

Footwear industry Analysis

Footwear is the second most important fashion segment in retail business after clothing. The Footwear market comprises all kinds of shoes which are produced for end customers. In recent times footwear market is changed tremendously by customers' purchase habits. India is the second largest footwear manufacturer in the world after China with 9% of the annual global production of 22 billion pairs. India's consumption stands at 2.1 billion pairs and is third largest globally after China and USA.

Covid has changed consumer buying patterns across segments, from FMCG, personal care, apparel or footwear. With consumers focus on health and fitness, the demand for sports and athleisure footwear has grown. Running shoes also emerged as a top searched item under the sports footwear category. Additionally, running and walking shoes have witnessed growth, evidencing a shift from formal to casual and sports footwear. Footwear continues to dominate the women casual and dress footwear with limited share in Men's and kids category. The Indian footwear industry holds a distinguished reputation in the Indian economy owing to its potential for employment, especially for the economically weaker sections on its emergence as a champion sector.

Footwear, being a labour intensive industry, also presents a unique 'social' opportunity with a potential to generate significant employment over next few years. Abundant raw material and cost efficient skilled labour, provide a distinct competitive advantage to Indian footwear manufacturers over their international peers, enabling them to tap the vast growth potential of domestic market. Given the right market access and incentives, the industry is well poised to even target global markets and transform India into an export hub for footwear, creating new jobs, primarily for weaker sections of the society.

Footwear retail market in India

India is one of the major producer as well as consumer of footwear in the world. The sector generates employment for more than 2 million people. Casual footwear segment is the largest segment, while sports and athleisure is one of the fastest growing segments in recent times. Growing middle class population and working population resultant in increased disposable income of consumer. Higher outlay on lifestyle products leads to shift from unbranded to branded options driving the average selling price of the segment. FY21 gave subdued consumption due to limitations in movement due to COVID-19, the footwear retail market in India contracted by 33% to Rs 48000 crore as compared to Rs 72000 crore in FY20. However, growth momentum picked up in FY22 due to rapid recovery and rose by 35% to Rs 64800 crore as compared to corresponding previous year and expected to reach Rs 105000 crore in FY25. Some of the dynamics contributing to growth of the sector are rising incomes, increasing working population, urbanisation, heightened exposure through internet and the sudden rise of e-commerce.

The economic recovery post pandemic has pushed swift bounce back for discretionary segments as well including apparel and accessories and footwear. Footwear retail market is

expected to grow approximately at a CAGR of 22% in FY21-25, being one of the fastest growing discretionary categories during FY21-25.



Leather footwear export from India

The footwear sector is a very significant segment of the leather industry in India; rather it is the engine of growth for the entire Indian leather industry. Leather footwear were premium products occupying a significant market share in the global market for footwear. About 10% of its production being exported and remaining consumed by the domestic market. The estimation of global market is based on revenue generated by the sale of footwear across different geographic regions. Asian countries, such as China and India are major exporters of leather footwear across developed countries (UK and US).

There was contraction in the footwear export in FY20 (April 2020 to December 2020) by 53.31% to \$1174.13 million as compared to corresponding previous year, primarily due to the impact of the COVID-19 pandemic on the key markets of the European Union, the United Kingdom and the United States. However, the sector gained momentum from FY21 aided by commendable COVID-19 vaccination coverage and improving economy around the globe. In FY21 export value touched \$1683.14 million and in FY22 the growth was registered of 36.47% to \$2296.95 million compared to previous year. Footwear demand is expected to pick up speed with favourable government initiatives & policy framework for the industry, growth in organised retail, increasing urban population and changing consumption patterns.



Sports and athleisure products

Healthcare and wellness have become an important part of the sector to drive premiumization, especially post pandemic era as the customer has become more conscious about health and fitness. Sports and Athleisure products have been helped from rising consumer interest in exercise and sporting activity because of the health and wellness trend, as well as the growing demand for ease. This trend has generated a high demand for athletic shoes, in turn increasing the demand for footwear.

In FY 2020, sports and athleisure retail market in India stood at Rs 19,500 crore and grew by 12.10% to Rs 21,860 crore by FY 2022 and projected at Rs 40200 crore in FY25 amid increasing consciousness about health, growing infrastructure to support sports and physical activities and with swelling discretionary incomes. Also, in pandemic era of COVID-19 wherein many consumers were working from home and step out for casual outings, thereby enhancing usage athleisure footwear. This increased participation which has led to a change in market dynamics, leading to an increased demand for athleisure products.



Rise of direct-to-consumer model

Direct-to-consumer (D2C) is an approach where companies sell their products directly to consumers, eliminating intermediaries. Companies distribute their products via their own networks such as their own e-commerce websites, other e-commerce platforms, social media, or own branded retail stores. The D2C model gives benefit of taking the product to the consumer in a lesser period compared to traditional channels and gives a chance to directly engage with the consumers. Footwear sector has gained momentum in this model. D2C business model has increased opportunities for the organized and unorganized players to attract more customers with attractive offers and discounts by delivering the products in short span of time. Also, easy return policies also added benefits for D2C model.

Surging penetration of smart phones and low-cost internet data has lifted in online retailing. Several options of payment across various methods whether card, cash, wallets, and e-commerce transaction have slowly built comfort and security in the minds of the consumers. As the disposable income is increasing, and with ever increasing women employment also led to the growth of e-commerce. Pandemic has accelerated these changes and made companies and consumers alike to adapt to the online medium.

Women's footwear grows tremendously

With surge in the women workforce, the demand for women's footwear has grown enormously aided by growing household incomes and appearance of diverse occasions. The share of women's footwear has jumped from around 37% in FY15 to about 41% in FY20 and is expected to grow at 9% by FY25. Women's footwear segment entails more options thereby requiring to have more diversity and styles as compared with men's footwear. In India, women tend to place greater prominence on fashion than men and thus footwear purchase more often as compared to men. As household incomes have risen, spending on kids' products have also perceived growth. Furthermore, active participation in the

workforce, supported by an ever-growing population and urbanization in the country will fuel the sector growth.

Govt incentives

FDDI to train artisans making Kolhapuri chappals

The Footwear Design and Development Institute (FDDI), which comes under the commerce ministry, has taken up a task to upskill artisans engaged in manufacturing Kolhapuri chappals and help them connect with buyers to boost footwear sales in domestic and global markets. To promote Kolhapuri chappals, the government has already granted Geographical Indication (GI) tag to these footwear's, which are handmade. A 'GI' is primarily an agricultural, natural or a manufactured product (handicrafts and industrial goods) originating from a definite geographical territory. Typically, such a name conveys an assurance of quality and distinctiveness, which is essentially attributable to the place of its origin.

Make in India campaign

Footwear industry has been listed as a champion sector in 'Make in India 2.0' initiative of Indian Government. Government of India launched 'Make in India' campaign in 2014 to boost the manufacturing sector, promote foreign investments and reduce the dependency on imports with the primary goal of increasing the contribution of manufacturing sector to India's GDP to 25% by FY 2025. The government identified around twenty-five sectors where progress was possible in the short-term, and the likelihood of FDI was high. Some of the key sectors are leather, textiles, automobile and transportation, electrical and electronic systems, information technology, biotechnology, pharmaceuticals, energy, and tourism.

India footwear industry, being the 2nd largest producer of footwear globally, has benefitted tremendously with 100% FDI for leather products manufacturing via an automatic route. The government of India has also allowed 100% FDI in single-brand retail with a clause of 30% mandatory local sourcing. This, combined with the presence of multiple production centres in the form of Mega Leather Clusters (MLCs) with all required infrastructure, where investors can set up manufacturing units are some of the key reasons to invest in India. The preference for Indian footwear brands has also significantly increased due to the emergence of new and traditional brands keeping up with the latest trends. This has been possible due to an increased ease-of-manufacturing of Indian footwear industry.

Outlook

The dynamic lifestyle, evolving purchase habits and impact of social media, rapid changes in fashion trends, has influenced footwear industry in many ways. Further, active participation in the workforce, supported by ever-growing population and urbanization in the country will fuel footwear market growth in coming time. E-commerce, D2C and online sales channels and women's footwear are projected to experience the highest growth, owing to the increasing penetration of internet services among consumers and women's increased

employment. Sports and Athleisure products have also benefited from increasing consumer interest in exercise and sporting activity because of the health and wellness trend.