

Challenges of the indian textile industry marketing essay



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Scale: Indian Textile Industry is highly fragmented industry that is led by several small-scale industries. Because of this, there is a lack of industry leadership. These small companies do not have fiscal resources to invest in technological up-gradation and they are not able to generate economies of scale. This leads to an inability to establish a world-class competitive player. All the sectors except spinning face the problem of scale. India has very few large firms and other firms are generally smaller than their Chinese or Thai counterparts. Some of the Chinese large firms have 1.5 times higher spinning capacity, 1.25 times denim (and 2 times gray fabric) capacity and about 6 times more revenue in garment than their counterparts in India^[1] which in turn gave an effect on the overall cost distribution along with the ability to attract customers with big orders.

No of Exporters

Source: CRISIL

Skill and Labor productivity: Though industry has cheap and skilled manpower but they are less productive comparative to other South Asian countries. Low labor productivity due to lack of skills and modernized infrastructure is making Indian textile industry less productive than other competitor nations.

An Industry and Regional Perspective

Source: Economics Program Working Paper Series: The Cost Competitiveness of the Manufacturing Sector in China and India (Bart van Ark, Abdul Azeem Erumban, Vivian Chen, Utsav Kumar)

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Along with the labor productivity issues three other issues are of important consideration: (a) there is a lack of technical manpower -there are only 30 programmes at graduate engineering (including diploma) levels graduating nearly 1000 students - this number is insufficient for bringing about significant technological change in the textile sector; (b) Investment by Indian firms for training of its existing workforce is very limited and the skills are confined to already existing processes; (c) there is serious dearth of trained operators and supervisors in India. It is expected that Indian firms will have to invest close to Rs. 1400 bn by year 2010 to increase its global trade to \$ 50 bn. This kind of investment would require about 70, 000 supervisors and 1. 05mn operators in the textile sector and at least 112, 000 supervisors and 2. 8mn operators in the apparel sector (assuming a 80: 20 ratio of investment between textiles and apparel).[2]In this situation the real bottleneck to growth is going to be availability of skilled manpower.

Poor Infrastructure: Technological Obsolescence and low degree of modernization in various steps of value chain affects the quality, cost and distribution. The general trend in the country is to go for second hand and outdated looms thus resulting in lower productivity and quality. Raw material from power looms and handloom is of low quality. Though India is a hub of IT services, they are not effectively implemented in textile sector to improve the productivity

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Inadequate Research & Development and Lack of Technology Upgradation:

Government of India has done significant investment in various schemes and

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other programmes for the growth and development of the industry. It launched Technology up gradation fund scheme in 1999 and issues Rs 916 bn for technology upgradation. However TUFs have not benefited all the segments of the Textile Value Chain -large parts of the funds have gone to the relatively healthier spinning sector.

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Low FDI: Lack of scale and the fragmented nature of industry have discouraged mega investments in the Indian textile industry.

Unattractiveness of the industry has resulted in abysmal FDI inflows, despite 100% FDI being allowed under the automatic route. These drawbacks created a hurdle to make industry more competitive on the global basis.

Legacy of government policy: Government followed protectionist policy for handlooms (labour-intensive and seen as a means to sustain employment) vis-à-vis power looms & mills. India had antiquated labour laws. The companies have often broken their business down into small units to avoid any trouble created by labor unionization. India also maintained capacity restrictions for a long time because government wanted to incentivize Small-scale industries. The Land and urbanization laws resulted in closure of urban mills and lack of import subsidies on advanced machinery resulted on limited technology advancement.

Lack of Trade membership: India is serious lacking in trade pact memberships, which leads to restricted access to the other major markets. This issue made others to impose quota and duty, which put scissors on the sourcing quantities from India.

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High Power Tariff: After raw material, power cost is the most significant cost in the whole supply chain. High power cost and erratic supply hampers the production in India.

High Cycle time for garments: Cycle time is the key factor in determining the competitiveness of a firm. It has a direct impact on both price and delivery schedule. Cycle time reduction is strongly correlated with high first pass yield, high throughput times, low variability in process times, low WIP and consequently cost. Currently Indian firms have high lead times and they must reduce their cycle times across the entire supply chain. The average lead time in manufacturing and delivery sums to around 45-60 days from fabric buying to shipment of apparels. It can also get extended to 80 days. The mean delay in exporting finished garments from India after procurement of raw materials is estimated to be 15.5 days. The shelf life of products driven by fashion is merely 45 days therefore, such delays are indefensible. In contrast Turkey completes entire task ranging from approval of design to delivery in warehouse in a flat 30 days cycle[3]. Turkey also has the strategic advantage of being located close to EU markets and positive liberal political conditions. Customs must provide a turnaround time of $\frac{1}{2}$ day for an order if we expect Indian firms to become part of larger global supply chains. Indian textile firms must enforce a deployment of industrial engineering with specific importance on cellular manufacturing, JIT and statistical process control to minimize lead times on shop floors. Usage of IT for increasing the productivity is also low in this sector.

Indo French Collaboration

Machinery: The French textile machinery Manufacturers has established a firm foothold on the international markets for many years. France is the European Union's third largest exporter of textile machinery and the sixth largest in the world. More than one hundred countries have chosen them as their partners to whom they export 90% of their national production. They are a dynamic group of companies who created years ago a private professional Association UCMTF (French Association of Textile Machinery Manufacturers), whose aim is the promotion of the French machines and French companies.

The specialized sectors of the French textile machinery industry are:

Spinning preparation machinery

Long fibre spinning machinery

Fibre opening, fibre blending machinery, textile waste recovery

Cards

Nonwovens manufacturing line

Such expertise if augmented with Indian government support can help the issues associated with poor infrastructure and machinery resulting in poor quality of fabric and thus increase the competitiveness of Indian textile in global market.

The French textile machinery manufacturers also realized the importance of the Indian textile industry. They invited the Indian textile producers to a series of Indo-French seminars “ French Technology to Boost the Indian Textile Industry’s Competitiveness” which were held in Mumbai and Ludhiana on 20th and 23rd April 2010 respectively. The aim of this seminar was to regularly facilitate direct contacts between the Indian textile producers and the top management of the French machinery producers.

In words of Mrs Evelyne Cholet, the Secretary General of UCMTF- “ Organization of such seminars in India is very important at present especially when the Indian Government realizes the importance of new investments in textile machinery to stimulate this strategic sector. The technical textiles sector for which France has an expertise is another sector which has great potential in India”

This endeavor is supported by Indian government as these seminars were held under the patronage of the office of the Textile Commissioner - Ministry of Textiles and Government of India. The French Trade Commission of the Embassy of France in India, Ubifrance (France’s agency for the international development of French companies) and the French Textile Machinery Manufacturers’ Association (UCMTF) were co-organizers of the seminars.

Technical Textile: India is at the threshold of technical textile development, which is set to play a huge role in the development of the country’s various facilities, thus offering the greatest growth potential in this sector. Owing to the rise in demand for value - added textile products in the developed nations, the technical textile industry is said to grow around 4 - 5 percent.

According to the recent research by the Textiles Committee, the technical textile industry in India is expected to grow at a rate of 11% annually and reach a size of around \$14 billion by 2012. The current size of the market is little less than \$8 billion and the projected investment in this sector is around \$1000 million. Technical textiles correspond to a multi-disciplinary field with different applications in numerous fields such as medicine, aerospace sports, defence, agriculture and construction.

France has already developed expertise in this segment. In France, the technical textile industry comprises nearly 600 companies, consisting of very small businesses, numerous SMEs and big groups alike. Some twenty trades are represented, from fibre production and spinning through to clothes-making and assembly, and cover 12 sectors of application. This type of material is regularly used in widely varying fields such as packaging, protection and safety, clothing, construction, transport, the environment and the medical sector. All these mutually complementary companies work within a network of technical centres, laboratories, universities, competitiveness clusters and professional associations. Their excellence is recognized far beyond the borders of France.

Indian manufactures can learn a lot from French technologies and products in technical textile segment. In order to facilitate this learning Techtextil India - International Trade Fair for Technical Textiles and Nonwovens is organized where pavilions from Germany, France and Italy present their latest innovations. The objective of the fair is to achieve a future oriented perspective and practical technical information in a range of presentations and discussions specially formulated for the "high - potential" Indian

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market. Techtexil India is supported by the Office of the Textile Commissioner of the Ministry of Textiles, Government of India.

In words of Mr. Dayanidhi Maran, Union Textiles Minister, present at Techtexil 2009- “ The technical textile industry has a high potential to attract investments worth \$1. 03 billion and generate around 3, 00, 000 additional employment by 2012. Since India has highly-skilled manpower and abundant availability of raw material, it can emerge as a key player in the technical textiles industry”

Innovation through Competitive pole: In order to improve the highly fragmented textile industry of India the French model of competitive poles can be applied. Since French textile industry is a mature sector, innovation is the key factor driving the industry. The French textile industry has been re-organised in the past few years in order to respond to the current innovation and technology creation needs. In 2004, the « Pôles de Compétitivité » (Competitive Poles) were put in place to respond to this need. These poles are associations that group enterprises, research centres, and public and private training institutions. The objective of these poles is to create the environment to the economical renewing of the regions by implementing new products and services. Innovation is, therefore, in the centre of the competitive poles. There are in France now 71 poles spread across the country.

The programmes of the poles are financed by the government, by 1. 5bn EUR each year in total (including all industries and activities), but local authorities and associations also contribute to the financing.

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The competitive pole is organized under 2 main axis:

Technical textiles

Customization of clothing textiles

The Lile region is a key example of the competitive pole approach.

Nowadays, more than 50 % of the textile engineer in France are graduated in the metropolitan area of Lille Métropole at l'ENSAIT and HEI. Technical trainings are also available at the ESAAT.

The UP-tex is the pole dedicated to the textile, technical and traditional (clothing), that is located in the metropolitan area of Lile. The UP-tex works as an association of enterprises, research centres, and centres dedicated to technology transference. Its ambition is to become the European reference in terms of advanced textile materials, polysensoriality and design and mass customisation. Furthermore, the labelling of the competitive pole UP-tex has also contributed to the reinforcement of Lile's position as a reference in terms of innovative and clothing textiles.

The UP-tex has as objectives:

Develop the project of the « customized enterprise », in order to create a new value chain to the textile / clothing branch

Promote the national and international plan of the high-performance textile regional pole, its economic network (through the CLUBTEX) and its scientific competences

Create basis for the emergence of an European technological platform through the creation of the CETI (French : Centre Européen du Textile Innovant, English: European centre of the Innovative textile)

Support the research projects by the attribution of labels to selected projects

Further develop innovation in the textile and clothing industry

CLUBTEX, which is the association of local industrials to promote innovation in technical textiles, is key element to the success of the Lille textile pole. The association is grouping, nowadays, 58 industrial, 1 union and 6 training and researching centres, all with one common objective to create innovation through the mutualisation of resources. The industries participating in CLUBTEX produce under the SPL (SPL : French for Système Productif Local , in English : Local Production System) District Textiles Techniques label, which helps on the identification and differentiation of the products towards the customers.

Recommendations

Government Initiatives:

Government can take actions under the following heads for improving the textile industry:

Flexibility of contract labor law: Labor Laws should be more liberalized and made favorable that will help to make labor more productive. Textile industry should be exempted from contract labor law

Better implementation of TUF: Government should focus on providing uniform disbursement of incentives through TUF

Attracting FDI's: Government should provide tax incentives to attract FDI to make it more competitive in global marketplace. Establish integrated textile parks. Allow more Foreign Direct Investment (FDI) in Garment Retailing to enable large, modern retail showrooms to set up shops in India which will promote local sourcing and will result in better production

Encourage Private Sector for Partnership & collaboration

Develop supporting Industry: Develop textile machinery industry (currently 70% of textile machinery is imported. Faster port clearance and cheaper transport

Skill development Initiatives: Set up skill development centers. More Training centers should be opened to train the workforce and awareness of new technology and trends should be increased among manpower. Collaboration with Institute like SITRA (South India Textile Research Association) for labor skill development

Reduce power tariff, encourage renewable sources of energy through government subsidy, reduce interest rates and transaction costs.

Setting up of quality checking laboratories to ensure global competitiveness

Apparel park to promote exports: In National Textile Policy 2000 government established Apparel International Mart: Apparel Export Promotion Council has constructed an Apparel International Mart (AIM) at Gurgaon to provide

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showrooms on lease and license basis to the established exporters to showcase their products

Aid to agriculture industry to improve the availability, productivity and quality of Raw Material: In National Textile Policy 2000 government implemented Cotton Technology Mission: To improve the performance of Cotton sector through improvement in Research & Development, quality and productivity of products. The Govt. of India is aimed to increase production of cotton by 50% with improved quality and productivity

Firm level Initiatives

Companies should improve the productivity at firm level to develop economies of scale:

Up-grading technology: Form JVs with global players for technology up-gradation and scale

Implementing TQM: ensure waste minimization, product durability and reliability.

Lean manufacturing: optimized distribution network and supply chain management to attain reduced cycle time

Use of IT services

In-house skill development program

Apparel Industry Landscape

Global Textile and Apparel trade is recovering after a slump during the economic recession in 2008-09, and is expected to reach US\$ 1 Trillion by 2020 from the current US\$ 510 Bn. The growth in trade is driven by increased outsourcing of western / developed countries towards lower cost countries in Asia. India's Textile & Apparel industry (domestic + exports) is expected to grow from the current US\$ 70 bn to US\$ 220 bn by 2020. The Indian domestic Textile and Apparel market size in 2009 was US\$ 47 bn and is expected to grow @ 11% CAGR to reach US\$ 140 Bn by 2020 Domestic Apparel retail market was worth US\$33 Bn in 2009 and is expected to reach US\$ 100 Bn by 2020.

Export Sector: India's exports have also recovered in 2009-10 following increased global demand and is currently worth US\$ 23.5 Bn. Indian apparel exports have also grown by a CAGR of 11.7% in last 4 years. The export market includes readymade garments of cotton, man made, silk, wool and other textile materials with cotton products accounting for the major share. India has the potential to increase its export share in world trade from the current 4.5% to 8% and reach US\$ 80 Bn by 2020. India has the potential of this strong growth in exports because of increased sourcing shift from developed countries to Asia. India's also possess different strengths which makes it a suitable alternative to China for global buyers. In terms of financial returns, Apparel is the most attractive product category amongst retail product categories both in terms of Returns on Capital Employed and EBITDA. Garmenting & Technical Textiles are the most attractive segments within the Apparel value chain in terms of ROA and EBITDA. According to

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KPMG research investments upto US\$ 68 Bn will be required by 2020 across the Textile supply chain to tap the potential market generated by the growth of textile industry. Investment required in garment sector by 2020 is to the tune of US\$ 14 Bn and for processing is US\$ 19 Bn.

Apparel Industry: However Indian Apparel Industry is a small scale sector with high degree of fragmentation. Apparel manufacturing has about 77, 000 small scale units classified as domestic manufacturers, manufacturer exporters and fabricators. Due to low entry barrier, garments industry is the least capital intensive part of textiles value chain, leading to high fragmentation. There are around 8200 registered apparel exporters in India. The turnover of 4800 exporters is less than 5 million INR which indicates the high level of fragmentation.

Apparel Retailing: A huge chunk of apparel market is contributed by urban segment. Majority of this urban segment stays in few selected cities where organized retail is preferred mode of shopping thus organized retail plays a very important role in domestic apparel consumption. Total apparel and fashion accessories retail market was worth Rs. 80, 000 crore in 2004, which grew by 11% each year till 2006. Although organized retails chains and exclusive brand outlets are gaining momentum, traditional retailers and MBOs still dominate apparel retailing. One of the key factors for the huge growth is due to expansion by apparel brands and retailers to small but potential cities. Many global brands like Marks & Spencer are getting established in India by franchisee route. Malls are expected to be one of the main drivers for growth of apparel retailing, as they provide large areas.

Men's Apparel: Men apparel stands at \$ 8.1bn in 2007 with a market share of 42% of total apparel market. It is expected to see high growth in near future but % share will decrease due to growth in other segments. In 2007 men apparel industry was mainly dominated by shirts accounting for 36.5% of total men segment. The established key players are Arvind mills, Madura Garment, Westside, shoppers stop and Pantaloons. Levis Strauss is the major newcomer in the same segment.

Women Apparel: women apparel stands at \$ 6.7bn in 2007 with a market share of 34% of total apparel market. It is expected to grow till 11bn by 2009. Some of the important changing trends observed in this segment are

Liberalization of casual wear in the office is increasing the ready to wear market

Working women demand western or indo-western outfits that last in fashion and quality

Saree have the highest share but trouser and skirts are growing rapidly due to changing social trends

From 2002 to 2007 saree demand has shown a CAGR of 12.8% whereas Trouser and skirts have shown CAGR of 34%

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Kid Apparel: Kid apparel is the smallest segment of \$ 4.7 bn. Licensing international kid's apparel is a successful strategy to capture the premium market. Some popular brands in same category are Disney, Barbie etc. This

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segment have very little brand penetration of 5-8% but it is expected to grow at 15-20%

A comparative analysis of all segments with their expected growth is shown below:

Key growth drivers for the textile and apparel Industry are :

Growth in organized retailing at 41% CAGR.

Increasing number of working women.

Increasing household income

Changing demographics

Affinity for brands and better shopping experience

Profile of French brands:

High end/ Luxury Brands

Products coverage

Gender targeted

Target Customer

Marketing strategy

Product Strategy

Hermès

Clothing & accessories

Male/Female

High-end/ rich population of all ages

Exclusivity is the key word.

Products are very Expensive and often perceived as “ durable goods” (can be passed from mother to daughter)

“ Overbuying” is discouraged: clients do not have the right to buy more than a X number of items per collection

Very high-quality, often hand-made by specialized artisans; eg. leather goods often produced by experts in Italy.

Each “ maison” has its Flagship products, that remain unchanged, or are slightly updated across collections.

Pret-a-porter collections are innovative and trend-setter for the rest of the clothing industry

LVMH - Louis Vuitton

Clothing & accessories

Male/Female

High-end/ rich population of all ages

Channel

Clothing & accessories

Female

High-end/ rich population of all ages

LVMH - Dior

Clothing & accessories

Male/Female

High-end/ rich population of all ages

Chloé

Clothing & accessories

Female

High-end/ rich population of all ages

Yves Saint Laurent

Clothing & accessories

Male/Female

High-end/ rich population of all ages

Lanvin

Clothing & accessories

Male/Female

High-end/ rich population of all ages

LVMH - Givenchy

Clothing & accessories

Female

High-end/ rich population of all ages

Maison Martin Margiela

Clothing & accessories

Male/Female

High-end/ rich population of all ages

Premium/ Middle

Product Coverage

Gender Targeted

Target Customer

Marketing Strategy

Products Strategy

Isabel Marant

Clothing & accessories

Female

Mid 30s/ Early 40s

Targets are high-end of medium class, that cannot afford “ luxe” but wants to buy the best product they can afford.

Price sensibility is not to be neglected.

Brand strength based on “ notoriety”, string communication campaigns and “ sales” to clean stocks.

New trend is the “ affiliated-brand” strategy, such as Athé and Etoile, by respectively V. Bruno and I. Marant, that target at different age ranges as a way to maximise sales

Fit and Design are the key words.

Quality is important, but not overvalued as for “ luxe” products.

Some brands will have a few flagship products, but as general rule the collections are completely renovated each season

Vanessa Bruno

Clothing & accessories

Female

Mid 30s/ Early 40s

Carven

Clothing & accessories

Male / Female

Mid 30s/ Early 40s

De Fursac

Clothing & accessories

Male

Late 30s/ Late 40s

Jacadi

Clothing & accessories

Children

0 to 8y +/-

Bonpoint

Clothing & accessories

Children

0 to 8y +/-

Gerard Darel

Clothing & accessories

Female

Mid 30s/ Early 40s

Agnés

Clothing & accessories

Female

Mid 30s/ Early 40s

Claudine Pierrot

Clothing & accessories

Female

Mid 30s/ Early 40s

Manoush

Clothing & accessories

Female

Late 20s/ Early 30s

Maje

Clothing & accessories

Female

Late 20s/ Early 30s

Zadig & Voltaire

Clothing & accessories

Children/ Male / Female

Late 20s/ Early 30s

Ba & Sh

Clothing & accessories

Female

Late 20s/ Early 30s

Sandro

Clothing & accessories

Female

Late 20s/ Early 30s

Les Petites

Clothing & accessories

Children/ Female

Late 20s/ Early 30s

Comptoir des Cotoniers

Clothing & accessories

Children/ Female

Late 20s/ Early 30s

Athé - Vanessa Bruno

Clothing & accessories

Female

Late 20s/ Early 30s

Etoile - Isabel Marant

Clothing & accessories

Female

Late 20s/ Early 30s

Kooples

Clothing & accessories

Male / Female

Whole 20s

Berenice

Clothing & accessories

Male / Female

Late 20s/ Early 30s

Bel Air

Clothing & accessories

Female

Whole 20s

Middle/Low range

Product Coverage

Gender Targeted

Target Customer

Marketing Strategy

Products Strategy

Zara (Spanish)

Clothing & accessories

Female

Mid 30s/ Early 40s

Disposable Fashion.

Easy-to-wear collection hits, constantly renovated (short collections)

Design & Disposable fashion.

Quality is not perceived as key product attribute.

Products are often produced outside Europe

Mango (Spanish)

Clothing & accessories

Female

Mid 30s/ Early 40s

H & M (UK)

Clothing & accessories

Female

Mid 30s/ Early 40s

Naf Naf

Clothing & accessories

Female

Late 20s/ Early 30s

Sud Express

Clothing & accessories

Female

Late 20s/ Early 30s

PROMOD

Clothing & accessories

Female

Late 20s/ Early 30s

Etam

Clothing & accessories

Female

Various

Middle/Low range

Product Coverage

Gender Targeted

Target Customer

Marketing Strategy

Products Strategy

Uniqlo (Japan)

Clothing & accessories

Male/ female

Families looking for basic items with average quality and good price

Long-lasting collections, not really “ fashion-driven” (does not follow trends).

Good value for money

Le Petit Bateau

Clothing & accessories

Children/ Female

French brand in India:

Based on the consumption profile we can see that women segment is the fastest growing segment and also the share of formal wear like trousers and skirts is increasing due to increasing number of working women in the society. Thus a French brand targeting female consumers in the age range of Late 20s/Early 30s will be best suited for India. Though the disposable income is increasing, the target group of women is highly value conscious hence Premium/Middle or Middle/Low class brand will perform better than

the luxury brands. Also the segment purchasing luxury brands is although growing but currently too small to target.

Important Parameters to consider while entering India

Positioning: The most important part is the positioning in the Indian consumer mind-space. Smart casual positions are taken in by the brand such as ColorPlus, Dockers and Canary Blue. Design wear are gone with square-1 mall and Kimaya, Kazo and individual designer having their stand alone store. Any positioning below that is lapped up by Zillions of manufacturers. However there are still wide open gaps which lie agape between these broad categories which can be easily targeted. Also Indian consumers show an affinity for foreign brands as it is considered a proxy for status. Therefore even the Indian Manufactures like ITC, Madura garment give exotic names to their brands for eg John Players, Allen Solly.

Location: The location is the key to the positioning, it determines and in turns reinforces positioning; in fact, with about 50% of the operational expenses are taken up by the rentals, it has assumed an even more important position. Exclusive showrooms at a high end street or space in well reputed mall are the two options for establishing a high end brand.

Buying vs. Manufacturing: It is very important decision for the fore