CHAPTER - 1
INTRODUCTION

1.1 Global Environment

The Knitwear industry all over the world is at the threshold of far-reaching institutional changes. Over the past three to four decades, trade dynamics, especially price and quantitative restrictions have come to play a major role in the patterns of the sector’s development. The removal of quantitative restrictions has brought about important implications. It has thrown open both the opportunities and threats, especially for the low-income economies seeking to industrialize through promotion of the garment sector. Internationally retailers are concentrating on their core business, which is selling to the end-consumer. Reducing stocks requires fast and on-time delivery from the manufacturer. Shipments become smaller but more frequent, with point-of-sale data transmitted directly to the manufacturer, who gets alerted when to produce and ship garments. More and more Knitwear manufacturers are becoming service providers to retailers. With the evolution of electronic solutions, all middlemen are giving up more responsibilities, which manufacturers who want to remain competitive have to take up. From product development to fabric and trim sourcing, these developments create new challenges for knitwear manufacturers worldwide, over and above those they faced earlier. To stay competitive, manufacturers need to find innovative solutions that go beyond just manufacturing good-quality products. Through the 1970s new circumstances came into play to favour a higher mobility of the factors of production, particularly through foreign direct investments and the diffusion of containerization. Much of the international trade framework was liberalized with lower duties and simpler custom procedures. The outcome was a significant increase in the level of economic efficiency as lower labour (input) costs and economies of scale were achieved. Significant changes in international trade took place in recent decades as the economy became increasingly globalized. From the 1990s, the application of supply chain management permitted the emergence of integrated commodity chains servicing global markets. By setting or capturing a commodity chain, a business is able to generate added value and compete more effectively. Containerization has become imbedded in freight distribution, from the
global commodity market to distribution centers close to the final consumer. Buyer’s increasing expectations and knitwear manufacturing stages from production to complete solution brand management are shown in Exhibit 1.1.

**Buyers’ Increasing Expectations**

![Exhibit 1.1](image)

Retail Business in the US, UK, and other countries of Europe is down by 25% up to 2008 due to economic meltdown and further consumer spending on retail sector in UK has been reduced by 3.6% between 2008 to March, 2013 (Source: www.globalbusinessinsights.com) and there is a general trend among them on price sensitivity. Most of the sourcing companies are pushing manufactures for more discounts. The problem is more chronic for large manufacturers as they have very limited choice. Those who had set big manufacturing facilities for these specific clients did not have any other option other than accepting it. Wal-Mart has asked its suppliers to give 5% discount on the last one year supplies. Higher value items are slowing down globally. Bangladesh and Vietnam’s brands are posing severe competition to Indian apparel export business by supplying at low prices. In view of the last years’ exports Bangladesh exports increased by 8.4% in April, 2012 (Source: www.bangladeshconomy.words.com) while Indian exports grew up by 3.2% in the same period (Source: www.ibnlive.in.com/news). Productivity in the Indian Companies is at about 50% of global Standards where as in Bangladesh it is 70-80%. Even on tax front Duty Draw Back Structure on Cotton Garments, rates are, India: 8%, China: 17%, Vietnam: 15%, Bangladesh: 14% (Source: Confederation of Indian Textile Report, 2011, PP. 45). Finance ministry of the
Government of India has received recommendation from Saumitra Chaudhuri panel (appointed to suggest revision of rates of duty draw back rate) to reduce it to 5.5% (Source: The Hindustanbusinessline.com accessed on March 27th 2013). Due to this some big Knitwear exporters from India are even contemplating to set up factories in Bangladesh.

1.2 Sector Analysis

The Indian textile industry can be divided into following segments:

- Cotton Textiles
- Silk Textiles
- Woolen Textiles
- Readymade Garments
- Hand-crafted Textiles
- Jute and Coir

The Indian Textiles Industry has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textiles industry also plays a vital role through its contribution to industrial output, employment generation, and the export earnings of the country. The sector contributes about 14 per cent to industrial production, 4 per cent to the gross domestic product (GDP), and 11 per cent to the country's total export earnings of which 45% comes through the share of knitted garments.(source: www.texmin.nic/sector/note. accessed on April 2nd, 2013) . It provides direct employment to over 45 million people. The textiles sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation. This industry is also a major contributor to foreign exchange earnings of the country. Table 1.1 shows India’s export to top ten countries and depicts that the USA is a major buyer of textile products from India having imported 4050.43 million US$ textile products. But as compared to last year the trend has shown decrease in export to the US by 0.71 %, similarly export of textile products to China, UAE, UK, Germany, France, Spain, Italy & Netherland have shown considerable decrease. Interestingly export to neighboring & competitor country Bangladesh has recorded significant increase of 49.85 % in textile.
### Table: 1.1
India’s Textile Exports- Top Ten Countries
(April, 2011 - Dec., 2011 and April, 2012 - Dec., 2012)

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Country</th>
<th>April, 2011 - Dec., 2011 (US $ Million)</th>
<th>% Share (Total Textiles Exports)</th>
<th>April, 2011 - Dec., 2012 (US $ Million)</th>
<th>% Share (Total Textiles Exports)</th>
<th>% Growth (April, 12 over April, 11-Dec, 11)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>USA</td>
<td>4083.35</td>
<td>17.21</td>
<td>4054.30</td>
<td>18.43</td>
<td>-0.71</td>
</tr>
<tr>
<td>2</td>
<td>CHINA P RP</td>
<td>2460.83</td>
<td>10.37</td>
<td>2103.88</td>
<td>9.56</td>
<td>-14.51</td>
</tr>
<tr>
<td>3</td>
<td>U ARAB EMTS</td>
<td>1603.25</td>
<td>6.76</td>
<td>1563.76</td>
<td>7.11</td>
<td>-2.46</td>
</tr>
<tr>
<td>4</td>
<td>UK</td>
<td>1478.42</td>
<td>6.23</td>
<td>1451.48</td>
<td>6.60</td>
<td>-1.82</td>
</tr>
<tr>
<td>5</td>
<td>BANGLADESH PR</td>
<td>758.74</td>
<td>3.20</td>
<td>1136.97</td>
<td>5.17</td>
<td>49.85</td>
</tr>
<tr>
<td>6</td>
<td>GERMANY</td>
<td>1391.99</td>
<td>5.87</td>
<td>1063.72</td>
<td>4.83</td>
<td>-23.58</td>
</tr>
<tr>
<td>7</td>
<td>FRANCE</td>
<td>734.13</td>
<td>3.09</td>
<td>546.99</td>
<td>2.49</td>
<td>-25.49</td>
</tr>
<tr>
<td>8</td>
<td>SPAIN</td>
<td>564.79</td>
<td>2.38</td>
<td>504.34</td>
<td>2.29</td>
<td>-10.70</td>
</tr>
<tr>
<td>9</td>
<td>ITALY</td>
<td>705.09</td>
<td>2.97</td>
<td>492.08</td>
<td>2.24</td>
<td>-30.21</td>
</tr>
<tr>
<td>10</td>
<td>NETHERLAND</td>
<td>522.00</td>
<td>2.20</td>
<td>411.89</td>
<td>1.87</td>
<td>-21.09</td>
</tr>
<tr>
<td></td>
<td><strong>Sub Total</strong></td>
<td><strong>14302.59</strong></td>
<td><strong>60.28</strong></td>
<td><strong>13329.41</strong></td>
<td><strong>60.58</strong></td>
<td><strong>-6.80</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Others</strong></td>
<td><strong>9426.07</strong></td>
<td><strong>39.72</strong></td>
<td><strong>8674.39</strong></td>
<td><strong>39.42</strong></td>
<td><strong>-7.97</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total Textiles</strong></td>
<td><strong>23728.66</strong></td>
<td></td>
<td><strong>22003.80</strong></td>
<td></td>
<td><strong>-7.27</strong></td>
</tr>
</tbody>
</table>

(Source: Director General of Commercial Intelligence & Statistics (DGCIS) Updated on 01.03.2013)
1.2.1 Market Size

The Indian textile industry is set for strong growth, buoyed by both strong domestic consumption as well as export demand. Abundant availability of raw materials such as cotton, wool, silk and jute and skilled workforce has made India a sourcing hub. The most significant change in the Indian textile industry has been the advent of man-made fibers (MMF). India has successfully placed its innovative range of MMF textiles in almost all the countries across the globe. MMF production recorded an increase of 3 per cent during April-December 2012. Cotton yarn production increased by about 13 per cent during December 2012 and by about 14 per cent during April-December 2012. Blended and 100 per cent non-cotton yarn production increased by 6 per cent during December 2012 and production increased by 1 per cent during the year April-December 2012. Cloth production by mill sector increased by 18 per cent during December 2012 and increased by 19 per cent during April-December 2012. Cloth production powerloom has increased by 1 per cent during December 2012. During April-December 2012, powerloom and hosiery production increased by 1 per cent and 10 per cent respectively and handloom production remained at the same level during the same period. The total cloth production increased by about 1 per cent during December 2012 and increased by 4 per cent during April-December 2012. The potential size of the Indian textile and apparel industry is expected to reach US$ 221 billion by 2021, according to Technopak's Textile and Apparel Compendium 2012. (Source: http://www.ibef.org/industry/textiles.aspx; Accessed on March 27th, 2013)

1.2.3 Investments

The Textile sector grew at 3-4 per cent during the last six decades. The textiles sector has witnessed a spurt in investment during the last five years. The industry (including dyed and printed) attracted foreign direct investments (FDI) worth Rs 5656.42 crore (US$ 1.04 billion) during April 2000 to November 2012. (Source: http://www.ibef.org/industry/textiles.aspx accessed on March 27th, 2013)

Knitwear is emerging as the fastest-growing segment of the Indian garment exports as compared to all other segments, including woven garments and the mill-made garments. In the textile industry, the role of hosiery or Knitwear sector is increasing
day by day. Knitted garments are preferred to woven garments the world over due to comfort, stretch ability and easy breath ability built within the knitted fabric structure.

The important centres of Knitwear industry in India are listed below:

1. Ludhiana in Punjab for woolen and synthetic Knitwear
2. Tirupur in Tamil Nadu for cotton Knitwear
3. Delhi (Gurgaon & Noida included) for synthetic Knitwear
4. Bangalore for cotton and synthetic Knitwear
5. Mumbai for cotton and synaptic Knitwear.

1.3 History and Evolution of Knitwear Industry in Ludhiana

Knitwear’s origin in Ludhiana can be traced to many decades back when migrants from Kashmir settled in Ludhiana after a famine in Kashmir in 1933. These migrants brought with them the skills of weaving fine woolen fabrics and embroidery. Their skills were commercialized by the local traders who sought markets within Punjab and beyond. In 1935, the industry saw its first change with the introduction of circular knitting machines. They started manufacturing sweaters on these machines with cotton as raw material. The second turning point in the history of this cluster was the introduction of flat knitting machines during the 1940’s. During the same period the industry started importing wool for manufacturing woolen products. The cluster formation around Ludhiana Knitwear industry became evident during the Second World War when the woolen jerseys were in great demand. Till 1947, the Muslim population, who subsequently migrated to Pakistan during the partition of India, owned most of the machines. Local and immigrant population from Pakistan post-1947 sustained this trade and the industry grew smoothly for the next four decades. Burma (Myanmar) was a very important market for Ludhiana Knitwear till 1950, before the Burmese Government imposed import restrictions. In the same year the Government of India also imposed restrictions on import. Most of the inputs (machinery, needles, etc) at that time were being imported and the import restrictions induced local manufacturers to manufacture machines locally.
Knitwear is a diversified industry in India. While in cotton Knitwear, Tirupur is the most famous cluster in India, and in case of acrylic/wool Knitwear, Ludhiana is way ahead of any other cluster. Over 95% of the nation’s output of woolen/acrylic hosiery comes from this region. With a daily factory employment of 55 workers per 1,000 population, compared to 11 for India as a whole, and 19 for Punjab, Ludhiana district is clearly Punjab’s Knitwear hub which is also known as Manchester of India. (Source: Knit Pick, 2011 pp 5-6)

Knitwear industry uses various types of yarns. However, Ludhiana, which is famous for woolen Knitwear, uses acrylic fiber substantially while pure wool is used in lesser quantities. This is primarily because wool as a raw material is produced mainly in Australia, South Africa and New Zealand. The industry in India mainly imports wool either in it fiber stage, yarn stage or old woolen rags, which is then recycled. For a common user, acrylic and woolen seem to be similar and therefore Ludhiana is most commonly known as the Woolen Knitwear cluster. These days, the Ludhiana Knitwear industry manufactures the entire range of winter and summer wear for gents, ladies and children. The product range includes hi-fashion garments, T-shirts, sweat shirts, pullovers, jackets and grey fabric. So, in order to cater to the market requirements, the cluster has now a diversified range of cotton, synaptic and wool-based yarns.

Knitwear manufacturers (including manufacturers-cum traders/ exporters) are at the core of the industry. Spinners, dyers and subcontracting knitting units provide backup process support. Dye manufacturers, machinery manufacturers and accessory suppliers provide requisite raw material backup to various processes. On the domestic front forward linkage is provided by intermediate agents, wholesalers and retailers. Exports are being affected either directly or through merchant exporters, buying agents and buying houses. A number of technical support institutions are also present in the city.

1.4 Geographical Spread of the Industry

Ludhiana is an important Knitwear centre located in the Northern state of Punjab, around 300 kms from Delhi. Ludhiana, as part of two major industrial belts of Punjab, viz, Ludhiana-Jalandhar and Ludhiana-Amritsar, has a budding industrial support system/infrastructure. Along with Jalandhar, it forms two of Punjab’s principal
industrial hubs, dominated by textiles and light engineering goods industries, respectively. Major products emanating from Ludhiana are bicycles, sewing machines and sweaters (pullovers). Table 1.2 gives a wider view in respect of small, medium and large Knitwear and textile units operating in Punjab which are by and large based at Ludhiana.

Table 1.2 discloses that total number of units in small scale industries in Punjab manufacturing textile dying/processing of yarn including hosiery and garment sector are 40,269 employing 2,06,228 workers, having fixed investment of Rs 1285.31 crores and production value Rs 10773.19. In the medium segment total units operating in both these industries are 16 units employing 2,582 workers having fixed investment of Rs.212.66 and production value of Rs.366.01. Similarly in large scale segment total units operating in Punjab are 98 units employing 83,128 workers having fixed investment of Rs. 11357.05 and production value to the tune of Rs.10801.26. Table further shows that the average employment generated by both these industry in small scale segment is 5 with investment per unit Rs 0.03cr and production per unit Rs.0.27, in medium segment industry average employment generated by both these industry is 161 with investment per unit Rs 13.29 cr and production per unit Rs.22.88 cr and in large scale segment average employment generated by both these industry is 848 with investment per unit Rs115.89 cr and production per unit Rs.110.217 cr. The average figure of employment, fixed investment and production per unit in small and medium sector are on lower side as compare to large scale segment but these units are providing significantly higher employment to the society as compared to large scale sector. Ludhiana has a population of about 1.74 crore and accounts for 21 per cent of Punjab’s small firms, 28 per cent of its medium and large firms, 32 per cent of its total industrial output, and in 2010 accounted for 70 per cent Punjab’s industrial exports. (Source: Wikipedia–Ludhiana).
Table 1.2
Size-Wise Classification of Textile/Hosiery Industry in Punjab

<table>
<thead>
<tr>
<th>Item</th>
<th>Units</th>
<th>Workers</th>
<th>Fixed Invest. Rs. (Cr)</th>
<th>Output Rs. (Cr)</th>
<th>Average worker Per Unit</th>
<th>Average fixed Invest. Per Unit Rs. (Cr)</th>
<th>Average output Per Unit Rs. (Cr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mfg. of Textiles including Dying/Processing</td>
<td>36,291</td>
<td>1,83,094</td>
<td>1,129.22</td>
<td>7,901.37</td>
<td>5</td>
<td>0.03</td>
<td>0.22</td>
</tr>
<tr>
<td>Mfg. of Hosiery &amp; Garments including Embroidery</td>
<td>3,978</td>
<td>23,134</td>
<td>156.09</td>
<td>2,871.82</td>
<td>6</td>
<td>0.04</td>
<td>0.72</td>
</tr>
<tr>
<td><strong>Total of both Industries</strong></td>
<td><strong>40,269</strong></td>
<td><strong>2,06,228</strong></td>
<td><strong>1285.31</strong></td>
<td><strong>10,773.19</strong></td>
<td><strong>5</strong></td>
<td><strong>0.03</strong></td>
<td><strong>0.27</strong></td>
</tr>
<tr>
<td><strong>Small Scale Industry</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mfg. of Textiles &amp; Yarn including dying</td>
<td>13</td>
<td>1,338</td>
<td>174.14</td>
<td>296.01</td>
<td>103</td>
<td>13.40</td>
<td>22.77</td>
</tr>
<tr>
<td>Mfg. of Hosiery &amp; Garments</td>
<td>3</td>
<td>1,244</td>
<td>38.52</td>
<td>70.00</td>
<td>415</td>
<td>12.84</td>
<td>23.33</td>
</tr>
<tr>
<td><strong>Total of both Industries</strong></td>
<td><strong>16</strong></td>
<td><strong>2582</strong></td>
<td><strong>212.66</strong></td>
<td><strong>366.01</strong></td>
<td><strong>161</strong></td>
<td><strong>13.29</strong></td>
<td><strong>22.88</strong></td>
</tr>
<tr>
<td><strong>Medium Scale Industry</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mfg. of Textiles &amp; Yarn including Dying</td>
<td>86</td>
<td>73,667</td>
<td>10,689.42</td>
<td>10,261.55</td>
<td>857</td>
<td>124.30</td>
<td>119.32</td>
</tr>
<tr>
<td>Mfg. of Hosiery &amp; Garments</td>
<td>12</td>
<td>9,461</td>
<td>667.63</td>
<td>539.71</td>
<td>788</td>
<td>55.64</td>
<td>44.98</td>
</tr>
<tr>
<td><strong>Total of both Industries</strong></td>
<td><strong>98</strong></td>
<td><strong>83,128</strong></td>
<td><strong>11357.05</strong></td>
<td><strong>10801.26</strong></td>
<td><strong>848</strong></td>
<td><strong>115.89</strong></td>
<td><strong>110.217</strong></td>
</tr>
</tbody>
</table>

(Source: www.pbindustries.gov.in/industry/wisestatus.htm; Accessed on March 27th, 2013)
Ludhiana has recorded 30.70% increase in exports of readymade garments & hosiery in 2009-10 as compare to 2008-09 as shown in the Table 1.3 below.

**Table: 1.3**  
*Knitwear Export from Ludhiana*  

<table>
<thead>
<tr>
<th>Commodity</th>
<th>2008-09</th>
<th>2009-10</th>
<th>%age Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Readymade Garments &amp; Hosiery</td>
<td>1977.14</td>
<td>2584.30</td>
<td>30.70</td>
</tr>
</tbody>
</table>

*Source: [http://www.pbindustries.gov.in/SectorWise.htm](http://www.pbindustries.gov.in/SectorWise.htm); Accessed on March 27, 2013)*

The main hosiery knitting centers in Ludhiana are geographically centered within the city only. According to industry concentration, the places within Ludhiana can be divided into the following four blocks:

1. Purana Bazaar/Madhopuri, Sundernagar and Shivpuri
2. Industrial area
3. Bahadur Ke Road
4. Focal Point (Dhandari Kalan)

About 20% of the firms are concentrated in the designated Industrial Area(s) like the industrial area and Focal Point (Dhandari Kalan) and another 10% in the Bahadur Ke Road area. In the undesignated areas, viz, Old city Area (Sunder Nagar, Purana Bazar, Dal bazar), and Civil Lines another 40% of the firms are located. The remaining 30% of the firms are scattered across the cluster. While the concentration of the firms in the designated Industrial Areas is due to Infrastructure facilities provided by the state govt. or industrial setup, the 40% concentration in the undesignated areas as mentioned above is more of Micro level industry which has evolved due to cauterization of the traditional setup for associated industries in the said locations as shown in Exhibit 1.2.
1.5 Post USSR Era

Before the break-up of USSR into CIS, it was the largest export market for the woolens from Ludhiana. Russia’s disintegration forced the cluster units to search for alternative markets. During the period of 1980s, the industry saw another change with the introduction of automatic and computerized knitting machines supported by the State Government which set up a modern Knitwear centre with technical and financial assistance from UNDP and UNIDO. Post-1980s, as the cluster was looking for newer markets for woolens for sustainability, many old stalwarts could not sustain in the changing business environment, and gradually a new generation of manufacturers cropped up. The latter took a cue from Tirupur, Delhi and Mumbai industries and diversified their product–mix from wool based garments to that of summer wears. As
a result, Ludhiana’s product–mix shifted to a predominant bias for cotton and summer wears, while retaining its dominance in the woolens’ manufacturing. Most of the local large enterprises in the 1970s and 1980s, apart from serving the Soviet market, also maintained a strong presence in the middle-end domestic market, to mitigate the market risk from Russian markets. Most importantly, operating in two very different markets helped the local enterprises nurture varied skills. While catering to the Soviet market depended on scale-oriented and low cost manufacturing, could earn profits through cost-cutting skills, the domestic market induced cluster firms to address other qualitative concerns, e.g., shifts in demand, quality-related issues, new trends in design, etc. Development of this flexibility in operations proved to be rewarding in the 1990s when most local enterprises had to shift their exports towards the western markets, the latter being quality and design sensitive. This made local producers skilled at multi-task management. Meanwhile, firms started to explore Western European markets and succeeded in getting short-term and small-scale orders. The small time orders from the Western markets fed the cluster through back-to-back feedbacks leading to improvisations in quality and processes. These embedded services imbibed into the cluster an important learning function from seemingly petty orders, nonetheless very valuable for the cluster as a whole. It also enabled the cluster to de-risk the market uncertainties for achieving sustainability. On 31st December 2004, the Agreement on Textile & Clothing ended and along with it the Quota System was terminated. The Textile & Clothing sector was fully integrated into the GATT. The Quota Protection which has given boost to artificial comparative advantages to many developing / least developed countries melted and paved way for the market forces to decide the export performance of countries in limiting the amount of imports to countries whose domestic industries were facing serious challenge from rapidly increasing imports. It sought to expand trade, reduce barriers to trade and progressively liberalize world trade. MFA phase-out has not provided significant export opportunities to the sector. MFA came into force to allocate export quotas to the low cost developing countries, for the Indian textile and clothing industry. Perhaps the effect of the quota regime has been so deeply rooted that trade liberalization is yet to be manifested in exports of textile products for India.
1.6 Challenges before the Industry

After a detailed analysis of the same, it can be averred that the market today is not the same as it used to be a few years ago and the business environment has also changed. The buyer today has many more options available in terms of quality, variety and source of the product. As such, challenges before the industry are:

1.6.1 Poor Branding of Ludhiana

There is a common feeling among the cluster that a shared vision is missing in the cluster. The existing infrastructure available in the cluster is being mainly used for non industry purposes to earn revenue and sustain it. The evolved vision can help the cluster to utilize such infrastructure in a better way. This will also help in marketing and branding of Ludhiana. There is a requirement for the same to promote Brand Ludhiana. There is a feeling in the industry that this sector should be a leader instead of being a follower and thus a vision and participation in national and international events is required.

1.6.2 Competition from Neighbouring country

There is much competition from the neighboring countries as well as from some new production centres. As per the latest ranking the Table: 1.4 shows India’s position in the knitted garments as compared to Bangladesh.

<table>
<thead>
<tr>
<th>Countries</th>
<th>T-shirts Segment</th>
<th>Pullover Segment</th>
<th>Baby Garments</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>5th position</td>
<td>10th position</td>
<td>4th position</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>1st position</td>
<td>2nd position</td>
<td>2nd position</td>
</tr>
</tbody>
</table>

(Source: The Financial Express, Oct. 20, 2011, pp 5)
Countries like Austria etc are also developing and growing in Europe with latest production facilities which give an advantage to the buyer in terms of proximity and quicker delivery time. Hence, the buyer today has become more quality conscious, and the delivery span has also reduced considerably. Fast changing demand pattern also puts a strain on the designing capabilities of the manufacturing firms.

**1.6.3 Comparison of Rate of Modernization**

The rate of modernization, as shown in Table: 1.5 is also found to be very low as compared to the major competing countries. This should be a top priority area in the post quota regime so as to combat with the increased competition. Industry has to improve on indigenous technology development. The Government has to take initiatives in this regard apart from the present technology up gradation fund schemes and other measures.

<table>
<thead>
<tr>
<th>Country</th>
<th>Rate of Modernization</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>1.6</td>
</tr>
<tr>
<td>Mexico</td>
<td>12.8</td>
</tr>
<tr>
<td>Brazil</td>
<td>9.5</td>
</tr>
<tr>
<td>China</td>
<td>17.5</td>
</tr>
<tr>
<td>Thailand</td>
<td>20.6</td>
</tr>
</tbody>
</table>

(Source: http://www.indiantextilejournal.com/articles/FAdetails.asp; Accessed as 22.02.13)
A major factor of the competitiveness of the Ludhiana Knitwear industry was its cheap and skilled labour availability though most of it was migrant population. For the last two years, this trend is also declining due to the changed economic conditions and policies in the neighbouring states as well as due to the implementation of MNREGA scheme. Hence, the Ludhiana Knitwear industry is losing that advantage too.

1.6.4 Weak Institutional Linkage

Ludhiana has about 70 odd different industry associations. All are usually engaged in activities related to petty local problems or lobbying for fiscal concessions without any developmental activities. Linkages between the support institutions and industrial associations are dormant and the atmosphere of dialoguing with confidence in each other is missing.

1.6.5 Inventory Management is a Major Issue

The current system of order booking and production synchronization gives serious problem of piling up of huge inventories in the industry. There is a need to look for innovative ways for such inventory and order management. Guidance about inventory management and a resource centre for stock lots sale is a major requirement for the industry and much work is needed in this direction.

1.6.6 Human Resource Development

The most important need felt in the cluster is of skilled or unskilled labour in the entire sector. Also there is a need to include the local labour in the industry mainly female population so that the acute shortage of labour can be dealt with. There are very limited channels of training available in the industry.

1.6.7 Information and Communication Technology (ICT)

The industry is not very much aware of IT usage. Small and micro units have some locally manufactured software Tally. The industry is not ready to spend much on software because the major transactions of MSMEs are done in cash without proper invoicing. IT usage is limited to challenge, accounting inventory management only.
Majority of the SME understand that it is important to adopt the IT practices for survival but are unable to afford the cost is involved.

1.6.8 Stagnant Growth in Domestic Market

Manufacturers specializing in the domestic market used to sell through agents, wholesalers, retailers and end-product users. Thus, they also lack market intelligence related to yarn diversification, product diversification, product finish, etc. The industry continues to use basic yarns with standard materials namely, wool, acrylic and cotton. Yarn diversification existed only in terms of blends of cotton, wool and acrylic. Lack of proper finishing techniques restricted entry into high-value segment.

1.6.9 Weak International Market Intelligence

Selling their products through agents deprives the manufacturer-cum-exporters of gaining crucial market intelligence of the changing international demand pattern. Most manufacturer-cum-exporters are also deprived of the process of planning in advance, creating new products with confidence and ultimately searching for new markets.

1.6.10 Intellectual Property Rights (IPR)

Awareness about issues like copyrights, patents, trademarks, designs, patents, geographical indications is very low in the Knitwear cluster.

1.7 The Changed Scenario

Some interesting and positive developments have taken place in Ludhiana Knitwear industry in the last decade that has changed the scenario. The presence and activities of some of the support organizations, such as Knitwear Facility, Knitwear Club, UNIDO, SBI project Uptech has started making impact on the functioning of the cluster during the mid-eighties and onward. Thereafter, scenario of Ludhiana Knitwear industry has started changing for betterment. At this juncture, the realization has dawned upon Ludhiana Knitwear manufacturers that for the production of quality Knitwear, improvised and new techniques, and methods are required to maintain stringent quality measures to benchmark in the Knitwear industry all over the world.

The industry now faces a challenge to maintain and sustain the developments for next generation entrepreneurs. Challenges on many fronts confront Ludhiana Knitwear
industry. The areas that still need refining are designing, colour combinations and balancing of co-ordinates of Knitwear for domestic supplies. Normally foreign buyers dictate their Knitwear elements; fiber contents, colours, sizes, styling, appliqués and other decorations, but the manufacturers need to show their capability and infrastructure to handle production, quality and timely deliveries according to the requirements. The first generation of entrepreneurs of Knitwear industry of Ludhiana has grown old. By the beginning of 21st century second generation of entrepreneurs have taken over in many units and they work under the guidance of their mentors. Mostly they are with professional diplomas in production, commerce, management or have acquired experience. This young, well-travelled and enthusiastic next generation of Ludhiana entrepreneurs’ holds promise to face future challenges to uphold this age old Knitwear industry of Ludhiana.

Earlier Ludhiana companies did not develop any brand image of their products. Knitwear sales were mostly dependent upon Wool mark label and advertising campaign of International Wool Secretariat (IWS). Bigger Ludhiana based Knitwear units of Oswal clan successfully promoted their brands. Monte Carlo and Casablanca are the examples. Similarly some other organized companies developed their brand names such as Park Avenue, Creative Line, Madame, Blue Mount, Prinknit, Sport King, Rajah, LWS, New Castle. However, except for the few, the professional advice in designing of these branded products and advertisements in the media are lacking to promote these brands. Ludhiana Knitwear cluster has a strong product image but the ever changing demands of the customers and competition from other similar clusters has forced the cluster to look towards increasing the competitiveness of its own functioning. There are approximately 40,000 firms present in Ludhiana for Knitwear industry (www.wikipedia.com) but the well-known brands can be counted on fingers. Most of the firms do not have their own strategy for marketing and Branding, and are dependent on outside sources thus acting mainly as fabricators for well-known brands. So, even though they have the capacity to produce quality goods, the profit margins are meagre. There is need to create a common brand on the lines of Wool mark which can be marketed as a quality assurance certification for the customers and some
trademark which can signify the distinguished identity of the Ludhiana Knitwear products.

1.8 SWOT Analysis of Knitwear industry of Ludhiana

In order to know the industry of Ludhiana it is necessary to understand its strength weakness opportunity and threat posed to it. Small industrial development Bank of India (SIDBI) has conducted diagnostic study for Ludhiana Knitwear and Apparel Cluster in 2009 and has identified under noted SWOT analysis of the industry.

1.8.1 Strengths

The products have a good image in the mind of the customers. In addition to the domestic popularity, the products also benefit from the international demand as well. The Knitwear industry enjoys a well-established financial base. There are good banking facilities available in the cluster. The production process is strengthened by closely connected value chain existing in the cluster. Substantial production capacity of the industrial units work to its advantage. The entrepreneurs are innovative. They replicate and customize the product and machinery very easily. Manufacturing in small lots and catering to niche markets as per customers specifications is a great advantage of the Ludhiana Knitwear industry.

1.8.2 Weaknesses

The retailing methods used in the industry are terribly unorganized and not linked to market patterns. Much attention toward branding is not being paid in the cluster killing the value addition for the manufacturers. Majority of the units still operate on the age old technology which does not benefit the global requirements in a scenario where WTO standards have made both quality and cost based competition very stringent. Though the industry artisans are able to easily adjust to the new patterns and techniques developed in other clusters, research and development is not practiced within this industry. As a result, new innovations and technological developments are rare in the industry. The industry has been facing a dearth of skilled and unskilled labour. There is a fast migration pattern of the in-house trained labour. Unhealthy
market competition prevails in the industry due to low collaborative marketing initiatives. High electricity tariffs and erratic power supply has been one of the major hurdles as it forces many small scale units to close operations. There are improper linkages between SMEs and training institutions, and most of the firms have a myopic view of the returns of training by institutions. The unorganized nature of the industrial units makes things more difficult which makes collaborative approach quite improbable as there are returns to be had in an unorganized set up by way of cutting short the official loop and tax avoidance. Foreign buyers are apprehensive about their visit to Ludhiana as there is no air linkage available here. Lack of adequate infrastructure is hampering the growth and performance of the Ludhiana Knitwear industry.

1.8.3. Opportunities

Tapping the new and unexplored foreign markets could help this industry to bring in huge foreign exchange earnings, especially in view of the unstable political situation prevailing in the neighboring countries likes Pakistan, Sri Lanka and Myanmar. Opening of large retail stores has also created an opportunity for the industry. There is a greater scope for product diversification in the knitting industry of Ludhiana, especially with respect to technical textiles. Also, research and development activities could be undertaken to create new designs, thus adding value to the industry products. Sub-contracting opportunities are also extensive in the cluster and as such the cluster has an inherent potential for supply chain linkages through information and communication based technology software for time and cost efficiencies. Availability of governmental and institutional support can further help the Industry to a great extent.

1.8.4 Threats

The industry has been facing constant threats from the cheap Chinese goods that have been entering the markets in large volumes. Countries like Bangladesh and Sri Lanka have emerged as new supply bases with fast paced techniques of Knitwear manufactures. Ludhiana importers have to bear a heavy import duty on inputs such as
wool, machinery and spare parts. This increases the market price of the products. Absence of public–private partnership to promote Research and Development (R & D) for value-added production and new markets is a big threat to the industry.

1.9 Market Analysis-Men and Women Garment Market

Men and women garment market has experienced an exponential growth of 14% in the past five years. While branding techniques for Knitwear advertising still adhere to some of the old methods such as, Fashion Shows and primarily Print (Brochure and catalogue printing), the modernization in today’s society requires other methods as well. Methods such as Interment Marketing, in-store Branding, Blogs, Social Media, Internet Search, Personal e-Branding and other methods are becoming more desirable. Branded Knitwear market projects a growth rate close to 25% year on Year in the next five years. Out of this, the organized players are expected to account for only 40%, leaving an enormous scope for the Common E-Branding model to be successful in exponentially growing domestic market as more Customers recommend the brand to their friends and family, and they are fiercely loyal. (Source: Apex Cluster Development service report, 2011 pp 3-4)

1.9.1 Market Analysis—Kid’s Apparel

Generally in India, the historical trend was that the majority of people prefer buying practical kids’ apparel rather than branded ones. Kids’ garments were more often purchased from small stores and street shops, while branded garments were only bought by upper class market segment. This trend has been progressively altering and the market for branded kids’ clothing is growing exponentially day by day. The trends in the domestic market are now undergoing a constructive transformation. Children’s apparel includes clothing for kids between 1 and 14 years of age. The market for kids’ apparel in India exceeds Rs. 13,000 Crore (Source: Apex Cluster Development service report, 2011 pp 3-4) of which around Rs.3,000 Crore is constituted by branded kids’ wear. While branded Kids-wear market adheres to some of the old methods such as, B2B branding, in-store Branding, and Print (Brochure and Catalogue printing) etc., the digitization in today’s society makes other strategies important as well. E-Branding
methodologies such as Internet Marketing, Blogs, Social Media, Internet Search, Personal E-Branding and other methods are becoming more desirable.

Some primary changes in market trends are taking place in kid’s apparel market. Most important change is the increasing preference for branded apparel by Indian consumers. This swing is taking place as a result of change in disposable income of the domestic buyers and the globalization. The other significant transformation taking place in this segment is, kids coming up as an independent buyer group. Influenced by mass media and peer pressure, modern day kids are more up to date and fashion conscious. Moreover, kids’ wear market is growing at the rate of 10% per annum, which makes it one of the fastest growing markets, thereby, leaving an enormous scope for an E-branding model to be successful in our exponentially growing, internet savvy domestic market.

1.10 Institutional Support

The objective of UNIDO intervention in Ludhiana Knitwear cluster was to address poor endowment of human resources, weak international market linkages, and to respond to a stagnating domestic market, low level of competitiveness and weak institutional framework. Through these efforts, the project aimed at enhancing the capability of the cluster to rapidly respond to the changing demand pattern of the consumers. A self-sustainable exporters’ association – Apparel Promoters and Exporters’ Association of Ludhiana (APPEAL) was launched during the same project. Further, a local association of Knitwear manufactures – Knitwear Club was guided towards development activities and an umbrella organization – FEKTAA (Federation of Knitwear, Textile and Allied Industries Association) was constituted in the cluster.

1.10.1 Project Vikas

Microsoft, along with the NMCC and other stakeholders, through ‘Project Vikas’ - a five-year project strived to make SMEs more competitive. This dedicated and scalable multi-divisional programme was projected to harness skills and build capacity cover knowledge creation and dissemination, and enable linkages in the cluster ecosystem. The objective of Project Vikas was the development of soft skills including cluster
level networking and common challenges using IT through creation of Research and Development (R & D) linkages, capacity building with regional training institutes, sharing of best practices and enabling linkages within the SME cluster ecosystem. Project Vikas was successful enough in achieving the above mentioned objectives but due to less penetration of IT from the beginning in the cluster the price at which the solutions offered were not affordable to the firms in Ludhiana.

1.10.2 SBI Uptech

Project Uptech was an initiative taken by the State Bank of India for Ludhiana Knitwear cluster development. It was focused on facilitating techno-managerial consultancy services to the individual units to upgrade the technology. The other issues tackled in the project were skilled development of workers, financial support to the SMEs, preventing obsolescence, energy conservation and enhancing global competitiveness and exports.

1.10.3 Textile Committee

The objective of this program was capacity building of Knitwear enterprises, through a cluster based approach, by improving the existing support system and by enhancing the collective efficiency of SMEs so that the opportunities coming up as a result of globalization can be fully utilized.

1.10.4 Punjab Apparel Park

Punjab Apparel Park, a joint venture of PSIEC (Punjab Small Industries and Export Corporation Ltd.) and APPEAL (Apparel Promoters and exporters Association of Ludhiana, is a special Purpose Vehicle (SPV) being set up to develop a 100 acre Apparel Park with a total investment of Rs. 355 crores at Doraha Distt., Ludhiana under the Apparel Park Scheme of Ministry of Textile, Govt. of India. To facilitate the industry the proposal includes facilities like exemption from stamp duty and registration fee, Sales tax, continuous power supply, single window clearance etc. for the units set up at Park.
1.10.5 Ludhiana Integrated Textile Park

The endeavour as a brainchild of Knitwear Club has always been to ensure betterment of Knitwear/Textile and Allied industry. The Knitwear club formed a special purpose vehicle (SPV) namely Ludhiana Integrated Textile Park Ltd. as it was a pre-requisite for developing a Textile park under the Government of India Ministry of Textiles scheme, namely “scheme for Integrated Textile Park’s” (SITP).

1.10.6 Textile Institute

Punjab Govt. has announced to set up Punjab Institute of Textile Technology and Research (PITTR) on June19, 2012 (Source: The Tribune June20th, 2012 pp 3). This announcement has lifted the spirit of ailing textile industry in the city. It will help to overcome shortage of skilled manpower. This institute will help to upgrade the technology as IT is being used in every field of knitwear and textile. This step of Govt. is welcomed by all the Knitwear and Textile Association of the city.

1.10.7 Industry Associations

There are around 70 associations in Ludhiana representing various interest groups such as exporters, dyers, readymade hosiery manufacturers, spinners, knitters etc. There are very few associations which are active in the cluster and take initiatives and have joined hands to form an umbrella association called FEKTAA. (Federation of Knitwear, Textile and Allied Industries Association)

1.10.8 FEKTAA

Federation of Knitwear, Textile and Allied Industries Association has been conceptualized with the support of UNIDO, Cluster Development Programme. FEKTAA’S main objective is to work towards the needs of a shared vision, synergy in effort, active participation of the complete value chain, i.e., spinning, dyeing, knitting, garmenting, exports, etc, and to achieve collectively what is not possible alone. The main associations who are members of FEKTAA are given in the box. All associations that look after the interests of their respective segments and work for their betterment. APPEAL and KNIDGRO were formed as a part of UNIDO’s cluster development
programme and have been quite active. The Knitwear Club which looks after the broader areas as its members are from all the segments. The below is the list of various associations which are active in the cluster.

1. Knitwear Club
2. Readymade Hosiery Manufacturers Association (REHMA)
3. Apparel Exporters Association of Ludhiana (APPEAL)
4. Knitwear Development Group
5. Knitters Association
6. Bhadur Ke Textile and Knitwear Association
7. Shawl Club
8. Dyeing Factories Association (Regd.)
9. Garment Machinery Manufacturers and Suppliers Association
10. Ludhiana Dyeing Associations (Cotton Division)

1.11 Branding

Robert Pringle established Pringle of Scotland in 1815 in the Scottish border. It is the first known brand in the history of Knitwear. Competition is very fierce with import causing cheap Knitwear prices and forcing the Knitwear manufacturer to look into new ways to differentiate their product. Thus focus is shifted to promote brand, pioneering designs and new manufacturing techniques. Pringle of Scotland is luxury Knitwear manufacturer and exporters even today. The Brand is worn by the likes of Madonna, David Beckham, Nicholas, Kidman, Sophie Dahl, C Landis Schuster, T.V. character Alan Partridge and British band such as The Kooks, Dirty Pretty, Things and the Twang. Branding has become a key focus area in business development strategy of an organization trying to combat global competition. All the elements in a brand strategy like values, personality, positioning and essence, need to come together synergistically for a customer coming in contact with a brand. The essence of Garment Branding is to develop a plan of action that will make a product the only solution to its targeted customers. The key to successful branding strategy is to interpret the need of the targeted audience and then implement a branding plan that caters to the needs through differentiated and innovative approach. The primary importance of branding
in Knitwear organizations is to consider their brand as their business’s personality. The branding strategy demarcates a differential between promoting a product and a brand. Brand strategy will focus around the guiding principles of branding in the modern era. Brand is something that is bought by the customer. A product can be copied by a competitor; a brand is unique. A product can be quickly outdated; a successful brand is timeless. Branding has been in practice for centuries as a means of distinguishing the goods of one producer to those of another. With globalization, foreign markets are becoming more potential and available; therefore a strategic branding is a tool for an organization not only for the domestic markets, but also for the international markets. A brand is a name, term, sign, symbol, design, approach or a combination of them, intended to identify the goods and services of one seller that differentiates him from his competitor. The most significant concept about branding is creating a positive mental image about the brand and helping consumers organize their knowledge about the products in a way that influences their decision making, thereby, providing value of the firm. The most vital significance of branding in Knitwear organizations is to consider their Brand as their business’s individuality. Branding strategy creates a powerful and everlasting emotional connection of their brands with the customers. Customers will pay a premium for a branded product or service. They go out of their way to buy it. The key areas of analysis in this study would be to analyze Knitwear manufacturers in Ludhiana in terms of their branding strategies for domestic as well as international marketplace. The following areas of branding were looked at in order to minutely understand their branding insights:

- Most viable approach to common branding initiative.
- Brand consistency and marketing budgets to occupy and hold the desired position.
- Competition levels outperformed in order to gain and hold that position locally.
- Brand position, brand consistency and stability.
- Marketing mix to maintain that position.
• Best Practices followed and suggested in order to gain competitive advantage.

• Brand marketing shortfalls.

• Rivalry levels faced in order to gain and hold their present brand positioning.

• Branding budget allocation in order to win brand loyalties.

• Selective approach towards the available initiatives so that the desired brand image and loyalties can be created and maintained.

1.11.1 Present Status of Branding

Ludhiana Knitwear Industry, though it is one of the biggest cluster of the Knitwear units in Asia, yet lacks in its image building, image that promises consistent hi-quality and conveys the personality it deserves, both for the domestic as well as international market. In the absence of any recognizable brand, consumers mostly make their selection entirely based on the liking of the styles, fits and ranges of prices vis-à-vis their choice. There is absolutely no assurance for product quality for such choices. Individual company’s brand was just an incidental choice without any loyalty attached to it. A large number of units produce quality Knitwear but they have not yet branded their products. Many of these companies do fabrication for other brands. These companies have neither professional guidance nor enough means to develop and market a brand to amass for themselves the real unit value of their products which they unknowingly pass-on to other companies for whom they do fabrication. They lack recognition for the quality of products they are capable to produce and consequently they are not able to grow adequately. Some of the common branding issues faced by manufactures are:

• The customer and his perception has been changing in the modern era as the world today is becoming so closely connected through the process of worldwide web and digitization happening in all walks of human life.

• Customers are becoming more and more informed and up to date with the latest trends.
• Both actual and B2B customers are being blessed with enormous options when it comes to decision making in terms of buying Knitwear.

• The Business environment is becoming more and more competitive day by day in terms of technology, quality, price, and customer perception.

• Most common rationale of a branding is to make an organization, its products and placement feel in the market, and the traditional branding approach has become ineffective to accomplish that.

Bold endeavour is necessary for Ludhiana Knitwear manufacturers if they want their brands not to be perceived as fast moving consumer goods and commodities. If a superior brand image is not created then the option left for the manufacturers would be to indulge in price wars. The price wars at the end of the day are not healthy breeding grounds for brand and their identities to be established and ultimately go a long way in striking enterprise profits. The modern perception of branding for organizations is based on the concept of “Umbrella Branding” (Kapferer Jean-Noel, 2001, pp 197). It means ‘One brand all products’ initiative that can win the branding battle of the modern digital age. This initiative can be structured elaborately if an E-Branding approach was formulated through a family-branding portal. The Ludhiana Knitwear brands have a greater potential to reach the next level as they are intoned with the latest global trends. All they require is a Branding strategy that complements their primary business development plan. Quota-free post-WTO Ludhiana Knitwear industry faced tough competition and found ill prepared to meet the challenges of globalized trade. The industry required big cosmetic changes. Most of the factories, even exporting units, are located in the residential areas. Layouts of these old buildings do not allow the smooth material flow. Furthermore, overburdened owners of the factories have little time for documentation as required by ISO. Moreover, most of the owners are averse to record keeping of purchases and sales. These units cannot afford to hire the professionals. Companies aspiring to export to EU did not timely take action to get ISO-9000 or ISO-14000 certification for total quality management and environmental protection issues to infuse confidence in the buyer for reducing his risks in the selections. Therefore, it is essential to workout a suitable and visible
marketing strategy for the cluster to infuse confidence in domestic as well as foreign buyers. The brand promotion is more suitable to quality for a good brand strategy. So, there is a dire necessity for Ludhiana Knitwear companies to form consortium with close associates and likeminded units for joint marketing strategy and promotion of their products under one common brand. The brand should amplify the image of Ludhiana as suppliers of quality, eco-green and fair deal Knitwear products. This strategy will enable the Knitwear units to come out of the shackles of contractual producers and provide them with an opportunity to promote their own business. It will also project the Ludhiana Knitwear Industry in a positive sense.

1.11.2 Brand Trust

Brand trust is the quality of an idea being considered trustworthy or believable. Environment of trust is essential foundation for any progressive transaction to take place. It is the elemental bond on which every other positive human response is built. Though brand trust completely depends of an individual’s beliefs, value and perception but trust classification can be considered universal. Table 1.6 present rank wise placement of domestic and international brand operating in the home and foreign market.

Interestingly there is only one Ludhiana based brand( Monte Carlo) included in the list of apparel category and having apparel rank 46 and BTR-2012 rank 928 out of the total 1000 brands considered in Brand Trust Report, 2012. Similarly none of the brands falls under the list of branded fashion category .It shows that knitwear industry of the city needs to plug its weakness and to concentrate on its strength so as to meet the challenge posed by international brand operating in the market.
## Table: 1.6
Category – Wise All India Brand Trust Ranking (Top Apparel)

<table>
<thead>
<tr>
<th>Apparel Rank</th>
<th>BTR - 2012</th>
<th>Brand</th>
<th>Category Apparel</th>
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<tr>
<td>2</td>
<td>33</td>
<td>LEE</td>
<td>Readymade Garment</td>
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<tr>
<td>3</td>
<td>48</td>
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<td>957</td>
<td>CANTABIL</td>
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Source: Brand Trust Report-2012
1.12 Branding Strategies followed by Local Manufacturers

Markets and customers are constantly changing, but if looked at traditional branding methods, they really seem to be frozen in time. The conventional insight is that the traditional branding is wounded and dying at the feet of innovative modern branding concepts because competitive advantages and customer needs are consistently changing. The branding approach followed by local manufacturers is based on the following ideologies:

- Make products superior.
- Be cost competitive.
- Manage the sales and distribution channels.
- Promote the product through point of Sale Branding.
- Branding has been predominantly product and B2B focused.
- Driving force behind most branding has just been based on making the brand recognizable by a suitable logo.
- Logo design
- Packaging material
- Product and design catalogues
- Photo shoots
- In-store branding
- Fashion shows
- Mall promotions

Their basic branding strategy has revolved around researching consumer attitudes, requests and identifying un-met needs. They are able to come up with modifications to existing products that appeal to different segments or market niches. Finally, they have come through the progression of new product development, packaging/logo design, positioning and promoting their product. It has been hypothesized that the above
mentioned brand developed approach followed by the local manufacturers was based on the following ideologies:

- **To improve possibility of receiving venture capital.** If knitwear firms present a comprehensive business package, including marketing materials and brand image, their business is likely to look more complete. This would make it easier to ask for venture capital if required at any stage.

- **To communicate that firm has reputation in the business.** A logo and professionally printed literature and catalogues, highlight that they are dedicated to both their business and their customers. It also makes them look like that they have been in the business for considerable amount of time and they are stably placed in their business for a number of years. It also highlights their commitment to exist as a predominant player in the future.

- **To promote firm’s name as personal identity.** Knitwear firms were aiming at reinforcing their name and personal identity through their brand establishment process.

- **To establish credibility in the market and look bigger.** It is conceptualized that a logo make them look experienced and professional, and is perceived to go a long way towards making their business come out credible. And if they would like to be known as expert in their field, this type of credibility is the foremost priority of their branding strategy.

- **To attract more Business/Customers/Clients.** Some B2B clients and customers look for a well-defined brand. The ‘look’ and ‘feel’ of the product and variables associated with it may be one of their criteria in making a purchasing decision. Some customers and wholesalers may offer their brand loyalty when they observe professional branding strategy making optimal use of print materials and logos.

It has been analyzed that some of their hypothesis, perceptions regarding branding are quite outdated for the modern day internet market. These practices are really effective when societies are far less diverse and dynamic than they are in the modern times. The
basis of any brand analysis exercise is to check if the brand strategy represents a four
dimensional promise of value.

1.13. Key Dimensions on Branding Strategies

- **Product Performance.** Criteria can be met by delivering quality, reliability and
  performance of the actual product. Product performance criteria are predominantly
  found in the branding strategy of the local manufacturers. What was lacking is the
  ‘how the product performance’ criteria is addressed as a competitive branding
  strategy.

- **Delivery Performance.** Criteria can be accomplished by having streamlined order
  processing and logistic function. Local manufacturers are also scoring quite high
  in this criterion as the supply chain administration is considerably efficient. This
  type of brand performance is demonstrated by building a reputation and then
  leveraging it through their efficient logistic systems. Unfortunately, the
  manufacturers are using product performance as a business strategy rather than as
  a branding strategy and as a result the brand identification mechanism of ‘Product
  Performance’ is diluted.

- **Support Services Performance.** This one criterion that always has a substantial
  scope for improvement even if the branding structure of one of the best brands in
  the world like Pumpkin Patch, ESPRIT etc. are analyzed. The customer service,
  complaint handling, after sales support and standards can never be perfect and
  always have scope for improvement and restructuring. No matter how effective
  customer solutions and CRM system can promise, a branding strategy branching
  out of the CRM system is not detected.

- **Company Performance.** As a branding rule, it is measured by the customer
  satisfaction in terms of meeting their trust and commitment. Apparent hazard in
  purchasing from one brand is higher than that from the other and the customer
  lowers the risk by buying a brand that offers peace of mind. This is most strategic
  dimension that has to be planned when it comes to creating brand identity in the
  modern era. This dimension is observed to be totally missing in the brand
  promotion methodologies adopted by the Ludhiana Knitwear manufacturers. The
manufacturers have accepted this facet to be primarily important for their brand to be recognized differently from commodity but they do not have a professional plan in place to implement this branding strategy into their business.

As predicted, it is quite evident that Branding—knowledge, expertise and resources is one major issue that Knitwear manufacturers are facing. In order to build up their branding and develop customer loyalty they require to be brand conscious and realistic to adopt the process through rationalized branding strategy.

1.13.1. Implementing Branding and E Branding Strategies

Brand orientation is a conscious strategy to work with brand, both intrinsically and extrinsically. The most important driving force behind this increasing interest in Branding and E-branding is the fast-growing pace of globalization. The superiority of a product is no more a competitive advantage to capture a considerable market share. Basically, people patronize a kids-brand as a risk reduction strategy. The reason behind this psychology is that the customer is not competent enough to evaluate the quality of a product and the differences in the brands that are available in the market. Especially, when all the products offer more or less the same quality then the purchasing decisions are based on Brand Differentiation and Positioning Strategy that makes an impression in the modern day, internet savvy and fashion conscious kids-wear market.

Branding is not all about talking positive and good about the company and conveying a consistent message through a medium. Kids-wear branding in modern times is structured around talking good about a product but not letting the customer know that you are conveying positive features associated with your product. The reason of the popularity of this approach to branding is that customer is small enough to know those knitwear manufacturers are trying to impress him by saying all well about their product. As a result, media campaign does not produce the desired results. Although firms provide the impetus to brand creation through marketing program and other actives, ultimately a brand is something that stays in the mind of the consumers. A brand is a perpetual identity that is rooted in reality but reflects the perceptions and perhaps even the ultimate choice of the consumers. Branding is endowing products
and services with the power of brands. The foremost strategy that would help in establishing Brand would be to make the customers understand as to what does this brand ‘comprise’ of and what does this brand ‘stand’ for, as branding involves creating mental structures and helping consumers organize their knowledge about products and services in a way that clarifies their decision making and in process provides value to the manufacturer. Other online marketing forms for knitwear industry are facebook, online ads, blogs, YouTube, Twitter, etc. which are based on the three dimensional strategy consisting listening, building and engaging. The following are some examples of the knitwear firms of Ludhiana doing e-branding and are also engaged in online shopping.

1.13.2 Products Available for Online Shopping

Table: 1.7 shows the number of products displayed for online sale by domestic as well as international brand of knitwear manufacturers. It also depicts number of likes on the face book. This is evidence which proves that knitwear manufacturers are now using these channels to connect with the audience.

<table>
<thead>
<tr>
<th>Brand Name</th>
<th>Number of Products available for Online Shopping</th>
<th>Number of Likes on Facebook</th>
<th>Links</th>
</tr>
</thead>
<tbody>
<tr>
<td>DUKE</td>
<td>42</td>
<td>980</td>
<td><a href="http://www.facebook.com/Dukefashionsindialimited">http://www.facebook.com/Dukefashionsindialimited</a></td>
</tr>
<tr>
<td>MONTE CARLO</td>
<td>85</td>
<td>2,79,034</td>
<td><a href="http://www.facebook.com/montecarlocollections/likes">http://www.facebook.com/montecarlocollections/likes</a></td>
</tr>
<tr>
<td>TOMMY HILFIGER</td>
<td>105</td>
<td>3,50,856</td>
<td><a href="http://tommyindia.com/section.php?id=26&amp;parentid">http://tommyindia.com/section.php?id=26&amp;parentid</a></td>
</tr>
<tr>
<td>REEBOK</td>
<td>45</td>
<td>150234</td>
<td><a href="http://www.shop4reebok.com/">http://www.shop4reebok.com/</a></td>
</tr>
</tbody>
</table>

(Source: Compiled from respective online source accessed on March 27th, 2013 at 1:30 PM)
1.14 Approaches to Branding Strategies


1.14.1 The Product Brand Strategy

It involves the assignment of a particular name to one, and only one, product as well as one exclusive positioning. The result of the model is that each product receives its own brand name that belongs only to it as shown in Exhibit: 1.3.

The Product- Brand Strategy

<table>
<thead>
<tr>
<th>Firm ABC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand X</td>
</tr>
<tr>
<td>Brand Y</td>
</tr>
<tr>
<td>Brand Z</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
</tr>
<tr>
<td>B</td>
</tr>
<tr>
<td>C</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Positioning</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
</tr>
<tr>
<td>B</td>
</tr>
<tr>
<td>C</td>
</tr>
</tbody>
</table>

Exhibit: 1.3

By indulging in the practice of multiple brand entries in the same market, the company occupies many functional segments with different needs and expectation and therefore has a greater consolidated share of the market: it becomes category leader. It helps customers to perceive the difference between various products. This strategy is one that is adapted to the need of innovative companies who want to pre-empt positioning. This strategy also allows the firm to take risk in new market. Name of the company behind it remains unknown to the public and is therefore different from the brand.
name. Since each brand is independent of the other, the failure of one of them has no risk of rebounding on neither the other nor the company name.

The drawbacks arising from product brands are essentially economic. Every new product launch is also a new brand launch. Media cost involves huge investment in advertisement and promotion. The retailers too show unwillingness to take risk with untested products whose future is uncertain. But contrary to this argument, “Blue Mount” and “Jus Juniors” brands owned by M/s. Jain Udhay International Pvt. Ltd, are positioned in the market which are based on product brand strategy. By doing this practice of managing two brands in the same market the company has consolidated its share in the market.

1.14.2 The Line Brand Strategy

This strategy involves the exploitation of a successful concept by extending it by staying very close to the initial product. This will be the extension of line and will involve only the marginal cost linked to the retailers’ discount and to the packaging. It does not need advertisement. This strategy reinforces the selling power of brand and creates a strong brand image. It also leads to the ease of distribution for line extensions and thereby reduces launch cost.

The disadvantage of the line strategy lies in the tendency to forget that a line has limits. Product innovations are very closely linked to the existing one is included in this strategy. On the other hand, Powerful innovation could slow down its development. Chawla Knitting Works having brand name “Gold Blaze” runs and manages brand on the basis of Line Brand Strategy. Firm has created strong brand image and is a known brand in women knitwear market. This firm gives much thrust on packing and believes in giving retailers discount to its associate business outlets.

1.14.3 Range Brand Strategy:

The branding strategy covers range of different products under single brand name and promotes through a single promise of a range products belonging to the same area of competence. In range brand architecture, products guard their common name. This
strategy avoids the random spread of external communications by focusing on a single name—the brand name and thereby creating brand capital for itself which can be shared by other products. Brand can easily distribute new products that are consistent with its mission and fall within the same category. The cost of new launch is very low. This is shown in Exhibit: 1.4.

**Range Brand Formation**

![Diagram of Range Brand Formation]

Duke Fashion (India) Ltd. commenced about four decades ago in Ludhiana, the fashion hub of Punjab. Brand “Duke” embraces a complete vertically integrated garment manufacturing plant. The company pioneered the T-Shirt culture and gradually established several new trends in knitting and fabric research. Company’s brand is run on range brand strategy basis and focuses its target audience on today’s youth who is looking for trendy and stylish range. With the same brand name company sells men’s, women’s and kids collection. (Source: www.dukeindia.com).

**1.14.4 Umbrella Brand Strategy**

According to the concept of this strategy same brand supports several products in different markets. Each of them has its own advertisement tools and develops its own
communications (Sometime even it has its own advertisement agency). Each product retains its own generic name. The main advantage of this strategy is the capitalization on one single name and economies of scale on an international level. Even occasional set back can add to public awareness of the brand. This is show in Exhibit: 1.5.

### Umbrella Brand Strategy

![Umbrella Brand Strategy Diagram](image)

Exhibit 1.5

This also allows minimum marketing investment. It also permits considerable saving when they enter new strategic markets. An umbrella brand strategy allows the core brand to be nurtured by association with products with which it was not previously associated. This branding strategy imposes very few constraints. Each division has its own communication to increase market share and to emphasis the specific qualities of its own brand.

The problems encountered in umbrella brand administration stem from the failure to appreciate its demand. Every division must use its financial and human resources to show that its products and service are as good as those of specialist brands, and even superior. The core of brand is always stronger than its extensions.

Brand “Neva” owned by Neva Garments Ltd. is managed on Umbrella Brand Strategy basis. The brand name supports company’s knitwear products for men, women, kids,
blanket, quilt, track suits, night suits and inners for all age group. Each product is advertised separately. Company is banking on minimum marketing investment and thereby believes in diversification with such savings. Core brand “Neva” is nurtured by the associating products.

1.14.5 Source Brand Strategy

This branding strategy is identical to umbrella brand strategy except for one key point i.e. products are now directly named. They are no longer called by one Generic name. The corporate brand is endorsing the quality of the merchandise and acts as a guarantor.

The benefit from the source strategy lies in its ability to provide a two-tiered sense of difference and depth. The limit of the source brand lies in the necessity to respect the core, the spirit and identity of the parent brand as shown in Exhibit: 1.6.
In Ludhiana Knitwear cluster Nahar Group of Companies followed source brand strategy. Oswal Woollen Mill was established in 1949. It is a reputed industrial conglomerate with wide range of portfolio from wool combine, spinning, knitting, fabric and hosiery garment. For domestic market the company launched “Monte Carlo” brand, the first truly international range of designer knitwear followed by another prestigious brand “Canterbury”. Both these brands have exclusive positioning but strongly supported by parent brand Oswal. This has helped the company in practicing multiple brand entries in the same market and has consolidated its market share. The flagship of the company is over US$ 550 million and Nahar Group of Companies has become leader in the market (Source: www.owmnahar.in).

1.14.6 Endorsing brand Strategy

The endorsing brand gives its approval to a wide diversity of products grouped under product brand, line brand or range brands. Under this strategy endorsing brand is placed lower down because it acts as a base guarantor as shown in Exhibits: 1.7.

<table>
<thead>
<tr>
<th>Promise A</th>
<th>Promise B</th>
<th>Promise C</th>
<th>Promise N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product or</td>
<td>Product or</td>
<td>Product or</td>
<td>Product or</td>
</tr>
<tr>
<td>Range A</td>
<td>Range B</td>
<td>Range C</td>
<td>Range N</td>
</tr>
<tr>
<td>Brand A</td>
<td>Brand B</td>
<td>Brand C</td>
<td>Brand N</td>
</tr>
</tbody>
</table>

Exhibit 1.7

Blueman Hosiery Pvt. Ltd. is a Ludhiana based company, producing woolen jackets. It has promoted two brands namely “X Age” and “Blueman Jr”. These brands have virtually taken over its new market share and have developed market respect by
promising and delivering product as per customers wish. “Blueman” the main brand has taken back seat but acts as a guarantor of these promoted brands.

1.14.7 Choosing the appropriate Branding Strategy

Each type of brand strategy has its own merits and demerits. Simple list of the pros and cons does not provide a procedure for making a choice to a given company in a given market. The choice of brand policy is not a stylistic exercise, but more a strategic decision aimed at promoting individual products and ranges as well as capitalizing the brand in the long term. This decision should be based on three factors namely: (a) The product or service, (b) Consumer behavior, (c) Firm’s competitive positions. Brand Policy is the reflection of a strategy chosen by a particular company in a specific context. (Kapferer Jean-Noel, 2001, pp 185-206)

1.15 Discussion

Knitwear is an emerging and a fast growing segment of Indian garment export as compared to other segments. Ludhiana being one of the biggest clusters of knitwear units in Asia is the largest contributor to meet our nations demand yet lacks in its image building, image that promises consistent high quality and conveys the quality it deserves for both domestic as well as international market. There is a common feeling among the cluster that a shared vision is missing. Existing infrastructure available in the cluster is mainly used for non-industry purpose i.e. to earn revenue in shortcut way. Shortage of skilled manpower, irregular power supply and constant increase in bank rate are making the situation worse. These factors are making Ludhiana knitwear product out of bound of domestic as well as international buyer. Industry needs innovative ways to manage inventory. Customer and his perceptions are changing everyday so it is essential for the manufacturer to keep in touch with market to take the competitive advantage in the terms of technology, quality and price. Ludhiana knitwear cluster has strong backing of various manufacturing associations but coordination among them is missing. Institutional support is there but support is still out of bound for deserving units. A carefully designed brand strategy is the need of the hour. Conscious strategy to work with brand both intrinsically and extrinsically is
needed due to fast growing pace of globalization. The superiority of a product is no more a competitive advantage to capture market share but increasing interest in branding and e-branding has taken over its place to some extent. So branding strategy should be based on product performance, delivery performance, support service performance and customer’s satisfaction in the terms of meeting their trust and commitment. Customers prefer to lower the risk by buying a brand that offers peace of mind. So it is quite evident that brand knowledge, expertise and resources are the major issues that knitwear manufacturers are facing. In order to build up brand and develop customer loyalty knitwear manufacturer may require brand consultancy, which could help and guide them through the rationalized process of brand development. It will help them to form brand strategy based on product performance, customer behavior and firm’s competitive position. Despite the best effort shown by knitwear industry of Ludhiana, there is only one brand (Monte Carlo) which could make its entry as preferred brand as shown in Brand Trust Report, 2012.