CHAPTER VII

STRATEGY EVALUATION

7.1 INTRODUCTION

In this chapter, keeping in view the second objective of the study, a set of criteria are evolved, which would help the management to identify opportunities and decide upon additions/dropping of products. These are developed by analysing Mill A data and application of the various approaches available in the literature to the Mill A data. Further, the present and future product-market strategies of Mill A are evaluated and recommendations made.

7.2 SEGMENTATION APPROACH

Segmentation is a marketing tool which is used for classification of markets. The ultimate objective being target market selection. In this approach, various criteria are used to understand and classify markets. Each segment also has sub-segments. By using this approach, on the basis of usage, the markets are classified into two main segments:

1. Wearables and
2. Non-wearables.

Further, the wearables market is classified on the basis of users into 5 segments:
The non-wearables market can be further classified on the basis of uses as follows:

1. Sheeting
2. Curtains and Furnishings
3. Handkerchiefs.
4. Towel
5. Blankets etc.

We had a look at company's products in the last chapter. By using this approach, let us classify the products.

**Wearables**

<table>
<thead>
<tr>
<th>Men</th>
<th>Women</th>
<th>Children</th>
<th>Exports</th>
<th>Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dhoti</td>
<td>Saree</td>
<td>Garments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suiting</td>
<td>Dress materials</td>
<td></td>
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<tr>
<td>Shirting</td>
<td>Poplin</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lungi</td>
<td>Cambric + Lawn</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Khesh</td>
<td>Mulmull</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poplin</td>
<td>Long Cloth</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mulmull</td>
<td>Butta</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drill</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Remarks:** Not much strength Weak Weak Weak Weak

**Non-Wearables**

1. Sheeting
2. Hanky
Remarks: Weak.

The remarks are on the basis of data analysis, done in the previous chapter and the conclusions derived. Though the number of products are more for men, in terms of market share they have low market share, hence remark is not so much strength. The remark indicates, the strength of the company in the market. Also, one has to keep in mind that there are no production figures available for dress material and shirting separately. But on the basis of interview with a big agent/wholesaler, we may conclude that major portion of Butta is for dress material and some for shirting. The same is extended in case of other products also. However, the shirting portion might be slightly more for other products. One more way of segmenting the textile market would be on the basis of use and when the purchases are made. Mainly it will be two types:

(a) for regular wear use and
(b) occasional wear.

(a) Regular can be further classified into, those that is to be used at home Vs. going outside.

(b) Occasional wear will be those, to be worn on occasions like, wedding, birthdays, anniversaries, deaths, parties etc.

7.21 In the first segment, consumption of cloth will be more so also the frequency of purchase. Comfort, Convenience, Ease of maintenance, would be the benefit looked for in regular wear.
7.22 As compared to this, in occasional wear, the consumer will spend more money, but frequency of purchase will be less. Probably once a year, or so. He would look for exclusivity. Consumer would like to be different from others. Hence, his choice would be as exclusive as possible. Exclusive phenomenon is there for both the segments. Clothing is one area where consumer would like to pose himself having exclusive choice. Apart from these many of the purchases are made to be given as gifts on occasions. Thus there is a separate segment available which is gift segment. This segment is both in non-wearable as well as wearables.

7.23 The Consumer Purchases of Textiles (1985) which gives the per capita consumption of cloth end use wise, shows that from 1975 - 1984, the per capita consumption for personal use has gone up marginally from 10.90 to 11.33 metres, for household use .75 to .97 while for presentation it has gone down from 1.66 to 1.53. However, value wise there is a high jump. Further, split in Rural and urban areas show that the consumption has gone up in rural, while gone down in urban areas for the presentation use.

7.24 The company has good quality products for the first segment. The data analysis reveals that it has strength in fine and superfine segment. An
exclusive image could be created for cottons. There is always a segment (aristocratic) who would go in for expensive cottons to get the aristocratic look. Since the company already has the strength of producing good quality cottons, it might as well create an exclusive segment by marketing innovations. Cottons are good for summer. So, it can add summer collections. Climate does influence the choice of clothing. Also, the concept of permanent press could be developed for ease of maintenance. Non-cotton scores over cotton as it has the durability, ease of maintenance, despite being costlier than cotton. But since the company has good R & D facility it can also make an attempt to give either or both a permanent press finish or cotton finish to non-cotton fabrics.

7.25 One more way to segment the market is exclusive/tailor made vs. ready-mades. The consumer for wearables, after the purchase of fabrics, give it to tailor for exclusive stitching. Now it is becoming difficult to locate tailors and their stitching charges are also going up considerably. There is a risk in terms of fitting when it is tailor stitched. Also, tailor takes his own time, and consumer has to visit more than once because of irregular deliveries. Because of these reasons, ready-made garment industry is growing up fast. For
convenience sake they are buying ready-made garments. The rate of growth is fast.

7.26 The Consumer Purchases of Textiles¹ report is based on the findings of All India Consumer Panel Project which was started in 1969. Data regarding textiles purchases are collected from 7450 households belonging to 58 urban and 100 rural centres, every month and analysed in detail. It shows, that over the years 1975-1985, the growth rate of per capita consumption of cloth in ready-made garments is second highest next to saree. The per capita consumption of cloth, which was 0.86 metres in the year 1975 has gone upto 1.53 metres in the year 1985. Saraph² analysed the growth rates of various product lines over a decade 1974-84. The analysis showed that polyester ready-made garments had the highest growth rate of 32.05 amongst all the lines.

Thus, the company has the options of going in for vertical integration that is garment industry or tie up with exclusive garment shops. As of now company does not have any strength in this field. But opportunities are plenty.

7.27 The major strength of this company is R & D, weaving, and high quality. Company is known for producing quality fabrics. The advertisement theme

1. Consumer Purchases of Textiles, 1985
2. Saraph, P.G., 1985
is of quality. Product is a strength of the company. With this strength of quality, it will be easy for the company to enter into export markets. As we have already seen, export is a weak area. Thus, they can strengthen themselves in export market. The company is known for product lines in women market. Its cambric 2 x 2 goes for blouses. It has a high share of saree product-market. So, we can conclude that they do have strength in this market. The segmentation approach has thrown the opportunity available for the company.

7.3 PRODUCT PORTFOLIO APPROACH

7.3.1 This approach is developed by BCG\(^1\) applied by Day\(^2\) to evaluate the performance of existing products and to give direction to the product policy management. Further, Directional Policy Matrix (DPM)\(^3\) was developed on the same lines. The matrix drawn on the next page gives idea about the product-market positions. The management can take future actions as to where the product needs to be moved or should be moved, what products to drop, where to concentrate etc. The approach uses the following Criteria:

- Market share
- Market growth
- Product Life Cycle (PLC)
- Profitability
- Share of the product in the company
- Competition.

7.32 The PLC, is reflected in the market growth and competition in market share. Profitability is taken in terms of cash flows whether it will balance, be positive or negative. Accordingly, the product-market are classified into 4 sections. Dog, cow, star and problem children. (Refer Exhibit 2.261 in Chapter 11). The product portfolio figure of Mill A is drawn and presented on the next page.
FIGURE I
POSITIONING OF VARIOUS PRODUCT LINES

SIZE OF THE CIRCLE IS PROPORTIONAL TO PRODUCTS CONTRIBUTION TO TOTAL COMPANY'S PRODUCTION.

1. POPLIN
2. SHIRTING
3. SAREE
4. DHOTY
5. LONG CLOTH
6. CAMBRIC
7. SHEETING
8. MULMULL
9. SUITING
7.33 The product portfolio approach analysis, vide chart, shows that most of the Co's product lines are in cash cows with high market share but negative growth in the market. (For classification refer Exhibit 2.261 in chapter II). This is true as far as cotton is concerned in non-cotton the case is reverse in a growing market Co. has a small share of the product-market. A right, balanced product portfolio means equal products in all the four sectors. Thus, we can conclude that the product mix of Mill A is not a balanced one.

7.4 PRODUCT CLASSIFICATION APPROACH

7.41 Murphy and Enis on the basis of literature review, have developed this approach which covers goods, services as well as ideas. It was Copeland (1923) who first developed the classification for the goods into convenience goods, shopping goods and speciality goods. The following Figure gives an idea about the approach.

1. Murphy, and Enis, 1986.
A STRATEGIC CLASSIFICATION OF PRODUCTS

— widenings arrow indicates broadened scope of marketing mix differentiating factors.

— shaded area indicates low buyer involvement with these types of products.
7.42 As per this classification approach, textile/clothing falls under the shopping category. It implies that the buyers are willing to spend a significant amount of time and money in searching for and evaluating these products. Increased levels of risk is also perceived by consumers for these high involvement products.

7.43 The product strategy recommended is standard base, many options, much R&D and warranties, selective distribution, personal selling and some advertising.

7.44 As stated earlier consumers would like to have as much wide choice as possible. He is prepared to spend time in the selection/choice. Thus, range in the product lines should be as wide as possible. The data analysis in the previous chapter shows that the company does not have high range in terms of both coverage that is not many product lines and also depth in product line. That is even within say saree they do not have very wide range. Selective distribution calls for wide range but since the company does not have one, to widen the range for selective distribution, it can allow display of other quality products from other sources after its approval. However, image of quality needs to be maintained.
7.45 Alternatively, company can buy the cloth from outside, process it and sell it in its own name. It can also purchase finished products and do only marketing. It has to keep up the quality control and standards by keeping checks. But with the acquisition of another mill the capacity has already expanded, so there is not much need for buying it from outside.

7.46 This approach suggests, that as we move away from preference, to shopping, to specialty, the scope of marketing increases. The company should make an attempt to move up from shopping to specialty classification, since there is lot of competition. Also, profits would improve. Try to create a "niche" by developing an exclusive segment.

7.47 In segmentation approach some ideas have already been developed. So I am not repeating it again. By entering into ready-made garment industry instead of moving in the speciality classification, company would be moving down the line. Also, it involves high risk effort and large investments.
7.5 COMPETITIVE STRATEGY IN FRAGMENTED INDUSTRY

7.51 Porter in this book identifies the reasons which make industry fragmented, and suggests approaches of how to overcome fragmentation. In some cases fragmentation is not rooted in the industry economics, but they are stuck in a fragmented state because of existing firms, lack in resources/skills; are myopic or complacent, lack of attention by outside firms.

7.52 In the previous chapter, the reasons for textile industry being fragmented have been identified. It appears that the industry is stuck with fragmentation rather than for fundamental economic reasons. Why I say this is, because with the intense competition coming up from decentralize sector, this industry has been complacent. No initiative is taken by them to face competition. Those mills who have taken some steps to face it have been successful and others are in the process of becoming sick. It is just a question of time.
7.53 Porter has suggested the following alternative product-market strategies, for firms which are successful in fragmented industry.

1) Increased value-added

2) Specialization by product type or product segment when there are numerous product lines and numerous product items in product lines.

3) Specialization by customer type

4) A focused geographic area.

5) Specialisation by type of order.

6) Bare Bones/no frills - cut down on costs.

7) Backward integration.

8) Standardize diverse market needs by product or marketing innovations and develop economies of scale.

Some of these strategies are overlapping.

7.54 INCREASED VALUE ADDED

Most of the mills, who have become successful in the light of competition from decentralized sectors, did change their product mix from cotton to non-cotton, thereby increasing the value added. This we have seen and demonstrated in case of mill B. Similarly, there are other mills like Soma, Swan who have become successful by shifting their product mix to higher value products. This gave results at the initial stages, but now even
clothing needs of the low and middle income group e.g. NTC mills. Others may opt for better quality fabrics like mill A and Ambica having easy care products and aesthetic, favoured by affluent section of consumers, whose number is expected to go up by 10% and share of demand by 110% by 2000 A.D. There may be another group of mills like Calico, Binny, Bombay Dyeing having broad product-mix. Unless Product-Market strength is there it becomes difficult to achieve success. For that reason Century mills which is a successful mill we have seen has a specialization in export market for wide width grey sheeting as well as umbrella. The data analysis suggests that company has strength in fine, superfine product segment and in sarees and cambric especially 2x2. It has monopoly in Butta. Thus, the mill has already specialized product segment. This is one of the main reason for the success of the mill, however, from the analysis we can see that only a small proportion of its production is of special products.

7.57 SPECIALIZATION BY CUSTOMER TYPE

This means that you specialise in market unlike product in previous case. In fact product-market go together. In the sense once you specialize in saree you are specializing in women segment of the
market. Thus, they are inter linked. The data analysis suggests that company has strength in women segment of the market. This has already been taken up in segmentation approach.

7.58 FOCUSED GEOGRAPHIC AREA

This strategy would be better for a small mill, but for a large mill it is not possible. However, as said earlier, most of the company's sales are up country - and as far as special items are considered it is Bombay and Madras regions. Thus, there is some focus on the geographical area.

7.59 SPECIALIZATION BY TYPE OF ORDER

This is inter linked with specialization by product/market. Hence I am not discussing it further.

7.60 BARE BONES/NO FRILLS

This calls for cutting down on costs. For special products this strategy is not applicable, but for standard products one can think about this. This company has strength in quality and the direction in which it must move as per product classification approach is specialty products. These two are contradictory and do not go together. Hence company should not think on these lines.
7.61 BACKWARD INTEGRATION
This suggests that company should go in for diversification in the areas of producing chemicals for polyester/Texturised yarns which is backward integration. This can be as an alternative, but company does not have strength in institutional/industrial selling hence it is not recommended. Instead of backward, forward integration in terms of garments could be better alternative.

7.62 STANDARDIZE DIVERSE MARKET NEEDS
This could be achieved by product or marketing innovations. It will result in better economies of scale also. An attempt could be made in this direction - since company has R & D strength. It calls for creativity. A part of this, is interlinked with specialization by product/market.

7.63 Thus, by application of strength weaknesses opportunities and threats (SWOT) analysis, each strategy suggested by Porter has been examined and seen how for it will be applicable in the mill.

7.64 The data analysis does suggest that the company has used strategies of Porter. Thus, one can conclude that by adopting some of the strategies suggested by Porter, a firm can face the competition
successfully in a fragmented market. This study confirms that by adopting the strategies, firm can become successful. We have seen how Mill A has been doing it and how it has been successful.

7.65 One of the observation is that the history of textile industry has undergone changes in the developed nations. The so called composite units with which the industry started do not have any advantage or say they are at a more disadvantageous position. The industry have split into 3 different segments. (1) Spinning, (2) Weaving, (3) Processing. They restrict their processes to only one. The same prediction is being made for our country that the industry has to split up. The composite mill will have natural death. Many processing houses have already come up with latest technology in our country. One has to keep this in mind while evaluating and developing product - market strategies.

7.6 FUTURE DIRECTIONS PLANNED BY THE COMPANY

7.61 The company has realised that to remain as a successful mill they will have to plan out the product policy management for the future. Otherwise they will loose their hold. The profitability is reducing for the company, competition is increasing. Now lets examine the company's plans.
The company has classified its products into two main categories:

(1) Special and
(2) General.

Special category includes Butta, 2 x 2 cambric, 2 x 2 printed full voile, chiffon sarees, and Dhoti. General category has poplins, shirtings, long cloth, suiting. Here I would like to make a comment. It appears that, wherever the company has monopoly or larger share of the market, they have classified it as special products, of course as discussed earlier they do have, special machines. Strength in products, has resulted in market strength.

7.62 Buzzell, Yale and Sultan\(^1\) on the basis of their study, concluded that there is connection between market share and profitability. Under most circumstances, enterprises that have achieved a high share of the markets are considerably more profitable than their smaller share rivals. The profitability figures, reveal that special products where the company has monopoly or larger share, profits are also higher as compared with general products. Also, special products fetch more price because of its speciality. Consumer is also willing to pay more for special products.

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After this classification the company has rightly decided to strengthen its special products.

7.63 FUTURE STRATEGIES

1) Maintain Butta and concentrate on Text by Text sarees and introduce a new product Denim in the special category.

2) Strengthen marketing by appointing exclusive retail shops and create a fashion circle concept. The shops will be known as fashion circles.

3) To diversify, into manufacturing of garment. Forward integration by starting with manufacturing of jeans with denim and export 60% of it. If necessary in the long run to expand the product mix and develop its own outlets for marketing of garments. The company has already imported the plant for this activity.

7.7 EVALUATION OF THE FUTURE DIRECTIONS

7.7.1 As far as butta and other special products are concerned, company has adopted maintenance strategy. It feels that there is only limited market for these products and that even if the company expands its production, the market is not in a position to accept more because of the high prices since the company has strength in saree market, it has decided to concentrate on non-cotton sarees which includes chiffons and Text by Text. The competitors are Garden and Vimal. Both are
registered as art silk units unlike Mill A. As far as government laws/controls are concerned they are not applicable to art silk units. Thus to compete with them will be head on positioning against two leaders. They have large varieties and brand name. Let me mention here that "product is made in the factory whilst a brand is bought by the consumer". Also consumer does not buy a product, he buys confidence and benefits. There is heavy advertising by both the leaders as against low advertising done by the company. Mill A is not that very well known as on date. These leaders have exclusive outlets to market their product which we do not have. Quality is also as good as that of Mill A. Also let us visualise the saree market in future. In the very long run its going to be like dhoti market. Youngsters wear dresses and only on occasions they would wear saree.

7.72 Saraph (1985) analysis shows that polyester cotton ladies dress material has high growth rate of 29.24 over period 1974-1984, while polyester 20.58, whereas in cotton it is negative -1.60.

Thus, it is likely to be only occasional wear where silks and Zari are preferred of course market is going to continue for a long time to come. Per Capita consumption is highest for sarees.
The Consumer Purchases of Textiles study (1985) referred earlier shows that growth in the per capita consumption of cloth in saree is highest. From 3.31 metres in 1975 it has gone up to 4.52 metres thus added 1.2 metres over the years which is highest as compared to other product lines. However, the growth is negative in cotton whereas positive in non-cotton saree (1985) which analysis the growth rates from 1974 - 1984 shows that polyester saree has the high growth rate of 13.88 followed by Nylon 10.03, Mixed/blends 7.85, Polyester cotton 1.05 and cotton negative - 5.63.

Now, even decentralize sector is producing non-cotton thus we may have upper hand in terms of quality but not price. Another thing, saree market is dominated by prints and fashions where company does not have much of a strength. One has to move/act fast. The culture of the company is such that they are used to old traditional products. For any strategy to be successful it has to match with the company orientation and culture. Thus, I feel initially company might find it successful but in the long run they would not have much gain. One can see the disadvantages and the odds against which one has to fight. Since, they have strength in the saree market there will be some spill over effect and they might land up in upgrading their own line.
Introduction of new product denim and to make it as a special product. Manufacture its own jeans and if possible have its own retail outlets. Denim is a high growth market. It is not necessarily in men segment in fact it is in both. Men's as well as women's. Company has got foreign collaborations. Since company has the quality consciousness in the culture export market will not be much of problems. Company does not have much of marketing strength. It is planning to strengthen it, but it may not succeed. Because it calls for altogether different approach. As said earlier, the culture of company may not be able to absorb these drastic changes. The same argument applies for fashion circles concept. The company does not have wide range which is required for exclusive shops nor it is fashion conscious. However the traditional segment will reduce in size and it is fashion segment which have to grow. Thus company cannot ignore the developments in the market. The identification of strategies is good but mismatched with the culture. If the company can completely overhaul itself then only the execution of these strategies will be successful. It has to become marketing oriented. Company has to take risk for execution of these strategies. Marketing of denim will not face much of a problem since company
has exclusive plant and quality conscious culture. But forward integration of converting into Jeans is also workable but marketing on its own may not be advisable. Keeping this in mind, it looks that company has decided to strengthen in suiting product - market. Since they are going to do their own manufacturing why not have few more lines.

7.75 Some of the strategies which are developed by using theoretical approach are same, so I am not evaluating them separately. Except that in addition we would like to use the segmentation approach and suggest marketing innovations for existing cotton special products since already product is a strength. This is not to ignore the foundations which has given strength to the company. Going into denim is in confirmation of product classification approach which says that firm has to move from shopping to specialty products.

7.8 CONCLUSIONS AND RECOMMENDATIONS

7.81 With the use of framework, consisting of segmentation approach, product portfolio approach, product classification approach and the strategies suggested by Porter to become successful in a fragmented industry, Mill A data is analysed. On the basis of the analysis, opportunities are identified and criteria developed which could be
used for product additions/deletions. In recommendations, opportunities are identified, while in conclusion criteria are presented. These criteria are then applied to the Mill A data to know the position of the Mill.

7.82 On the basis of the application of the theoretical approaches following recommendations are made:

- Develop Exports
- Create exclusive image for cottons of the Mill A
- Move away from the shopping category to speciality category.
- Vertical integration into garment/ready made industry
- Specialize in product-market

7.83 The criteria and the approaches used by this study for product-policy management are:

- Market Share
- Market growth
- Competitive analysis
- Profitability
- SWOT analysis
- Company Orientation (Culture)
- Product Life Cycle
- Positioning
- Segmentation
- Demand

7.84 These criteria are used for identifying opportunities as well as evaluating the product-market strategies. With the use of the above developed criteria, the product mix and product Lines of Mill A are analysed. The source of data is company records and the base is the analysis done in the previous chapter as well as this chapter.
7.85 **PRODUCT - MIX**

<table>
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<td>Mix share</td>
<td>growth</td>
<td>ability</td>
<td>Position</td>
<td>Competition</td>
</tr>
<tr>
<td>Cotton*</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Strong</td>
</tr>
<tr>
<td>Non-Cotton</td>
<td>Low</td>
<td>High</td>
<td>High</td>
<td>Weak</td>
</tr>
<tr>
<td>Cotton</td>
<td></td>
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* Has considered the relevant Product-market i.e. fine and superfine segments only.

The profitability is on the basis of contribution during the year 78-81.

7.86 The Profitability figures were given separately for cotton, polyester cotton i.e. Blends and 100% polyester. For this table average has been taken of the ranks.

7.87 The analysis shows that company has taken the right product-mix decision to increase its Non-cotton production. The value added is high in non-cotton so also the price realisation is high.