

# Apparel Retail Industry

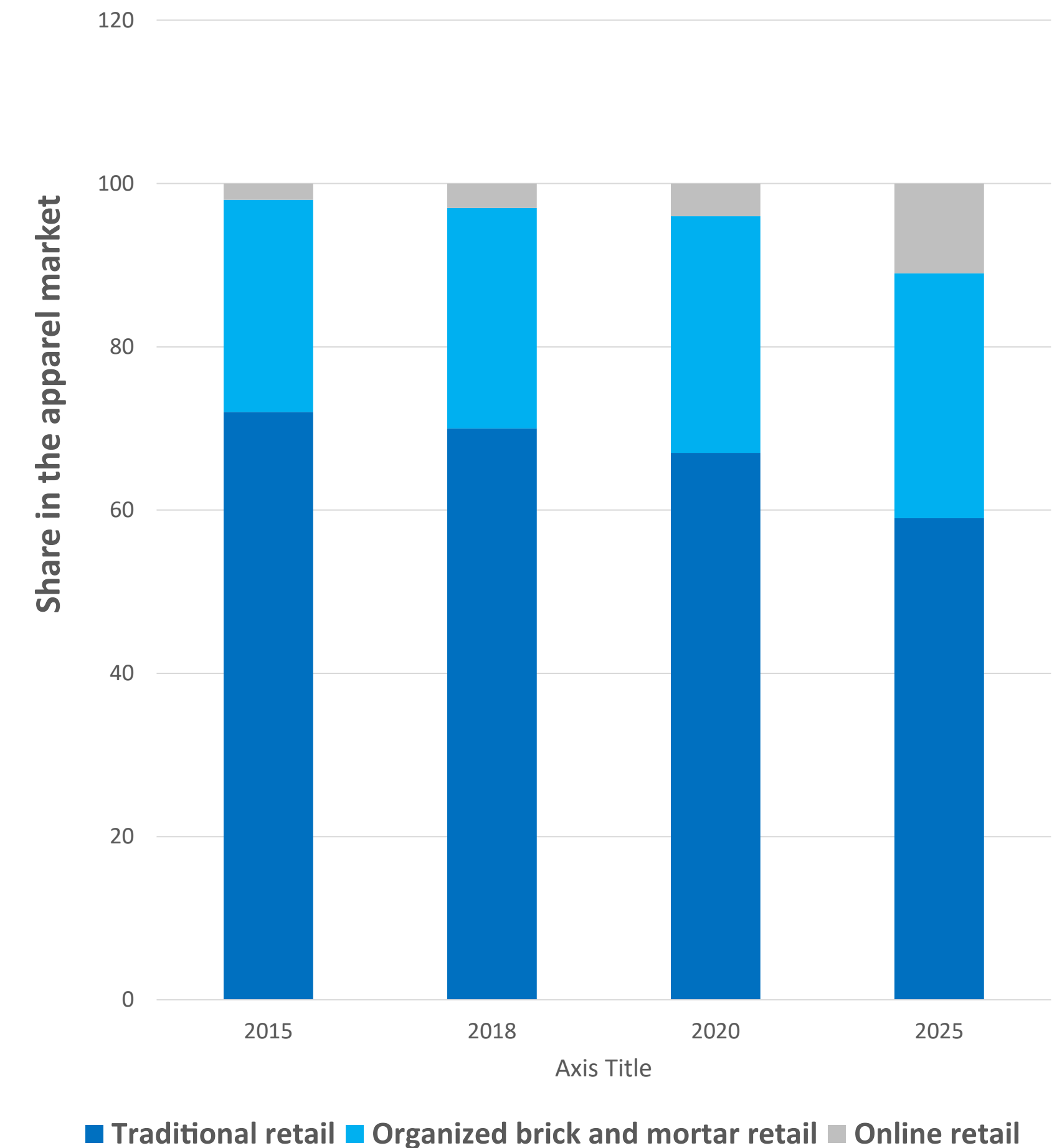
*in India*

The earliest surviving Indian cotton threads date back to around 4000 BC? That's more than 6000 years ago! Back then, India's textiles were so central to our identity overseas that in ancient Greece and Babylon the very name of 'India' was shorthand for 'cotton'.

Today, that identity with fabrics remains as strong as ever for India, with the domestic apparels and textiles market estimated to have grown to **US \$75 billion** in 2020-21, of which Apparel constitutes nearly 73% share.

If reports by Statista are anything to go by, then the Indian apparel retail market is expected to reach **US \$88.48 billion** by the end of 2022 and a whopping **US \$106.93 billion** by 2026. And if India manages to attain the projected **US \$88.48 billion** till 2022, then it will make our country the third largest apparel retail market globally.

We believe that India can easily reach those numbers because the potential to build that kind of business does exist. A decade or so ago, the apparel retail industry was in the early stages of consolidation; sales were largely concentrated around metros and other urban areas. But today, as urban lifestyles and services spill into the hinterland, rural consumers are adding their weight to the 'spending' population, and consequently, Tier I and Tier II cities are turning out to be the fastest growing geographies for apparel companies.



## Pace of Recovery



Subsequently, the unorganized apparel market has started shrinking as more and more people are consuming branded products both offline and online.

In the last couple of years, recovery in all the apparel categories was impacted negatively. However, the pace of recovery for each category was different.

In March 2022, the apparel sales in India grew by **26%** compared to what it was during the same period last year, most of which came out of non-metro cities.

Increasing consumerism, smartphones and online marketplaces have all encouraged non-urban consumers to explore various ways of making a purchase, however, in-store retail remains the most popular, because customers can 'touch & feel' the garment before buying. However, making sure that the right kind of apparel is available at the right price points in the right geographies is easier said than done.

# Unique Challenges in Apparel Retail

How many SKUs of shampoos, soaps, deodorants, body lotions, talcum powders, conditioners, hair serums etc do you think a typical FMCG salesman of a personal care company sells when he visits a kirana shop? Maybe 10-15? In most cases, the salesman has a fair idea of which outlet will buy which products, and he is, therefore, able to punch in the order quickly and move on to the next outlet in a matter of minutes.

But change the landscape from FMCG to Apparel Retail, and suddenly you get an industry where the goods have practically no expiry date, SKUs are upwards of a few thousand, and the styles keep changing every few months.

With such a unique set of challenges, and in such a dynamic retailing environment, where trending fashion and styles command the pace of apparel retail, **how can an apparel company hope to get FMCG-like traction to build a greater field presence?**

To understand that, we'll need to first recognize the unique challenges that underscore the Apparel Retail industry in India:

## 1. The nature of the industry is Unorganized

From the beginning, the apparels industry has been developing in a haphazard fashion. Apparel Hubs that emerged in different parts of the country 50-60 years ago still retain their dominance. E.g. Kolkata is known for kids' garments, Tirupur is known for knitted cottonwear and undergarments, and Ludhiana is known for garments.

To date, the biggest mass-appeal apparel brands in India operate under an unorganized distribution environment. However, things are changing with the onset of technology.

The mid-segment brands, though, still don't use SFA or any other automation. Their working culture is also different because they operate under the 'agency' model- an agent takes bulk orders from the distributors and then passes them on to the manufacturing company. Once the goods are sold to the distributor, the brand is not concerned with where to whom and in how quantity is the distributor selling those apparels ahead.

## 2. Managing Huge Product Masters

In apparel, products have a high number of attributes, like colours, sizes etc. Manually managing an ever-changing list of so many products is a very cumbersome task.

*E.g. In the apparel industry, fashion is a category. However, fashion usually changes every 7-8 months or sometimes, even within 3-4 months. In that case, the company stops production of the items that have been phased out and discontinued. However, these items continue to exist on the master list. This is a pretty common phenomenon in apparel where the brand has no visibility on what is running right now and what is no longer in production. That significantly clogs up the backend (with respect to raw material, manufacturing, production planning etc) and reduces supply chain efficiency.*

### **3. Too many SKUs, too few Outlet visits:**

The Apparel Industry has one of the highest numbers of SKUs compared to other consumer goods. For example, Haldiram's might have close to 700 SKUs but Jockey, India's leading brand in innerwear and athleisure has a whopping 25000 SKUs!

For the salespeople in the apparel industry, managing – and selling- such a gigantic list of SKUs is extremely time-intensive. They have to carry 50-60 samples with them to show at every outlet. Each outlet visit lasts at an average of 45 minutes because there are so many categories, styles, colours and sizes to choose from, so the SOs are unable to cover a large number of outlets per day.

### **4. Managing Huge Product Masters:**

Selling Apparels is not the same as selling shampoo- In the FMCG business, selling soap or shampoo is relatively easy, because the benefits are largely understood but in the apparel industry, product training is very important. The sales team is trained on the fabrics, textures, patterns, care instructions, the durability of the garments etc. Companies constantly share videos about new styles, how product pairing can be done etc.

*E.g. with a particular shirt, there are various pants or ties that can be paired with it.*

### **5. Different Sales teams for different categories:**

In the majority of FMCG companies, the same team of SOs sells all product categories. However in the apparel industry, there are multiple categories like womenswear, menswear, kidswear, thermals, innerwear, socks etc. and a large number of SKUs in each (since each style will have a variety of colours and sizes), so each category has a sales team of its own. This makes it difficult to understand if the potential of all outlets as well is being utilized fully.

## 6. Tracking Secondary Sales is difficult:

Traditionally, distributors were the last stop for apparel manufacturers. As Vineet Aurora, CEO of Bonjour says, *“Ten years back, our visibility stopped at the distributors. We didn’t even know any of our retailers except maybe in Delhi. So we were completely dependent on the ground staff for moving our products down to the retailers.”*

Secondary sales were never a huge focus because as long as the distributors bought their products, they would make sure they moved the inventory further down the supply chain. However, today apparel brands want visibility across their retailers, who’s buying what and how much, but unfortunately, they are unable to get this done within their existing resources.

## 7. No real-time visibility of on-field data:

Since different product categories are sold by different teams, it is challenging to collate all that information together at a business level. The next challenge is sharing that data with the sales leadership for them to take any sort of strategic or on-field decisions.

As Vineet Aurora explains, *“Earlier, we used to have the sales reports couriered to us at the head office. That took away precious response time. A decision that ideally should have been taken the same day sometimes took a week, and by then it was too late.”*

## 8. Data Manipulation by Distributors:

This is not so uncommon in the apparels industry. Some distributors fudge the data and it is very difficult for brands to physically check the opening and closing stock with every distributor every month. Some companies ask distributors for the Monthly Redistribution Report and get that signed and stamped by the distributor. But in the end, whatever numbers the distributor claims are taken at face value by the company.

*Says Manoj Sharma, who has formerly worked with Enamor, Jockey and Dixie, “Once we had launched a scheme where 100 pieces sold had 5% commission, 200 pieces had 8% and 300 pieces had 10% commission. We could see a dealer base of 100 but were surprised that only 15 dealers participated in the scheme. Only when we brought in SFA as well as DMS, did we see the numbers suddenly go up from 15 to 60! That’s when we realized that distributors were earlier clubbing 100-piece orders of multiple dealers into a single order and availing the 8% and the 10% schemes.”*

# Uniqueness of Apparel Industry's Sales & Distribution



## Smaller outlet universe than FMCG

Unlike FMG where outlets differ from mom & pop, roadside vendors, hawkers in buses and trains, paanwaalas, chemists, and even stationery shops etc, the universe of outlets in the apparels industry is much smaller.



## 2 kinds of stores

EBO (Exclusive brand outlets) and MBO (Mixed brand outlets) – typically SOs don't visit EBOs since they are company outlets and information flows directly to the brand. MBO outlet visits are usually done monthly or fortnightly.



## Distributors holds way

The distributors' hold on the apparel company is very strong since they are the ones who choose which styles, patterns, designs etc will get picked to send out in the market.



## Persona-based outlet categorization

Each persona has certain styles that are mandatorily mapped to it – which means the SO must sell those styles to that outlet.



## Drop size per outlet is much higher

in apparels as compared to FMCG.



## KPIs are not as aggressive as FMCG

Ideal number of Total Calls is 12 –15 and 6-7 for Productive Calls because of smaller outlet universe and longer call time.



# Uniqueness of Apparel Industry's Sales & Distribution



## Frequency of buying amongst customers is lower

Eg a customer might buy a Rs 10 pack of bhujia 4 times a month, but buy 1 shirt maybe once in 6 months.



## The sales game is not in volumes on margins

since consumers don't buy apparels that often, the sales focus, unlike FMCG, is not on volumes but on margins.



## Duplicacy of Outlets

Since there are different sales teams for different categories, apparel outlets get visited by 4-5 different salespeople from the same company. Since each division creates its own outlet, many apparel companies are plagued by a huge number of duplicate outlets in their outlet universe.



## Different Product Placement based on outlet location

Product placement on shelves or in the window changes depending on the shop location – e.g. if the store is on the ground floor, then there is a specific set of SOPs for product placement. If the shop is on a raised ground floor, then a different SOP comes in place because the angle of visibility of the shop window from the road changes, and therefore product placement as well as POP material placement also changes.



## Skill Set of Salespeople is different

Because the approach to selling, and managing relationships with retailers is different in apparels, it is not common to find people from, say, an FMCG industry hopping to the apparels business.

# How Technology is **changing** the face of **Apparel** **Retail** in India

Despite the fact that the apparels industry has seen a lot of digitization and automation like computerized data monitoring, computer-aided designing, automatic fabric spreader, automatic fabric cutters, high-speed sewing machines, advanced pressing and finishing machines, etc., the sales and distribution part of it has started going digital only recently. The unique challenges and insights mentioned above make it difficult for technology companies to cater to them with industry-specific solutions.

FieldAssist is a new-age new-age, end-to-end, SaaS-based sales and distribution technology platform that offers a full-service sales automation solution that is custom-created, keeping in mind all the challenges and issues that are specific to the apparel retail industry.

Here are some ways our automation solution is changing the way apparel companies are transforming their Go-To-Market strategies:

# 1. Easy management of Product Masters

Easy management of Product Masters: Almost every apparel company has SKUs running in the thousands. To manage this massive number of SKUs is a manually demanding job, one which requires frequent updates. The FieldAssist app allows a brand to easily create primary categories and then assign multi-level bifurcations to create validated product masters.

For e.g., if the Primary category is top wear, then:

- i. L1 bifurcation- Shirt
- ii. L2 – Collared, Shirt
- iii. L3-Collared, White, shirt
- iv. L5 – Collared, White, shirt, XL
- v. L6 – Collared, white shirt, XL, single pack

Product Masters stay updated in real-time and can be easily updated whenever an item goes out of production or is newly launched.

*One of the biggest innerwear companies in India, and our closest apparel customer shared this with us- “ Our users were so impressed by the UI of our platform that we have asked our DMS partner also to offer exactly the same functionality in their app.”*



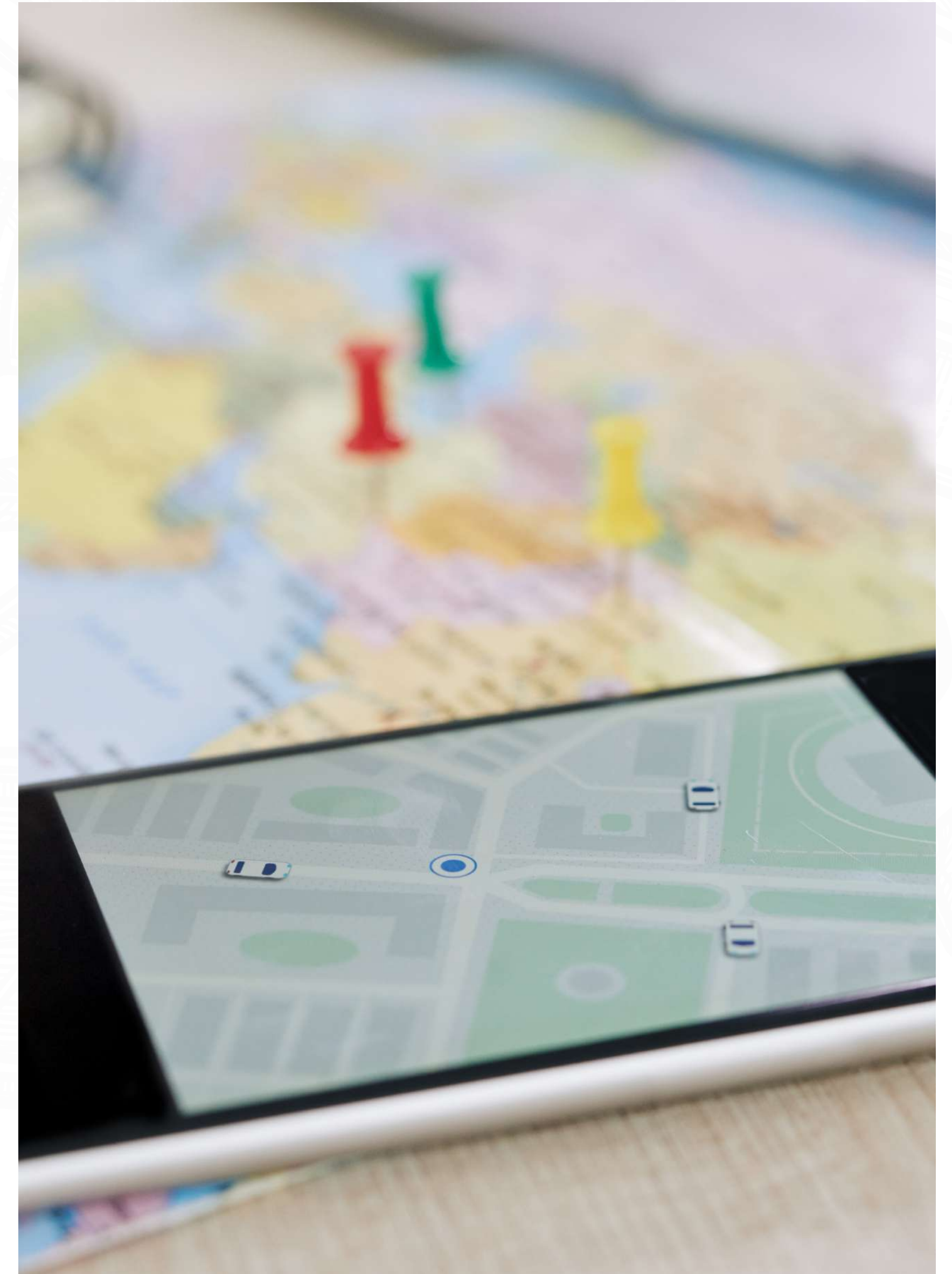
## 2. Catalogue-based order booking

With the FieldAssist app, brands can display up to 25,000 SKUs on our Digital Product Display. With an easy-to-navigate digital brochure, salespeople no longer need to carry samples or bulky printed brochures to showcase their collections. Also, the brand doesn't need to print new brochures every time new SKUs get added.

## 3. Analytics-based Route Planning

This is a revolutionary module from FieldAssist for this industry because it has never been done before. As mentioned before, there are separate sales teams for different product categories. Therefore each team has its own list of outlets and their own routes. A lot of times the same outlets get visited by different teams and that leads to outlet duplicacy. To avoid that, FieldAssist offers analytics-based Route Planning.

**Companies can create beats across business lines and further create different route plans within the beats by combining outlets from multiple beats!** Therefore each beat will contain all outlets from a particular area, and each route will be unique to each product category. No outlet duplicacy. No incorrect data!



## 4. Higher on-field efficiency

With GPS-authenticated field visits, you can ensure maximum coverage by your sales team.

- a. Managers can monitor live movement and also non-retailing activities like 'on leave', 'distributor visit', 'meeting' etc.
- b. Managers can approve route change requests via OTP, which helps them keep track of exceptions in market coverage.
- c. With the Dynamic No Sales Reason, salesmen can present the 'No Sales' reason to their business. This can help managers assess possible lacunae or red flags for why business is low in certain outlets.
- d. The Joint Working module helps managers assess the on-field performance of the frontline sales team and take on-the-spot measures wherever required.
- e. With our FA Battleground module, brands can use gamification around the critical KPIs to improve sales performance and bring a sense of competition and excitement to the team.



## 5. Visibility on Secondary Sales

The traditional approach for doing business in the apparel business was to focus on primary sales because if primary sales happen, secondary sales will happen automatically. Now, in the last 5-6 years, we've seen industry leaders taking an FMCG-type of approach of focusing on secondary sales because they believe if secondary sales happen, then primary sales will happen automatically. This 180-degree shift in mindset is why the apparel retail business is seeing a huge wave of transformation. The sales game is now around not losing sight of primary while reviving the secondary simultaneously.

- Using the Beat-o-meter module, brands can optimize their beats by segmenting their outlets into New outlets, Active, Dormant, to-be dormant, Never visited etc. This will help the sales team members get better visibility on which outlet should have how much visit frequency or which outlets (which are not buying from them frequently) need to be prioritized.

## 6. Deeper Market Intelligence & Data analytics

With real-time data available to companies straight from the field, they can capture market intelligence on critical parameters like competitor activities, customer feedback and retailer suggestions etc. Authentic, first-hand data like this help brands drive highly effective marketing campaigns.

For data analytics, managers get daily sales reports, which offer drilled-down category-wise, geography-wise, SKU-wise, beat-wise, and outlet-wise data. They can easily create and download reports on key KPIs they want to track like Time spent per Outlet, Zero Sales outlets, Distributor / Retailer stock reports, Survey Reports etc. to take very targeted decisions and improve efficiency in the retail market.

*Says Manoj Sharma, "Enamor clocked a 2x business growth when they implemented the SFA because they now had visibility on the reach and depth of distribution."*

## 7. Stronger relationships with Distributors

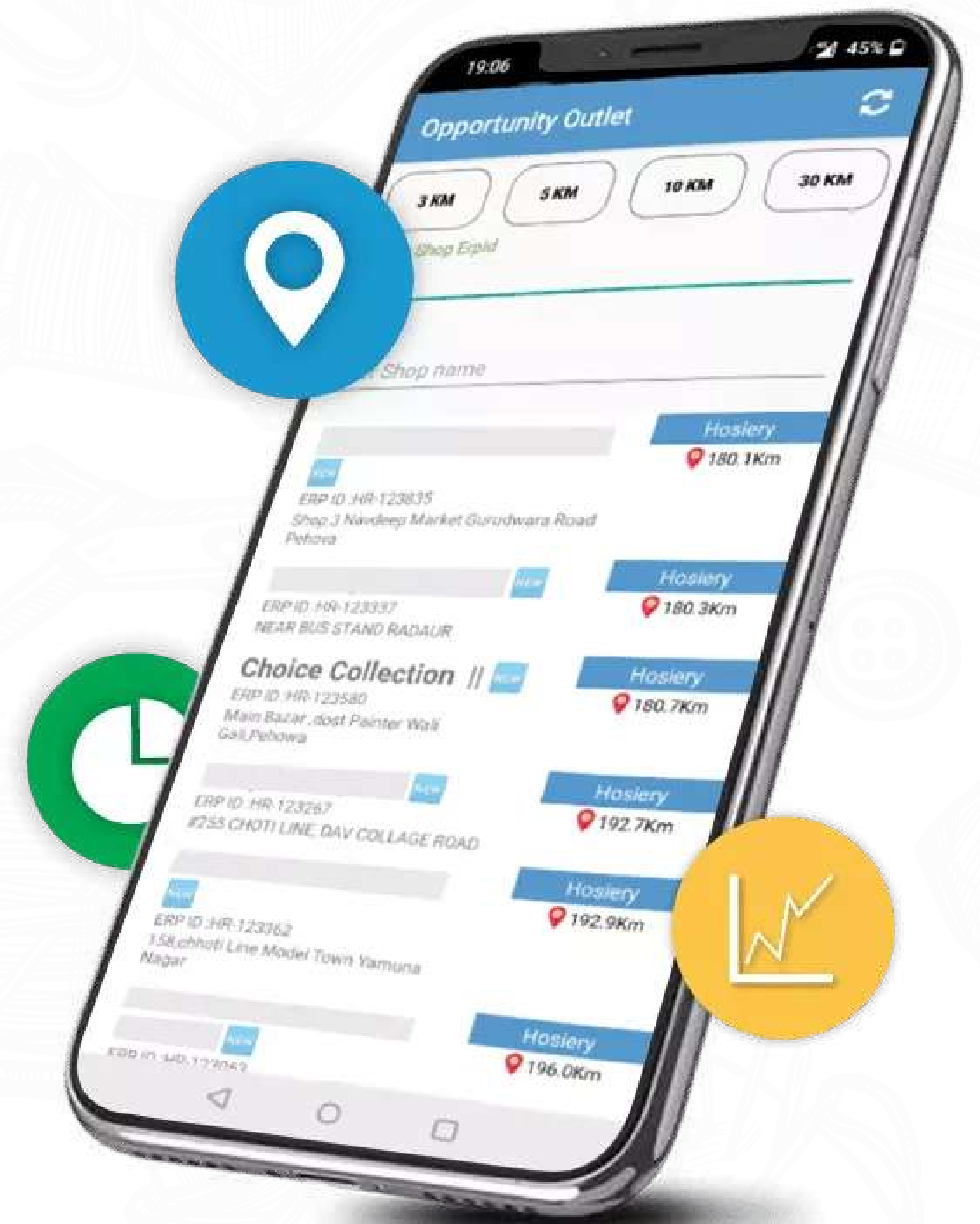
Because of greater data transparency, distributors are more disciplined today. They are able to understand how they can use trends and analytics to grow their own business.

As an industry expert points out, *“The oldest distributor for the biggest innerwear company in India is in Gorakhpur. He has been with the company since 1998, and today his daughter runs the business. These second-generation young, technology savvy entrepreneurs understand the importance of technology and are very happy to adopt it.”*

## 8. Near Peer

This is again an innovative feature from FieldAssist, that allows companies with multiple sales teams to maximise their outlet potential. Here is how it works.

An apparel company may have multiple sales teams that visit the same area for selling different product categories, but if a team doesn't cross-sell its category in outlets that keep other categories but not theirs, then it is losing significant potential revenue. With Near Peer, all team members get access to all other outlets in their Master list (*which are not mapped to their own product category*), allowing them to identify 'new' stores within their own outlet universe to sell their own category.





We work with some of the biggest names in the apparel industry today, and we've been privy to some absolutely pathbreaking, innovative work that's going to completely change how apparel retail will look in the next couple of years. But for the Indian apparel industry to become a **\$100 billion industry** by 2026, your retail sales need some serious, cutting-edge technology amplification. Most of the companies have already jumped on. Let's give you a hand too. Jump onboard !!

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