

THE E-WORLD!

Bindu Gopal Rao explores the growth of the e-commerce industry while giving insights into market sizing, future prospects and other factors propelling this industry.



The branded apparel market in India is growing at 15-20 per cent compound annual growth rate (CAGR). However, online apparel is expected to keep growing at over 65-70 per cent every year. The unbranded market is still 45 per cent, which presents a large opportunity for branded offline and online retailers.

DEMAND IMPETUS

E-commerce for apparel is being driven by an increasing base of online shoppers. "Currently 42 million consumers shop online with varying frequencies. Going forward, the number of online



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shoppers is expected to grow to 250 million by 2020. Shopping penetration and frequency are further likely to be aided by the increasing Internet, 3G and smartphone penetration," says Angshuman Bhattacharya, Senior Director, Alvarez & Marsal. In metros, where availability of brands is not an issue, consumers are turning online because of attractive prices and discounts on brands made available by e-commerce retailers. There is a latent demand for many apparel brands not available in Tier II and Tier III cities due to the constraints of physical retail footprint of offline retailers. Of the



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E-SPACE NEWS

6,000 towns in India, only about 250-300 towns are viably served by offline retailers. "Research states that Internet users in India are increasing by 30 per cent each year. Viewership and habits of the youth are changing where tablets, cell phones and desktops seem to have the highest usage. Keeping the same in mind, retail outlets are bound to have a virtual version for a higher outreach," opines Sanjay Vakharia, COO, Spykar Lifestyles Pvt Ltd. The surging real estate prices have made the brick and mortar apparel retail a difficult money churning proposition and have made penetration difficult for any brand. "E-commerce has come up with a ready solution for all of the above problems by taking any brand or label to the end customer who was previously deprived of anything except that which was available in nearby stores. Indian online shopping has become one of the hottest segments, backed by strong technology as well as marketing dexterity. "Experts say, online apparel sales are set to grow four times in the next five years to contribute significantly to the burgeoning e-commerce growth. The average Indian consumer chooses to shop online because of changing consumer lifestyles, convenience, comfort and flexibility of shopping from home. Strong delivery and packaging services together with constant access to deals and discounts, attractive pricing and return policies, will ensure that apparel e-commerce is here to stay," says Rahul Narvekar, CEO, IndianRoots.com.



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TREND CHECK

Emergence of specialised vertical retailers in lingerie, kids' wear and sportswear are emerging, creating a range of options for the consumer. "Hosting of brands on peer platforms is creating a multi-platform distribution model, bringing down the cost of customer acquisition for smaller brands. Most online retailers are intensely focusing on their own brands to generate higher gross margins. Online players are consciously incentivising consumers to move away from desktop and mobile-based Internet searches to dedicated app-based purchases," says Bhattacharya. Programmatic advertising has been playing a key role for brands in understanding consumption habits, likes and search patterns. "E-commerce has not just been restricted to building websites but has opened up other avenues as well. 'Call to action' and 'buy' buttons on Facebook, Instagram open their API for advertisers while Pinterest also opens avenues for sales directly from the site. Brands have begun opening their own e-commerce sites that are not just desktop friendly but a version that can suit Android, iOS and Windows devices," says

Vakharia. "Fashion e-commerce sites are giving their full focus on innovations to build customer loyalty in close to three billion dollar markets. This desire to reach out to more and more places has spurred innovations. The industry is witnessing interesting concepts like a self pick up model, where customers can choose to collect their orders from a pick up point near them, at a time of their convenience," avers Sharad Venkta, Managing Director and CEO, Toonz Retail.

NUMBER CRUNCHING

According to a recent report, India's Internet user base has increased from a meagre 5.5 million in the year 2000 to 180 million and more today. According to an ASSOCHAM-PwC study, online shoppers spend around ₹6,000 a year on an average. "The overall e-commerce industry, valued at US\$ 17 billion, has been growing at a CAGR of about 35 per cent each year. Online apparel sales continue to capture a greater share of Indian retail e-commerce as a category along with the computer and consumer electronics sector, fuelling the overall market growth," says Venkta. Rahuul Jashnani, Managing Director, Jashn, adds, "being an ethnic retailer and e-tailer myself, I can account for the steady growth in the ethnic wear segment over the past years, and it is said to grow further by 8.4 per cent over the next decade from the present ₹61,679 crore or US\$ 11.63 billion. The women's wear segment alone is expected to grow at a steady rate of eight per cent in the coming decade." Apparel consumers are getting more heterogeneous



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and forcing apparel brands and retailers to customise their products and/or services in order to address this heterogeneity. "Men's wear contributes to 42 per cent of the Indian apparel market, and is followed by women's wear, and kids' wear. The universal trend, of the increasing acceptance of casual wear, will continue to drive the growth in the global trade of both knit fabric and apparel," says Sanjeev Mukhija, Founder, Goldenseam Industries Pvt Ltd and MD, Breakbounce. The sector in India has grown by 34 per cent (CAGR) since 2009 to touch US\$ 16.4 billion in 2014. The sector is expected to be in the range of US\$ 22 billion in 2015. By 2018, India is set to witness 500 million Internet users and 280 million smartphone users, heavily influencing the access and demand of e-commerce, as per a recent study by Forester Consumer Research.

CONSOLIDATED MATTERS

As the apparel online retail industry grows to a mature phase, the pressure to generate growth and profits could lead to a consolidation of market places and brands. Consolidation could lead to greater mindshare for fewer players and a path towards profitability. M&A could also be driven by the need for acquisition of specific capabilities such as vertical specialisation,

design, technologies or brands. "Cost of operation, bottom-line profits, consumer acquisition has become a focal point for all e-tailing entities. In this market scenario, it is the survival of the fittest, and competing with large international e-tailing conglomerates will require astute market insights and considerable resources," opines Mukhija.

CHALLENGES

The key challenges include scaling up the sourcing base, product quality, reducing costs, driving efficiencies in deliveries and payments, reducing returns and reverse logistics and more. "The apparel segment is a very touch-and-feel kind. Consumers may hesitate to buy products in this category since they come with high price points and do not have a touch-and-feel element. But we are trying to overcome these challenges by giving consumers product quality assurances and responsibility for the product," says Jashnani. "For e-commerce, increasing price wars and discounting strategies are leading, so is elongating profitability timelines. Supply chain optimisation, logistics management and customer service are other areas of concern for all brands, big and small. Finally, customer loyalty and retention will become the ultimate challenge in this currently fragmented model," opines Narvekar.

Online apparel e-commerce has created a selling platform for numerous small scale vendors, distributors and craftsmen who would otherwise not have the financial strength to build a brand for or a channel to the consumer. ■