

Junior shoppers are now big business

With international labels now readily available, and trend conscious young customers and their parents ready to experiment, branded children's wear is making steady inroads into a Rs 17,000 crore market

Getting a five-year-old to wear what you want her to has never been so difficult. Anshu Datta, a class I student in Bangalore, knows exactly how she wants to look on her birthday, and will not settle for anything else. She needs a white frock with pink flowers, a hairband with a butterfly on it and a pink bag for the big day, and that too from a particular shop near her home.

Experts say increased exposure to the latest fashion trends, availability of international brands and designs and readiness to experiment are attracting young customers and their parents to high-voltage stores.

According to the latest Nielsen Global Luxury Brands Study, a stronger economy and the gradual opening up of the market have led to the emergence of affluent consumers who are ready to adopt the latest international fashion trends. Experts say this is particularly true of big cities.

It is the growing population of double-income, single-child families, and fashion-conscious toddlers and parents, that organized children's wear companies are trying to woo.

Experts say working couples with children spend 12-13% of their "discretionary" income on apparel.

Zahir Abbas, associate director of retail at **TechnopakAdvisors Pvt. Ltd**, a management consultancy firm, says discretionary income is what is left of the actual income of a household after basic spends such as house rent, electricity, grocery and other bills have been taken care of. Abbas says discretionary income could be around 50% of the total income.

Datta's mother, Anne, who is a consultant, says she does not mind indulging her only child, even if it means shelling out more money at a European retail outlet. "When I choose the best brands for myself, why should I refrain when it comes to my daughter?" she reasons.

Vineeth Nair, director of textile company **Raymond Apparel Ltd**, says: "Young parents, busy with their careers, compensate for the lack of time (spent) with their children by spending money on whatever their child needs-be it clothes or footwear. Clothing brands-both domestic and international-are able to understand this psyche, and plan to cash in on that." Raymond recently entered the sector with Zapp!

The children's wear market, excluding the school uniform segment, is estimated to be around Rs17,000 crore. Organized players have around 14% market share, with unorganized manufacturers continuing to hold sway. Affordability remains a crucial factor. But, with around 25% of the country's population under 12 years, and the children's wear market growing at a rate of 18% to 20% annually, apparel firms are vying to capture a bigger slice of the pie.

Lilliput Kidswear Ltd and the Gini and Jony label, owned by Lakhani Brothers, lead the market among national players in terms of turnover.

Other players include Weekender Kids, Ruff Kids, Li'l Tomatoes, Pooh, Catmoss and Little Kangaroo. Yet others, such as apparel chain **Koutons Retail India Ltd** and garment exporter and retailer **SP Apparels Ltd**, are planning to try their luck in the children's wear segment.

Spykar, a denim brand, launched its children's wear brand, OYO, in the third week of April. In the first phase, the company plans to open 30 exclusive stores, investing Rs15 crore. It is also looking at introducing the OYO brand in a few select multi-brand stores.

Along with the Indian players, international brands, such as Whoopi, Kanz, Harry Potter collections, Mothercare, United Colors of Benetton, Esprit, Milou and Walt Disney, have also launched their children's wear lines in the country, even as high-street names such as Tommy Hilfiger are readying to step into this high-volumes market.

Unlike around a decade ago, when siblings could be seen wearing similar clothes, children these days are spoilt for choice-jeans, trousers, corduroys, capris, shorts, skirts, knickers, T-shirts, shirts, jackets, frocks, midis, spaghettis, swimsuits, and more. In addition, established players are putting their brand names on accessories such as eyewear, bangles, neck pieces, bags, belts and hairbands.

Lilliput is one company that is going this route to attract more customers. It is introducing accessories such as neckwear and bangles for a complete, coordinated look for girls. The company says it is currently working on a line of stationery, pencil boxes and lunch boxes.

Again, to woo children, Zapp! has introduced loyalty programmes. Besides collecting redemption points on every purchase, there are other attractions such as free birthday cakes.

Lilliput issues gold and silver cards to its customers. A gold card is issued when a customer makes a single-time purchase of more than Rs5,000. With a gold card, one can avail a 12% discount on subsequent purchases, says Lilliput managing director Sanjeev Narula.

Prateek Lifestyle, which has brought German brand Kanz to India, plans to launch a loyalty programme for it in October, near the festival season.

Mothercare-the UK children's wear brand-offers facilities such as home delivery, gift vouchers, safety advice leaflets and seasonal catalogues to customers. It also provides baby change and nursing rooms at its outlets, all to make customers feel comfortable and, thereby, win their loyalty.

However, it is not all rosy in the children's wear segment. Organized retailers face stiff competition from their unorganized peers and pricing remains a crucial factor. Retailers say the biggest roadblock they face is the perception that branded apparel is expensive and is meant for people with deep pockets.

Sanjay Dalmia, president of Prateek Lifestyle, points out: "There are a lot of foreign brands in India, but none of them have been able to price their products affordably. This is the most nt deterrent for all foreign brands. The import duties are directly loaded on to theimporta customers, hence making the garment unviable to a large extent."

Vidya Narayan, mother of a five-year-old in Bangalore, says: "I bought a frock for my daughter for Rs580 from a local shop here. The same frock was available for Rs899 in one of the malls. Why should I get myself into a store, the so-called branded ones, where I am bound to be fleeced?"

Organized players agree that their prices are higher than the open market garments by 10-15%. However, they say, better quality standards justify the difference. "Our T-shirts start from Rs249, while a pair of jeans comes for Rs999. The bulk of our merchandise is priced between Rs399 and Rs499. We have a team of designers who design our clothes and ensure that only high-quality fabrics are used for making clothes. No harmful colours or dyes are used in our products," says Nair.

Open market retailers refuse to buy that. They say "reasonable" prices will remain their strong point. "Which mother would like to buy a sub-standard garment for her child? Our clothes have as much shelf life as any other branded one. Our prices are so reasonable that you can buy two products for what you spend to buy one in those fancy shops," says P. Krishna, proprietor, Arthi Wears, a retail outlet in Bangalore.

Over the years, two sub-segments have emerged in this market-the 0-7 age group, where the mother buys for the child; and the 8-12 age group, where kids are quite brand and style conscious and know what they want to buy.

Prateek Lifestyle's Dalmia says smart dressing is in play nowadays. Children, as well as parents, are looking for finely-fitted, subtly embroidered and designed clothes. Buyers are not looking for an "overdose" of designing and embroidery, which was considered apt for kids a few years back, he adds.

When it comes to buying, more clothes and accessories are bought for girls-there is more variety. Bright colours sell better than what Dalmia calls English colours (pastel shades), and red and yellow dominate. Unconventional patterns, silhouettes and garments are more popular than the traditional shirts and trousers; they have more novelty value. Boleros, harem pants and balloon skirts are more popular with designers borrowing from Bollywood.

Organized retailers, however, are not just content with tier I cities. They believe a huge customer base is waiting to be tapped in tier II and tier III cities. Cities such as Jaipur, Chandigarh, Bikaner, Kochi and Kozhikode are expected to see a lot of action on this front.

Low awareness about branded clothes and availability of low-priced garments are major issues in these areas, though.

"Customers in metros, who are aware of international trends and know how children dress up abroad, may be open to the idea of branded apparels, but customers in tier II and tier III cities, where brand penetration has been low, may not have the same approach. There is only a level to which you can be accepted there," says Kamal Gupta, vice-president of retail at Lilliput.

The opening of malls in smaller cities is expected to expand their reach, say retailers. They say shop-in-shops could be the first step.

More home-grown companies are also going abroad. Lilliput is trying for 25 stores in the Gulf region by the first quarter of 2009. The New Delhi-based apparels company already has a store each in China and Egypt, and plans to open five more in Egypt and 50 in China.

"A product, which in India is sold at \$15, fetches \$20 in the Gulf and \$25 in China. Higher margins are certainly a lucrative proposition for us. Besides this, the exposure to foreign markets will help us access better technologies and gain expertise," says Lilliput's Gupta.

Raymond's Zapp! plans to retail in West Asia, Russia, Australia and Far East by next year.

So, demand for branded children's wear is only expected to grow. "Conversion of footfalls into buying is much higher in a children's wear shop. Besides this, the net margin in children's apparel is more than 20%, whereas for adults it is between 16% and 18%. (The) children's wear segment will grow faster than the adults' garments market, but prices have to be kept within an affordable range," says Abbas.

According to Abbas, success has been slow but sure, and no company has exited the segment in the last five years. The only exception was Weekender Kids, which was acquired by **Primus Retail** from **Gokaldas Images Pvt. Ltd** last year.

In the coming years, say experts, all apparel brands for adults will come up with children's lines. They even foresee an exclusive children's wear mall in the country soon.

Having an outlet exclusively for children has become a necessity at malls. Retailers such as Shoppers Stop, Central Group and Westside have dedicated floor space at their outlets for toddlers to provide a complete shopping experience for the entire family.

"If you look at brands abroad, you will see that any brand which caters to both men and women has a children's line. We have a lot of international menswear and womenswear brands in India right now, so a kids' range will follow automatically," says R. Shivaram, executive director, **Royal Classic Group**, a Tirupur-based textile company, which owns the Classic Polo brand.

Source: livemint.com, May 4, 2008