



## USE OF E-COMMERCE IN CARPET INDUSTRY

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**Abstract** *This research study is motivated by the growing use of e-commerce in Indian Industries. E-Commerce encompasses all business conducted by the use of Information and communication technology. Many business houses have started implementing the use of e-commerce solutions to conduct their businesses. But carpet industry is lagging behind in the use of this very critical tool as we found in our study only 18% carpet exporters are using e-commerce solutions to sell their products across the borders. Exporters are still relying on traditional methods of selling products overseas. E-Commerce can provide global opportunities by enabling the flow of ideas across national boundaries improving the flow of information and linking increased numbers of buyers and sellers. Exporters and artisans can expand the boundary of marketplace by using e-commerce.*

**Key words:**

E-Commerce, Carpet Industry, SMEs, and ICT

**JEL Codes:**

D80

### 1. Introduction

A revolution has taken place in the way business is done due to the convergence of computers and telecommunication technologies. Electronic Commerce or E-Commerce is buying and selling goods and services over internet. E-commerce encompasses all business conducted by use of Information and communication technology. E-Commerce has allowed companies to transact business in an efficient, automated fashion as never before, using the Internet. E-Commerce has provided unprecedented opportunities to businesses and consumers. Electronic exchanges may take place through digital marketplaces which are Internet or Web-based trading hubs that bring together sellers and buyers. Advances in telecommunications and computer technologies in recent years have made computer networks an integral part of the Business today. More and more companies are facilitating transactions over World Wide Web.

The concept of e-commerce is relatively new in Indian markets and even more new to carpet industry. Many business houses and individual artisans have started implementing the use of e-commerce solutions to conduct their businesses. They want their presence felt in the international market. Looking at the global trend, it is entirely right to say that e-commerce has been a wonderful blessing for business purposes for people all over the world. E-Commerce does work in the developing countries of the world too. Even with its constraints on technical infrastructure, government

policy and the awareness level, it is generating employment for the people. People can do successful e-commerce without having expensive software (platform for websites) with big brand name, e-commerce solutions like e-bay, GoECart or Yahoo! Store, CatGen, Martjack and Indianmart, etc.

Many buyers in developed countries who purchase handicrafts in developing countries expect their suppliers, usually SMEs in developing countries, to be connected to the global online supply chain, E-commerce allows for higher profit margins as the cost of running a business is markedly less. Despite several studies that have demonstrated the correlation between ICT adoption and a company's profitability, one of the major reasons many enterprises have not integrated ICT and e-commerce into their business strategies is the perceived limited impact on business profitability. Findings of previous studies suggest that small businesses with higher levels of e-commerce capabilities are more likely to identify using e-commerce to reach international markets as an important benefit. Hence the desire to export for many SMEs may have a fundamental influence on promoting the rapid development of more advanced e-commerce capabilities. E-commerce also has the potential to lead to cost savings and efficiency gains. Raising the awareness as well as the understanding of the benefits

to be obtained from e-commerce will be important in increasing its uptake by small business. Unlike the requirements necessary to run a business from a physical building, e-commerce does not require storage space, insurance, or infrastructure investment on the part of the retailer. Employing E-commerce does offer opportunities for carpet producers and can enhance performance and efficiency at the different stages of a value chain (Darbanhosseiniamirkhiz et al., 2011). In this paper we have tried to find out the current status of the use of e-commerce in the carpet industry in Bhadohi District of Eastern UP in India and also identified the constraints of and opportunities for the carpet sector on implementing the e-commerce solutions.

## 2. Literature review

Evolving the carpet manufacturing approach from mass production to mass customization is not just simply employing E-Commerce or using information technologies in the practice of marketing, production, or delivery. Information and Communication Technology (ICT) platform can accelerate the transition phase of introduction of technology to carpet. No doubt, company competitiveness is profoundly related to the level of technology, levels of skills, learning and experience. Selling carpets through an Internet platform in a developing country has encountered many limitations (Darbanhosseiniamirkhiz et al., 2011). Some of these barriers surround B2C e-commerce, and include customer can see but not touch and feel the quality of the carpets, Jelassi and Leenenl, (2003), digital photographs may not give accurate colorations, Hadjimanolis, (1999), the buyer's need to trust the company and brand, expectation of high service standards and especially customer financial security, Oxley and Yeung, (2001). Oyelaran-Oyeyinka and Kaushalesh (2006) indicated that a pre-requisite for technological progress is by skill upgrade through an in-depth understanding of the latest technologies. The globalization of business has provided SMEs with opportunities and challenges, Saarenketo et al. (2008). Involvement of ICT to boost the performance of SMEs has long been appreciated, Morgan et al. (2006). Exploiting ICT technology is one of the potential opportunities. Above all, business-to-business ecommerce has been introduced as an emerging trend.

Both sellers and buyers can reap the benefits of the profitability and productivity improvements related to e-commerce, Papinniemi, (1999). The financial cost to the organisation, including hardware investment, training and adaptation cost can be very substantial for SMEs and therefore is a barrier in adopting e-commerce, Walczuch et al (2000). The non availability of competitive telecommunications capability and the development of its infrastructure is an important barrier to e-commerce in SMEs, LE and Koh, (2001). In terms of the Internet, e-commerce use amongst small businesses is currently lagging behind their larger counterparts. However, many small businesses view e-commerce as providing cost savings and growth potential, and the gap relative to larger enterprises is closing. E-commerce presents small businesses with the opportunity to compensate for their traditional weakness in areas such as access to new export markets and competing with larger firms. It can provide global opportunities by enabling the flow of ideas across national boundaries improving the flow of information and linking increased numbers of buyers and sellers, Harvie (2004).

## 3. Statement of problem

Advances in Information & Communication Technologies in recent years have made profound impact on integral part of the Business. Among various technology-based solutions for business, E-Commerce has emerged as an important method of transaction and provides unprecedented opportunities to businesses and consumers. E-Commerce has been used in many organizations, particularly in developed countries. However, there is uncertainty whether to what extent it is being used in Carpet Industries of India. Therefore, present study aims to find out the current status of the use of e-commerce in the carpet industry in Bhadohi District of Eastern UP in India.

## 4. Objectives

- 4.1 To know the current status of E-Commerce adoption in the carpet industry.
- 4.2 To analyse the managing style of E-Commerce site by the organisation in the carpet industry.
- 4.3 To analyse the effectiveness of e-commerce as an ability to increase the cross-border sales of carpets.
- 4.4 To identify the benefits of e-commerce to the exporters.

## 5. Methods of research

**Sampling Frame:** In this study all the carpet firms of Bhadohi District registered with All India Carpet Manufacture Association (AICMA) were included in the sampling frame.

**Sample Size:** 65 Enterprises were surveyed from the high concentrated areas of Bhadohi district including villages like Ghosia, Khamaria, Gopiganj, Ghatampur, Raj Nagar, and Shivpur including Bhadohi city.

**Sampling Technique:** Area wise simple random sampling technique was used to collect data.

**Data collection:** Primary data was collected with the help of structured questionnaire of multiple choices.

## 6. Findings and discussions

Out of 65 carpet enterprises we surveyed only 12 enterprises used the e-commerce for their sales across the borders. 24 per cent were rural and 76 per cent were urban enterprises and among the user of e-commerce we found wide gap between rural urban enterprises as only 7 per cent were rural and rest were urban enterprises.

The purpose of e-commerce site hosting was different for the carpet exporters as 34% used for Promotional purpose, 8 per cent exporters' sole purpose was wholesale while 50% and 8% used it for promotion & Wholesale and promotion & retail purposes respectively. The pattern of enquiry received was mainly related wholesale as 67% enquiries received were from wholesaler and 25% were from actual customers while rest were of mixed in nature.

The way how e-commerce sites are managed by the exporters as identified during the study. 75% users manage and update website on their own. Buyers or customers send them e-mails/fax or letter and they respond in the same way. 8% users got their websites managed through others agencies while 17% get their products listed in virtual market places and receive enquiries via these virtual sites and do business.

Why this important tool is not widely used in the industry as expected, we identified several constrains in the implementation of e-commerce in the carpet industry through this study. These are:

- 6.1. Even those who used e-commerce received few enquiries.
- 6.2. Lower level of awareness
- 6.3. Cost of development of websites and their maintenance being higher especially for Micro and small enterprises.
- 6.4. Low level of Technical skills among carpet exporters.
- 6.5. Variation in the visibility of the products.

6.6. Buyers prefer sample to viewing the product on the site.

Benefits of e-commerce as perceive by the respondents:

Variables	% of Respondents
Expansion of market	37
Reduction in intermediaries in supply chain	23
Relevant and detail information available to the buyers	13
Product can be sold anytime from anywhere	10
Reach to the global market place	13
Improved customer interaction	23
Direct interaction with the customer	17
E-Commerce increases the sales	20
Product available at low prices due to low involvement of intermediaries	23
Customers increased	17
New Design and development of carpets become easy due to timely feedback of customers	10

Note: Percentage is more than 100 because respondents were allowed to choose more than one option.

## 7. Conclusions

In a knowledge based economy, application of Information and Communication Technology (ICT) will be great leveler for small scale entrepreneurs. E-Commerce presents small exporters with the opportunity to compensate for their traditional weakness in areas such as access to new export markets and compete with larger firms.

E-Commerce in India is still in nascent stage and less prevalent in Indian carpet sector. Carpet exporters have limited access or understanding of these technologies and their benefits. To incorporate the ICT into their operations, carpet exporters which are either micro or small entrepreneur need to find ways to deal with high set-up cost, lack of infrastructure and IT skills. However due to decreasing cost of computers, a growing stalled base of internet use and increasingly competitive Internet Service Providers (ISP) in the country will help fuel e-commerce growth in the industry.

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