

# [Competition in india's textile industry](https://assignbuster.com/competition-in-indias-textile-industry/)

## Factors behind increasing competition in Indian textile industry and strategically approach to gain competitive advantage globally.

## BACKGROUND INFORMATION

The textile industry plays a pivotal role in the Indian economy. The country has produced legends such as Dhaka muslin, which was woven so fine and light that it could pass through a finger ring. But what is significant today is that this sector contributes substantially in providing employment and earning foreign exchange. The country is rich in natural resources such as cotton, jute and silk. The textile industry is the second largest employer, after agriculture, with a total workforce of around 35 million. India is next only to China among the world’s largest producers of textiles and garments. The industry is the largest foreign exchange earner, as the import content is insignificant compared with those of other major export products. Its contribution in exports is nearly 20 per cent. How many of us know that 85 per cent of the handlooms in the world are produced in India? The number of handlooms in the country is four million. The activities in textiles range from the production of natural raw materials such as cotton, jute, silk and wool to the manufacture of quality products such as cellulose fibre, synthetic filament and spun yarn. This is, perhaps, the only industry that is self-reliant and complete in value addition — from raw materials to the highest value-added products (Warrier, 2007).

The textile industry occupies a unique place in our country. One of the earliest to come into existence in India, it accounts for 14% of the total Industrial production, contributes to nearly 30% of the total exports and is the second largest employment generator after agriculture. Textile Industry is providing one of the most basic needs of people and the holds importance; maintaining sustained growth for improving quality of life. It has a unique position as a self-reliant industry, from the production of raw materials to the delivery of finished products, with substantial value-addition at each stage of processing; it is a major contribution to the country’s economy. Its vast potential for creation of employment opportunities in the agricultural, industrial, organised and decentralised sectors & rural and urban areas, particularly for women and the disadvantaged is noteworthy (www. economywatch. com).

Against all these merits, an expert’s lament goes: “ It is difficult to find such a large-scale industry in the country that is so disorganised as the Indian textile industry”. The industry is often plagued by obsolescence, unhealthy regulations and problems of labour. This emphasises the need for strengthening the management mechanism in the industry, to face the emerging international challenges. Common sense administration has its in-built constraints in a world where scientific management decides the destiny of industries in the modern global scenario (Warrier, 2007).

The textile industry in India will face intensified competition in both their export and domestic markets. However, the migration of textile capacity will be influenced by objective competitive factors and will be hampered by the presence of distorting domestic measures and weak domestic infrastructure in several developing and least developed countries (www. economywatch. com).

The challenges from global competition demand a scientific approach from properly trained management professionals who have specialised in this sector. Sickness and inter-sector contradictions that are a bane of the industry have to be solved through a wise approach and well-calibrated steps, to ensure healthy growth. Managers who are trained in traditional management disciplines will take a long time to get themselves familiarised with the special problems of the textile scene. A strong and competent cadre of trained mangers will help the continuous upgrading of knowledge and skills, fulfilling the need for maintaining a cutting edge in the world of intense competition (Warrier, 2007).

### AIMS AND OBJECTIVES

The proposed research intends to examine the increasing competition in Indian textile industry by focusing on the factors that have led to intense competition in the industry and formulate strategies that would help firms in the industry to gain competitive advantage at the global level.

The key objectives of the research are identified as following:

* to identify the factors that have increased competition in Indian textile industry;
* to examine the nature of competition in Indian textile industry;
* to develop competitive strategy and provide recommendations to firms in Indian textile industry, so as to sustain the competitive edge in the global market.

#### LITERATURE REVIEW

Competitiveness: Definition

“ Competitiveness is a widely used term and there are many definitions of it. The approach taken to competitiveness in this report is a pragmatic one, with the general idea that competitiveness means success in markets that translates into general increases in welfare” (National Competitiveness Council Secretariat, 2006, p. 1). The main concerns with respect to competitiveness arise from the developments of world markets. The main tendencies in international trade include rapid growth, globalisation, the growth of regional blocks, and the growth of foreign direct investment (National Competitiveness Council Secretariat, 2006).

For the company, competitiveness is the ability to provide products and services as or more effectively and efficiently than the relevant competitors. In the traded sector, this means sustained success in international markets without protection or subsidies (Porter, 1990).

#### India’s competitiveness

Over a decade has passed since India embarked on liberalisation. There has been no dearth of fervent declarations affirming India’s determination to acquire the capabilities that will add to its competitiveness and enable it to be counted among other recognised global players (Gupta, 1998). However, has India been able to cash on inherent and acquired advantages in terms of competitiveness? Three different bodies assign three different grades to India:

* The 1999 World Competitiveness Year Book , compiled by the Switzerland-based International Institute for Management Development (IIMD), shows that India’s ranking in international competitiveness, evaluated by applying 287 criteria, has gone up by two points from being 41st out of 46 countries in 1998 to 39th out of 47 countries in 1999 (Nancy, 1999).
* The survey conducted by the Geneva-based World Economic Forum (WEF) for 1999 puts India in 53rd position of 59 countries in its Global Competitiveness Report , down from 50 in 1998, and 45 in 1997 and 1996. It uses 179 indicators under eight heads (openness, government, finance, infrastructure, technology, management, labour and civil institutions).
* The World Bank, which appraised the competitiveness 46 countries in 1999, places India in the 40th rank.

In all these three evaluations, the rankings on certain specific parameters are more worrisome than the overall figures. India’s weakest areas in all the surveys include: uncertainty in government policies; infrastructural deficiencies; unsatisfactory corporate and financial management of both private and public sector enterprises; inept corporate boards; insufficient attention to human development; low productivity; undependable quality; inadequate customer orientation; and negligible investment on R&D, with special reference to information technology.

India is the fifth largest country in terms of gross national product (GNP) and purchasing power parity (PPP). It constitutes one of the fastest growing markets in the world and is counted among the richest with regard to cheap skilled labour, scientific and technological resources, and entrepreneurial talents. Therefore, the above image of India is quite enviable.

To improve the competitiveness of Indian organisations on product design, quality and on-time delivery it has become necessary for them to look for innovations that produce maximum efficiency both within and beyond their operations (Sahay, 2000). Supply chain management is an integrating philosophy to manage the total flow of a distribution channel from supplier to ultimate customer. It is the management of upstream and downstream relationships – both within and beyond their operations – with suppliers and customers to deliver superior customer value at less cost to the supply chain as a whole. Effective supply chain strategies for creating competitiveness revolve around the on-time delivery of competitive quality goods and services, at a reasonable cost, involving the right business partners (Easton, 2002).

##### Business challenges in the twenty-first century

The information age competition has ushered in a new set of challenges for business competitiveness (Luftman, 1996). These include:

* Understanding customers . There is no escaping the fact that the customer in today’s marketplace is more demanding, not just of product quality, but also of service. As more and more markets become in effect “ commodity” markets, where the customer perceives little technical difference between competing offers, the need is for the creation of differential advantage through added value. Hence, it is increasingly becoming important to understand customers’ needs and wants and to translate these into a unique value-added business mission.
* Managing time compression . Time is the primary competitive motive of business in the 1990s. This does not mean, however, that other motives such as cost, quality, and service can be ignored. In fact, these are pre-requisites to sustain competitiveness. But the winning factor is provided by time-based competition, which becomes the highest priority to gain responsiveness and flexibility. Product life cycles are shorter than ever before, industrial customers and distributors require just-in-time deliveries, and end-users are ever more willing to accept a substitute product if their first choice is not instantly available.
* Mastering mass customisation . The driving force behind the importance of responsiveness and flexibility is the need and the wish to respond to virtually any customer request just in time. Mass customisation offers a viable solution. It involves the delivery of a wide variety of customised goods or services quickly and efficiently at low cost. The key to making mass customisation work is highly-skilled and autonomous workers, processes, and modular units, so that managers can co-ordinate and reconfigure these modules to meet customer specific customer request and demands. Mastering mass customisation is the step towards gaining a competitive edge and is driving new business models.
* Undertaking globalisation . There is an increasing trend towards globalisation. Almost every sector of business is influenced by global forces due to globalisation. In the global business, materials and components are sourced worldwide, manufactured offshore and sold in many different countries, often with local customisation. The challenge for the global company, then, is to achieve the cost advantage of standardisation while still catering for the local demand for variety. This has given rise to intense competition blurring the boundaries between domestic and global markets.

Business, therefore, can no longer act as an isolated and independent entity in competitive world, the real test of competitiveness takes place in “ international markets” (Salcedo and Grackin, 2000). There is a need to create value delivery systems that are more responsive to fast changing global markets and much more consistent, focused and reliable.

##### Competitiveness and Textile Industry

Clothing manufacturing in many developed countries has almost disappeared, probably more quickly than the ATC signatories imagined. The Japan Textile Importers Association now estimates that 87 percent of clothes on sale in Japan are imported: the American Apparel and Footwear Association estimates 89 percent of US clothes. Nonetheless, the apparel industry in rich countries is fundamentally different in 2002 from what it was in 1994, and this change affects the way in which the political debate around further liberalization is likely to occur (Flanagan, 2003).

The countries India and Vietnam are viewed as strong competitors in future market share of textiles and apparel. Trade relations with Vietnam were non-existent in 1993. Since that time, a desire for closure to the war sees initial trade relations established. Thus, the data may be misleading due to this fact. India has been among the largest producers of cotton fiber since the days of yore. In the past India would export low-value items such as fiber or yarn to developed nations, which produced and manufactured fabric for clothing. However, because the profit margins are highest in the fabric and assembling for the apparel supply chain, the realization dawned to integrate vertically. India has emerged as a major sourcing base of cotton clothing worldwide and most of the leading US retailers such as Gap, J. C. Penney, and Nordstrom have set up sourcing offices in India (Tyagi, 2003).

As government policy has become more strongly oriented towards trade liberalization, the industries have become progressively exposed, through multi-lateral and bilateral deals, to the full force of international competition from a growing array of international suppliers. At the same time, the emergence of large, sophisticated retail groups together with intense retail competition has found retailers exercising their bargaining leverage by squeezing suppliers for lower prices, and higher levels of service and product innovation. There has also been an increasing trend among large retailers to source direct or use foreign intermediaries (Flanagan, 2004).

Market needs have become more changeable and fragmented, and consumers have become more discriminating with regard to product novelty, quality and value. Technological change has resulted in a broadening and a deepening of the financial and intellectual resources textile and apparel companies need to compete. Companies have been faced with making heavy investments in new technologies against the background of poor profitability, uncertain competitive outcomes and difficulties in gaining access to capital at non-discriminatory rates (Kilduff and Priestland, 2001).

##### METHODOLOGY

Research Design

The statement regarding the nature of the problem identifies concepts that have to be explored and that would influence the data collection methods, the subsequent data analysis and reporting that would influence the data collection methods, the subsequent data analysis and reporting that are required (Hakim, 1997). In the light of this assumption the researcher meets with the task of constructing a research design, and analysing and interpreting data. The design of research study is based on the purposes of the research, if explanatory information is needed then a quantitative research is likely to be undertaken and if exploratory information is needed, then a qualitative research may be taken (Schiffman and Kanuk, 2000). So far as the proposed study is concerned both exploratory and explanatory information is needed for getting the clear picture of the study problem, therefore both qualitative and quantitative research methods will be applied in the proposed study.

Data Collection Methods

In academic study the two most common methods of data collection are primary and secondary (Saunders et al, 2004). Therefore in the proposed study also both secondary and primary data collection methods will be applied.

The sources of secondary data in the proposed study will be academic journals, trade magazines, Government of India Textile Ministry Reports, Indian Textile and Clothing Exports Association Reports, Indian Chambers of Commerce and Industry (FICCI) Reports, Confederation of Indian Industries (CII) Reports and various other related private and public reports.

The primary data collection follows the procedure of data collection through interviews, questionnaires, observation, case studies, diaries, portfolios etc. In fact, such data is called primary, because it is the initial step, which the researcher has to take in order to begin research. The researcher can use one or more than techniques specified above to collect the data in the present study questionnaire based survey technique would be applied for collect primary data (Schiffman and Kanuk, 2000). This technique is found instrumental in generating and quantitative data. For questionnaire based survey 25 managers (as sample) will be selected from Mumbai (India) based textile firms.

TIME PLAN

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