CHAPTER III

TIRUPUR KNITWEAR GARMENT INDUSTRY-A PROFILE

“Tirupur Knitwear Garment Industry – A profile” has traced the background of the Knitwear garment sector with special references to international marketing scenario, the need for marketing strategies, an overview of Tirupur Knitwear garment Industry and its progress. The chapter has also provided a bird’s eye view into the support systems available in the form of different associations, apparel parks and initiatives from the government bodies. The competitiveness and the constraints experienced by the industry have also been tackled in this chapter, briefly.

3.1. INDIA’S INTERNATIONAL MARKETING SCENARIO

International marketing has an attitude and the approach of a company with a truly global outlook, seeking its profit impartially around the world. Companies have been motivated to internationalize because of the saturations of domestic market and profitability & growth prospects of the foreign market. International marketing can have different levels of involvement, which can make a substantial difference to the way in which the activities have been organized.

In many developing countries, international marketing in its rudimentary form, has involved exports, selling part of the production to foreign markets. The garment export from India has been no exception, as India’s extended conservative macro-economic policies, joint ventures, technical collaborations, strategic alliances or subsidiary operations have not been initiated in the earlier days. Since 1992 efforts have been made in the form of joint ventures and strategic alliances to achieve the competitive advantage in product, design, technology, marketing, etc., to gain the international market share.

Garment marketing has some of the distinctive characteristics such as; severe competition owing to relatively low barriers, strong reliance on psychological obsolescence which has necessitated timely change, seasonality leading to short-half-life of the merchandise, conditions of change and competition that has necessitated high mark-downs and fast turnovers. Various competitive forces have also been threatening the exporters to withstand the market. Competitive Forces in Garment Industry has been shown in Exhibit No. 3.1.
Exhibit No. 3.1. Competitive forces in Garment Industry

![Diagram showing the competitive forces in the garment industry](image)

Source: Porter 1985 p.5.

While examining the competitive forces acting on the garment industry, the power of the buyer has determined the extent to which they have been retained and the value created for them. The threat of entry has determined the chance of new firms to enter an industry and compete with the value created. The threat of substitutes had determined the extent to which some products can meet the same buyer needs and thus place a maximum limit on the amount a buyer has been willing to pay. The power of suppliers has determined the extent to which the value created for buyers will be appropriated by the suppliers.

Satisfying buyers’ needs has been a prerequisite for industry’s profitability, though not sufficient; understanding the expectations of the buyers and the relative importance given by them on various value chain elements has to be taken into consideration for improved marketing performances. The large retailers, who have directly entered India for sourcing, often work through their overseas offices. Before the buyers arrived in India, the type of products they want to source and the price they are willing to pay have been already decided based on the current satisfaction level with reference to different competing supplier countries. There have been many aspects such as competition, infrastructure, import-export policies, foreign exchange regulations, business policies and ethics, creativity / design, marketing / sales and cost control, delivery and service, planning and merchandising, fabric and apparel development that can be controlled and improved by individual exporters. The Government has to contribute for developing the industry’s competitive advantage as a whole and bring about better satisfaction levels for buyers, prompting them to allocate higher budgets for sourcing from India.
The exporters have to decide the proper channel in which they have to export their products, to reduce the risk and to improve the earnings. The goods have been marketed without intermediaries, to the stores. There have been Independent Retailers, Joint Venture partners, Purchase consortium, Departmental Stores, Specialty chains, Discount stores, Brand manufacturer-importer. The intermediaries involved in garment export business have been export agent, independent buying house and the trading house.

After identifying the competitive forces and equipping the sourcing system, an exporter has to concentrate on marketing strategies, which have played a vital role in developing a business.

3.2. NEED FOR MARKETING STRATEGIES

The transition from Multi Fiber Agreement regimes to unrestrained trade in clothing under the WTO has called for changes in the investment levels for manufacturing units, the organization structures, work culture, product and channel mix and attitudinal change by garment exporters. To be successful in newly changed markets, a well-developed marketing strategy has been required.

With the advancing liberalization, marketing environment has become increasingly international, even for domestic firms. To understand different cultural, legal, political, monetary system and the level of economic development to face uncontrollable variables, global marketing had come into existence in the early 1980s. Marketing strategies have been designed to reach marketing objectives by altering the product line in order to reach new market segments and various promotions for a targeted portion of the market.

To compete successfully in global marketplace, companies have to possess competence to understand the global marketing environment. Analytical competence has been needed to pull together vast array of information to assemble relevant facts related to product needs. Strategic competence has focused on the long-term requirements of their firms. Functional competence has involved a thorough understanding in all areas of marketing. Managerial competence has been required to implement the orders and organize the trade effectively, on a global scale.

A Marketing strategy has an articulated plan for the best use of the organizations’ resources and the tactics, to meet their objectives. Elements such as organization structure
& culture, segmentation and targeting of markets, positioning & branding, customer retention and offerings, have been mediated through the industry to satisfy the expectations of the customer/market.

Marketing strategy will assist the organization to retain the customer/market. Depending on the organization culture & competitive position, the customers can be grouped into segments. Through positioning, branding and offering/premiums companies’ product can be resolved in the customers mind.[

Marketing strategy has the overall large-scale plan, employing a variety of marketing tactics to achieve goals. ‘Tactics’ has involved the ‘doing’ part of marketing. A ‘Strategy’ has been involved with the ‘thinking’ part of the marketing. The marketing tactics has to combine with the marketing strategies for the success of the garment business. Companies pursuing export marketing have to adopt strategies related to communication, product, pricing, distribution, segmentation and presentation through marketing plans to Companies pursuing export marketing have to adopt strategies related to communication, product, pricing, distribution, segmentation and presentation through marketing plans to satisfy the customer(buyer).

A firm, which plans to go for export marketing, has to make a series of strategic decisions.

3.3. STRATEGIC DECISIONS:

The general object of international marketing intelligence has included the collection, processing, analysis and interpretation of all types of information from all available sources, to aid business management in making international marketing decision.

The action-oriented decisions have to relate to the following:

A) INTERNATIONAL MARKETING DECISION RELATED INFORMATION

A company has to decide, whether to enter international business or not, based on the present and future opportunities and the resources of the company (skill, experience, production, marketing capabilities, finance and company objectives).
B) MARKET SELECTION RELATED INFORMATION

For selection of most appropriate market, a thorough analysis of the potentials of the various overseas markets and their respective marketing environment has been essential. Information on a large number of factors for evaluation and selection of the markets has to be gathered. Market selection also has required specific information about the product or industry to concentrate on the demand trends, government policy & regulations, competitive situation, etc.

C) MARKETING MIX DECISIONS

The export market has been characterized by a number of uncontrollable external variables and controllable internal variables. The success of export market has depended on the appropriateness of the marketing mix.

D) PRODUCT RELATED INFORMATION

To differentiate with competitors’ products in terms of design, features, packaging, services, warranties, return and so on, a product marketing strategy has to be developed to launch a new product.

E) PRICE RELATED INFORMATION

Price related information has included prevailing price ranges, price trends, margins, pricing practices, government policies and regulations and price elasticity of demand. After selecting a pricing objective, the exporter has to determine a pricing strategy. Different pricing strategies can be used at different times to fit with the changes in marketing strategies.

F) PROMOTION RELATED INFORMATION

For formulating a promotion strategy, data on many aspects, such as, the media availability and effectiveness, government regulations, customer practices of promotion in the market concerned, competitive behaviour, etc., have to be determined.

G) PHYSICAL DISTRIBUTION RELATED INFORMATION

Information on factors, such as, the channel alternatives and characteristics, relative effectiveness of different channels, customs/practices of the trade, power and influence of channel members etc., have to be collected for decision making.
I) COMPETITION RELATED INFORMATION

Information about the competitive environment including the extent of competition, major competitors, relative strengths and weaknesses of competitors, strategies and behavior of competitors etc., have become inevitable for decision making.

J) ORGANIZATIONAL DECISIONS

A company planning for a direct export has to decide about its organizational structure for an effective performance of an export function. This decision has to be necessarily based on the nature of the export market and the product, the size and the resources of the company and the length of its export experience.

3.4. TIRUPUR KNITWEAR GARMENT INDUSTRY – An overview

Knitted sector has been emerging as the fastest growing sector in comparison to the woven garment sector. Tirupur has been exporting more than one hundred knitted garment product categories, mainly falling in cotton, semi-fashion, middle price segment of casual wear, with the main product categories being T-shirts, men’s shirts, ladies blouses, ladies dresses and skirts. Orders from USA have been mostly basic styles, in huge quantities like T-Shirts, under garments, ladies wear, men’s wear, kids wear, sports wear, leisure wear, etc., whereas orders from Europe and Japan have been comparatively small but fashion oriented in which Tirupur exporters have excelled.

According to Tirupur Exporters Association, 55% of the exports from Tirupur has been sent to Europe, 35% to USA and the rest of 10 per cent to the Middle East (Egypt, Iran, Iraq, Turkey, Saudi Arabia, Yemen, Syria, Israel etc.) and oceanic countries (Island countries found in the Pacific ocean, New Zealand, Australia, etc.). Most of the leading international brands such as Nike, Cutter & Buck, Adidas, GAP, Tommy Hilfiger, Katzenberg, Van Heusen, Fila, Arrow and leading retail chain stores such as C&A, Wal-Mart, Target, Mother’s Care, H&M, have sourced garments regularly from Tirupur. It has also supplied jerseys to players in the last Federation international World Cup Football tournament.

3.4.1. CHRONOLOGICAL GROWTH OF TIRUPUR KNITWEAR INDUSTRY

The first knitwear unit in Tirupur had been set up in 1925 and the growth of the industry had been slow till late 1930s. A series of strikes in late 1930s in knitting factories in the neighbouring towns of Salem and Madurai had resulted in the opening of new firms in Tirupur. Subsequently, it had emerged as a prominent centre for knitwear in
South India by 1940s. In 1942, 34 units had been engaged in the production of knitwear. All these units had composite mills and the production had been carried out in the same unit. There had been also some units performing specific tasks / operations like bleaching and dyeing, located in the larger units. By 1961, the number of units had risen to 230 and till early 1970s, the industry had catered only to the domestic market without any subcontracting system of production. The export market had started to expand in 1980s and subsequently Tirupur emerged as the largest exporter of cotton knitwear from the country.

Tirupur has been basically a cotton ginning cluster before it had transformed into a knitwear cluster. In due course, Tirupur cotton market and ginning factories had lost woven their edge, where many of these entrepreneurs had switched over to knitwear production, for survival. Mr Gulam Kadar in 1937 had established “Baby Knitting Industries” in Kaderpet area at Tirupur. He had started making men’s vests, known as ‘banians’, followed by Mrs. Chellammal, named Chellammal Knitting. The first export of knitted garments had been made to the US and Ghana by Mohan Knits through a Bombay merchant exporter in 1972. Till 1978, the manufacturers at Tirupur had been doing job work only for merchant- exporters at Mumbai.

The turning point for the industry had happened when Mr. Verona from Italy had visited Tirupur in the year 1978, through a merchant- exporter at Mumbai. Realizing the potential of Tirupur he had made frequent visits in the subsequent years and had supported the manufacturers to export to Europe. On seeing the quality of the garment manufactures and understanding the opportunities, C&A, a major retail chain entered Tirupur to buy the garments in the year 1981. Commendable interest in product range expansion shown by entrepreneurs had attracted more and more buyers to Tirupur.

Since, the research has focused on marketing strategies followed by garment exporters, especially manufacturing exporters who have in -house facilities and who do not have, taken for the study. It has not always been necessary to understand the entire chain in order to take action.
MANUFACTURING EXPORTER

Manufacturing exporters have been receiving orders from the buyers or from their agents and have executed the orders in their own names. On the receipt of the order, the orders has been executed in their own factory or through the firms with whom they have established relationship for performing a particular process of work like knitting, dyeing, processing, printing, embroidery etc.

MANUFACTURING EXPORTER - IN-HOUSE

Firms having in -house production have been considered to have an advantage over others in terms of price, delivery and quality, as they have their own operational facilities. This has improved organizational efficiency without relying heavily on job workers and indirect exporters.

Most of the exporters have mainly relied on the related industries or various operations, hence it has been necessary to know the value chain involved in the process of export business.

3.4.2. PRODUCT VALUE CHAIN IN KNITWEAR INDUSTRY

In Tirupur, most of the firms have been outsourcing their requirements for various operations in the value chain. The Natural fibre like cotton has been subjected to the operational process of ginning, carding, combing and spinning, before taking the shape of a yarn. Yarn, both natural and manmade, has been used in knitting, in the required combination to achieve the required fabric structure, which has been measured in terms of grams per square inch (GSM). The Knitted fabrics have been sent for bleaching, dyeing and for finishing processes like compacting, to control it’s shrinkage and to improve its dimensional stability. Fabrics, thus, developed have been used for the purpose of apparel making, home furnishing and for industrial textiles, depending upon the order from the buyers.

The supporting units have made the industry a specialized one among the countries worldwide.

3.4.3. CAPACITY OF SUPPORTING UNITS IN VARIOUS OPERATIONS

Tirupur has been known for the inter related activities such as Knitting, Dyeing & Bleaching, Compacting and Calendaring, Fabric Printing, Garmenting, Embroidery and other ancillary operations. The following Exhibit No.3.2 has shown the Capacity of Tirupur Garment Units in various operations.
Exhibit No. 3.2. Capacity of units in various operations

![Bar chart showing capacity of units in various operations]

Source: http://tiruppur.tn.nic.in/textile.html

Tirupur has been characterized as an organic relationship between firms, both horizontally and vertically due to the dense network of production organizations that had existed within the region. Out-contracting in large firms has minimized the need for vertical integration within the firms. Capital constraints to expansion have been minimized for the cluster, as a whole. The large firms have restricted the size of their labor force without restraining the expansion of production. There have been many small independent firms that have undertaken processes that have more specialized in nature, to save the costs of space, machinery and labour.

The Industry has involved interactions between different types of players, including competing firms, suppliers, supporting organizations, educational institutions and governmental institutions. Vertical linkages have been in downward and in upward stream connecting the firm with its suppliers and customers.

A second type of relationship that has involved the ‘horizontal’ linkages between and among the firms has been the cluster, with each firm managing the dual objectives of competing and cooperating in specific areas of common interest. They have been the business development service providers or educational institutions. At the centre, the
collaboration between the firms has helped to guide and facilitate collective actions, learning and innovation.

There have been a number of local representative institutions and support bodies that had an important impact on the development of the knitwear sector in Tirupur. The cluster has 7010 units and has been linked through several commercial and non-commercial linkages. There has been a high degree of subcontracting relationship among them due to the nature of operations. The role of several industry associations has been commendable in supporting the firms, by playing a quasi judiciary role to settle various intra and inter firm disputes. The Government associations such as South India Textile Research Association (SITRA), Apparel Export Promotion Council (AEPC), Textile committee and National Small Industries Corporation have been some of the institutions which have provided sectoral support. Besides, the nationalized banks, Tamilnadu Industrial Investment Corporation (TIIC) also has involved in providing long term and short term financial assistance. With all the support, the industry has gained its importance in the knitwear map of India.

The various factors that have influenced the growth of the industry have been dealt with below.

3.5. PROGRESS OF TIRUPUR KNITWEAR INDUSTRY

3.5.1. Factors influencing the paradigm shift

In the eighties, four significant changes had taken place, namely-a) the dominance of Tirupur as a supplier of vests and briefs to the domestic market had declined with the growth of hosiery industry in many parts of the Northern India. b) The demand for T-shirts in the international markets had picked up and the scope for exports had widened. c) Developed countries had been shrinking in their garment making capacities for various reasons and had commenced sourcing garments from developing countries d) the second generation entrepreneurs inheriting the management of hosiery factories had been motivated and they had evaluated the potentials of export markets efficiently and they boldly ventured into international business.

3.5.2. Flexible specialization of Small and Medium Entrepreneurs:

Being tiny and small with very low capital base, most of the firms did not have the resources to set up bleaching and dyeing facilities. The manufacturing activities had got
divided into two segments, that is, knitting and garmenting and wet processing facilities. In course of time, the industry had got further stratified and today for every single processing/manufacturing activity—knitting, bleaching, dyeing, mercerizing, compacting, raising, printing, drying, embroidery, etc., specialization has become the watchword.

3.5.3. Support from the association

In the pre-liberalisation period, industry and export business had been a subject of all kinds of control and licensing. By the year 1990, the number of knitwear exporters operating with their production base in Tirupur had increased, appreciably. There had been a plethora of license, permissions, approvals etc., to be obtained from the Central and provincial governments, every now and then. The number of documents that an exporter had required to prepare and submit for the clearance by the central excise and customs department had been numerous. Further, the apparel exporters have required to obtain import export code from the Apparel Export Promotion Council (AEPC), a government approved organization, for their export business. The associations providing assistance have been briefly discussed hereunder.

3.5.3.1. TEKMA AND TEAMA

'Tirupur Exporters and Knitwear Manufacturers Association' (TEKMA) and Tirupur Exporters and Manufacturers Association (TEAMA) have acted as a quasi-judicial institutions to resolve inter firm and intra firms' commercial disputes. This associations have also taken up a more pro-active role to settle disputes relating to the labour wages, keeping in mind the government regulations.

3.5.3.2. TIRUPUR EXPORTERS ASSOCIATION

TEA has been established in the year 1990. TEA has promoted jointly with TEA / LEMUR has established a container freight station in Tirupur. TEA has been holding knitwear Fair since 1995, in collaboration with AEPC. It has held 21 fairs so far. TEA has also entered into a MoU with the Indian Institute of Foreign Trade (I.I.F.T), New Delhi, to receive information on the strengths and weaknesses of the buyers, the importing country and the existing market trends. Netaji Apparel Park has also been formed by the combined effort of the Government and the TEA exporters. The Park has 53 companies engaged in knit-wear production alone.

The government bodies have also been rendering their support to uplift the industry.
3.5.4. SUPPORT FROM GOVERNMENT BODIES

3.5.4.1. TEXTILE COMMITTEE

The Textiles Committee (TC) has promoted with the objective of monitoring and certifying the quality of the textiles and garments exported from India. Over a period of time, the Textiles Committee has taken a number of initiatives like motivating knitters to manufacture technical textiles.

3.5.4.2. SITRA: The South India Textile research association has been providing consultancy services like shrinkage control of knit fabric, colour fastness, improvement in dyeing and printing.

The growth of the industry can be assessed through the elements of competitiveness.

3.6. COMPETITIVENESS OF THE INDUSTRY

In this section, the features that have influenced the competitiveness of the industry, such as the factor conditions, policies of the government, demand condition, strength of related supporting industry and the firm structure strategy, have been focused with the help of Michael Porter’s Competitiveness of Nations model (1990).

3.6.1. Factor Conditions

Input has been a necessary element to compete with any industries, with respect to labour, arable land, natural resources, capital and infrastructure. All classical theories in trade such as Adam Smith’s absolute advantage, comparative advantage of Ricardo, as well as Hechesher-ohlin theorem, have rested on the factor of production.

Availability of raw materials from Dindigul and Coimbatore, a major centre of cotton spinning mills in the country has helped Tirupur to easily access its basic raw materials quickly; when required. Laborers’ have been provided with ‘on the job training’. Services like logistics, accounting, ESI &PF, services for testing and inspection have been normally available at affordable cost. Strong entrepreneurial skills and their direct management of day today affairs have contributed to the effective management and direct control of the operations, creating cost effectiveness in the Industry. With the help of Inland Container Depot, logistics inconvenience has been resolved.
3.6.2. DEMAND CONDITIONS

Knitted garments have found their markets all over the world and the consumers have belonged to all age groups from children to the aged. Diversification in the export market with respect to the T-shirts, jerseys, pullovers, cardigans, ladies blouses, dresses, children wear, sports wear, night dress, swim wear, industrial wear & non apparel products like gloves have been therefore a logical step for the industry, for a higher value addition. Business environment, Quality & reliability of the products, prevalence of business ethics and readiness to face high risk in the market (perceived as an investment) have been the driving forces for growth. Proactive marketing has helped the industry, to transform an insignificant exporter of knitted vests (banians) to become a dominant and multiproduct exporter of cotton knitwear garments.

The next important feature that has influenced the competitiveness has been discussed below.

3.6.3. Collective Firm’s Strategy, Structure and Rivalry

Industry generally tends to succeed where the management practices and modes of organization have been favored by the environment to suit the industries’ sources of competitive advantage. The attitude toward authority, norms of interpersonal interaction and social norm have an impact on firms’ competitive advantage. Industry has been well known for its collaborative working and high level of social capital. The high level of subcontracting, existence of strong industrial associations with proactive knowledge sharing and number of government schemes to support them have jointly benefited the industry. The industry has an excellent standing, in terms of collective firm strategy. There have been fifteen active industry associations, playing a commendable role in supporting their members. Besides helping the members in clearing procedural formalities, providing information for policy changes of the government. Gradually many export houses have started to implement Corporate Social Responsibilities (CSR) related initiatives like running of school for children from the neighbouring villages, clinics in their own factory premises, periodical medical check up, HIV prevention etc.
3.6.4. Related supporting industries

The industry has grown considerably over the last one decade with the joint initiatives taken by the firms, through the related supporting industries. Supply chain management, viz., the management of a network of interconnected businesses has encompassed the planning and management of all activities involved in sourcing, procurement, conversion logistic management, co-ordination and collaboration with channel partners, which can be suppliers, intermediaries, third –party service providers and customers.

Some of the infrastructural constraint and policy disadvantages that dampen the competitiveness of the industry drawn as follow:

3.7. CONSTRAINTS OF THE INDUSTRY

Despite the inherent comparative advantage, the Indian garment industry has a high cost structure, which has come in the way of maximizing the gain from the market.

South East Asian countries and China have been India’s main competitors who have a lower labour cost. Since a large portion India’s exports have been from the lower priced segment where labour intensity has been high, has it to improve the efficiency and productivity to increase the cost competitiveness of these segments. As regards manufacturing of garments and made ups, India has a significant cost disadvantage against each competing country, primarily on account of high power cost and high finance cost. The lower capital costs have been reflected from the low capital utilization in the clothing industry. Slow technological up gradation has led to lower efficiency in quality and productivity in the Indian clothing industry.

Export performance primarily has depended upon cost quality and strict compliance of the delivery time. In case of mass market it has more of costs and delivery time, assuming that a reasonable level of quality has been maintained. In such a scenario, economies of scale have become important because higher scale of operation has provided the opportunity to reduce per unit costs.

The industry has concentrated on high value added segments, reducing the labour costs gradually. Labour has viewed as human capital in which investments have to be
made, both in terms of enhancing their technical capacities through training and by materially enriching them through fair wage. In China, average wages in the garment sector has been 72 cents per hour, in India it has been 51 cents per hour. Due to higher wages, China would capture not only a larger segment of the mass market but has gradually shifted its focus to much higher value added segments as compared to what the Indian manufacturers have targeted.

Many exporters and buying agents in Tirupur have pointed out the greatest weakness in the production techniques, have been seen specially in printing segments. Acute shortage in power supply has become an important infrastructural hindrance that has increased the production cost. Besides the simple escalation in energy costs, power cut has interrupted the production process and has affected the delivery schedule.

3.8. SCOPE ON DEVELOPMENT OF THE INDUSTRY

Prior to 1985, Tirupur’s knitwear value chain had been characterized by low value production, low value-addition and low value-retention. Later, the Investment had not only increased the capacity to produce at high quality standard, but had raised the efficiency of production. Networks of local out-sourcers had been established to increase the cluster’s flexibility. Consideration has been given to establish a physical market presence (a distribution warehouse) in Europe and USA. A strategy has been worked out to establish the ‘TIRUPUR BRAND’ to strengthen the market awareness and penetration and to enhance the overall value of the product. To reach the performance level, the garment exporters have to establish the marketing strategies for a distinctive positioning based on their capabilities.

The history of Tirupur as the king of Hosiery has been recapitulated in terms of its past records and its future prospects. The strength and the constraints of the industry has briefed from the point of view of the reported information and the theoretical exposition. The condition on the field has to be elicited only through first hand information obtained from the industry players. The study has been organized to obtain the opinion from the 300 manufacturing exporter respondents, chosen for the study. The analysis of the opinion has been detailed in Chapter IV on “Implementation and impact of marketing strategies – An analytical exposition”.