



TECHNO COMMERCIAL FEASIBILITY  
STUDY ON  
E-COMMERCE PLATFORM FOR  
MARKETING OF HANDLOOM AND  
HANDICRAFT PRODUCTS OF  
THE NORTH EASTERN REGION

**A NEDFi-TEDF STUDY**



# EXECUTIVE SUMMARY

## TITLE OF THE STUDY

### TECHNO-COMMERCIAL FEASIBILITY STUDY ON E-COMMERCE PLATFORM FOR MARKETING OF HANDLOOM AND HANDICRAFT PRODUCTS OF THE NORTH EASTERN REGION.

The e-commerce market in India was estimated at USD 27.5 billion in 2016 and is expected to grow at a CAGR of 31 percent. Currently India has 800 million unique mobile users and internet connectivity of 430 million. As per the TRAI data released in September 2017, total number of wireless subscription stands at 1186.79 million which indicates that there are around 386 million subscriptions belonging to people having more than one connection. Out of this total of 1186.79 million subscriptions 682.69 million subscriptions belong to the urban population while 504.10 million belong to rural areas.

One of the major reasons of the growth of e-commerce sector lies in the demography of online users in India. Around 37% of online users belong to the age group of 15-24 years and 38% belong to the age group of 25-34 years.

The exponential growth of mobile subscribers, rapid expansion of network connectivity and growing popularity of e-commerce platforms have opened vistas for promotion of craft products of the 8 states of the North Eastern Region. The region has more than 200 tribes, each with its own rich traditional cultural heritage which is reflected in their crafts and weaves. In the past, limitation of crafts persons to produce in volume was a limiting factor in marketing of their produce worldwide. In the current e-commerce environment, the barrier is no more. They can now cater to the needs of individual customers rather than that of only a wholesale buyer. The Foreign Trade Policy (FTP) 2015-20 of Government of India, declared on 1st April, 2015 facilitates e-commerce export of handicrafts through courier or foreign post offices, where it will be eligible for benefits under Merchandise Export from India Scheme (MEIS) upto a consignment value of Rs. 25000/- per consignment.

The e-commerce platforms are divided into two categories as per the guideline issued by DIPP, Ministry of Commerce, Government of India viz. Inventory based model and marketplace based model. In the inventory based model, the online portals manage their own inventory by procuring products from its vendors and selling it online to its customers. In marketing of craft products *Craftsvilla*, *auroville*, *carfismantra*, *exclusivelane* are some of the leading inventory based portals while *hheconline* and *tribes India* are promoted by the Ministry of Textiles and the Ministry of Tribal Affairs respectively. Similarly, prominent state specific portals include *boyanika* from Odisha, *cooptex* from Tamil Nadu, *khdcltd* from

Karnataka and *poshish* from Kashmir. Some of the leading websites of NER which exclusively promotes craft products of the region include *ishippo*, *kraftinn*, *assamsilkshopping*, *thenortheaststore* and *giskaa* etc.

In marketplace based model, the online platforms offer a platform for interaction between the seller and customers where the seller is wholly responsible for their products and services. *Amazon*, *Weavesmart* and *Chasingsun* etc. Are some of the leading market place based portals. Mahilaa-E-Haat promoted by the Ministry of Women and Child Development, GoI is one such initiative for providing market linkage to women beneficiaries.

E-commerce platforms like *etsy* and *gocoop* have established their own brand identity for the best practices adopted by them. Etsy is the global leader and trusted brand in promotion of genuine craft products. In India, *gocoop* has made a mark by facilitating linkage to more than 285 co-operatives and thereby empowering the artisans with technology and market linkage.

During the primary survey of the study, it was found that 86% of the craft producers have bank linkage, 85% have mobile phones but awareness on digital marketing is minimal. With regard to e-readiness, 19% of the sampled products in apparel and ethnic wear category, 36% in home décor and 45% in accessories segment were found to be e-ready. And another 40% of the sampled products in each of these categories can be prepared for e-market with short term intervention. Few products are already available in the e-portals, but visibility of such products as well as numbers of entrepreneurs catering to such market is negligible.

The study included awareness creation at the state level as well as discussion with producers as well as state government representatives. The Regional Workshop titled North East Craft Conclave-2017 was organised in Guwahati between 2<sup>nd</sup>- 5<sup>th</sup> March, 2017 to facilitate a platform for interaction amongst all stakeholders. It was inter alia attended by Director, National Institute of Design (NID), Ahmadabad, CEOs of leading online portals involved in marketing of craft products, agencies involved in quality certification, packaging and logistics service providers as well as entrepreneurs managing online platforms from NER. It was also attended by artisans & entrepreneurs, government agencies and other stakeholders. Various issues as well as the prospects of e-marketing of craft products were deliberated during all such discussions and the study therefore has come up with the following recommendations-

- The State as well as Central Government marketing agencies needs to be more proactive on e-commerce platforms as they have the reach, capacity and mandate to serve more numbers of primary producers. Since promotion of individual online portal requires regular investments in terms of advertisement, analytics and inventory, such agencies may market their produce through reputed online platforms rather than opening a new one of its own, while retaining their own

- brand identity. Therefore, it is advisable for such agencies to adopt individual branding strategies and promote their own brands. Simultaneously, they will have to prepare their crafts persons by educating them on quality, cost and supply chain management.
- Google and Tata Trust have joined hands to educate rural women of India on the use of internet through their “Internet Saathi” programme. State or Central Government may take a similar initiative in order to make the crafts persons of NER digitally literate with additional module for educating artisans on e-commerce platform. The module may include do’s and don’ts of customer handling, quality consistency, product profiling, photography norms, stock, packaging norms, pricing, logistics etc. Exposure of artisans to the digital platform will offer an enabling environment for learning in terms of market demand, market trend, design and product competitiveness. The learning will not only help them in marketing their products but also to source appropriate quality of raw material, accessories, packaging material as well as other tools and implements necessary for their daily use.
- In August, 2015, the Government of India launched India Handloom Brand to encourage quality produce with strict guidelines on quality parameters. Consistency in quality has always been an issue in the unorganized sector. The craft producers will have to be encouraged to go for quality certifications like India Handloom Brand, Handloom Mark, Craft Mark and Fair Trade Practice etc., which will help to enhance their brand value. The Ministry of Textile, Government of India has partnered with 11 e-commerce platforms for promotion of products certified under the India Handloom Brand. The Handloom (Reservation of articles for Production) Act, 1985 has provisions to protect traditional handloom weaves of the region from being copied by machine made and power loom competitors. State governments will have to be pro-active in implementation of this Act in order to protect the interest of the weavers of the region.
- Logistics is another critical issue in the region. Most parts of the region are dependent on the service of India Post, as other service providers are active only in a few locations. With the growth of e-commerce in the region, as the demand increases, it is expected that the logistic service will also improve in the near future. Government of India has already taken steps to implement the Act East policy. This will make NER, the gateway for India to the ASEAN countries, with improvement in infrastructure and logistics.
- The e-market is now flooded with websites promoting craft products. Many new entrepreneurs from NER are also joining the race. In order to be successful and remain competitive, they need to be equipped with the modern day digital technology which is optimized for a traditional market. These entrepreneurs will have to adopt a holistic strategy in terms of product profiling, pricing strategy, content development, logistics and packaging, digital marketing, big data analytics and even in tools for trend forecasting etc.

- Viewers' experience plays a crucial role in online marketing while making a purchase decision. Online platforms are adopting latest technologies on virtual reality and augmented reality (VR and AR) to facilitate a better experience to viewers. The rich cultural heritage of the region with diverse ethnic demography can provide ample story material to create such viewer's experience. This will require an authentic knowledge base on craft, culture and history of the region. Sufficient data from numerous research work done in this area is already available with research institutions and universities. There is a need to collect such information in a central knowledge repository for effective utilization in promotion of the craft sector of the region.
- Branding of craft products of NER as a whole will be important for product promotion. Based on production capacity, pricing, ethnicity etc., the craft produce of the region can be promoted under four distinct categories viz. Tribe-NE, Ethnic-NE, Natural-NE and Craft-NE. Tribe-NE will include only those crafts which are produced by the tribes in their respective geographical locations following their age old traditional practices. Ethnic-NE will include products with traditional motif, pattern and texture in value added designer products. Chemical free natural fibre products will be included under Natural-NE category while the remaining products can be accommodated under the category of Craft-NE. Tribe-NE will be in the premium category, in terms of pricing while Craft-NE will include products with comparatively lower unit prices but with large volume in terms of production capacity. A certification process, similar to Craft Mark certification, may be adopted.
- To promote the craft products of NER as a whole, there is a need for an organization to take the lead role by adopting a comprehensive strategy. The strategy needs to include the knowledge repository discussed earlier, creation of a database of craft producers of NER, taking up marketing by building its own inventory as well as by facilitating a platform for other artisans to market their produces. In addition, it will have to take steps for capacity building in terms of skill up gradation, facilitation of raw material banks, design banks, accessories banks etc. Further, it can undertake certification and branding exercise for the four brands proposed earlier. Once equipped with such a strategy, it will be easy for such an organization to promote craft products in social media too, and thereby promoting crafts of NER as a whole.