



*IIMC CASE RESEARCH CENTRE (IIMCCRC)*

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## VAN HEUSEN- THE JOURNEY OF A BRAND

It is April 2014 and the after completing a testing year, in terms of sales growth, the entire marketing team responsible for Van Heusen at Madura Fashion & Lifestyle (MFL) is sitting at their headquarter in Bangalore pondering over the single digit growth rate for the first time. The major concern for Mr. Vinay B. is the declining Brand Equity Tracks which includes Brand Equity (BE) scores and Consumer Value Proposition (CVP) Scores. He noted that though the brand has been growing consistently over 20-25% in the last decade, these scores are the smoke signals for challenges which the brand Van Heusen is going to face in future. Vinay and his team have its task cut out in finding ways of rejuvenating the brand Van Heusen and portray a sharper and consistent brand imagery amongst its target group. They knew that to achieve this, they need to look at some solid options going ahead.

### INDIAN APPAREL INDUSTRY AND COMPETITIVE SCENARIO

The entire Indian apparel industry which was projected to be INR 154000 crore in 2009 is highly fragmented and is 9th in the world<sup>1</sup> in market size with China and Japan being the biggest markets. It is the fragmentation and the high share of unorganized business (nearly 86%) which makes the predictions more challenging. The rural market which is estimated to be 69000 crores is the most fragmented market with low addressability in merchandise and price-point perspective and at the same time have a very high Regional Tailor Shop (RTS) share. Within the urban market, the uniform is expected to be 10% (8500 crores) which again is highly fragmented, and RTS dominated leaving only 74500 crores as the addressable market (See

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<sup>1</sup> Source: VH Market Research and Analytics

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annexure-1-a, 1-b, 1-c, 1-d, and 1-e). While the Indian apparel industry is expected to grow at 11.4% roughly to reach INR 288880 crores by the end of fiscal year ending 2015, the share of the organized market is expected to reach 25%. The organized apparel industry is anticipated to grow at 28% from INR 35000 crores (approx.) to closely 73000 crores. Urban market is supposed to see a rapid growth with increasing workforce and so is the addressable market size (CAGR of 12.1%) ending up with 145000crores and 85000 crores respectively.

The market structure for the apparel industry is typically 37.5 % womenswear, 43% is menswear and 18.5% kidswear. While it is true that womenswear is dominated by ethnic and salwar-kameez, but there is shift which is happening in women's wear also. With more women coming into the workforce, we can clearly see women as a segment within the addressable market is gaining parity with men as a segment at roughly 38% share of the pie. Another trend over the last 5 years is that Western wear in women is undergoing considerable growth.

The Apparel market which majorly consists of clothing and footwear in India is highly fragmented. None of the branded apparel firms has a significant market share as the unorganized players dominate it. Footwear and sportswear are driving the growth for the apparel as a category; it is no surprise that major brands are launching their footwear, accessories, and casual wear range. Casuals have seen an upsurge as there is a rise of the younger workforce across industries, rise of ITES industry, exposure to US culture, and entry of international casual brands like Tommy, US Polo, Gant, Nautica, etc. As more and more organizations become flatter and teams socializing beyond office hours savoring the success of each other, clubbing and partying among office team members would be more frequent leading to gaining prominence of casuals.

There are basically 4 large segments in apparels in India: 1st is typical brand like Van Heusen, Louis Philippe, Arrow, etc., 2nd is Retailer brand like Shoppers Stop, Zara, Mango, etc. 3rd is the typical Regional brands or the tailors, etc. 4th are designer brands which are very niche and generally very expensive e.g. RohitBal, Armani, Ritu Kumar, etc. The 4th segments are not much in formals but occasional wear and are more into womenswear.