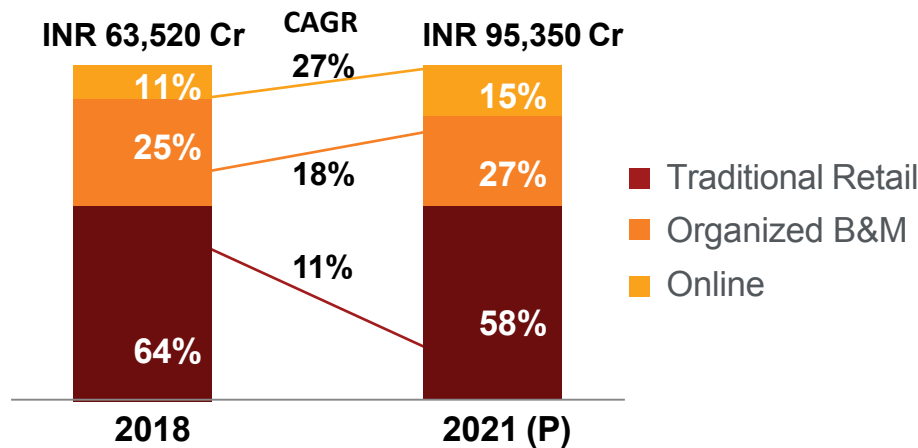
No. of stores



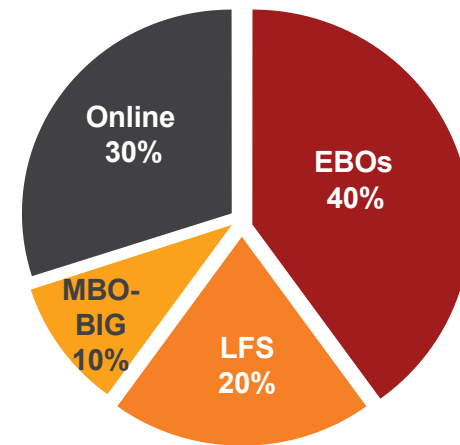
Relaxo, achieved significant scale on the back of strong distribution network and is now focusing on expansion of retail network and introduction of new product ranges to accelerate the growth in the competitive footwear market. Relaxo has increased their focus on the Sparx brand and have launched sports shoes in mid price segment to bridge the existent price gap in sports shoe market in the country.

Footwear is marked by high share of organized driven by wide retail network of brands and significant online presence

Channel Wise Segmentation of Market



Segmentation of Organized Footwear by Channel- 2018



Online channel penetration @11%

Organized penetration of footwear driven by legacy of brands which is 36%, second only to the mobile have existed over time and have category. The category enjoys the highest online channel penetration @11% amongst aspirational categories

High share of organized B&M is driven by legacy of brands which have existed over time and have invested in building the retail formats across Exclusive Brand (EBO) and Large Format (LFS) Stores. This retail-centricity implies investment in product development in order to ensure comprehensive offering across category and segment play

New players owing to 100% FDI

Going forward, the share of organized B&M retail in footwear will further increase with expansion of the brands in smaller towns of the country and entry of new players owing to 100% FDI in single brand retail

Driving the growth

Standardization of product, convenience and high branded share of the category is driving the growth of online channel. Appreciating the salience of the channel, Online platforms are exploring private label play as well as entering into exclusive partnership with international brands to drive online sales of footwear

Online has emerged as a significant channel of growth and international brands are entering into exclusive partnership with online retailers for exploring the Indian market

Select international brands are using the Online platform to gauge the India footwear market. Owing to the traction of channel for the lifestyle segment, companies are exploring brand launches exclusive to the channel

Models adopted by international brands for engaging with key retailers is represented by the following. Irrespective of model adopted, it is the focus of the global brands to ensure replenishment cycles, freshness and relevant range that determines success

DIRECT

E-tailer interacts with the global principals & places order at the prescheduled global buys

E-tailer plays the dual role of the logistics facilitator and directly inwards the merchandise

MASTER DISTRIBUTOR/AGENT

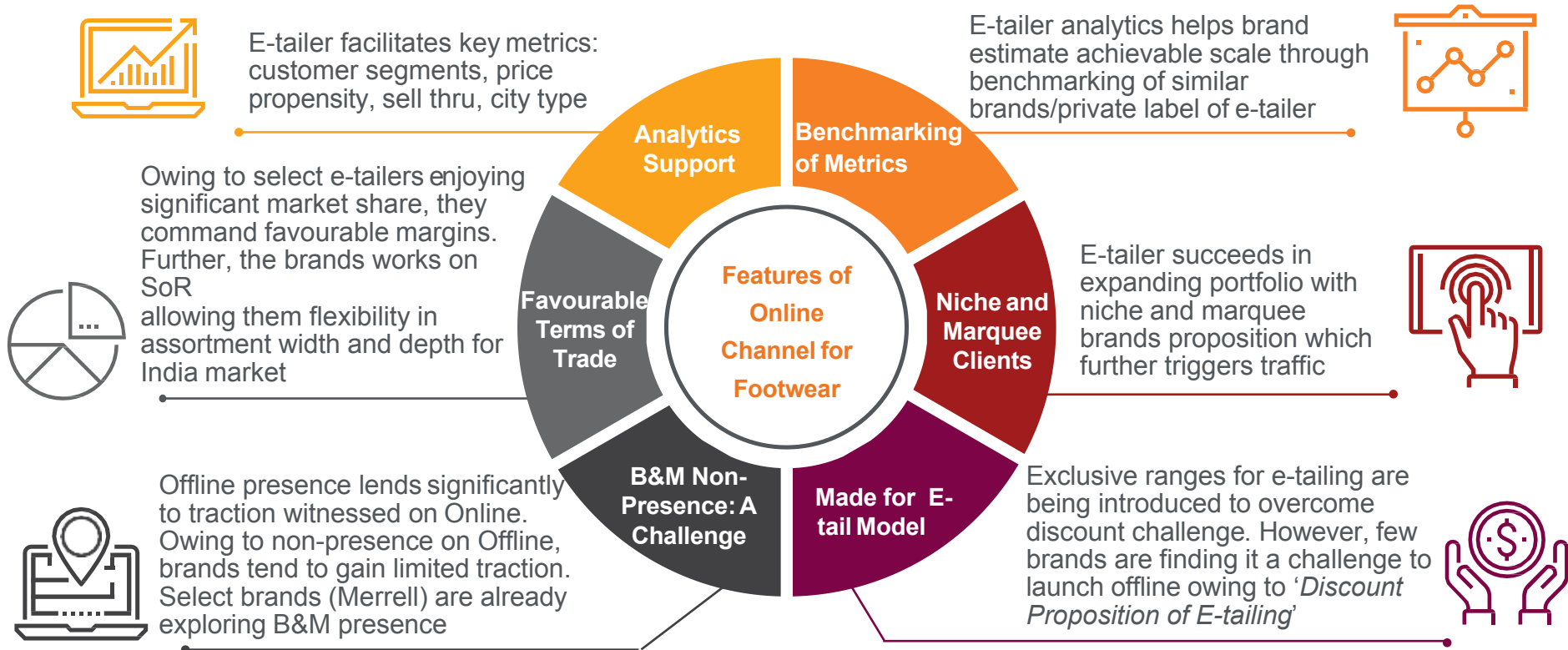
E-tailer may place the order through a master distributor. The agent plays the facilitator role for coordinating the supply of the entire buy

In few cases the E-tailer directly places the buy with the global principal and an agent plays the role of only the logistics partner

Select brands have explored exclusive alliances/partnerships with leading e-tailers



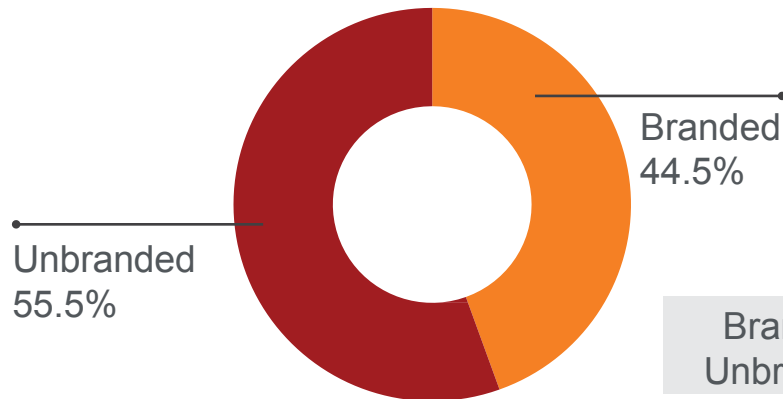
Brands are launching dedicated product range for online platform to differentiate from offline channel and are leveraging data analytics of online platform to grow their business



Footwear enjoys highest branded quotient across retail categories, further this sizable share reflects robust growth @19%

Share of Branded Market- 2018

Total Market- INR 63,520 Cr.

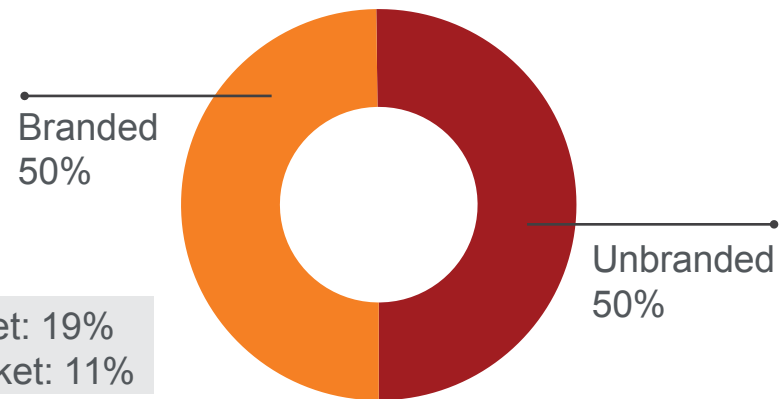


CAGR

Branded Market: 19%
Unbranded Market: 11%

Share of Branded Market- 2021

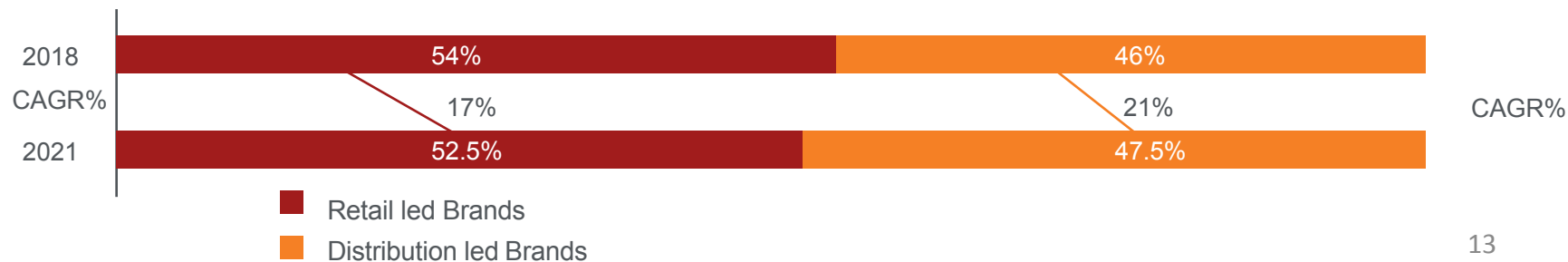
Total Market- INR 95,350 Cr.



Footwear has emerged as a distinct category with significant presence of both retail and distribution led brands and both these segment of players have adopted best practices to drive growth and provide effective customer experience

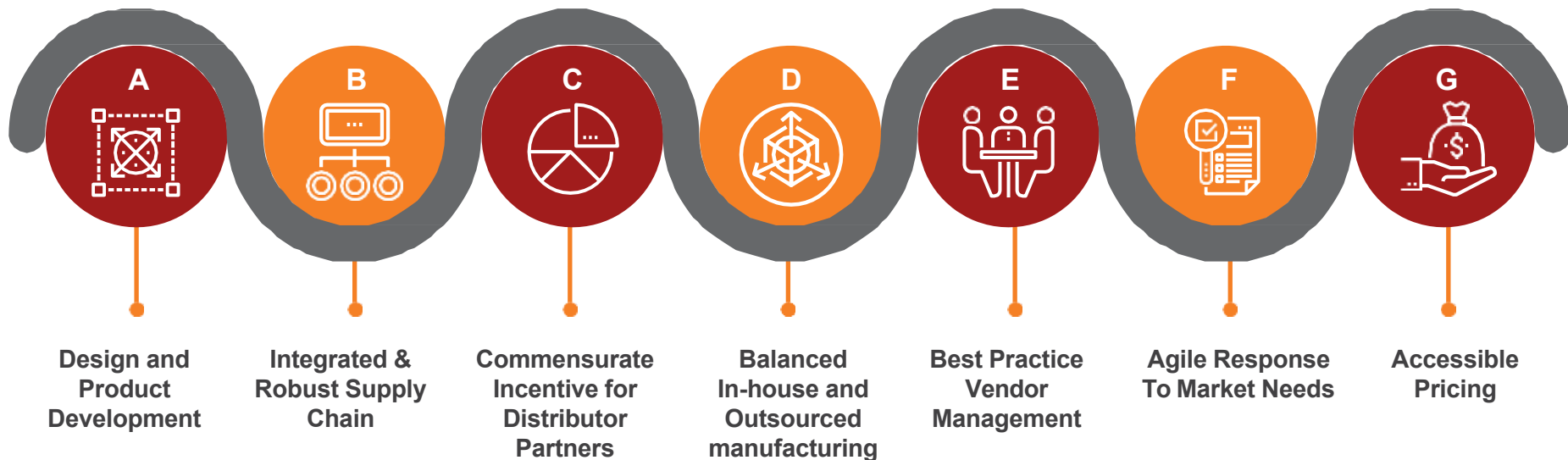
Footwear has emerged as a distinct category with significant presence of retail as well as distribution brands

Branded Market Split across Retail led and Distribution led Brands



Players have adopted best practices to build a sustainable distribution led brand

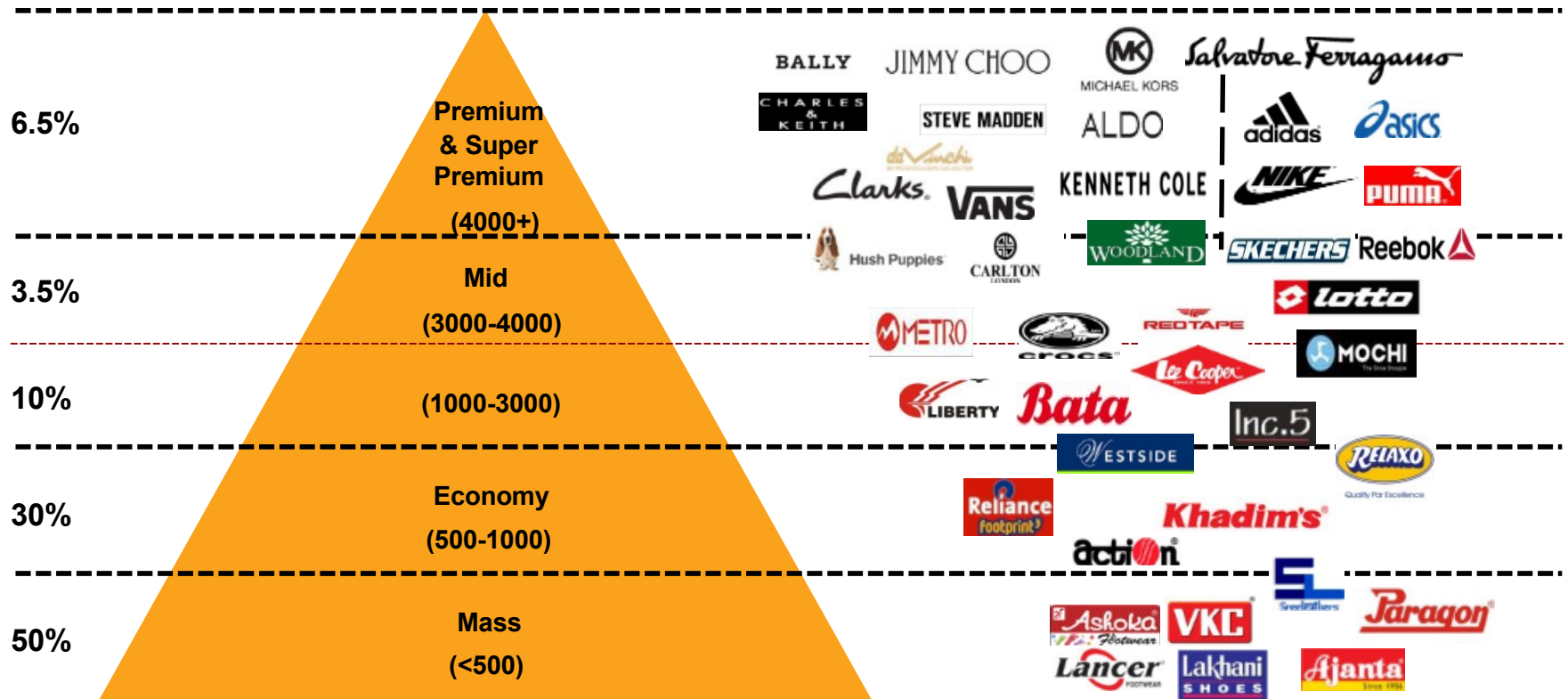
Best practices to built a successful distribution led brand



Mid and premium brands contributes to ~20% of the market

% Share, Value (INR)

Brands



Key trends in the footwear market



Entry of International Brands

In last few years, significant number of international brands have gained a reliable position in the market. The market has witnessed expansion of existing international brands in the country and the entry of premium formal and sportswear brands such as Berleigh, Magnanni, ASICS, Onitsuka Tiger etc.



Increasing share of Online Channel

Online channel has emerged as a significant channel of sales for footwear driven by increasing preference for online channel owing to convenience, wide range of product and better deals. Also, online retailers such as Myntra have launched their own private labels and have explored exclusive partnership with international brands to cater to the category.



Initiation of Omni-Channel implementation

Recently, most leading footwear brands in the country have initiated implementing omni-channel by integrating their online and offline channels to provide seamless customer experience and retain the customers on their platform. The need for omni-channel has also arisen due to increasing competition from online channel and falling footfall in stores.



Expansion of Brands into alternate channels

In last few years, the market has witnessed the entry of brands into alternate channels. For example, brands like Relaxo are launching retail stores and retail led brands such as Khadims is expanding their distribution to cater to wider consumer base.



Realigning Design Philosophy

In last few years, both international and domestic brands have realigned their design philosophy to cater to changing consumer needs. These brands are adopting global trends and realigning product mix to emerge as a lifestyle brand.

Flexible in Approach, Firm on Results

The logo for RedSeer, with 'Red' in red and 'Seer' in grey, set against a white rectangular background.

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Thank You!

query@redseerconsulting.com

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www.redseerconsulting.com | Query@redseerconsulting.com