CHAPTER III

3.2
CONCEPTUAL FRAMEWORK:

While providing the framework of the garment trade globally and the related issues, the major characteristics of the Indian garment industry are delineated and its position in the world apparel market analyzed. The way the buying trend has changed and how it controls the dynamics of the producing countries is examined. The research revolves around the high tariff and invisible non-tariff barriers which had been imposed by the developing nations more than 30 years back in order to protect their domestic industries. It takes us through the challenges arising out of the emergence of quota for the developing nations and the subsequent integration of Agreement on Textile and Clothing to other commodities in a phased manner. The MFA had to go and this has significantly transformed the economic environment across the globe.

The Indian perspective has been discussed at length as Indian textile and clothing industry is the largest net foreign exchange earner in India. The basic tenet of the bilateral agreement restricting quantities was to ensure free and orderly flow of the quotas in the most organized manner leading to a thriving market for intermediaries. The key influence of
quota has been highlighted. The characteristics of the import segments like EU and US which the Indian readymade garment industry caters to has been discussed at length. To comprehend the sources of competitiveness of the Indian garment industry the production structure of the industry and the factors enabling the formation of such structure are also examined. Finally the policy constraints at the domestic level and the nature of government intervention have been thoroughly discussed.
(A) **DEFINITIONS:**

Certain terminologies have been used in the research that are very common in the garment industry but may not be clear to others. These terms have been clarified for convenience.

**NIE** – *New Investor's Entitlement* – the ministry of Textile has distributed the annual levels of quota into different categories. This happens to be one such category. Others being...

**PPE** (Past Performance Quota).

**NQE** – *(Non-Quota Exporter’s Entitlement)*

**FCFS** – *(First Come First Serve)*

**UVR** – *Unit Value Realization* – This means the average value realized with the sale of one piece of garment. Recently the thrust in exports has shifted from high volumes to high UVR.

**MFA** – *Multi Fibre Agreement (1974-94)* – In order to avoid serious social and economic problems, the developed countries got into an
agreement with few of the developing nations in order to restrict the quantities of exports from these countries. MFA was a temporary measure introduced primarily to control trade in textiles and clothing.

RTAs – Regional Trade Agreements – Preferential trade agreements between nations falling in the same region such as NAFTA (North American Free Trade Agreement) and CBI (Caribbean Basin Initiative).

OPT – Outward Processing Trade – The clothing industry of the west has been outsourcing goods from certain Asian countries for decades because of economic benefits.

NTBs -- Non Tariff Barriers – Apart from tariff as a barrier to trade growth the developing nations have to face barriers put due to issue such as environment friendliness, labour standards, rules of origin etc.

ETE -- Export Tax Equivalent – It has been defined as ratio of quota price to UVR less quota price and is a measure of excess demand in the form of price.
MFA categories -- All the items being exported to US, EU, Canada, Norway and Finland have been given category codes, for example 341 is "women and girl's (W&G) woven shirts in cotton" for US. The same items for US only have code 641 when made in man-made fibre. However, for EU there is only one category code for both cotton and non-cotton garments. Women and girls tops in either cotton or mmf fall under cat 7, which is defined as ladies blouse.

The conceptual framework related to marketing has been drawn from Kotler's principles of marketing management. This concept holds a key to achieving high growth and organizational goal consists of the company being more effective than competitors in creating, delivering and communicating customer value to its chosen target market. Market is no more driven by the four Ps' of marketing. On the contrary, the four P's have been replaced by four Cs'.

<table>
<thead>
<tr>
<th>Four Ps'</th>
<th>Four Cs'</th>
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<tbody>
<tr>
<td>Product</td>
<td>Customer solution</td>
</tr>
<tr>
<td>Price</td>
<td>Customer Cost</td>
</tr>
<tr>
<td>Place</td>
<td>Convenience</td>
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<td>Promotion</td>
<td>Communication</td>
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The core marketing concepts rest on three-four pillars: 1. Target market; 2. Customer needs 3. Integrated marketing; and 4. Profitability. In order to effectively employ the above-mentioned concepts in the export scenario, the company needs to make its own estimation of the existing economic, political and social environment of the importing country. High indebtedness, high inflation and high unemployment in several countries have resulted in unstable governments that expose foreign firms to the risks of expropriation, nationalization and limits on profit repatriation.
(B) STEPS TO COMPETE THE INTERNATIONAL MARKET:

The conceptual framework related to marketing has been drawn from Kotler's principles of marketing management. This concept holds that the key to achieving high growth and organizational goal consists of the company being more effective than competitors in creating, delivering and communicating customer value to its chosen target market. The core marketing concepts rest on these four pillars: Target market; Customer needs; integrated marketing; and profitability.

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SEVEN STEPS & SHIFT IN THE GARMENT INDUSTRY:

7. Continuous market exposures and synergistic marketing

6. Market own designs and brands / Strategic alliances.
5. Merchandising buyer's brands / Store brands.

4. Project own manufacturing facilities delivery capabilities.

3. Focus on strengths of garment export Industry

2. Emphasize fabric production sourcing

1. Self market
From the above, it can be observed that there has been a paradigm shift in the value chain where the market has been transformed from the sellers' market of the 1980s into the buyers market of the 1990s.