

CASE STUDY

Retail

Market assessment of contract management for a leading clothing brand



About the client

One of the most renowned brand names in Indian retail, textile, and apparel industries, this company was founded in 1998. Stores in its portfolio include hypermarkets and supermarkets focusing on categories such as health and beauty, apparel, home décor, and home care.



Assets

USD 934.56 Mn



Employees

11000+



Revenue

USD 590 Mn

Objective

To get an in-depth understanding of their competitive position, the company sought a view of the contract manufacturing process, partnership model, and supply chain and procurement processes. The stalwart approached Netscribes to perform a competitive intelligence study by including a few of their key competitors across categories in the apparel, lingerie, and men's clothing segments.

Netscribes solution

Our team of research experts conducted a primary research study combined with a desk research study involving 16 respondents employed at senior management and mid-management levels across the client's competitors, contract manufacturers, and industry experts. Telephonic interviews (CATI) were conducted with representatives from our end.

Respondent criteria

- Mid-to-senior level executives in production, procurement/supply chain
- Industry experts in fashion retail, and board members of key retail apparel associations



Approach

We combined insights acquired from these interviews along with our own research, evaluation, and analysis to provide timely insights. Here's a glimpse into what we evaluated and found:

Contract manufacturing market overview: This included attributes, market trends, and competition

Market size: Textiles and apparel sales are anticipated to grow at a 10% CAGR between 2020 and 2025, reaching USD 190 Bn by the end of March 2026

Drivers: Growing numbers of middle-income earners seeking affordable fashion solutions driving market expansion

Foreign dependence: Owing to competition from foreign contract manufacturers located in select countries, the reliance of domestic retailers on them grew

Dependence on a particular foreign contract manufacturing partner: One manufacturing partner stood out as a preferred foreign contract manufacturer owing to superiority, given its reduced production costs



Trends

- Due to certain trends such as digital fashion and demand for comfortable clothes, loungewear, etc., the market demand for formal clothing decreased from 40% to 25%
- Changing consumer trends and a recovering economy resulted in a 15% drop in profit margins for contract manufacturers
- Contract manufacturers are making attempts to recoup costs by supplying local businesses
- Online shopping orders in Tier 3 and 4 grew the most (~192%). An increase of 118% was reported in order volumes in Tier 2 cities



Competition

- Market expansion in Tier 2+ cities is a priority for competing retailers
- Among the competitors, one has a large market share, and the other has a stronger USP as an affordable fashion provider
- Business strategies aimed at increasing conversion rates, personalization, and revenue are based on technologies such as SAP, AI, and analytics

Competitive landscape

Raw materials were primarily imported from Southeast Asian countries by retailers, while a certain percentage of manufacturers had long-term contracts with retailers.

Attributes	Kids Fashion (kids wear)	Basics (innerwear)	Ethnic (ethnic wear)	Business Trends (men's wear)
Procurement of raw materials	XX% outsourced	XX% in-house sources	XX% outsourced	XX% in-house sources
Imports from	Bangladesh, Nepal, China and Indonesia	India; Raw materials- Indonesia and Philippines	Indonesia, Bangladesh, Nepal, Thailand, Vietnam and India	Nepal, Bhutan, Bangladesh, Thailand, Vietnam, Indonesia and India
Contract manufacturing share	~XX%	~XX%	~XX%	~XX%
Cost of manufacturing	For children newborn to 5 years, clothing cost INR XXX. For children aged six years and above, INR XXX	Only stitching cost – INR XXX per piece	Contract manufacturers charge INR XXX for men's wear. For women's clothing, the prices range from INR XXX	Shirts: XXX T-shirts: XXX Denims: XXX
Profit margin	~XX%	~XX%	~XX%	~XX%
Technology implemented	Coupa, Oracle, SAP, Tableau Software and SQL	Zango, Oracle and SAP Ariba	Emptoris, Microsoft Power BI and SAP HANA	SAP Ariba, Oracle, Tableau Coupa and Sharepoint

Trends in the domestic textile and apparel industry

- Shift in demand for comfort and casual clothing owing to evolving consumption patterns
- 100% FDI permitted in the Indian textile sector
- With more than 200% growth in online order volumes in FY2021, kids' wear has been the biggest winner in online apparel shopping
- A number of countries, including Bangladesh, Sri Lanka, Indonesia, etc., have enacted zero trade duty agreements to facilitate easy import of readymade clothing

Contribution of the textile and apparel sector to the Indian economy



Contributes to 2% of India's GDP

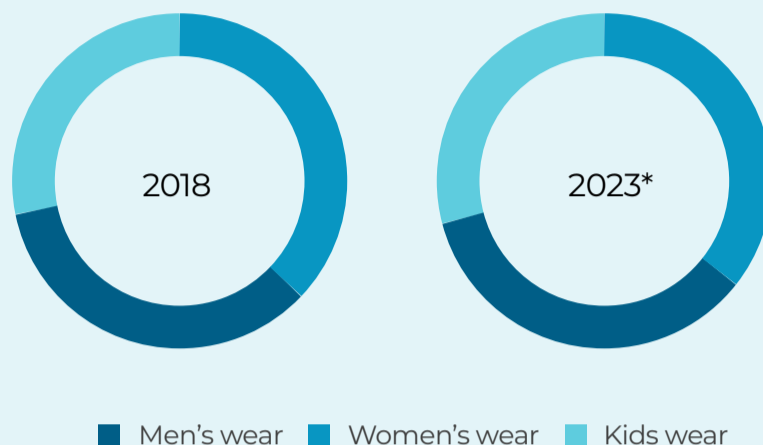


Employs more than 45 million people



Accounts for 12% of India's export incomes

Indian apparel market share by segments



Shifts in consumption patterns

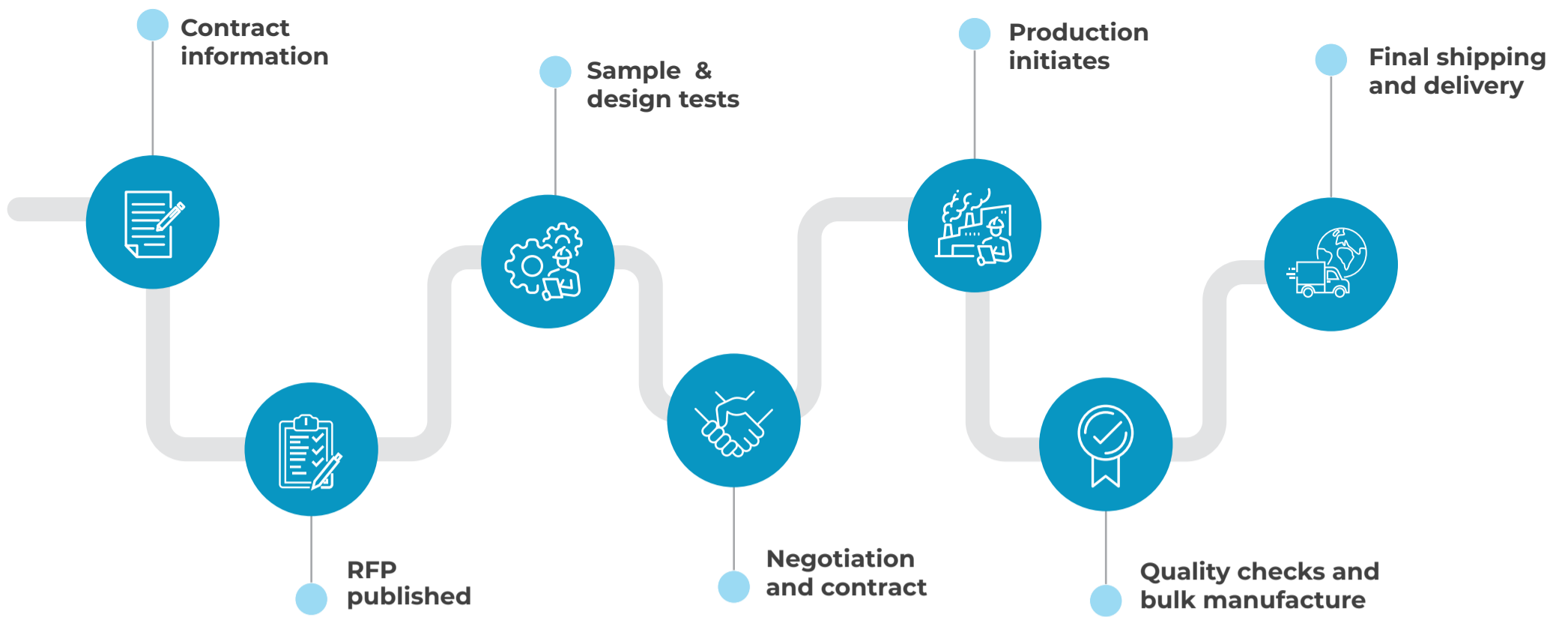
- Demand for comfort clothing has increased
- In the category of kids' wear, a competitor reported a surge of 1.3 to 1.4 times
- Customers' inclination towards athleisure, comfort wear, loungewear, and sleepwear categories sparked a 127% growth in a competitor's online channel
- There are separate loungewear and sleepwear lines for men, women, and children from both competitors

Pace of recovery affected by shift in consumption trends

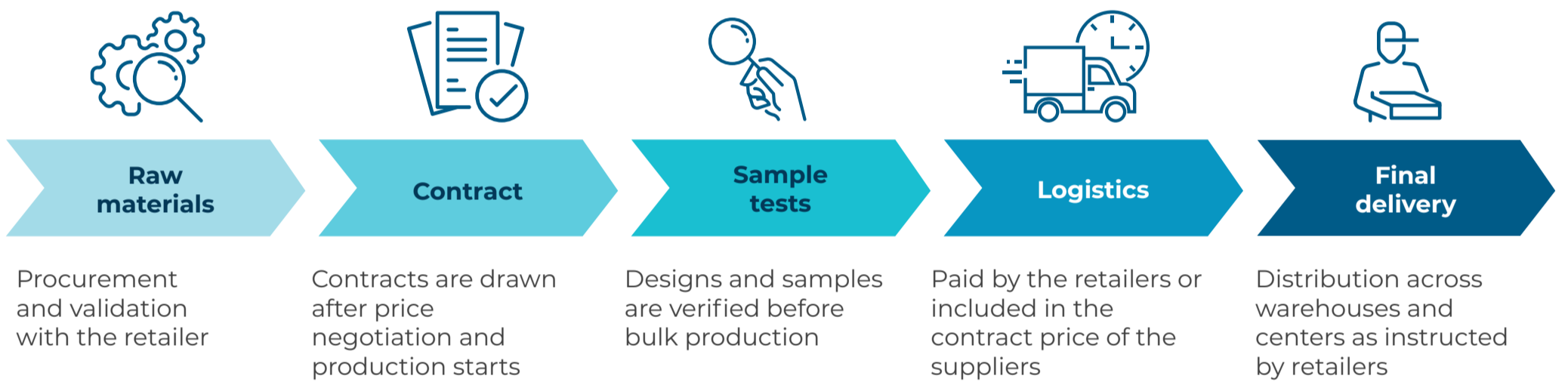


Supply chain process for contract manufacturers

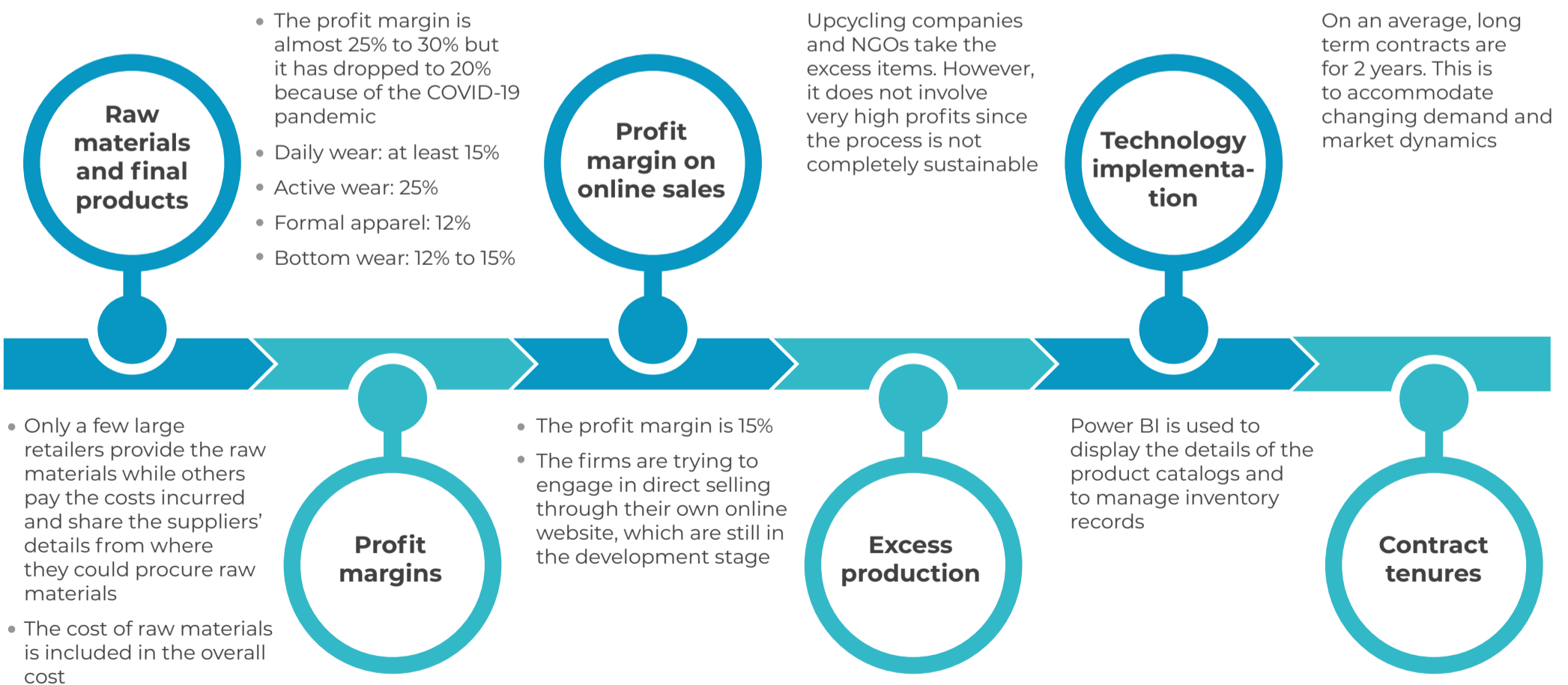
- **Small local manufacturers:** Information on available contracts to the large contract manufacturers
- **Requests for proposals:** To find new contract manufacturers, retailers often publish requests for proposals (RFPs)
- **Internal company contacts:** Internal contacts provide information on upcoming designs retailers are looking for



Contract manufacturers



Key takeaways on contract manufacturing firms for apparel and daily wear





Results delivered

The final report included an assessment of business expansion and competitive strengths:

- State-wise retail store count across India
- Details (including names) and production specifics (% of total volume produced by each contract manufacturer)* contract manufacturers for specific categories
- Processes involved in procurement and supply chain management
- An overview of the Indian apparel market and the contract manufacturing environment



Benefits

Through our competitive analysis, the apparel brand was able to better understand the contract manufacturing space in India and how Bangladesh, Thailand, Vietnam, Philippines, and Indonesia have become the most-preferred countries for contract manufacturers in readymade apparel. Our insights helped them navigate and make informed business moves into the future.

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