CHAPTER I
INTRODUCTION

1.1 Historical background of Footwear:

The history of the use of Footwear by human kind can be traced back to the ice age about 5 million years ago. Due to unkind weather conditions the need for footwear started growing. Other evidences show that footwear came to use at the end of the Paleolithic Period, at about the same time the early humans learned the art of leather tanning. Earlier footwear was made of wrappings of dried grasses and only later on the art making footwear from pieces of leather was developed. Until the mid-nineteenth century shoes were made as straights i.e., there was no distinction made between the right and left shoes (Veres, 2005). The left and right footwear were identical and hence could be worn on either foot. Only prolonged usage shaped them into right and left boots. The right and left shoes were invented by a fashionable boot maker, William Young from Philadelphia in 1800. The first crafted footwear is the Sandals, which are known to be the successors to these wrappings. In India these Sandals were called as Padukas, which were mainly worn by the Saints.

Over centuries many varieties of footwear were made in the Himalayan region in order to protect the feet from cold weather. Footwear was made of leather, wool or remains of the plants. Since most part of India is warm, footwear was not a necessity and therefore Indians were barefooted for many years. Innumerable references to foot worship in Indian culture convey the impression that the foot is regarded as an important part of the human body. Touching the feet of elders was considered as the height of good manners. It was considered as a civilized behavior (Viswam S, 1997). Until half a century ago, India was described as a barefoot country. They were characterized by such toughness of foot that they can travel for long distances without any discomfort. It seems likely that the cultural adjustments lead to the adoption of footwear. Furthermore, the ascetic Hindu, Buddhist and Jain sects were not generally permitted the worldly luxury of footwear. Therefore footwear was considered as a luxury until half a century ago. But even then India was known for its traditional craft of footwear making.
The Indian Footwear sector is a promising one with tremendous opportunity for growth both in the international and domestic market. With low production cost, abundant supply of raw material, evolving retail system, buying patterns and huge consumption market, this sector is posed to grow to great heights. But this market is highly fragmented. The unorganized sector dominates the industry posing a threat to the organised players. The Indian consumers have become more discerning these days. The double income stance, increased disposable income among the urban middle class, brand and fashion consciousness due to globalisation have all led to changing lifestyle of the Indian consumers.

1.2 The Indian Footwear Industry:

India being a country of artisans is known for its traditional craft of footwear making. Some of the traditional footwear created by village craftsmen include leather chappals in Kohlapur, embroidered Juttis in Jodhpur, Indo-Tibetan felt boots in Sikkim and vegetable fibre shoes in Ladakh. The industrial policy 1967 reserved the leather industry including footwear only for small scale sectors. It was only during the mid 1970s, 100% export oriented footwear units in large scale sector were promoted. From June 2001 onwards the Government of India de-reserved the leather sector.

Fig 1.1: Footwear exports in the past four decades (in million US $)

Source: Council for leather exports, (Sponsored by the Ministry of Commerce and Industry, Govt. of India)
During the past four decades starting from the year 1981 – 1982, the export of footwear from India had increased tremendously. Though India has a negligible proportion of exports in world trade, it is the second largest producer of footwear next to China. India accounts for 14% of the global annual footwear production of 14.52 billion pairs. India manufactures around 2065 million pairs of footwear every year of which 909 million pairs are made of leather, 1056 million pairs of non leather footwear and 100 million pairs of shoe uppers. Nearly 70 percent of the labour constituting around 15 lakh people are employed in the unorganised sector majority of them are rural artisans, cottage and household units, while the organised sector accounts for remaining 30 percent and employs over 5 lakh people.

Table 1.1: India’s Share of Footwear Exports in the Global Scenario (in million US $)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Imports</td>
<td>73795.96</td>
<td>81574.25</td>
<td>88731.08</td>
<td>78249.66</td>
<td>91373.82</td>
</tr>
<tr>
<td>Exports from India</td>
<td>1236.91</td>
<td>1489.35</td>
<td>1534.32</td>
<td>1507.59</td>
<td>1758.67</td>
</tr>
<tr>
<td>Exports from China</td>
<td>21014.63</td>
<td>24181.69</td>
<td>28115.96</td>
<td>26571.20</td>
<td>33665.11</td>
</tr>
<tr>
<td>% Share of India</td>
<td>1.67%</td>
<td>1.82%</td>
<td>1.72%</td>
<td>1.92%</td>
<td>1.92%</td>
</tr>
<tr>
<td>% Share of China</td>
<td>28.48%</td>
<td>29.64%</td>
<td>31.69%</td>
<td>33.96%</td>
<td>36.84%</td>
</tr>
</tbody>
</table>

Source: Council for leather exports, (Sponsored by the Ministry of Commerce and Industry, Govt. of India)

Compared to China, India’s contribution to the global market is negligible. The major market for China’s footwear is United States. The reason can be attributed to automation of the footwear industry as a result of which, China has the capacity to respond to mass standardized order whereas the Indian footwear Industry has the capacity to serve only medium or small scale orders. Due to reliable quality, China is able to serve the high priced discount retail stores in United States. But India is able to serve only medium sized price driven markets. Furthermore the Indian footwear designs are not innovative and fashionable as compared to the Italian footwear designs. The slow growth in the international trade can also be attributed to negligible availability of branded products. In India most of the footwear manufacture takes place in the unorganized sector, which is another drawback to promote the products in the international market.
Table 1.2: Footwear Exports from India to other Countries (in Million US $)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>217.23</td>
<td>246.84</td>
<td>229.65</td>
<td>224.3</td>
<td>286.7</td>
<td>353.77</td>
<td>17.03%</td>
</tr>
<tr>
<td>UK</td>
<td>208.2</td>
<td>241.37</td>
<td>247.06</td>
<td>296.45</td>
<td>339.65</td>
<td>360.48</td>
<td>17.35%</td>
</tr>
<tr>
<td>Italy</td>
<td>186.11</td>
<td>229.81</td>
<td>221.09</td>
<td>210</td>
<td>219.72</td>
<td>219.79</td>
<td>10.58%</td>
</tr>
<tr>
<td>USA</td>
<td>127.15</td>
<td>136.92</td>
<td>163.03</td>
<td>143.6</td>
<td>183.1</td>
<td>183.1</td>
<td>8.81%</td>
</tr>
<tr>
<td>France</td>
<td>99.81</td>
<td>116.03</td>
<td>119.2</td>
<td>144.56</td>
<td>154.95</td>
<td>159.27</td>
<td>7.67%</td>
</tr>
<tr>
<td>Spain</td>
<td>64.57</td>
<td>76.69</td>
<td>91.86</td>
<td>95.94</td>
<td>112.05</td>
<td>113.85</td>
<td>5.48%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>48.57</td>
<td>72.91</td>
<td>76.2</td>
<td>65.13</td>
<td>78.19</td>
<td>101.72</td>
<td>4.90%</td>
</tr>
<tr>
<td>Portugal</td>
<td>35.03</td>
<td>37.34</td>
<td>28.21</td>
<td>22.63</td>
<td>25.69</td>
<td>28.77</td>
<td>1.38%</td>
</tr>
<tr>
<td>UAE</td>
<td>34.64</td>
<td>39.23</td>
<td>39.4</td>
<td>39.45</td>
<td>41.82</td>
<td>62.06</td>
<td>2.99%</td>
</tr>
<tr>
<td>Denmark</td>
<td>14.65</td>
<td>17.48</td>
<td>14.78</td>
<td>17.01</td>
<td>16.55</td>
<td>24.3</td>
<td>1.17%</td>
</tr>
<tr>
<td>Australia</td>
<td>10.11</td>
<td>12.52</td>
<td>13.34</td>
<td>15.5</td>
<td>12.82</td>
<td>15.59</td>
<td>0.75%</td>
</tr>
<tr>
<td>Sweden</td>
<td>7.99</td>
<td>12.04</td>
<td>12.64</td>
<td>12.2</td>
<td>12.07</td>
<td>14.08</td>
<td>0.68%</td>
</tr>
<tr>
<td>Canada</td>
<td>10.91</td>
<td>10.41</td>
<td>8.96</td>
<td>9.3</td>
<td>10.56</td>
<td>15.01</td>
<td>0.72%</td>
</tr>
<tr>
<td>South Africa</td>
<td>12.11</td>
<td>8.52</td>
<td>8.49</td>
<td>9.87</td>
<td>11.33</td>
<td>14.75</td>
<td>0.71%</td>
</tr>
<tr>
<td>Japan</td>
<td>3.07</td>
<td>4.63</td>
<td>8.23</td>
<td>5.45</td>
<td>7.51</td>
<td>14.63</td>
<td>0.70%</td>
</tr>
<tr>
<td>Others</td>
<td>156.76</td>
<td>226.61</td>
<td>252.18</td>
<td>216.2</td>
<td>282.23</td>
<td>396.10</td>
<td>19.07%</td>
</tr>
<tr>
<td>Total</td>
<td>1236.91</td>
<td>1489.35</td>
<td>1534.32</td>
<td>1507.59</td>
<td>1758.67</td>
<td>2077.27</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Council for leather exports, (Sponsored by the Ministry of Commerce and Industry, Govt. of India)

The major importers of footwear from India are Germany, United Kingdom, Italy and USA. These countries alone constitute 53.77% of the total exports as on 2011 -2012. As mentioned earlier due to high labour cost these countries either outsource their production process or import from the Asian countries. Out of the total exports in the year 2011 -2012, the revenue earned from leather footwear alone constitutes US$ 1715.17 million which had increased from US$ 1174.03 million in 2007 – 2008. Through the export of footwear components, the country earned US$ 281.83 million in 2011-12, which was US$ 269.30 million in 2007-08. Further non-leather footwear contributed US$ 80.27 million in 2011-12 which had increased from US$ 46.02 million in 2007-08. Therefore there has been a steady increase in the footwear sector over the period of years and it is likely to continue in future also.

1.3 Purpose of the Study:

The Indian consumer markets are growing and changing rapidly in terms of its nature and composition. With the revolution taking place in the distribution system through entry of super markets, shopping malls, chain stores etc in the metros, small cities and towns the
potential for lifestyle products have increased drastically (S L Rao, 2000). With the change in the lifestyle patterns among the people especially the youth, this product has also undergone a tremendous transition in terms of its character. Though Indians have not been the ones to spend on items like footwear, for the past two decades there has been a tremendous change in the buying habits of the consumers (Bijapurkar, 2001). It all started with the New Economic policy passed in the year 1991, which opened doors for multinational corporations. This led to urbanization, favorable patterns of demography, increase in income levels and double income instances, media proliferation and the desire to look good. Therefore the consumers became more aware of the different varieties of products that are produced and marketed all over the globe. India’s population is no longer a liability but an asset to the marketers especially for the consumer market (Bijoor, 2001). The Young - working population of India and its growth are the biggest positive factor at present and in the coming years. At present they represent 30% of the total population. The boom in the IT sector has led to the emergence of ferociously growing youth who can command large salaries from Indian and foreign multinationals. These young consumers create an identifiable mark in shopping. Their preferences are noticeably different because they are a generation with economic power unlike any youth before them. Today's youth were born in an era of technological and media advances that affords them limitless access to the global market. This age group is growing fast and is expected to number 241 million by 2030 (Source: UN). It is no surprise that the national and international players are paying attention to this generation's buying habits. With the woman becoming more brand-conscious as opposed to the past state of being product-conscious, more and more internationally renowned players are expected to enter the market to fill this need-gap. Footwear is no longer looked upon as a commodity but as image (Troy, 2000), attitude and lifestyle. Therefore profiling the consumers on the basis of their behaviour would help the managers to position their products in a better way. Therefore there is plethora of opportunities still untapped in the footwear sector.

Footwear manufacturers in recent years along with the powerful new role that retail is playing in organizing the Indian domestic market, driven in part by surging consumer demand from entirely new mid-market youth segments associated with the country’s IT-BPO boom is all poised to new heights. For products which are
manufactured indigenously and for which the competition is less, segmenting the market on the basis of demography will be typically sufficient. But these days consumers are exposed to many varieties of products. Therefore effective segmentation using new parameters are required for products where the market is flooded with many national and international brands and thus leading to heavy competition. With increasing globalization there is stiff competition between the multinational, national and the unorganized players to expand their market.

1.4 Statement of the problem:

In the organised sector, men’s footwear accounts for almost half of the total market. Therefore it is clear that only 50% - 55% of the sales take place in the organized sector even in the men’s sector. The anomaly is even very high in the women’s sector wherein 80-90 percent of the purchases take place in the unorganized sector. There is no organised retailing that has a national presence in this sector. The anomaly exists due to the fact that the manufacturers and retailers have failed to understand the fine nuances of their customers be it men or women. The profile of the Indian consumer has changed. Though footwear is considered as lifestyle enhancement product, the manufacturers and retailers have failed to understand this. Still the traditional segmentation patterns are followed in this industry, which include materials used for construction of the footwear, usage patterns and demographics.

Also there are innumerable literatures that focus on trade policies followed in the footwear market in international countries, treatment of workers in the footwear industry, therapeutic use of footwear, supply chain patterns etc but there are hardly any study that explores the consumer behaviour of Indians and their association towards the footwear preferences. Behavioral segmentation though has been used in many other products like apparels, insurance, real estate etc., but not in the footwear sector. The present study is an attempt to fill the gap. This sector is a highly promising one with less knowledge about its customers.
1.5 Objectives: From the problems stated above the objectives have been derived as under:

- To explore the transition and trends in the footwear sector globally in the pre and post World War scenario
- To study the major clusters in India, engaged in manufacturing footwear for the domestic and foreign markets.
- To investigate the characteristics of the Indian Footwear market
- To study in brief the key players in the Indian Footwear industry
- To profile the men and women consumers into different clusters based on their activities, interest and opinions and study their profiles in detail
- To examine the differences that exists in the preferences towards the formal and casual footwear attributes according to the consumers’ behavioural patterns across the genders.

1.6 Hypothesis: The study aims to test the following:

H$_1$: The preference towards the footwear attributes varies according to the consumers’ behavioural pattern

The Footwear attributes considered for the study include:

1. Coordinated Colours
2. Elegance
3. Comfort
4. Brand
5. Friends’ opinions
6. Family’s opinion
7. Posture Enhancement
8. Store Ambience
9. Salesmen’s behaviour
10. Amenities

1.7 Study Area:

The study was conducted in Bangalore being the capital of Karnataka and a fast emerging metropolitan city. Further it is the third most populous city and stands fifth in the urban population. As on 2011 the total population of the city stood at 8,425,970.
Geographically the city is divided into 5 regions namely East, West, North, South and Central Bangalore. Bangalore has only 41% of local population and the rest of them belong to other states and countries especially from Europe. Hence, it is vivid that Bangalore has a population with diverse profiles. Therefore the city of Bangalore has been selected for the study purposively.

1.8 Sample Respondents:

The respondents for the study include men and women between the age group of 20 – 55 yrs and between the income classes of Rs 12000 to Rs 200000 per month. Men and Women were categorized separately for the study as the preferences for footwear attributes varied across genders. Further the aim of the present study is to investigate the association between the behaviors of the consumers across genders towards the various footwear attributes. The respondents were drawn randomly from the various strata of East, West, North, South and Central Bangalore. 500 men and 500 women respondents were selected from each stratum totaling to 2500 men and 2500 women. Out of the total respondents only 2074 men and 2365 women qualified for the study as the responses furnished by the rest of them was incomplete hence were eliminated.

1.9 Data Collection:

Both primary and secondary sources of data were utilized for the study. As mentioned above primary data was collected from the respondents through stratified random sampling technique. The primary data was collected during the period December 2009 to June 2010. For data pertaining to trends in the global and domestic footwear market, footwear clusters etc Government and industry sources, their official websites, journal publications and trade publications were used.

1.10 Survey Instrument

Primary data was collected through distribution of questionnaires. The questionnaire comprised of two sections. Section I includes 50 statements (Mitchell, A. 1983, Anderson, W.T. and Golden, L. 1984; Hanspal et al, 1999; Hanspal et al, 2000 )
would help in profiling the customers into behavioural clusters based on the activities they normally engage in their day to day life, interests and opinions on certain common issues. These statements were to be rated in a 7 point likert scale. Section II comprised of their demographic details and the attributes they expect their formal and casual footwear to possess. These attributes were arrived after an exploratory study. The exploratory study was conducted to a group of 20 members. The group members comprised of consumers who belonged to different age groups. They were asked to list the attributes they generally preferred their footwear to possess. Eighteen attributes were listed. Though all the eighteen attributes were included in the instrument only ten attributes were selected for analysis. These ten attributes were selected based on the ranking given by majority of the group members. These attributes were also to be rated in a 7 point likert scale. The instrument so constructed was pre-tested on thirty respondents to find out if the questions framed had sufficient clarity. Then based on their suggestions the final instrument was constructed and administered. The Questionnaire is enclosed in appendix 1

1.11 Statistical Tools Used

The statistical tools used for the study include Reliability Test, Factor analysis, ANOVA, and Multiple Regression Analysis. Statistical packages such as SPSS 16 and EXCEL were employed in the study. A brief note on all the statistical techniques used in the study is given below

a) Reliability Test

In order to test the degree of consistency between the variables, reliability test is conducted. The most widely used method Cronbach’s alpha has been used in this study. It is a reliability coefficient that assesses the consistency of the entire scale. The generally accepted lower limit of Cronbach’s alpha is .70 which can also decrease to .60 in case of exploratory research
b) Factor Analysis

It is a multivariate statistical method that analyses correlation among large number of variables through common dimensions known as factors. The primary objective of factor analysis is summarization and data reduction. For factor extraction, principal component analysis was employed. Though there are two methods of factor extraction namely common factor analysis and component analysis, the latter method is widely used. As principal component method is used, only those factors with Eigen values greater than 1 are considered significant. If there are 50 or more variables then too many factors can be extracted. For selection of factors especially in social sciences, it is not uncommon to consider factors with less than 60% of the total variance, which is still considered satisfactory. The Scree test can also be used to identify the optimum number of factors that can be extracted. The Scree test is derived by plotting Eigen values against the factors in the order of extraction. Starting with the first factor, the plot starts slopping downwards vertically and then slowly becomes a horizontal line. Starting from the first factor till the point at which the curve begins straightening can be considered for factor extraction. The next step is to interpret the role each variable plays in defining the factor. For this purpose factor loadings are computed. Factor loadings are the correlation between each variable with a factor. Higher the loadings then greater is the association of the variable with the factor. As unrotated factor loadings are meaningless, factor rotation becomes essential. Varimax factor rotation has been followed in the study as the correlation between the variable and the factor are indicated between +1 and -1, thus indicating a positive or negative association between the variable and the factor. If the sample sizes are 350 or more factor loadings of +/- 0.30 can be considered as having practical significance.
c) **ANOVA Technique:**

The Analysis of Variance (ANOVA) technique aids in investigating the variation among any number of factors that influence the dependent variable. It can be used for testing the hypothesis as to whether the variance has occurred by chance or due to specified causes. ANOVA can be either one way or two ways. Two estimates are computed one based on between sample variances and the other based on within sample variance. F Test is computed. The value of F is compared to the F-limit for given degrees of freedom. If the calculated F value is equal or exceeds the F Table value then it may be concluded that significant differences exist between the factors and the dependent variable.

d) **Multiple Regression Analysis**

Multiple regression analysis is a statistical technique that is used to analyse the relationship between the independent variables (predictor) and the dependent variable (criterion). The ANOVA Table assesses the overall significance of the regression model. The standardised Beta Coefficient gives the measure of the contribution of each variable to the model. The t values give a rough indication of the impact of each independent variable. A larger t value indicates that the concerned independent variable is having a larger impact on the dependent variable. The collinearity diagnostics gives the tolerance value and the variance inflation factor. The tolerance value is a measure of the correlation between the independent variables and varies from 0 to 1. Tolerance value closer to 1 indicates that there exists no stronger relationship among the independent variables therefore indicating that they are fit enough to be regressed with the dependent variables. Therefore variables with low tolerance value closer to 0 should be eliminated from the study.
1.12 Scope:

The study will be helpful for the retailers to restructure their product offerings. The report will also be useful for new retailers for designing their market strategies. It also offers a scope for further research as there is not much study done in this area. Many international brands are looking out for a place of business in India, this study will help them in understanding the consumer characteristics and the factors that influence their purchase decision. The study can be extended to global markets as similar purchase patterns may exist in multiple countries.

1.13 Limitations:

The study was restricted to the respondents from Bangalore between the age group of 20 - 55 yrs. Segments like Kids, Sports and health have not been studied. As there is wide variation in income and culture among different cities, generalization of the conclusion will be a difficult task. This study was done for a period of 3 years. The consumers’ preferences are not stable. It could change over a period of time.

1.14 Scheme of Research Report

The report comprises of eight chapters. The scheme of the Chapters is as follows:

Chapter 1: Introduction

This chapter starts with a brief outline of the historical background of footwear, insights into the contribution of Indian footwear industry in the global markets, purpose of the study, statement of the problem, objectives, hypotheses, study area, sample respondents, methods of data collection, construction of survey instrument, statistical tools used in the study, scope, limitation and chapter scheme.

Chapter 2: An overview of the Global and Domestic Footwear Industry

This chapter gives the perspectives of the global footwear industry, an outline of the Indian footwear market, the Indian Retail scenario and the key players in the Indian footwear retail industry, major clusters that manufacture footwear for the domestic and global markets and the brands that are sourced from India.
Chapter 3: Review of Literatures

This chapter deals with the reviews of literatures on domestic and global footwear sector and consumer behaviour.

Chapter 4: Consumer Profiling

This chapter deals with the profiling of men and women consumers on the basis of behavioural patterns using factor analysis and a brief study on their demographics such as age and income.

Chapter 5: Footwear Preferences of Men based on behavioural pattern.

This chapter deals with the study of variances among the men belonging to each component towards the various footwear attributes through ANOVA. It also comprises of study of associations between consumer behaviour of men and the footwear attributes through collinearity statistics and multiple regression analysis

Chapter 6: Footwear Preferences of Women based on behavioural pattern.

This chapter deals with the study of variances among the women belonging to each component towards the various footwear attributes through ANOVA. It also comprises of study of associations between consumer behaviour of women and the footwear attributes through collinearity statistics and multiple regression analysis

Chapter 7: Brand Perceptions

This chapter deals with the perceptions of men and women towards the formal and casual footwear brands. This chapter also focuses on the perceptions of women towards unbranded footwear.

Chapter 8: Summary and Conclusions