

Apparel E-tailing in India

With changing demographics and an increase in the quality of life of urban people, the Indian retail sector is poised for a boom. Currently estimated at \$500 billion, it is forecast to reach \$1 trillion in 2020. However, with 0.1% penetration, the online market presently constitutes only \$500 million of the total retail market, but is expected to grow 140 times and reach \$70 billion by 2020, thanks to the demand from the so-called Generation Z.

E-commerce has brought about a revolution in the shopping model of India. With over 10 million Indian consumers shopping online for commodities other than electronics, this sector is growing at a great pace. Opportunities for web-exclusive brands are coming up in apparel, accessories, shoes etc. and also gathering momentum across all market segments with each passing day.

In the last two years, the \$130 million apparel e-retailing space has attracted investments worth \$70 million i.e. 40% of the total funding Indian e-retailers bagged during the period. In fact, the recent inflow of private equity investment into many garment start-ups is an indication that the apparel e-tailing platform is reaching a tipping point fast. Many PE and VC firms have invested between \$5 million and \$52 million in portals like Letsbuy.com, Flipkart.com, FashionAndYou.com, Yebhi.com, and Snapdeal.com.

Apparel e-tailing has experienced significant growth across the country due to increasing time-poverty, changing lifestyles, convenience and flexibility of shopping from home and option of free home delivery (in most cases). Factors such as dramatic increase in penetration of IT devices and communication solutions (especially tablets, broadband and smart-telephony), and emergence of exciting new “virtual reality” technologies are contributing to the expansion of apparel e-tailing.

The average Indian consumer has been experiencing increasing time-poverty these days. People have been spending more time commuting to and at their offices, on leisure and recreation, on vacations, in grooming and maintaining their well-being, socializing, teaching school-going children etc. leading to limited time available for shopping and such activities. There is an increasing emphasis on reducing the stress and time taken for routine activities (household chores/ shopping etc.) and maximizing the time spent with families and friends. Convenience in terms of ease and time, information, decision-making, transactions and flexibility has been a major factor influencing adoption of e-commerce. This factor to a large extent also plays out for apparel e-tailing.

Increasingly consumers feel stressed to drive to a crowded mall and navigate through it to buy a garment. Rather, they prefer the convenience of shopping at home and getting the goods home-delivered. For them, this allows comparison of designs and prices at their leisure, and in the privacy of their homes, without having to deal with either hovering sales staff or the rush of the stores.

The Internet's ubiquity gives online brands the capability to reach all Indians, even those with no access to an online payment facility, as most brands offer Cash-on-Delivery (COD) options, offering them the luxury of seeing the product before making payment for it. Infact, COD has been a one of the big factors for online retailing to take off in its second innings in India (first being in the year 2000).

Technology has also played a major role in addressing some key concerns of apparel retailing on the web. High resolution graphics, streaming videos of garments donned by models, virtual dressing rooms and 360° viewing and zoom tools have made online shopping an interesting exercise. Customers can key in their vital measurements to find the right fit, and can also browse through multiple brands for the perfect dress. Players like Yempe.com, India's first online fashion brand, trying to get the first-mover advantage, aim to create experiences and craft consumer memories, apart from offering private-label fashion brands. It has integrated, advanced and highly user-friendly facilities like 'Virtual Dressing Room' where users can “try” the merchandise before the actual purchase.

Among big cities, consumers in Mumbai topped the numbers of online shoppers, followed by Ahmedabad and Delhi. However, shopping on the net is gaining traction with consumers beyond metros and Tier I cities as well and gaining momentum across the country.

Given these reasons, apparel e-tailing has started to boom. In doing so, it has taken three distinct routes:

First is the **Multi-brand route** - Few players have cashed in on early-bird benefits and captured a significant online market share: Myntra.com – an online fashion store for women and men launched in 2007; Yebhi.com (Big Shoe Bazaar India Pvt Ltd) launched in 2008, is the fastest growing company in lifestyle category in India; Futurebazaar.com – an online retailer which caters to the fashion and apparel category, launched in 2007.

Second is the **Apparel brands going online** - Brands like Zodiac, Madame, Fabindia, Mustard and La Senza, to name a few, have made their products available online.

Third is the **Niche route** - Numerous pure-play e-tailers are entering into niche segments to cash in on these untapped categories. Strapsandstrings.com, promoted as India's first online lingerie shopping boutique, offers Indian women the opportunity to shop for international lingerie brands like Lise Charmel, Chantelle, Mimi Holliday and Cosabella, which are not available locally. Learning from the international success of Diapers.com, a number of baby products (including apparel) focussed ventures like BabyOye.com, FirstCry.com, HushBabies.com and LittleHood.com have emerged in the country.

E-commerce has come a long way, but the journey is still not complete. This growth story is not devoid of challenges common to the industry, both globally and locally. Consumers, for the longest time, have been accustomed to going to a store and shopping for their apparel and jewellery. Online shopping is a drastic shift for traditional shoppers as they can't "touch and feel" the products. Also, e-commerce in India is in its infancy and the available infrastructure is still inadequate. Lack of common taxation rules further hinder growth in this segment. Inter-state movement of products often poses a problem given the different taxation rates. However, brands and retailers have to understand that it is not merely about setting up a portal and creating an e-catalogue. The consumer mindset, engagement, after-sales service and supply chain, personalization, variety of offerings, return policies and convenience thereof and above all a greater value proposition to the consumer are some of the key success factors.

Currently, huge opportunities lie ahead for the apparel e-tailers. Companies that ensure that their customers are happy are sure to receive success in the field. Having said that online shopping predominantly still remains a practice of urban and middle-class consumers. Apart from the infrastructure adequacy, its proliferation will depend on apparel e-tailers ability to overcome the said challenges. Though consumers in small towns have started using the Internet actively, the transformation from visitors to shoppers will take some time. In this context, apparel e-tailing is an interesting and definitive prospect for apparel brands and has bright future to scale greater heights.

Authored By:

Ankur Bisen – Associate Vice President, Retail & Consumer Products

Aman Jhulka - Consultant, Retail