

# INDIA'S FOOTWEAR INDUSTRY: PUTTING ITS BEST FOOT FORWARD

– By Zainab S Kazi

*Footwear remains a very important industry in India, contributing to not just employment generation within the country but exports as well. Today, India is the second largest producer for footwear in the world, just behind China.*

**H**ollywood mega star Marilyn Monroe once said – “Give a girl the right shoes and she can conquer the world.” And that may well be true, since there are no two thoughts about the fact that footwear remains a very important industry in India, contributing to not just employment generation within the country but exports as well. Today, India is the second largest producer for footwear in the world, just behind China. Given a boost, the country can most certainly surpass China and become the largest footwear producer in the world.

Setting the context of the story, Farah Malik, Managing Director & Chief Executive Officer, Metro Shoes Ltd – one of the most respected footwear brands in India – shares the dynamics of the industry that seems to have suffered some setbacks in the year that went by.

“The footwear segment continues to perform well in India. The market, however, has seen some significant disruptions in FY 16-17. The majority of the Indian footwear market is still unorganised, accounting for 70 percent of the market. With events such as demonetisation and GST, this segment has been under significant strain this year. The organised segment has experienced growing competition from the international brands expanding their footprint within India,” she says.

Hitting the nail right on the target, Anupam Bansal, Executive Director, Liberty Shoes Ltd., talks about the dynamics of the footwear industry in India. “Footwear market is pegged at an interesting stage currently. On one hand it is experiencing growth with the consumer shift towards the





branded footwear and on the other end as an industry we are struggling under the impact of GST. It is hoped that the government will address the issues raised by the industry and things will smoothen out. Government of India has already commenced the "Make in India" campaign which has been proving beneficial in boosting manufacturing in India. But there are tons of discrepancies and bottlenecks when it comes to boosting manufacturing. Government should facilitate the private sector with adequate infrastructure facilities, space for malls and retail formats (MBOs & EBOs), implementation of GST tax has remove the inequality in the tax payments amongst states and cities and improvement in the logistic system. This does promises a secure future on financial front. Being a part of this process of improvement of the country is a proud moment for Liberty. Overall it seems to be on a positive path and the interest amongst the newer generation in the business and the upgrading of the retail chains will see a further boom in the industry."

On the evolution of the industry in the last five years, he adds, "We are experiencing the shift from unorganised market to the organised market which is led by the consumers themselves which has been a very good trend. This has encouraged the industry to build on newer technologies and introduce better products. There has been a massive improvement in the retail sector with the organised brand investing in company owned stores and hence ensuring a better delivery and promise to the consumers. Due to the ever-increasing internet penetration and adoption of internet and the overall ecosystem for e-commerce falling in place, the last decade has been the best for this industry."

Inder Dev S Musafir, Director, M&B Footwear (P) Ltd. & Vice Chairman - CFLA - Council for Footwear Leather & Accessories, points out, "2017 undoubtedly can be considered as the milestone year for the footwear industry. The largely unorganised sector is for the first time witnessing the impact of discipline towards tax compliance under the GST format. The unfortunate thing is that the government for some reason still

considers Footwear as a luxury product, and therefore it has been slapped the very high 18 percent slab of GST. Through the platform of CFLA - Council for Footwear Leather & Accessories we have been representing our case to the Finance Ministry for equating footwear at par with apparel in terms of Tax imposition."

Sahil Gupta, Director, Helios points out that the increase in the demand for footwear can be attributed to the fact that customers do not consider footwear as a utility anymore. He says: "It is a fashion statement, and this is the reason buying shoes for special occasion has become a norm. All of this has resulted in increase in per capita consumption increasing from 1.6 to 2.4 in the past 5 years."

### Demand Dynamics

Woodland, an iconic brand carved a niche for itself with its chic range at a time when the Indian footwear industry did not have the trend of international brands wooing Indian customers. Woodland's parent company, Aero Group, has been a well-known name in the outdoor shoe industry since the early 50s. Founded in Quebec, Canada, it entered the Indian market in 1992.

Highlighting the market share of men, women and kids footwear, Harkirat Singh, Managing Director, Woodland says, "The men's market is growing at a CAGR of 10 percent. At present, men's market contributes around 60 percent of sales in the footwear segment as compared to the women's share of 30 percent. The women's segment, however, is growing at a much faster CAGR of 20 percent. In case of kids, athletic shoes have captured the biggest share, and though the segment is growing it is doing so at a comparatively smaller rate."

On the demand dynamics, Malik adds, "There's no question that sneakers have taken over the fashion limelight for both men and women. There are myriad factors fueling momentum today, including celebrity-powered collections that are driving new customers, cool collaborations between designers and retailers, and a growing crop of social media influencers sparking excitement. In addition, the athleisure and working

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women’s category are growing rapidly.”

Malik elaborates on dynamics being witnessed in the women’s category saying, “With more women entering the workforce, the formal wear category is showing good growth. With additional disposable income women are spending more on formal and casual wear. The category showing less than average growth is in stilettos as comfort is still a paramount factor. Earlier, younger women would wear stilettos as a fashion statement. Today, fashion is more focused around the casual segment such as sneakers.” She adds on the kid’s category stating, “Kids as a category has enormous potential, but currently is not a significant share of our sales.”

As for the regional demand variation, according to Malik, ‘South India is the stronghold of practical comfort whereas the North will see a demand for colors and high fashion. Platforms and wedges are a must in Kolkata and the North-East wants casual and trendy styles. As western culture creeps in however, there is also a nationwide demand for certain types of products, such as brogues for men, sneakers or platform wedges for women, that does well in all markets.”

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Sagnik Banik from Ajanta Footcare (India) Pvt. Ltd makes an interesting point when he says that in the footwear industry, brand loyalty plays a huge role, and this has led to a segmentation of the industry zone wise with the zone leader having more than 50 percent market share. “The footwear industry has evolved into a highly specialised industry, where machine production with a systematic workflow has got the mass industry to an international level,” he adds.

Saggar Mehra, Creative Director, brand Sunil Mehra, attributes the rise in the demand for footwear due to the changing and evolving lifestyle of Indians. He says, “The rising demand of footwear in India has a lot to do with the changing lifestyles and an increase in the number of working professionals. The men’s footwear market contributes around 60 percent of sales in the footwear segment. The CAGR of men’s footwear accounts for about 10 percent. With increasing demand in not just Tier I cities, but also in Tier II and III cities, the Indian footwear market is rapidly evolving and expected to grow at a higher rate in the future.”

“2014-15 has been a revolutionary phase for

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the footwear market in India. During this phase the revolution in footwear designing made wearing branded sandals and other varied designs are not just accepted but have taken a place of being called as fashion statement pieces. Adoption of new technologies and higher quality fabric and techniques of constructing the shoes has been

fascinating too,” he adds.

Prem Dewan, Retail Head, OSL Luxury Collections Pvt. Ltd., Corneliani, feels that the industry has gone through a substantial change in the past 5 years, from just being a need based product. He says, “Today it is about a status symbol, a fashion statement. Now, proper research and understanding on consumer’s needs and desires requires to



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According to Sushanto Dey, Partner, Sreeleathers, people in eastern India have a smaller feet size with the maximum being size 10 for men. He shares, “In Andhra Pradesh and Tamil Nadu, we have demand for sizes up to 14 for men’s footwear. Chennai was predominantly a chappal wearing city and the industry together is doing its bit to change this.”

### The Foray of International Brands

Anything that is international excites Indians. While there may be exceptions to this rule, but none of them apply to fashion. International brands have a fantastic pull factor for consumers, then be it for footwear or apparels.

Reiterating this, Singh says, “The inclination of Indian consumers towards international brands has become pertinent. After



liberalisation, as the economy opened up to the international market, imported goods gradually gained traction among Indian buyers. In recent years a huge number of international brands have gained a good and reliable position in the market. Together with foreign origin brands, Indian brands ran through significant improvement becoming successful to pose a stiff competition against their foreign counterparts.”

One may be surprised to know that the competition from international brands isn’t only from the ones that are solely into footwear, but according to Malik, even brands like Zara and H&M are seen as strong competitors.

Sushanto feels that the penetration of international brands is low and is seen only in the metros. He shares, “They will need about 10 years to understand India.”

Premium luxury international footwear brands are also foraying into India. The Dar Group has launched Berleigh, a luxury multi-brand footwear and accessories retailer in the country which will be bringing together the finest products from celebrated brands around the world.

Shashank Arya, Executive Director, The Dar Group, says, “Berleigh houses different types of brands from elegant and suave Andrés Sendra (Spain) masterpieces to modern and charming, yet



quirky shoes from Duke + Dexter (The United Kingdom) or luxurious shoes from Magnanni (Spain) and Schutz (Brazil). It brings strong fashion information on its products as well as offering great prices.”

Elaborating on what led him to launch Berleigh in the country, he states, “Heel & Buckle Pvt. Ltd. ran successfully for three years, and was looking at expanding and introducing newer brands in the Indian market. That is when we at The Dar Group decided to join hands with them in 2016. And that is how Heel & Buckle Luxury Pvt. Ltd. was found as a subsidiary to The DAR Group.”

Berleigh is being positioned as a bridge-to-luxury space that houses different brands from different parts of the world. Arya adds, “Our prices and craftsmanship is better than the high-street brands and our prices are lower than luxury brands.”

Berleigh currently has its flagship store in Fort, Mumbai



and another one in Delhi at the Ambience Mall in Vasant Kunj.

ASICS India launched Japanese brand Onitsuka Tiger in the country recently. This brand is a sport-inspired fashion brand that has designs ranging from updated classics to refreshing new styles and collaborations with like-minded artists.

Rajat Khurana, Managing Director, ASICS India Pvt. Ltd. says, “We have partnered with Burgundy Hospitality in India for the distribution and operations to launch Onitsuka Tiger first-ever-mono-brand store in India in the Palladium



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– Anshu Kumar, Director, Rika Lifestyle Pvt Ltd

Mall, Lower Parel, Mumbai. Going forward, we will focus on establishing mono-brand stores in the country under a partnership with franchisees. These stores will be one of our key channels to drive up sales. Eventually, we will be ramping up distribution of products through regional distributors and e-commerce portals.”

### Footwear Retailing – Mall vs. High Street

With the advent of malls, shopping dynamics have taken a 360 degree turn in India. No one would have thought that people would buy shoes from a mall and that footwear retailers would occupy a good space in malls across the country. From Crocs to Clarks and Indian brands like Inc.5 to Metro Shoes, all have a healthy presence in malls throughout India.

Elaborating on the mall phenomena, Malik says,



### MALL STORES: THE GOOD & THE BAD

- ▶ Malls are better organised and offer better infrastructure; air-conditioning, ample parking, food courts, etc., all of which is a welcome break from the chaos of high street Indian shopping
- ▶ Malls are a haven when it comes to offering choice. A wide range of brands, including multi-brand outlets can be found under one roof, which allows the bargain conscious Indian shopper to compare prices.
- ▶ With their multiplexes, amusement areas, food courts, and promotional events, malls are big on entertainment and have increasingly become a go-to destination for all age groups.
- ▶ Of late, Indian cities are seeing a case of ‘too many malls, nowhere to shop’ due to malls being built without in-depth understanding and research.
- ▶ Mall space is getting more and more expensive, with some even demanding a percentage share of the sales revenue.

### HIGH STREETS: THE GOOD & THE BAD

- ▶ With more space available and greater opportunities for customisation, high streets are a perfect choice for flagship stores.
- ▶ Established brands prefer the visibility and cachet of high streets, but a presence in upscale malls is also a business necessity.
- ▶ Standalone stores give shoppers a more personalised experience that is missing from the homogenous nature of malls.
- ▶ Premium high streets tend to be more expensive than malls and do not guarantee sales per square feet. Khan Market in Delhi and Linking Road in Mumbai are amongst some of the most expensive retail locations in the world.
- ▶ There’s a rising trend of luxury brands moving from 5-star hotels to high streets. Old heritage properties that can do with some retrofitting are becoming precious real estate assets, for example, Hermes and Christian Louboutin have set up standalone stores at the historic Horniman Circle in Mumbai.

Courtesy: Farah Malik, Metro Shoes Ltd.

“Footwear is the fastest growing category for HRX. From 16 percent contribution last year to 25 percent contribution to revenues this year, it is going to become the leading category for the brand.”

– Afsar Zaidi, Co-Founder & CEO of HRX

“Shopping malls are a relatively recent phenomenon in India. The delightfully chaotic, colourful and bustling Indian bazaars have dominated the retail landscape for the longest time. As brands evolve and consumer behaviour slowly shifts from need-based shopping to that of retail therapy, Indian retail too is witnessing a quiet tug of war between the high streets and malls. While at some places, brands are shifting from the cluttered high street environment to malls, certain prominent retailers are purposefully avoiding malls to stand out from the crowd.”

Anshu Kumar, Director, Rika Lifestyle Pvt Ltd shares an interesting point with regards to the advantages a brand has when they are present on a high street. “The number of walk in’s in the malls will definitely vary from that on the high streets since the malls are designed for a more of a complete family experience. On the other hand, the stores at the high street are able





to play a lot more with the presentation as in most of the cases they have more retail space comparatively which allows them to utilize a lot of area to work on display and marketing and in this case the Brand pull plays an important role.”

**Key Brand Dynamics**

Metro Shoes currently has 397 company managed outlets occupying 5.2 lakh sq. ft. of retail space. The average size of each store is approx. 1000 sq. ft. This goes to show that this industry has a fantastic growth opportunity for brands that take their business seriously. This particular brand has stood the test of time and has set an example for other brands to follow. Little surprise then that Crocs has partnered with them for exclusive retailing of their brand at Metro and Mochi stores apart from their own stores.

Talking about Crocs, the brand is looking at expanding to over 250 stores from the current 58 stores by the end of 2020. In one of the recent news article on the brand, it was reported that it has cornered over 10 percent share of the total market size in the organised non-leather, non-sports casual footwear segment. In the year 2015, they sold 900,000 pairs of shoes, which went up to 1.5 million in the year 2016.

Elaborating on the presence of Metro Shoes across India, Malik states, “We are currently present in 101 cities across India with a varying number

**Style Speak:**

- Men: Evergreen styles include brogues, derbys, moccasins and loafers. A pair of leather chappals is a must-have in every man’s shoe closet
- Women and evergreen fashion? That’s an almost impossible question. However most women will have a regular use sandal, ballerina and pump in their shoe closet.
- In kids, sandals for boys and girls are a mainstay.

Courtesy: Farah Malik, Metro Shoes

- A cool printed hawai with shorts or tights.

Courtesy: Sagnik Banik, Ajanta Footcare (India) Pvt Ltd

- Brogues and Oxfords in men and sneakers for kids are a must have and will always remain in vogue as they not only speak of style but also are supremely comfortable and classy. For women, a nice pair of ballies in neutral colors can never go out of fashion. Be it with a LBD or a basic trouser one can always look elegant and classy without compromising on comfort.

Courtesy: Sagar Mehra, Creative Director, Sunil Mehra

of stores in each location depending on the intensity of demand. Tier I cities obviously have a greater volume of stores with an average of 25; Tier II cities have between 6-12 stores; and Tier III cities can have between 1-4 stores depending on the market.”

A relatively new entrant, brand HRX which has Bollywood actor Hrithik Roshan as its face for the brand has been actively capturing the men’s sportswear market in India.

According the Afsar Zaidi, Co-Founder & CEO of HRX, “Footwear is the fastest growing category for HRX. From 16 percent contribution last year to 25 percent contribution to revenues this year, it is going to become the leading category for the brand. We started with 20 styles at the time of launch and today we have almost 250 styles across running, training and casual shoes category.”

Zaidi says sportswear as a category is dominated by the men’s market. He adds, “Sports/active footwear contributes to about 7 percent of the overall industry. The growing demand for comfortable and athleisure shoes are bolstering the footwear industry.”

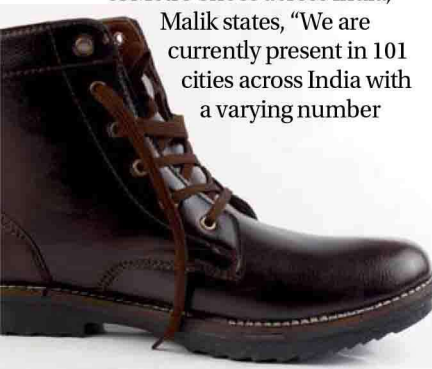
And then there is Woodland, which has over 600 COCO stores across 50 cities in India and covers a total retail space of around nine-lakh sq.ft. The average size of a Woodland store

is 1,500-2,000 sq.ft. The brand has yet not taken the franchise route!

Revealing the reason for this, Singh shares, “It is very easy to grow through the franchise route, but quality is important in retail. By having our own stores, we can project the brand much better and keep the staff as per our requirements. So, we have taken a general call not to expand through franchisees.” In terms of retail expansion, the brand has grown more than 30 per cent on their exclusive outlets at present to 600 with aggressive focus on Tier II and III cities.

With a presence in six states covering the Eastern part of India, Ajanta Footwear today has presence across 100 stores, out of which 70 percent are company owned. Banik says, “We are a mass brand with stronger dealer network and our presence is only in high streets with a mass market in focus. We also have our own portal, ajantashoes.com that started this year and the response we have received is overwhelming.”

Meanwhile, Rikka lifestyle’s brand Flipside has 205 stores out of which 200 are MBOs and 5 are EBOs which are spread across Hyderabad, Bangalore, Delhi, Gurgaon, Jalandhar, Chennai, Lucknow, Ahmedabad, Raipur, Mumbai, Pune, Gangtok, Kolkata, Patna, Bhopal, Vizag, Vishakhapatnam etc.





**Challenges & Pain Points**

Highlighting the pain points faced by the vendors, Malik does not mince words while saying, “On the supply side, vendors are facing challenges adapting to the GST regime which adversely affects their working capital cycle. Brands will need to be resilient to navigate through this phase of uncertainty.”

According to Singh, “The footwear industry provides a realistic opportunity to implement and sustain the “Make-In-India” program in true spirit. To realize this potential, there is an urgent need to encourage investment in the footwear industry to tide over the dis-economies of scale and loss of competitive edge in the Indian footwear industry.”

Mehra highlights that awareness is one of pain points across the industry. He explains, “People have unprecedented choices when it comes to footwear. It is highly important to be informed on what’s gold and what’s merely

gold plated. The texture, finesse is very important while purchasing footwear, needless to mention good design and shape of footwear.”

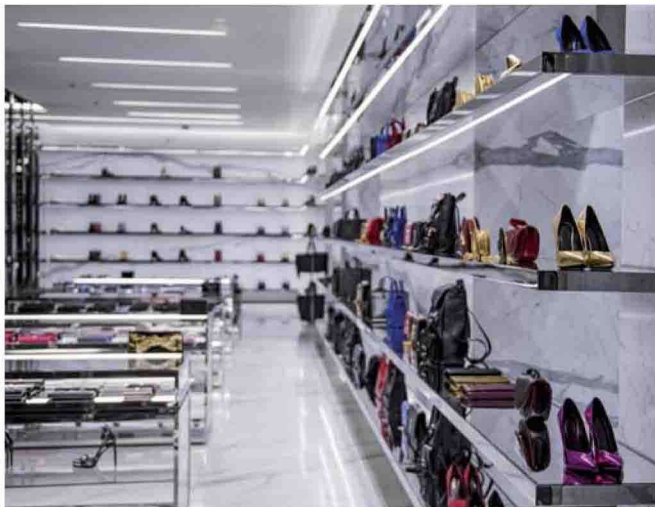
**The Road Ahead**

With the fashion market in India growing exponentially, footwear and accessories are at par with the consumption of apparels.

Singh points out, “In the last five years, Indian footwear export has witnessed a growth of 20 percent owing to growing demands in the European nations and also the trend of major importing countries to shift their focus from China to other producing countries.”

He further states how the footwear industry has grown from a need-based industry to becoming fashion and style oriented. “India annually produces 2.1 billion pairs of which 90 percent are consumed internally. In addition, India is the third largest footwear consuming country in the world, but with very little separating the three, India is very soon expected to be the second largest consumer as well,” he says.

It is interesting to hear Malik share the how footwear has been a trendsetter for other industries to follow. She says, “The footwear market has a high potential for growth considering many international brands in the premium and semi-luxury segment. In fact, the first foreign brand that has a 100 per cent approval in FDI is a footwear brand. We understand that there will be more players wanting to have a piece of the growth trajectory of Indian retail. With increasing competition, we do foresee some short-term crunch be it the



availability of manpower and resources. However, in the long run, we see competition especially International as an efficiency booster. Be it back-end infrastructure, investment in training and front-end staff, and better production processes.”

Musafir concludes encapsulating the dynamics of the industry stating: “The mom-and-pop style of footwear retailing in India will always survive alongside modern retail, as the number of retail points under the

mom-and-pop format are a few hundred times more than modern retail. Online retail of footwear is gaining popularity. However, the inordinate discounting on the part of the portals is detrimental to the long-term equity of a brand. Foreign brands of footwear will do well if they have strong local partnerships with a manufacturing companies, as the quick changing and region wise customer preferences of footwear fashion can only be serviced if the product is Made in India.” 