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Best Foot Forward

By Priyanka Kapoor

From being considered as a basic necessity to being acknowledged as a key fashion accessory that defines one's persona, footwear has indeed traversed a long, long way, over the years. Be it jogging shoes in the morning, casual flats for the day or a pair of sleek stilettos for the evening, shoes have metamorphosed into a fashion statement for men and women alike. Changing lifestyles and increasing fashion consciousness have, of late, given tremendous boost to the footwear retail market, which is poised for a more exciting uphill journey in the years to come.

According to Netscribes, a knowledge, consultancy and solutions firm, the Indian footwear market was estimated to be about Rs 18,400 crore in 2010 and is expected to touch Rs 475 billion by 2025 with average annual growth rate of nine per cent. Men's footwear, currently, accounts for almost half of the total market, with women's shoes constituting 40 per cent and kids' footwear making up for the remainder.

Today, India is the second largest producer of footwear in the world after China, accounting for 14 per cent of the global footwear production pegged at 14.52 billion pairs. The country produces close to 2,065 million pairs of different categories of footwear with Kanpur, Agra, New Delhi, Chennai, Ambur, Ranipet, Vaniyambadi and Kolkata, emerging as major production centres.

Key drivers

A major chunk of the Indian footwear market is dominated by unorganised players but branded shoes are fast gaining momentum. Besides home-grown brands like Woodland, Liberty, Action shoes, Catwalk, Shoe Tree, Metro, Red Tape, etc, the entry of international players like Adidas, Nike, Reebok, Puma, Aldo, Clarks, has also had a significant impact on the Indian footwear market. While international brands largely dominate the higher end of the spectrum, the lower end of the market is ruled by home-grown or unorganised players.

Says Harkirat Singh, MD, Woodland, "Growth in the branded shoes market has increased over the past few years. The youth and people with high-disposable income in metros are driving this demand. The growing propensity towards good looks with a certain dress code is also one of the key factors. As a result, several brands are coming in with their own speciality, leading to the overall growth of the sector." Anupam Bansal, MD, Liberty Shoes Ltd concurs, "There is a growing increase in consumption of footwear. With the industry growing, the average selling price for footwear is also increasing, thereby working in the industry's favour."

The Indian footwear market enjoys several advantages like low labour cost, skilled working professionals, etc. Additionally, footwear is also the main growth driver of the overall leather exports from the country. Global recession and the hardening of Indian rupee against US dollar, in turn, is also propelling leather companies to diversify their business. Eyeing the sizeable mall-hopping consuming class, manufacturers are turning retailers; either going ahead on their own or forging alliances with international partners. UK's Clarks, for instance, recently partnered with Future Group while Reliance has entered into an agreement with The Timberland Company, a major manufacturer of outdoor footwear and apparel.

Says J J Desai, CEO, Metro Shoes, "We are currently seeing a strong growth in fashion footwear, driven primarily by high consumer sentiments and increased fashion awareness. The growing population of working women has also given an impetus to the women's footwear segment. We also see the trend moving towards more casual styles."

Domestic footwear retail business is witnessing a shift in channels too. With large volume brands sales restricted to high streets, and mid segment customers preferring to purchase shoes and other accessories in tandem with clothes, some of the retailers are reworking their presence. Footwear retailers now prefer to rely upon malls to de-risk their channels and product lines. Local brands are even moving beyond regional markets and embarking on pan-India expansion through the franchise route. From a primarily Mumbai player, Catwalk, an aggressive shoe retailer, has established a national presence. Both domestic and international players are increasingly investing huge amounts in setting up outlets or manufacturing units across different regions of the country. However, all this does pose challenges for them.

Organised vs Unorganised market

Industry experts claim that at least 30-40 per cent of the overall shoe market is organised, which qualifies it to be the second most organised retail category in India, next only to watches. The organised footwear market is dominated by men's footwear segment that contributes for nearly 60 per cent of the market, where the casual footwear has been better off with two thirds of the share in the men's segment. The unorganised players, on the other hand, have the lion's share (80 per cent) in the women and kids segment. This is mainly due to the complex buying behaviour of Indian women. Despite this, the women and kids segment is one of the fastest growing segments in the branded footwear market and brands like Catwalk, Metro etc have seized this opportunity to set their footprints wider.

The branded players have a big card to play as India has the world's largest population of children. The overall kid's retail segment has a robust margin of 20 – 25 per cent. In the branded kid's footwear segment, Disney Kids, an international player, has emerged as one of the leading brands. Disney shoes have a tie-up with Sierra Industrial Enterprises to manufacture and market the product. Disney has targeted malls across the country and in prominent chain stores such as Lifestyle, Loft, Shopper's Stop, Pantaloon and Central.

Many footwear brands have even widened their product portfolio, their risk appetite and increased their market share by contributing to these newer growing consumer segments. The business models of both domestic and international players either include exclusive stores in high streets or malls or shop-in-shop, which has proved to be the most cost-effective model in terms of testing the markets. Rahul Doshi, Manager — Corporate Strategy, Catwalk, says, "We see that the organised share of the market will continue to increase in the entire footwear pie. However, we still strongly feel that the unorganised market will rule the roost for a long time to come and it will co-exist along with the branded players."

Franchising options

In view of high real estate cost, slowdown and liquidity crunch in the market, several retail brands are opting for the franchise route for their expansion. Beginning its Indian operations in 1992, Woodland — the flagship brand of Aero Group — is now a well-known name in the outdoor shoe industry with 300 plus exclusive stores across the country, in addition to a distribution network covering thousands of stores worldwide. It plans to open almost 5-6 stores every month, thereby adding 40-50 more stores in a span of one year.

"As for our franchise model, we first run the store ourselves for a year and then hand it over to the franchisee. We, thus, give running stores to our franchisee. Eventually it should be a win-win situation for both of us. Other than metros, we are also doing good business in smaller towns and cities. We are targeting at least 50 per cent of our expansion in these places which include Panipat, Hisar, Kurukshetra, Ludhiana, etc or bigger cities like Bengaluru," said Harkirat Singh, MD, Woodland.

Mirza International Ltd has emerged as a frontrunner in the manufacturing and marketing of leather and leather footwear. Headquartered in New Delhi, the company markets its products across the globe. In 2006 it set its footprints in the domestic footwear market by foraying into women's footwear, men's footwear and accessories market. The brand currently has 55 EBOs and approximately 150 shop-in-shops across the country. Out of the total 55 EBO's, at least 26 are franchised stores and the remaining are company-owned. The company has massive expansion plans and is targeting to take this number to 100 stores by December 2011, and 200 by December 2012. This expansion will be through a mix of franchised and company-owned stores in the ratio of 50:50 in the prominent cities of the states including Punjab, Rajasthan, Maharashtra, Karnataka, Andhra Pradesh and Tamil Nadu.

"Indian consumers are upgrading to better products and lifestyles. We have always been and will want to continue to be a part of this growth," says Arvind Verma, GM – Marketing, Mirza International Ltd.

Most of the retailers believe that franchisees give a significant impetus to growth since they are able to manage their environment more effectively. One such believer is Anupam Bansal of Liberty Shoes Ltd. He says, "The franchise model is the fastest mode of expansion, driven by entrepreneur instincts. Franchisees put in their best effort, as their investment is at stake. They understand cost cutting best and implement the idea of productivity best."

Liberty Shoes Ltd is the only leather footwear manufacturer in the country , with a turnover exceeding US $100 million. Its fashion footwear is marketed across the globe through distributors, 400 exclusive showrooms (300 franchised and 100 company-owned) and over 6000 multi-brand outlets in more than 25 countries, including fashion-driven, quality-obsessed nations like France, Italy, and Germany. The company is one of the pioneers in franchising in the Indian footwear industry and took this route way back in 1985-86. Liberty is now targeting 30-40 per cent growth in all its three formats of business models. As for its retail expansion it is looking to add about 1-2 showrooms every week, which means about 50-100 stores in a year. Of this 50 per cent will be franchised and 50 per cent company-owned.

Bata India is the largest retailer and a leading manufacturer of footwear in India. Its retail network of over 1200 stores gives it the reach and coverage that no other footwear company in India can match. Bata stores are present in all the metros, mini-metros and towns across the country. The stores are supported by a range of good quality products including brands like Hush Puppies, Marie Claire, North Star, Power, Scholl, Mocassino etc. The company also operates a large non-retail distribution network through its urban wholesale division and caters to millions of customers through its network of over 30,000 dealers.

Bata operates only through the company-owned model but keeping in tune with the current trends, it is mulling on the franchise route for future expansion. Says Marcelo Villagran, Group MD, Bata Emerging Markets, Bata India, "Currently we have about 1200 exclusive outlets and plan to grow by 70-100 stores every year, for the next five years. We are targeting pan-India expansion in the cities with 1-2 lakh population because there is huge demand. Though current expansion will be through company-owned stores, yet we are mulling on the franchise route which is still in the development stage, as of now. Soon, we will introduce our new franchise programme."

Catwalk, from its humble beginnings in 1990, when it designed the footwear for the aspirational and fashion-centric women of the country for the first time, has today become a leading premium brand with a pan-India presence. It currently operates out of 214 point of sales across both formats — EBOs and shop-in-shop. It is planning to open close to 30 EBOs in this fiscal with the aim to touch 100 EBOs in the next couple of years.

Elaborating on their business model, Doshi states, “Primarily we run company-owned stores but we have identified franchising as an important model to reach our goal of 100 EBOs.”

Incorporated in 1998, Sports Station India Pvt Ltd (SSIPL) is a name which pioneered organised footwear retail in India. It brought international names like Levis, and Dockers to the country, besides providing services to many other leading international brands. Today with over a decade of experience in branded retailing, Sports Station keeps redefining lifestyle with its world class products and stores. The company’s Shoe Tree brand has carved a niche in the footwear retail market. Currently, the company is managing 12 exclusive Shoe Tree stores, primarily in Delhi-NCR and Punjab regions. “Our target is to open 25 more stores in the next 2 years, in North India alone. Even though we don’t have any franchisees as of now, yet we very much hope to start the process soon. The expansion will be through a mix of both franchised and company-owned stores, even though our preference will be for the latter,” adds Rishab Soni, MD, SSIPL.

Metro Shoes, another popular brand, has a countrywide network of exclusive Metro showrooms at more than 72 prime locations, across 32 plus cities. The company follows the investment model wherein they have partners who invest in the location and/or fixtures while all other aspects including stock, staff, marketing and operations are managed by the company. The company plans to add about 60 stand-alone stores and 20 shop-in-shop outlets in the current financial year. ‘Walk in M&B’, the retail platform of M&B Footwear (P) Ltd, is one of the country’s most aggressively expanding footwear retail chains. Located at all the premium shopping destinations including malls and high street, ‘Walk in M&B’ is a platform for selling exclusive international and national brands to the fashion and brand conscious urban customers. These lifestyle stores operate under the retail format of company-owned stores, stand-alone franchisee stores and shop-in-shops. ‘Walk in M&B’ is currently on an expansion spree and plans to open 100 more such stores/shop-in-shops across the country, through a mix of franchised and company-owned outlets.

Seeing the potential of the industry, big business houses like Tatas, Reliance and Future Group have also made their forays into footwear retailing. Tatas opened their first such store — Tashi — last year in Mumbai with plans to open more stores in Delhi and Chandigarh. Depending on the real estate availability and market conditions, the chain is looking at opening 300 stores in the next five years.

Market trends

While international shoe brands are setting up fancy showrooms in India, and wooing the affluent Indian consumers, domestic producers are quietly churning out footwears which are sold around the globe by top brands. Leading international shoe brands including Reebok, Nike, Adidas, Puma and Fila have been sourcing many of their products from Indian companies for years. M&B Footwear, a leading manufacturer and also distributor of international brands, including Lee Cooper, Rider, and Merrell, is one such firm that produces footwear for international brands.

Chinese firm Apache, which manufactures shoes on behalf of Adidas, has established a Special Economic Zone at Nellore in Andhra Pradesh, where it manufactures lakhs of sports shoes every year for Adidas. Reebok produces its Greg Norman line of golf wear in India. Other shoemakers are also investing large sums in setting up facilities in the country to make footwear that will be marketed around the globe under international brands.

While China has been the destination for footwear brands, India is not far behind. Now, the latter is emerging as a significant market for international brands as its footwear industry is expected to clock a growth rate of almost 9 per cent.

International brands have also been encouraged to expand their footprints in India, following the government’s move to allow 51 per cent foreign direct investment (FDI) in single-brand retailing. There has been a growing trend of foreign apparel and footwear brands, especially targeting upmarket consumers. Italian luxury apparel and lifestyle brand, Dolce & Gabbana, for instance, was among the first to take advantage of the liberalisation by setting up two joint ventures to market its brands at a luxury mall in Delhi.

Similarly, Italian major, Tod’s Retail has stepped in through the 51 per cent route in a joint venture with Bukhanvala Holdings Ltd, to market leather accessories and apparel. Tod’s has opened outlets at luxury malls like the UB Mall in Bengaluru, Emporio in Delhi and at the Galleria in Mumbai. Jimmy Choos, known for its stylish shoes, opened its first stand-alone store in Mumbai. The firm, which has a tie-up with the Murjani group, plans to open half-a-dozen other stores over the next three years. The opening up of luxury malls in major cities has seen top international brands marketing luxury loafers and footwear, launching their outlets. They include Prada, Gucci, Louis Vuitton, Bottega Veneta, Lanvin, Guess, Stella McCartney, Jean Paul Gaultier, Moschino and Carlton London.

US-based Aldo and UK’s Clarks International are in for major expansion. Unlike the ultra-luxury brands that target the rich and famous, these two brands are eyeing the upper-middle class in the metros with their new line of shoes.

Aldo entered India in 2005 with its first store in Mumbai and has since further expanded with 9 stores, now opened in Mumbai, Delhi, Hyderabad, Pune and Gurgaon. Future openings are planned in all major cities across the country. UK’s Clarks International, on the other hand, recently opened its maiden store in Delhi.

The joint venture — Clarks Future Footwear Ltd has plans to open 20 stand-alone stores by the end of this year and establish itself as a major player in the footwear segment in India in the coming years. The company views India as a key strategic market in its global retail plans and is looking to have at least 100 such stores in the next five years with revenue of up to Rs 250 crore.

Crocs, Inc. a US-based footwear brand, entered India in 2007 and now has a pan-India presence with a reach of more than 300 doors at the

wholesale level (shop-in- shop) and a network of 13 concept (exclusive) stores. These concept stores are in Mumbai, Delhi, Noida, Kolkata, Pune, Goa, Bengaluru, Chennai and Chandigarh. The brand completely runs on the franchise model. According to Murali Desingh, MD, Crocs India, “Branded footwear market will gain foothold in the rapidly growing industry. We are keen on maintaining our annual growth of 100 per cent. As part of our expansion strategy, Crocs will increase the number of MBOs and our market share further in India, within this year. More styles and colours will be introduced in response to the rising demand.” While casual and trendy footwear has recently gained importance, sports shoes have always been a must for every individual. Growing health consciousness among middle-aged and elderly consumers is also steadily intensifying, which in turn is giving a boost to players in this segment. Global shoe majors such as Adidas, Reebok, Nike and Bata Shoes already enjoy strong presence and reach in the country.

Adidas Group, a global leader in the sporting goods industry with brands such as Adidas, Reebok, Rockport, etc. in its portfolio, is one of the pioneers with 750 stores. It plans to open more than 120 new stores in India, by the end of 2011.

Reebok International Ltd has 53 per cent share of the branded sports footwear market in India and currently has over 1,000 stores in over 325 cities and towns across the country. Though the brand is owned by Adidas, it runs as an independent entity in India.

Not to be outdone, Nike, which has been trying to match the market shares of Reebok and Adidas, has upped its marketing efforts. It plans to increase its revenue by 40 per cent over the next five years by giving importance to its international markets such as India and Brazil, where the middle class income group is growing rapidly.

Puma Sports India, the local unit of Puma AG, has been in India for five years now. The brand set up 125 stores in the country, registering a growth of 40 to 50 per cent year-on-year. Over the next two-three years, Puma expects to grow at a similar pace. This means addition of 100 more stores within two years, of which 25 are likely to come up during the next few months. Nearly 50 per cent of their stores are company-owned and the rest are franchisee operated.

Road Ahead

With organised retail on the rise and increase in the disposable income, footwear retailing certainly looks a promising option. But footwear segment is not bereft of its share of hurdles and glitches. High taxation, unorganised nature of the industry, shortage of skilled manpower, lack of strict rules and guidelines by the government are some of the major concerns dogging the industry. The government levies a tax of almost 12.5 per cent in the footwear segment. This is far higher than some of the other sectors such as apparel, where taxation is merely 4 per cent. “Footwear is as basic a necessity as apparel but still the taxation here is much higher than the latter. The government must understand this and consider reducing the taxes,” opines Soni.

Interestingly, China and India are the two major markets in the world for footwear production but lack of strict rules and regulations by the government in both these countries pose threats to branded and organised players, unlike other markets abroad where rules are much stringent. “Product styles are often copied by the local producers here and sold at cheaper prices. Even brand logo and names are often copied. Customers, in turn, prefer to have the same kind of product at a cheaper price without realising that the product quality is not the same as the real one. Therefore, the government has to be stringent in its policies and try to curb such actions by local players,” says Harkirat Singh.

Highlighting key issues before the Indian footwear industry, Desai of Metro Shoes says, “The non-enabling tax structure does not provide ease of movement of goods between states. Hopefully, it will be resolved with the introduction of GST. There is non-availability of retail space at competitive prices.”

Despite all these hurdles, the footwear market is poised for rapid growth. According to RNCOS, a leading market research and information analysis company, the industry possesses significant potential with overall market anticipated to grow at a CAGR of around 9 per cent during 2011-2014 while the premium footwear market is expected to surge at a CAGR of around 16 per cent during the same period. Given their aggressive expansion plans for the Indian market, both domestic and international shoe majors seem to be putting their best foot forward to cash in on the growing demand for high quality footwear in the country.