Application of E-Commerce in Indian Textile Industry

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Abstract

Electronic commerce or e-commerce refers to a wide range of online business activities for products and services. It also pertains to “any form of business transaction in which the parties interact electronically rather than by physical exchanges or direct physical contact.” A more complete definition is: E-commerce is the use of electronic communications and digital information processing technology in business transactions to create, transform, and redefine relationships for value creation between or among organizations, and between organizations and individuals. Today, the market place is flooded with several e-commerce options for shoppers to choose from. A variety of innovative products and services are being offered spoiling customers for choice. Online shopping is no more a privilege enjoyed by your friends and family living in the US or UK. Today, it is a reality in India. In the last couple of years, the growth of e-commerce industry in India has been phenomenal as more shoppers have started discovering the benefits of using this platform. There is enough scope for online businesses in the future if they understand the Indian shopper’s psyche and cater to their needs. Diverse e-commerce applications are being implemented in the textile and apparel supply chain. This paper includes use of e-commerce, with analyses of the use and impact of e-commerce in textile industry in India. Benefits of e-commerce include global marketing opportunities for products and markets. However, a key limitation of e-commerce is the risk of channel conflict between existing customers and new profile customers. With the continued globalization emphasis of the textile and apparel supply chain, analyses and creative implementation of e-commerce applications may offer unique product and market opportunities.

KEYWORDS: e-commerce, e-tailing, market segment, textile industry.

Introduction

E-Commerce is an improved and effective tool of business for business in the present automated world, and it also plays dominant role in communication both intra-companies and inter-companies and also between companies and consumers, asserts V Parthasarathi. E-tailing is a subset of e-commerce, which encapsulates all “commerce” conducted via the Internet. It refers to that part of e-commerce which entails the sale of product merchandise and does not include sale of services viz. railway tickets, airlines tickets, job portals, etc. In 2012, the size of India’s e-commerce market was USD 10 billion, while that of the e-tailing market was USD 0.6 billion. The current small size of e-tailing has led to it rarely being assessed on a standalone basis. It is either clubbed with e-commerce or with brick & mortar retail, which, while not incorrect, does not allow for e-tailing’s evaluation on its own merit. In India, e-tailing has the potential to grow more than hundredfold in the next 9 years to reach a value of USD 76 billion by 2021. The country’s growing Internet-habituated consumer base, which will comprise ~180 million broadband users by 2020, along with a burgeoning class of mobile Internet users, will drive the e-tailing story. E-tailing can provide employment to ~1.45 million people by 2021. Its growth will spur the creation of new capabilities and human skills in the areas of logistics, packaging, and technology. Additionally, such growth will promote the rise of service entrepreneurs who will have the potential to earn ~USD 7.5 billion, annually, by 2021. It will open up international markets for the SME sector and can become an important facilitator for the growth of the telecom and domestic air cargo industries. The growth of e-tailing in India will be complementary to the growth of traditional retail, and in no way be at cross purposes.
Vision, Strategy and Action Plan for Indian Textile and Apparel Sector in Market Segment

E-Commerce is an exemplary concept in the future of textile and apparel industry. It is playing a major role in the present scenario of textile and apparel industry. It is also very significant that the future of textile and apparel industry is complete only with E-commerce. Diverse e-commerce applications are being implemented in the textile and apparel supply chain. Information and communication technologies (ICTs) have the capacity to make extravagant amounts of information available to users located in various parts of the world. ICT also facilitate rapid communication between them. One application of these technologies is in the development of e-commerce to supply electronic trading. Textile industry occupies a vital place in the Indian economy and contributes substantially to its export earnings. Textile exports represent nearly 30 per cent of the country’s total exports. It has a high weightage of over 20 per cent in the National production. It provides direct employment to over 15 million persons in the mill, power loom and handloom sectors. India is the world’s second largest producer of textiles after China. It is the world’s third largest producer of cotton after China and the USA and the second largest cotton consumer after China. The textile industry in India is one of the oldest manufacturing sectors in the country and it is currently its largest.

Taking innovative measures in partnership with the industry and learning from experience, India could aspire to achieve 20% growth in exports over the next decade. In any case the achievement of 15% growth rate in exports should be feasible. In the domestic market, sustaining an annual growth rate of 12% should also not be difficult. This implies that with a 12% CAGR in domestic sales the industry should reach a production level of US$ 350 billion by 2016-22 from the current level of about US$ 100 billion for the domestic market. With a 20% CAGR in exports India would be exporting about US$ 300 billion of textile and apparel by 2024-25 while with the lower 15% CAGR in exports, India would be exporting about US$ 185 billion of textile and apparel by 2024-25. Considering the targeted growth in exports, India should by then have a market share of 15% to 20% of the global textile and apparel trade from the present level of 5%. During this period India should also attempt a structural transformation whereby it becomes a net exporter of finished products. This would imply that growth rates in exports of fibre and yarn should start declining and growth rates of apparel, homes furnishing, technical textiles and other finished products should grow very rapidly. This would maximise employment generation and value creation within the country and the fulfilment of the Prime Minister’s Vision of “Made in India” backed by DIGITALIZED INDIA. In the process, investment of about US$ 180 billion to US$ 200 billion would take place and about 35 million additional jobs would get created. Achieving the ambitious Vision of exports of US$ 300 billion and 20% share of global trade by 2024-25 is not going to be easy and is unlikely with business-as-usual approach. A clear Strategy which can be implemented and would enable success would be an essential prerequisite.

In addition, it would be necessary to attract large scale investment for manufacturing world class facilities for realizing the Prime Ministers vision “Make in India” with “Zero Effect; Zero Defect” at each level of the value chain. The sector needs to be made attractive enough for investors. It needs to get US$ 180 billion to US$ 200 billion investment for achieving the production capacity of about US$ 650 billion by 2024-25. Productive and skilled manpower is the only way to achieve global competitiveness and to derive the full benefit of the demographic and wage advantage that India would clearly have over the next decade. Investment in improving the skills and productivity of the workforce, by both private industry as well as the Government in genuine partnership, has been a weakness. The recent initiatives on skill development through the Textile Skill Sector...
Council in partnership with Industry need to be scaled up vigorously. Abundant availability of trained and certified manpower should become the norm in three years. The objective should be to achieve average per man hour, per machine output in terms of quality and quantity of the levels prevailing in China over the next three to five years. The Ministry of Textiles needs to evolve a credible mechanism for tracking improvements in quality and productivity across the value chain as well as across individual enterprises. A program for assisting individual firms in improving on both parameters needs to be implemented.

Realizing the employment and value addition potential of the textile and apparel manufacturing sector, several State Governments have come out with their own Textile policies tailored to attract investment in specific sub-segments and specific areas within the State. This is a positive development for the sector. Genuine and constructive partnership with the State Governments is absolutely essential. Ministry of Textiles has a large number of schemes and programmes for the textile and apparel sector. Some of the flagship schemes are Technology Upgradation Fund Scheme (TUFS), Scheme for Integrated Textile Parks (SITP), Mega Cluster, Integrated Skill Development Scheme (ISDS), etc. These have been useful and have been contributing to the increasing growth and development of the sector.

The Role of E-Commerce in Textile and Clothing Industries Growth and Development

The formalization and growth of e-commerce will play a pivotal role in bringing sustainability and economic viability to many facets of the economy. It will provide both direct and indirect employment as well as support such infrastructure industries as logistics, telecom, etc. by creating demand. It will spur entrepreneurship by providing business opportunities to merchandise vendors and service providers, and reduce transaction costs (tax leakages, distribution costs, etc.) by providing accessibility to quality products / solutions in an efficient manner. In summary, the growth of e-commerce in India will positively help textile industry in four broad impacts:

A. Generate employment
B. Facilitate growth of allied industries
C. Promote entrepreneurship
D. Reduce transaction costs
E. Easy access to consumer market

E-Commerce Impact on Textile Industry

While e-commerce’s growth is not going to adversely impact traditional techniques in textile sector, the challenges in the Indian textile sector have less to do with fragmented points of sale (traditional retail stores), and more to do with an inefficient and broken supply chain. The go-to-market approach for any merchandise brand in India requires the brand to build its own distribution network for its goods to reach the desired retail shops. This is not only an undesirable cost but also limits that brand’s access to an optimum number of retail shelves. This also diverts the brand’s capital away from product innovation to distribution. E-commerce can play a crucial role in consolidating wholesale & distribution, and in developing India-specific business models. By virtue of the advantages discussed in previous sections, e-commerce can bring down the cost of distribution.

Buoyed by the success of e-commerce players like Jabong and Myntra, textile companies like Arvind Ltd., TT Ltd and Creative Lifestyles, among others are exploring the online market through their own e-commerce platforms. With online business becoming inevitable with each passing day, textile companies are increasingly using their own websites for e-commerce as well.

According to industry players, the idea is to replicate the company owned exclusive brick-and-mortar store experience on the Internet. For instance, while Arvind Ltd. has begun its own e-commerce initiative through its start-up Arvind Internet Ltd (AIL), TT and Creative Lifestyles too have been selling their products through their own websites.

“It is the same logic of being present at franchisee-run exclusive branded outlets (EBOs), multi branded outlets (MBOs) as well as having your own company owned exclusive stores. So while textile companies are selling their products through other platforms like Jabong and Myntra, gradually they have begun selling on their own websites too,” says Rahul Mehta, president of Clothing Manufacturers’ Association of India (CMAI) and managing director of Creative Lifestyles that markets its brand 109°F through other e-commerce platforms as well as its own website.

Companies believe that while initially ready-made garments will grow rapidly on their e-commerce platforms, gradually other textile products may gain traction too. So bullish is Arvind about its initiative that, according to Kulin Lalbhai, executive director at Arvind Ltd, the company see e-commerce “as a key growth driver for the group and we aim to be Rs 1000 crore plus business in 3 years”.

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Also, players are looking to build up consumer loyalty by selling on their websites and establish a direct connect with their consumers.

“So far we were selling through our distributor network. It is only now that we are getting directly in touch with our consumers and getting more efficient due to better feedback from consumers. We will continue to invest in promotion and search engine optimization (SEO). We not only want our website to act as an e-commerce sales tool but also as a branding and marketing tool,” says Sanjay Jain, managing director of TT Ltd, the innerwear, casual wear and garment player.

What’s more, according to Mehta, while footfalls tend to be higher on popular e-commerce platforms like Jabong and Myntra, conversion rates tend to be higher on company-run e-commerce websites.

“Your loyal consumers will directly come to your website and hence, conversion rates for your products will be higher on your own website whereas on popular e-commerce platforms consumer may not directly come to you.”

Mehta added.

Conclusion

The current growth in E-COMMERCE in textile industry was driven by start-ups, and backed by venture capital and entrepreneurship. While the Indian e-commerce market is yet to achieve a steady state, these initial entrants have succeeded in capturing the imagination of a sizeable consuming class. These have also acted as a catalyst in the creation of an ecosystem necessary for the growth of e-commerce. E-commerce’s potential cannot be tapped on the premise that investments by a few organizations will unlock this opportunity. Going forward, the projected size of e-tailing by 2021 will not be composed of pure e-commerce companies, as is largely the case today. According to Technopak’s estimates, e-commerce’s opportunity will be captured by three set of players. Some of the existing, pure e-commerce businesses will manage to build sustainable businesses and grow in size. Many new pure play e-commerce start-ups will also tap the market. Many of the current brick & mortar retailers (both traditional and corporatized) will succeed in viewing e-commerce not as an extension but as an important business growth driver. Similarly, many consumer brands will also build e-commerce businesses as a direct go-to-market approach E-commerce is an integrator of technology, logistics, and infrastructure, and creates a relatively efficient marketplace for vendors and consumers. At present, the Indian e-commerce market is limited by its incapability to play the role of an efficient integrator. Technopak’s projection for the growth of e-tailing over the next decade is based on the premise that the current capability of e-tailing will be significantly transformed, which will require the infusion of both capital and knowledge. This role has been played in other places by retailers, technology companies, venture capitalists, and private equity investors. Given the fact that the current share of corporatized retail is under 10%, and that the domestic venture capital industry is still in its infancy, policymakers will need to seek a rapprochement with investment and expertise from overseas players. E-commerce has to be viewed in the context of the profile of India that is poised to emerge over the next decade. This emerging India will comprise consumers who will have the desire, need, and conviction to use the Internet for a host of reasons, of which shopping will be one. E-commerce has been often clubbed with corporatized brick & mortar retail. While there is no denial of the fact that it serves the same end purpose, it also cannot be denied that the entire ecosystem within which e-tailing operates is completely different from brick & mortar retail, as are its enablers. Therefore, it deserves to be considered on its own merit, instead of being clubbed with brick & mortar retail.

References