INTRODUCTION

1.1 INTRODUCTION

The Indian Textile and Apparel Industries are among the leading textile and apparel industries in the world. Apart from providing the basic necessities of life, its role in the country’s economic growth is significant. India’s textile and apparel industry contributes about 14 per cent to industrial production; 4 per cent to the country’s gross domestic product (GDP); 17 per cent to its export earnings; and is a source of direct employment for over 35 million people, which makes it the second largest provider of employment after agriculture. Abundant raw materials, healthy foreign direct investments (FDI) and a government willing to invest ensures a bright future for India’s textile and apparel sector.¹

1.2 TEXTILE AND APPAREL INDUSTRY

While Asia, particularly China, has enjoyed a dominant position in shoes, apparel and household textiles manufacturing for several years, makers of these items located in developed nations such as the U.S. and Canada have suffered a long period of decline. For example, over 98% of the shoes sold in America each year are imports, and the majority of these imports come from Asia. To consumers in Europe and North America, this growing reliance on Asia as a low-cost producer has meant very low retail prices for goods of reasonable quality.

However, recent increases in the value of the Chinese currency, combined with rapidly rising labor costs, have put Chinese manufacturers in a much less

¹ Ministry of Textiles, Indian Textile Journal, Department of Industrial Policy and Promotion, Press Information Bureau, 2013.
competitive position. Competition from very low-cost nations in Africa as well as Vietnam, Sri Lanka, Mauritius, Malaysia, Cambodia, Bangladesh, Pakistan, the Philippines and elsewhere is intense, and a large portion of apparel manufacturing formerly done in China is moving to these areas at a rapid pace. For example, Vietnam’s apparel exports to the U.S. jumped to $7.1 billion in 2012 from $6.6 billion a year earlier. China’s apparel exports to the U.S. were $29.0 billion in 2012, down slightly from 2011’s $29.3 billion.

While China continues to have a robust apparel manufacturing industry, it is moving up the industrial chain by fostering manufacturing that requires greater skills, better technology and more investment in advanced equipment. Such segments that are rapidly evolving in China include InfoTech, automobiles, trains, aerospace, medical equipment and telecommunications gear.

China’s textile and clothing exports soared from $16.89 billion in 1990 to $206.74 billion in 2010, according to the World Trade Organization. For 2011, China’s total was $253.2 billion, nearly a 23% increase. India is a distant second in this category, at $29.4 billion in 2011 (up from $4.71 billion in 1990). Other nations in the top ten for global apparel and textiles exports in 2011 included Turkey ($24.7 billion), Bangladesh ($21.5 billion), the United States ($20.0 billion by WTO estimates), Vietnam ($17.0 billion), the Republic of Korea ($14.2 billion), Pakistan ($13.7 billion) and Indonesia ($12.8 billion). The EU, in broad terms counting 27 nations, enjoyed exports of apparel and textiles totaling $193.0 billion in 2011.

As wages rise in China, workers are also calling for better working conditions. Workers in many parts of the world are beginning to demand shorter
hours and safer working environments. The collapse of a multi-story apparel factory in Bangladesh in 2013, killing more than 800 people, will bring a new focus on workers’ rights and working conditions in the apparel manufacturing sector.

The changes that will result from China’s rapidly increasing wage rates should not be overlooked. The apparel and textile manufacturing industry has historically been one that has few barriers to entry, little capital investment needed and a high level of low-skilled labor involved. When China’s wages were extremely low, the nation had a clear advantage in this industry, particularly in the light of its tendency to cluster factories near shipping ports and logistics centers so that goods can be sent to consumers with minimal delay. Today, however, wages are climbing very rapidly as China’s urban workers have many options in terms of places to work. Demand for workers is high, and workers are able to demand much higher pay than those in less-developed nations.

Many Chinese firms are massive in size, with tightly integrated units providing rapid design, manufacturing and logistics. One of the most interesting organizations is the Esquel Group of Companies. Esquel is one of the world’s largest producers of cotton shirts, with an output of more than 60 million garments each year. The firm’s vertically integrated operation starts in China where it oversees nearly 4,700 acres of cotton farms, which supply Esquel’s spinning, dyeing and knitting facilities that produce 90 million yards of high-quality cotton fabric annually.²

Esquel has manufactured clothing on behalf of brands that include Banana Republic, Tommy Hilfiger, Hugo Boss, Brooks Brothers, Abercrombie and Fitch, Nike, Nordstrom and Lands’ End, as well as private-label items for retailers such as Marks and Spencer. The Esquel companies transform their fabric into premium men’s and women’s wear at plants in China, Hong Kong, Malaysia, Mauritius, Sri Lanka and Vietnam. The company also sells its products through its proprietary brand, PYE, which markets high-end cotton apparel in China with a flagship luxury retail store in Beijing. Esquel maintains group sales offices in select locations around the world, including U.S. offices in New York City and regional locations convenient to key accounts. Unlike many textile companies, the firm has an expressed strategy of in-company resource development, seeking to ensure high standards of quality and consistency across all of its product lines.

Meanwhile, some manufacturers outside Asia have become very efficient and quick to react to consumer trends. The most notable company in this category is Spain’s Inditex. The firm is famous for its lean inventory and fast-fashion strategy. It can get a new item of clothing from its 300-person design team, through its manufacturing plants and into its more than 4,600 stores in as little as two weeks. The company operates several manufacturing facilities in Spain for its clothing. Many of its outside suppliers are located in Spain and elsewhere in Europe. The firm has been opening large numbers of new retail stores under the Zara, Pull and Bear, Massimo Dutti and Oyosho brands.

One of the more interesting recent developments in apparel manufacturing has been to reshore, which is the return of some of the business to plants based in
the country where most sales are made. Some designers and retailers find that their orders are not of sufficient size to interest major offshore plants, or their need for fast delivery makes it impossible to use overseas manufacturers. There is promising growth among many American manufacturers. Likewise, the need for extremely high quality is keeping some manufacturing of luxury apparel and accessories at home by Italian designers. As wages continue to rise in emerging nations, and shipping costs continue to be subject to spikes due to high fuel prices, some portion of clothing manufacturing will continue to reshore. Growing productivity from better manufacturing technology will add to this trend.

Apparel and accessory stores have generally been enjoying a rebound in sales around the world. Meanwhile, the luxury apparel, shoe and accessories market has enjoyed exceptional growth in hot economies such as Brazil and China. Leading brands have been opening large number of new stores in these markets. For example, LVMH is focusing heavily on new stores in China for its luxury brands. However, as of mid-2013, China’s growth was slowing, and the entire nation was going through a new focus on reducing corruption among public officials as well as conspicuous consumption in general. This has been hard on the luxury goods market, to the extent that Armani closed a flagship store on Shanghai’s famous Bund.³

During 2012, America exported $22.6 billion in textiles and apparel (up slightly from $22.3 billion) and imported $100.93 billion (down from $102.0 billion). These numbers are from the U.S. International Trade Administration.

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In the European Union (EU), the textile and apparel sector is quite large, particularly in nations that enjoy lower operating costs, such as the Baltic States and Eastern European States. Nearby, the textile and apparel industry remains a major part of the economy of Turkey. South America, Central America and Africa also play minor roles in world apparel trade.

Globally, the World Trade Organization (WTO) reports that apparel and textile exports grew 17% in 2011 (compared to 14.6% in 2010). Textile exports totaled $294 billion and apparel exports totaled $412 billion. For the decade ending in 2010, compound annual growth averaged 5.5% worldwide. Among the fastest growing nations in that period were Vietnam, China, Bangladesh, Turkey and India.

Over the past several years, manufacturers of basic synthetic textiles, such as polyester fabrics, have been dealing with a global manufacturing glut. Synthetic textile manufacturing has been dominated by the largest global chemical firms, but many of them have exited the business by spinning off or selling their holdings.

Trade agreements among the U.S. and its trading partners attempt to foster employment in certain parts of the world (such as low-income areas in the Caribbean) and allow U.S. consumers fair access to reasonably priced goods while providing some sort of relief to U.S.-based businesses. Because trade agreements will never satisfy all parties concerned, they tend to lead to controversy and much critical discussion. On the retail end, consumers of apparel have long enjoyed wide selections and moderate prices in North America, Asia, Europe and elsewhere.

During 2012, retail sales at clothing and accessories stores in the U.S. totaled $239.2 billion (up from $226.5 billion the previous year), according to the
Bureau of the Census. In addition, Plunkett Research estimates that 80% ($148.5 billion) of sales at department stores, 60% ($25.5 billion) of sales at sporting goods stores and 35% ($41.9 billion) of sales at discount department stores were for clothing and accessories in 2012. Assuming that about 30% ($67.2 billion) of the goods sold via e-commerce in America are apparel, shoes and accessories, this would put the total retail and online market in America at $522.3 billion.

Apparel retailing has always been a tough, highly competitive business, and many chains rise dramatically and then fail. Retail fashion merchandising is a vast challenge (witness the recent ups and downs of The Gap). Just-in-time inventory, driven by highly computerized supply chain management systems, is now an immense asset to major retailers. Nonetheless, price pressure from major discounters like Wal-Mart, Target and Kohl’s can keep profit margins thin at stores that sell moderately priced apparel. Some of the most successful retail chains are those that focus on niche markets with special tastes and needs, such as Chico’s FAS, which caters to 35- to 60-year-old women who want flattering fashions that suit their figures, and Abercrombie and Fitch, which focus on the 18- to 22-year old market with great success.

So-called “fast fashion” stores that sell the latest designs at very low prices have been enjoying soaring growth in the world’s largest markets. These stores include HandM, headquartered in Europe, and Uniqlo, from Japan.

Speaking of figures, the well-documented expanding girth of consumers in many nations is placing new challenges upon fashion merchandisers as overweight people of all ages, tastes and income brackets require clothes in larger
sizes. Designers and merchandisers face the task of developing and presenting larger clothes in a flattering light.

While Americans (as well as residents of many other countries from Mexico to China) have been putting on weight, they have also developed a keen interest in sports apparel and workout gear to wear at the gym and in other leisure activities. This is one of the fastest-growing product categories in the apparel and shoe sector. Over 50 million Americans have some sort of gym membership, and they need appropriate clothing to wear while they work out. Plunkett Research estimates the active sports apparel segment of the U.S. retail clothing market at approximately $58 billion for 2012.4

Demographic changes offer immense opportunities to U.S. fashion merchandisers. To begin with, many of the nation’s 75 million surviving Baby Boomers (post World War II babies born from 1946 through 1964) are beginning to enter the 65+ age category. As more and more of these people become seniors, their tastes and needs will bring great revenues to savvy apparel sellers who learn how to cater to this market. Meanwhile, the rapid growth of ethnic consumer groups in America, Hispanics in particular, offer superb marketing and product development opportunities.

Department stores have changed their business models drastically. While they were historically sellers of virtually every type of product, arranged by category in well-defined spaces within giant buildings (thus the use of the word “department” to describe them), most department stores in America today are primarily apparel and accessories stores. When consumers shop at stores like

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Nordstrom, Neiman Marcus or Dillard’s, they find floor after floor of shoes, clothing, accessories and cosmetics. This change has created problems within the department store industry, as managers, faced with intense competition, developed the habit of continuously discounting apparel in sale events, consequently putting pressure on profitability. Consumers have been trained to wait for items to go on sale before they make purchases, thus lowering profit margins at stores. Nonetheless, department stores remain major forces in apparel retailing today.

In many Asian nations including China, however, a department store of today typically looks more like one did in America 100 years ago. Department stores in China are known to sell everything from medicinal herbs to clothing to furniture and even automobiles. The world’s largest department stores by far are found in Asia.

Another sweeping change in apparel retailing is the rising success of e-commerce. Retail apparel chains are employing bricks and clicks together successfully. That is, they create synergies between very active web sites and their retail stores. Other firms, such as Bluefly.com, sell apparel through the Internet only, often at everyday discount prices. Catalog retailers continue to do reasonably well, particularly if they operate well-designed web sites to supplement their printed catalogs. Meanwhile, a growing number of fashion companies, such as Worth and The Carlisle Collection, are enjoying success selling women’s fashions
in the home via independent reps—somewhat like the success of similar companies that sell cosmetics.5

1.3 MARKET SIZE

The industry is expected to touch US$ 220 billion by 2020, according to estimates by Alok Industries Ltd. Also, India has the capacity to improve its textile and apparel share in the world trade from the current 4.5 per cent to 8 per cent and reach US$ 80 billion by 2020.

Garment exports from India grew by 19 per in the period July 2012–July 2013 to touch US$ 1.27 billion, on the back of increasing demand in developed economies such as the US, according to data released by the Apparel Export Promotion Council (AEPC).

India has the advantage of abundant resources of raw materials. It is one of the largest producers of cotton yarn in the world and there are good resources of fibres such as polyester, silk, viscose, etc. The country is also home to a wide range of cotton fibre and has a rapidly developing synthetic fibre industry.

The most significant change in the Indian textile industry has been the advent of man-made fibres (MMF). India’s innovative range of MMF textiles finds presence in almost all the countries across the globe. MMF production recorded an increase of 7 per cent in the month of August 2013 and grew by 4 per cent during April–August 2013.

Cotton yarn production was increased by about 10 per cent during August 2013 and by about 11 per cent during April–August 2013. Blended and 100 per

cent non-cotton yarn production increased by 5 per cent during August 2013 and by 8 per cent during April–August 2013.

Cloth production by mill sector registered a growth of 4 per cent during August 2013 and 10 per cent during April–August 2013. Cloth production by handloom and hosiery sector was increased by 3 per cent and 12 per cent during April–August 2013. The total cloth production grew by 6 per cent during August 2013 and by 3 per cent during April–August 2013.⁶

1.4 CLASSIFICATION OF RETAIL MARKETING

Organized retail may broadly be classified into the following formats:

1.4.1 Malls

The malls are the largest form of organized retailing today. Malls are located mainly in metro cities, in proximity to urban outskirts. This format ranges from approximately 60,000 sq ft to 7,00,000 sq ft and above. They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof.

1.4.2 Hypermarkets

They are typically large, starting from 40,000 sq ft plus and are usually located outside the city limits. This format comprises a multiple division layout, and usually has an “Industrial-look” interior. Hypermarkets generally provide daily necessities and grocery like items. Pricing is competitive and they also offer volume discounts.

1.4.3 MBOs

Multi Brand Outlets, also known as Category Killers, offer several brands across a single product category. These usually do well in busy market places and metros.

1.4.4 Super Markets

Large self-service outlets, catering to varied shopper needs are termed as super markets. These are located in or near residential high streets. These stores today contribute to 30% of all food and grocery organised retail sales. Super Markets can further be classified into mini supermarkets -- typically 1,000 sq ft to 2,000 sq ft -- and large supermarkets ranging from a size of 3,500 sq ft to 5,000 sq ft having a strong focus on food and grocery and personal sales.

1.4.5 Discount Stores

As the name suggests discount stores or factory outlets are offering discounts on the MRP through selling in bulk reaching economies of scale or excess stock left over at the season. The product category can range from a variety of perishable/non-perishable goods.

1.4.6 Convenience Stores

These are relatively small stores 400-2,000 sq feet located near residential areas. They stock a limited range of high-turnover convenience products and are usually open for extended periods during the day, seven days a week. Prices are slightly higher due to the convenience premium.
1.4.7 Departmental Store

Large stores range from 20000-50000 sq ft, catering to a variety of consumer needs. Further, it is classified into localized departments such as clothing, toys, home, groceries, etc.

1.4.8 Exclusive Store

It is ranging from a size of 500 sq ft to 5,000 sq ft and above; this format is owned / managed by the Company or through its franchise. These can offer single brand as well as multiple bands.

1.4.9 Specialty Store

These formats focus on a specific product category, medium sized layout in strategic location. Specialty stores provide a large variety base for the consumers to choose from.

The present study is concerned with Consumer Behaviour in Retail Marketing of Textile and Apparel products in Chennai city. The consumer behaviour in retail marketing practices of textile and apparel unit is facing problems by implementing the retail marketing practices among the consumers. Therefore the need is to develop the strategies and found the measures for rectifying those problems comes under the purview of this study. The main focus is on the consumer behaviour in retail marketing strategies are consumers needs, source of information, purchase alternatives, factors influencing the purchase and post-purchase behaviour. In a layman language the term strategy is a term related to ‘warfare or a plan to win a war’. But in the business world it refers to plans relating to marketing, financing and manufacturing operations. Executives of different business organizations concentrate their efforts to win the biggest
possible share of the targeted market. The field of strategy planning is much wider. It deals with the adjustment of controllable factors, viz, production, physical distribution, promotion and pricing within the environment of uncontrollable factors, viz, competition, legal barriers, interference of different behaviours’ and scientific and technological differentiation.⁷

It is a job of crucial significance to formulate the textile and apparel business. Failure or survival of a textile and apparel business depends upon the effectiveness of retail marketing strategic planning. The management of a company should look at defensive tools to be used to safeguard its market position. This requires a continuous review of controllable factors within the atmosphere of uncontrollable ones.

A retail marketing strategy serves as the base of a marketing plan. A retail marketing plan contains a list of specific actions required to successfully implement a specific retail marketing strategy. Without a sound retail marketing strategy, a marketing plan has no foundation. Retail marketing strategies serve as the fundamental foundation of marketing plans designed to reach marketing objectives. It is important that these objectives have to be measured as per the marketing environment of textile and apparel products.

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⁷ Textiles and apparel market and opportunities, India brand equity foundation research, 2013, 1-22.