CHAPTER I

EXPORTS OF THE KNITWEAR GARMENT SECTOR-
A QUINTESSENCE

“Exports of the Knitwear garment sector- A quintessence” has briefed out the entire epitome of the road map of the thesis, starting with marketing as a function to effectively and strategically plan for exports and ending with an analysis of the effectiveness of the marketing strategies.

Marketing has been the performance of business activities that direct the flow of goods and services from producer to consumer. Marketing has generated the strategies that underlie sales techniques, business communication, and business developments. It has been an integrated process through which companies have built a strong customer relationship and has created value for their customers and for themselves. Exporters engaged in export marketing have to understand the market trends and the buyer’s characteristics to conduct marketing research for matching company’s competencies with the customers’ needs. Export marketing has a need to integrate the strategies to increase the market share in the existing markets and in researching new markets for existing product and new product categories. The effectiveness of marketing strategies on export performance has always been a crucial and a debatable factor due to the changing economic and global scenario.

1.1. INTERNATIONAL TRADE- A BRIEF INTRODUCTION

Accelerating closer economic relations around the world in recent years has boosted international trade activities and has helped the developing countries to participate in international trade to gain significant market share in textile and apparel exports. In the context of textiles and apparel manufacturing, developing nations have advantages in resources and abilities in producing the goods on a broader scale at low costs, responding quickly to fashion trends. Accordingly the apparel export industry has become a major contributor of economic growth for developing countries due to globalization and increasing global trade.

Since 1960, the textile and apparel production sector have moved to the countries where labour has been cheaper and abundant. As a result, the developed countries have restricted and limited their textile and apparel imports to protect their domestic industries.
Such restrictions had started in 1961 and were revised in 1974 to become the Multi Fiber Agreement in terms of volume. The Quotas had been negotiated each year from a country-to-country basis, assigning the quantities of specified items that could be exported from a developing country to a developed country until on 31st December 2004. The textile trade currently has been brought under the jurisdiction of World Trade Organisation from 1st January 2005.


Removal of quota restrictions has presented the buyers with an option to source from the most efficient, cost effective vendors and their countries. For the suppliers, it has opened stiff global competition driven by low costs and new legislation. Removal of quota restrictions has thrown open both opportunities and threats, especially for the low-income economies, seeking to industrialize through promotion of garment sector.

Internationally, retailers have turned towards ‘lean Retailing’ and ‘inventory cutting’ to minimize their operational cost. The improvement in communication technology and the consequent reduction in transaction costs had increased the possibilities to coordinate production across the globe, thereby reducing costs of inventory. Countries had to change their portfolio of exports as they moved up the income ladder and only by such changes, low-income countries have been increasing their share in global trade.

The changing pattern of trade has increased the apparel exports from the developing countries. The motivation for outsourcing for the developing countries has not driven by cost considerations alone; rather it had followed as a response to change in the structure of demand as well. Hence many countries have started their apparel exports to various destinations.

1.1.1. MAJOR MANUFACTURERS AND THEIR MARKET SHARE

The largest apparel manufacturers and exporters have been the countries from the Asia-Pacific region like China, India, Hong Kong, Philippines, Malaysia, Indonesia, Bangladesh, Sri Lanka, Pakistan and Thailand. USA, Italy, Germany and Mexico have been the other major apparel manufacturing nations. Exhibit No.1.1 has presented the scheme of largest apparel manufacturers in the Asia-Pacific region and their market share.
Exhibit No. 1.1 Country wise Market Share

Source: www.fashion products.com

China has held the major (50%) market share of apparel exports. Next to China, India has held the market share of 15%. Hong Kong, Philippines, Malaysia, Indonesia, Bangladesh, Sri Lanka, Pakistan, and Thailand have shown comparatively a low market share. Among them India has been indicated as one of the most promising exporter of apparel products. As a corollary to this the growth and promotion of this industry has had a significant influence on the overall economic development of the country.

1.1.2. NATIONAL LEVEL INDUSTRY SCENARIO AND THEIR PROSPECTIVE FEATURES

The completion of phasing out of the Multi Fibre Agreement (MFA) on 1st January 2005 has expanded the size of the market available to the countries that have been restricted by the quotas. India has been one of the principal beneficiaries. The textile industry including readymade garments has occupied a unique position in the Indian economy. Its predominant presence in the Indian economy has been manifested in terms of its significant contribution to the industrial production, employment generation and foreign exchange earnings. The contribution of the garment sector to the country’s foreign exchange earning has accounted for 1/3rd of total foreign exchange and the reduction in trade deficit has conferred a role of pre-eminence to the garment sector. The textile and apparel industry in India has contributed to 8.73% of GDP and 20% of industrial production. The industry has growth potential to provide employment for 45 million people by 2012 approximately.
India has been the largest producer of raw cotton, and other raw materials like cotton yarn, cellulose fibre/yarn, silk, synthetic fibre/yarn, jute and it also exports fibre, fabric and garments made up of a wide range of materials and products. India produces more than 100 garment product categories and has been considered as a major supplier of high quality fashion apparel. Importers have expressed their satisfaction with the Indian manufacturers’ excellent handwork, which has not been found in other countries.

Among many developing countries that have actively participated in textile and apparel trade, the Indian garment industry has exhibited significant growth potential in the global market with its advantages in low production costs, easy availability of raw materials, well-developed fashion designing, skilled labour force, robust production capacity for man made fibres and the big players who can do everything under one roof to make use of the economies of scale. Many business professionals and industrialists from other countries have favoured India’s indigenous craftsmanship, wealthy artisanship, strong work ethics, communication skill and customer friendly attitudes, beautiful traditional prints that have rarely been found anywhere else in the world. With all its potentials, the country has exported various product categories to different countries of the world.

1.1.3. APPAREL EXPORTS TO VARIOUS DESTINATIONS

Ready-made garment (RMG) has been the largest export segment, accounting for almost 41 per cent of the total textile exports. Exhibit No. 1.2 has depicted India’s apparel exports to top ten destinations.

Exhibit No. 1.2 India’s Apparel Exports to various Destinations

Source: Directorate General of commercial Intelligence and statistics (DGCI&S), Apparel Export Promotion Council (AEPC) Estimates
Large portions of India’s manufactured apparel products have been exported to USA, UK and Germany. These countries had been the top three destinations with the cumulative share of approximately 59% of the export values as in 2010. The other countries where the apparel products have been exported include France, Italy, Netherlands, Spain, Canada, Saudi Arabia, etc. The apparel products have also been marketed throughout the world in smaller quantities. Not only in terms of volume, even value addition has been increased in apparel exports, which has consecutively improved the nation’s economy.

1.1.4. INDUSTRY’S CONTRIBUTION TO EXPORT PERFORMANCE

In the light of macro-economic changes through the reforms package initiated since 1991, rapid expansion of exports and substantial value addition has increased net foreign exchange inflow and has ushered in a new phase of growth. The export performance of India’s readymade garment sector has been presented for a period of six years in Exhibit No. 1.3.

Exhibit No. 1.3. India’s Export of readymade garments

Source: DGCI&S, Kolkata
The status of India’s export of readymade garments in 1988 had been around ₹720 crores showing a steady increase in export turnover and after ten years in 1999 the export of readymade garments has accounted for around ₹20,000 crores. The next ten year period of non-quota regime has shown the growth trend in India. The initial pace of non-quota regime has shown a gradual level of increase from ₹38,153.73 crores. However, during April – December 2008, garment exports had missed the expected growth targets due to Global economic slowdown, rise in cotton prices, currency fluctuations, dwindling orders and a decline in the export of textiles and clothing. The industry had not achieved its said growth of exports. To assist the exporters and to increase the production, the Government of India and the Reserve Bank of India (RBI) had taken several steps to provide impetus to the economy. With that India’s apparel exports had shown a better performance of ₹83,018 crores during 2010-11 and in the first two months of financial year 2011-12 it has risen to ₹95,940 crores.

Contribution of knitwear has made a substantial input for the export performance of the apparel sector. Knitted garments have been preferred over woven garments due to its comfort, flexibility and easy breathability. Tirupur has been placed as a key player in the knitwear map of global sector especially in cotton knitwear.

1.1.5. KNITWEAR INDUSTRY – PREDOMINANCE IN TIRUPUR

Tirupur has been an industrial hub for textile sector and predominantly an export niche as the centre of textile business since 1870. From a small business town in the 80’s, it has attracted the attention of both the policy makers and the businessmen at the national and international levels. It become one of the important garment clusters in India, providing employment to more than 6,00,000 people directly and indirectly and earning a considerable amount of foreign exchange. The Indian export import policy of 2002-2007 has given a special tribute to Tirupur as “Town of export Excellence.”

Nearly every international knitwear brand in the world has a strong production share from Tirupur. It has a wide range of factories that export all types of knitted fabrics and garments. Small orders have allowed the importers to develop large sample ranges in a cost-effective manner and the exporters’ willingness to make very small sample lots has been highly appreciated by the importers. Most of the firms in Tirupur have taken a 'cost
minimization' approach in their production facilities. Technology upgradation, effective pollution control measures, and safe working environment have been the strategies to be looked up for better performance of small- and medium-scale firms at Tirupur.

1.1.6. EXPORT PERFORMANCE OF TIRUPUR KNITWEAR GARMENT INDUSTRY

Exporters in Tirupur have been striving towards planning and marketing the products to the leading apparel sellers, worldwide. Out of total exports of India, Fifty six per cent of India’s total knitwear exports from Tirupur have been based on the design, product development and effective merchandising. They have been recently revamping their knowledge gaining techniques by using modern information technological systems. Tirupur has within two decades exported from less than ₹10 Crores in 1985 to ₹5000 crores in 2003, and ₹11, 000 Crores in 2006-07, a performance that has no parallel anywhere in the world. Exhibit No. 1.4. has shown the turnover of Tirupur in the last 20 years.

Exhibit No. 1.4. Turnover of Tirupur Knitwear Industry from 1980 to 2010

Since 1985, there has been a tremendous growth in the industry. Export value has risen from about ₹10 crores in 1985 to nearly ₹12, 000 crores in 2010 with an increase of about 10.72% every year. Tirupur's competitive position has been built on the strength of skilled labor, low wages, production flexibility, a strong customer- focus, entrepreneurial drive and inexpensive sources of local cotton.
1.2. STATEMENT OF THE PROBLEM

The new trade regime, with substantial reduction in tariff and duties, removal of a large number of items from the negative list of imports, liberal policies in favour of direct investment, low duties for import of capital goods and a host of such other steps, have motivated the Indian economy into entering the main stream of global economy. After the withdrawal of quantitative restrictions, international buyers have been changing their pattern of sourcing as they have more choices for sourcing their requirements. Buyers have been trying to reduce their pre production cost, by identifying the exporters who have independent quality control and quality assurance system and have the capability to respond quickly to their needs through electronic data interchange. Exploring the perceptions of the importers and identifying the sources of competitive advantage have become significant. Formulation of suitable measures to improve the production process and design development has become necessary to increase the unit value realization of a garment. Certification and crucial changes in the distribution channels has also led to a much larger volume of purchases at more competitive prices. Bridging the technological gap has to be done at both the macro and micro levels. Pricing has to be done carefully and scientifically by using either a cost plus or market driven price approach to determine the competitiveness.

To improve the business performance, whether the exporters of Tirupur have adapted these strategies has been worth examining. Hence, it has been considered essential to study the effectiveness of export marketing strategies on the export performance of knitwear industry in Tirupur by the manufacturing exporters.

1.3. OBJECTIVES OF THE STUDY

Systematic objective identification, collection, analysis, dissemination, and the use of information for the purpose of assisting management in decision-making have become a prerequisite for the performance and the success of garment export industry. Hence the objectives of the present study have been related to the identification and in finding solution for the existing problems and tracing opportunities in the garment export industry.

➢ To examine the extent of implementation of marketing strategies of the manufacturing exporter respondents in the knitwear garment industry and to analyze its impact on their export performance.
➢ To ascertain the export planning and commitment of the government to promote the garment industry.

➢ To identify the manufacturing exporter respondents’ agreeability on the strength, weakness, opportunities and threats (SWOT) in their organizations and to study the influence of the personal factors and marketing strategies on organization’s SWOT.

➢ To examine the intra relationship between SWOT attributes, inter se and to ascertain the impact of marketing strategies on SWOT attributes of knitwear garment manufacturing exporter respondents.

➢ To establish the proposed areas of marketing strategies to be strengthened for export development as opined by the manufacturing exporter respondents.

1.4. RESEARCH METHODOLOGY

The study has been conducted on the basis of the primary data collected with the help of an interview schedule. An interview schedule has been constructed to register the feedback of the respondents chosen for the study. A pilot study has been conducted among 30 exporters belonging to Tirupur and has been pre tested to receive their feedback.

To test the validity, the opinion of the experts and academicians has been received to ensure the clarity and length of the schedule. Reliability of the instrument has been ensured after confirming its validity. Cronbach’s Alpha (α) has been used as a test to ensure reliability.

The target population in terms of elements, sampling area and time has been defined. An element has an object from which the information has been derived. In survey strategy, the element has been usually the respondent.

**Element** : Manufacturing Exporters of Tirupur Knitwear garment industry.

**Sampling Units/source list** : Tirupur Knitwear Garment factories.

**Time** : The data collection has a span of two years starting from April 2009 and ending with March 2011.
1.4.1. SAMPLING DESIGN

The garment industry in Tirupur has around 2500 garment factories, in which both the manufacturing exporters and merchant exporters have played an active role for highlighting the importance of the industry. In Tirupur various associations such as Tirupur Exporters Association (TEA), Tirupur Exporter Knitwear Manufacturers Association (TEKMA) and Tirupur Exporters and Manufacturers Association (TEAMA) have played a key role in assisting the exporters in their entire endeavor. Among the three associations, the manufacturing exporters have been identified for the study. There had been totally 1200 registered manufacturing exporters. Out of these, 608 have been the members in TEA, 395 have been from TEKMA and 197 have been from TEAM A. Using the TAW Yauman (1967) test, sample size has been fixed as 300. Out of 300 samples 152 from TEA, 99 from TEKMA and 49 from TEAM A have been collected proportionately by using random sampling technique.

Secondary data has been collected from the websites, brochures, Textile committee reports, Handbook of Apparel Export Promotion Council (AEPC), TEA Bulletins. Magazines and journals have also been referred to understand the prevailing situation of the garment industry.

1.4.2. STATISTICAL ANALYSIS

In order to analyse the objectives of the study, several statistical methods and tests have been used.

- To analyze the extent and impact of marketing strategies on the export performance, percentage analysis, Kendall’s Coefficient of concordance and chi square analysis has been carried out.

- Descriptive statistical analysis has been used to identify the exporters’ agreeability towards the strength, weakness, opportunities and threats of their organization.

- To study the exporters’ perception on the influence of marketing strategies on SWOT of the organization, t-test and ANOVA have been applied.

- To find the relationship between the SWOT attributes correlation has been used.
Multiple regressions analysis has been used to find out the degree of variation in SWOT score caused by the marketing strategies.

Factor analysis has been applied to find out the underlying dimensions in the set of statements relating to the strategies to be adopted by the exporter respondents.

1.4.3. HYPOTHESIS

Suitable null hypotheses have been formulated at relevant places, where the tools used have been either Chi-square or ANOVA or a ‘t’ test. The personal variables chosen have been hypothesized as not having any association or a significant difference vis-à-vis the test variable developed as dependent factors.

1.5. LIMITATIONS OF THE STUDY

Heterogeneous samples have been taken for analysis. A more homogenous sample in terms of the company's size could have yielded more significant results about the impact of marketing strategies. Since the respondents have been only from Tirupur, the report can be generalized only with limited and corrective applications. The concealment of facts by the manufacturing exporter respondents regarding their private information has been one of the limitations of the study. The study has been based on the respondents’ views and hence there could be a chance for human bias. Further, the tests of statistics themselves have not assured a cent percent reliability on the processed information.

1.6. ORGANISATION OF THE STUDY

The entire thesis on the “Marketing strategies of Tirupur knitwear garment manufacturing exporters – An analysis” have been evolved and submitted in six chapters.

The ‘first chapter’ on the “Exports of the Knitwear garment sector - A quintessence” has described the background of the garment industry with its performance, the reasons for conducting the study, the objectives framed and the methodology formulated to analyse & interpret the results with the limitations encountered and the road map of the thesis.

The ‘Second chapter’ on the “Literary works- A recapitulation” has captured the underpinning and the underlying strategies adopted in the past by the respondents. Relevant literature has helped to explore and to have an insight into the existing problems of the garment sector, in general.
The ‘Third chapter’ on –“Tirupur Knitwear garment industry – A profile” has presented the core aspects of the international apparel marketing scenario, tapering gradually to the growth of Knitwear garment industry at Tirupur, with its constraints, scope and development.

“Implementation and the impact of Marketing strategies –An analytical exposition” has provided an analysis, of the first two objectives framed for the study, in the ‘Fourth chapter’.

“SWOT.... an essence for analysis” has provided an investigative approach to determine the effectiveness of the export marketing strategies adopted by the manufacturing exporters in ‘Chapter V’, covering the remaining three objectives of the study.

The ‘Sixth chapter’ - “A Sequel” has resulted in narrating the findings, suggestions, scope for further research and conclusion of the entire outcome of the study pertaining to the effectiveness of the marketing strategies of the manufacturing exporters of Tirupur Knitwear garment sector.

The review of literature performed has elicited the essence of the earlier studies conducted in the past and has provided a fertile ground to cull out the problems identified and their test results, in the following Chapter II.