CHAPTER –V

SUMMARY AND CONCLUSION

INTRODUCTION

The study entitled “Opportunities and Challenges” Exporting Human Hair in Chennai” is undertaken with the aim of understanding the trade practices, the export trend of hair industry and to find out the opportunities and challenges faced by human hair exporters from Chennai.

The study is mainly based on Primary Data which is collected from 267 exporters in Chennai using a well structured and pre-tested survey questionnaire. The secondary data were also used to understand the export trend of hair business. The data was collected from TANSTIA FNF service, and Ex-Im India Chennai, about the variety, quantity, and the value of human hair exported. The period of data collected for this study is 6 years (2005 to 2010).

The collected data were analyzed using statistical tools like percentage analysis, chi-square, correlation, ANOVA and Factor Analysis. Percentage analysis is applied to identify the frequency of activities and the importance given by the exporters, with respect to procurement of raw material, procedure followed in processing and distribution, pricing method etc. To know the relationship between the variables and their importance, chi-square and correlation analysis is used. The exporters’ opinion about the opportunities and challenges in hair business is analysed through the application of ANOVA (Analysis of variance). Factor analysis is applied to identify the importance of factors and their impact in collection of information and their reliability. Secondary data, collected from TANSTIA regarding the export of human hair to various countries and various types of hair exported, is processed using simple trend analysis.

This chapter highlights the major findings of the study with relevant to each objectives and the various suggestions are framed for betterment of the hair exporting industry based on the findings of the study.
5.1 FINDINGS

Hair trade practices and their relationship

It is found that most of the exporters doing their hair export business as partnership mode, followed by sole proprietors and private limited companies are comparatively less in number. The partnership firms and private limited companies have huge resources which give them an upper hand in offering quality product and market them efficiently.

The study reveals that more than 58% of the respondents have nearly two decades of experience in hair exporting business and 35.2% of the respondents have started their business in the last decade. Notwithstanding there are only 2.2% of the respondents who are exporting hair for the past 30 years. It shows the hair export industry started to grow in Tamilnadu only in the last two decades. It may be due to the increase in demand of cosmetic products all over the world, which in turn increase the demand for hair related products.

It is identified that 73.5% of the hair exporters export their products through both direct and indirect (agents) modes of export. Further, 13.4% of the respondents are exporting directly and 13.1% of them export through agents. The respondents opined that direct marketing is not alone to enter into the export market. The agents play a vital role providing lot of information about market trends and new varieties required and they are also helpful in cargo facilities for unloading of materials.

It is identified in the study that nearly half of the hair business have capital of more than Rs. 50 lakhs and in the remaining cases the average investment ranges between Rs. 30 and Rs. 50 lakhs. Only a very few hair exporters are running their business with investment of less than Rs. 30 lakhs and they are in the infancy. Thus, it can be assumed, the huge investment requirement of hair exporting business may be the reason for preventing SSI units to start the business.
71.5% of the exporters are having more than 50 employees and 28.5% are running with less than 50 employees in their organization. It shows the manpower requirement for an average hair exporting business is 50 employees. Thus the entrepreneur must be very skilled in managing his human resources, otherwise there will be attrition as many are unskilled employees.

It is identified that 51.7% of the respondents are exporting only processed human hair, 38.6% of them are exporting both raw and processed human hair and 9.7% of them are exporting only raw human hair. Thus majority of the hair exporters are dealing with processed human hair and only a few are engaging in raw hair due to the demand in China and other European countries.

The study found out that 28.1% of the respondents export to all the continents, 19.5% of the respondents export only to Asia and Europe, 18.4% export to Africa and North America, 14.6% export only to Africa and Europe, 9.7% of them export to Asia & North America only and the remaining 9.7% are concentrating on North America and Europe.

36.6% of the respondents export 250 to 500 Kg of human hair (includes both raw and processed) per month, 27% exports less than 250 Kg of hair per month, 24% exports 500 to 750 Kg and only 12.4% of the respondents are exporting more than 1000 Kg per month. It shows that there are few big players in the market having huge market share.

46% of the respondents are sourcing human hair from all the sources viz., temples, hair suppliers, and salons, 33% are getting their raw material from saloons and hair suppliers, and only 1.5% are using temples and hair suppliers. It can be seen, hair exporters on the whole are getting their supplies from all the sources. It is also identified that because of auction method and requirement of huge investment most of the exporters do not prefer temple source.

It is found out that 50.6% of the respondents procure raw hair using all the source viz., auction from temple, contract suppliers and distributors, 39.7% of exporters are depending only on contract suppliers and distributors. It is inferred that temple source is not used by many due to huge cost involved in auction.
It is identified that metal drums and plastic drums are the two major storage materials used by hair exporters for storing hair. 38.6% of the respondents use metal/plastic drums for storage. They opt metal and plastic drums because they cause minimum waste while retrieving, when compared to plastic bags and carton.

The quality checking process varies according to the product varieties and types. It is understood from the study, 56.9% of the respondents have to check their quality at least twice, 22.5 % apply three times quality checking, 11.2 % check quality only once and 9.4 % do quality checking for four times.

It is inferred from the study that 94% of the exporters are exporting to both direct users and international agents (in the importing acting as intermediaries). 4.1% of the exporters export only to direct users and only 1.9% of the exporters export only to international agents. It shows a healthy trend in the industry, as the exporters are using all the options available for export.

In export business, Letter of Credit is the usual method of payment followed by the exporters. 27% of the respondents are using Letter of Credit for getting payment, followed by Document against Acceptance (D/A) which is used by 18.4% of the respondents. 13.9% of the exporters are following Document against payment (D/P) mode for getting their payment. It is found that, the remaining 40% of the respondents are following combination of the three modes (LC & D/A or LC & D/P). The mode of payment varies according to the terms and conditions of import agreement.

Majority of the exporters (23.2%) are following Cost and Freight Charges (CFR) method of pricing. 15.7 % are following Cost, Insurance and Freight (CIF) method of pricing, 12.4% are following Free on Board (FOB) pricing strategy and the remaining 49% of the exporters are using either combination of the above three policies of pricing (i.e, either CFR & FOB or CIF & FOB). Most of the importers are demanding this kind of pricing. Due to heavy competition the exporters accepts their conditions.
With respect to promotional tools used by the exporters, it is identified that 75% of them use web advertising. They are of the view web advertising is one of the most effective promotional tools for attracting the importers compared with other tools. It is also easy for the importers to view the advertising, product catalogues and check the credibility of the exporter. Further, electronic and voice mail are the most common form for getting orders and making negotiations.

The study finds that an association between the type of business and investment. Private limited and Partnership firms have invested on an average of above Rs. 50 lakhs in their business. The investments of sole traders are ranging between Rs. 30-50 lakhs. This is due to the ability of companies and partnership firms to mobilize more capital compared to sole traders.

It is found that there is a relationship between type of business and their exporting continents. It is inferred that private companies and partnership firms exports to all continents. Sole traders are mainly concentrating in China and some of them are exporting to Asia, Africa and European continents.

Private companies and partnership firms are exporting more than 1000 kg of human hair per month. Sole proprietors’ export quantity shows major variations. Their turnover ranges from 250kg per month to 1000 kg per month. The private companies are having more infrastructure facilities and it is the main reason for having more market share.

Temples and hair suppliers are the two major sources used by majority of private companies and partnership firms. On the other hand, majority of the sole traders are depending on salons and hair suppliers. They do not prefer temple source due to the high procurement cost and lack of competitiveness in taking raw hair on auction in temples.

The researcher found that the metal/plastic drums are mostly used for storing human hair by sole proprietor and partnership category comparing with private organization. The exporters also opined that the metal drums and plastic drums are used to minimize and avoid to the wastages.
Quality is an important factor in export business. Correlation Analysis shows all the exporters are giving high significance for maintaining quality and it does not vary on the basis of business type. The data shows that the exporters are checking the quality of the processed hair at least two times. And also they are also of the view that they give equal importance for maintaining quality.

It is understood that all type of business are selecting both channels for distribution of human hair i.e. through agents and direct exports. There is no association between types of business and the mode of export.

The study reveals a positive association between the investment and market size. Those who have a net worth of more than Rs. 50 lakhs are exporting to more number of continents than those with net worth of less than Rs. 50 lakhs. This shows, as confirmed by respondents that in this business investment plays a vital role. This is because the marketing efficiency and production quantity of large size business are higher than that of small ones. Thus, investment plays a vital role in hair export business.

The market share of large investors (above Rs. 50 lakhs) is more than 1000 kg per month, while the average export quantity of small investors (below Rs. 50 lakhs) is less than 1000 kg per month. Thus investment plays a major role in determining both the market size and market share of the exporters.

The researcher found that large exporters spend more money for promoting their products. They use a variety of promotional tools viz., direct mail, web advertising, catalogues, participating in trade fairs, etc. On the other hand, small exporters show less interest and they are not spending much of amount in promotion. It is inferred, web advertising and direct mail are the two major promotional tolls used by majority of hair exporters.
There is an association between exporting continents and the quantity of human hair export per month. It is found out that Asia and Europe import more than 25% of total hair exported from India, followed by Africa & North America which accounts for more than 17% of export. The remaining quantity is exported to other parts of the world.

The study also finds out that there is an association between exporting countries and source used for procuring human hair. Importers in North America and Africa have more demand for long human hair, which is mostly available in temple. Hence temple source is widely used for exporting hair to these continents. The other continents demand other varieties of hair which are available with hair suppliers and distributors, whose price are relatively cheap. So exporters use them widely to export short and remy hairs.

The study reveals that there is a relationship between exporting countries and terms of payment. The Letter of Credit method is usually accepted by all the importers from all the continents. In addition to that, D/A is widely used in Africa and Europe, D/P is widely used in Asia & Europe, and in Africa & North America exporters follow a combination of all the methods.

It is find out that there is no association between exporting countries and promotional tools used for marketing human hair. Web advertising is most commonly used by all the exporters because of its worldwide coverage. It is the single mode of advertising generating more orders and enquiries.

The researcher found that there is a relationship between storing and the frequency of quality checking process. Those who are using metal/plastic drums are checking quality two times only, while those using carton boxes / polythene bags are checking quality three to four times. Depending upon the variety they store in different materials and the frequencies of quality checking also differ based on storage materials.
It is found from the study that most of the exporters are the opinion that communication, pricing, transport facilities, technology, Government and economic factors are more supportive for the industry and they provide more opportunity for business expansion. In spite of it they face challenge in marketing and source & availability of raw hair.

With respect to marketing opportunities, small investors (less than Rs. 20 lakhs) have the least negative opinion. Exporters exporting to Africa and North America have the most negative opinion regarding marketing. Further, those who are in the business having 10-20 years of experience have the most negative opinion about marketing opportunities. On the whole, it can be seen, almost all the exporters are facing severe marketing challenges in hair business.

With respect of source and availability, large businessmen (above Rs. 50 lakhs) have the least negative opinion, and may be due to their competitiveness in temple auction. Those who are exporting to all the continents are facing least challenges in source & availability. While exporting to all the continents they do not worry about long hair (which is in acute demand among suppliers) due to their huge customer base and they have the opportunity to supply other varieties of hair also. Further, those who have 20-30 years of experience in business also have least negative opinion about source & availability and it may be due to their networks and cartels.

There is significant difference of opinion, with respect to communication, transport services, government and economic aspects and there is no difference of opinion on marketing, pricing, sources & availability and technology factors among the various sources of human hair categories. Sources & availability and pricing are the two major factors affecting procurement of human hair. The mean value is less in factors like marketing, communication and also in overall opportunities for hair supplier category. It implies the hair supplier is the best option for procurement of hair.
It is revealed that agents are more effective in marketing human hair than independent exporters. The mean value of marketing effectiveness and exporting through international agents is higher than exporting directly. However, the exporters follow both the mode. This represents exporting through both the options is the best mode in the export of human hair.

In export of human hair there are different methods of pricing policy adopted to attract the importers. Based on the cost and variety, the terms and conditions differ between the exporters and importers. So there are difference of opinion about pricing policy based on marketing, sources & availability, transport services, Government and economic aspects. With respect to marketing factors the FOB pricing policy is considered good by the exporters. The mean value of the pricing factors with respect to FOB & CIF and CFR & CIF is less comparing to other categories.

The researcher finds that there are no restrictions and tough policies impose by the Government for exporting human hair. But some of the respondents opined Government should support them is procurement, as the source & availability of hair is hugely influence the temple authorities, salon business and private hair suppliers.

There is no compromise for quality in marketing of human hair, so that there is no difference of opinion about quality checking. However the frequency quality checking varies depending on the customers’ requirements and hair variety. The quality checking process assumes equal importance in all types of business and countries where they export hair.

Export trend of human hair

It is found that there is a steady increase in demand of human hair in all over the world for the past six years (except 2008). Due to increasing consumer preference towards cosmetic products, the demand for processed hair is increasing rapidly. Indian hair has particular demand due to the habit of Indian women to grow long hair and the practice of offering hair to God as thanks giving.
The researcher finds that China is the number one importer of human hair from India. Brazil, Hong Kong, Italy, United States, Spain, Indonesia, Lebanon, Germany and Korea are the other top importing countries.

It is found that single drawn is the most demanded variety of processed hair by the importers. Because of the length of single drawn hair, it is preferred by all the importers. It also forms the base for processing other varieties. Double drawn is next variety preference by the importers. The Remy (processed hair without any mixing of color and other process) is also one of the most demanded varieties. The other varieties like non Remy, weft, wavy and curly come next in the line.

**Major factors influencing on opportunities and challenges**

Many respondents have the opinion that they are facing problem in marketing. The mean value of marketing shows 16/30, which is less than the neutral value of 18. Thus many of the respondents are facing severe challenge in marketing, may be due to increasing competition and difficulty in procuring raw hair. The mean value of technology is 8/20, which indicates technological deficiencies in this business. Many hair businessmen opined that the high cost of processing human hair is mainly due to poor technology.

In this study it is found that the Government and economics are the two factors support the hair industry. Because due to less intervention of government in hair export and support through various promotion bodies. And also the economy of India and the importing countries have provided good market for hair business.

Large and medium exporters (exports more than 400 kg per month) say that there are numerous problems in hair exporting business with respect to marketing, cost & pricing, transport, labor, packaging, technology and infrastructure facilities. Many exporters opined that due to these constraints in the industry they are falling short to meet the market demand.
It is found that exporters to all continents category agree the challenges in hair export business. Those exporting to Asia, Europe and North America are falling short to meet their demand due to the poor availability of hair. All categories of exporters accept that lack of technology is a major setback in the business. Those exporting to the Africa and North America are facing challenges in packaging.

It is also found that the mean value of sources & availability factor is 16.1/25, which slightly exceeds the neural value of 15. Thus it can be said, still many of the hair exporters are facing the problem in procuring raw material. It is inferred from the respondents that small exporters are facing more challenges in getting supplies than large ones. This may be due to the lack of small exporters’ competitiveness to participate in temple auctions. Further, large exporters are easily handling labor issues compared to small exporters. Those who are exporting less than 250 kg per month are facing severe challenge in fixing price due the difficulty in managing the cost.

It is inferred from the study that those who procure raw human hair through temples are facing least challenge regarding availability of raw human hair than those procuring from salons or hair distributors. This is due to the fact that winners of temple auction will get huge quantity of raw hair which is enough to satisfy one/two quarter’s demand.

The study reveals that exporters who are procuring raw hair through temple auction do not face any difficulty in procurement. However, those who are depending on hair suppliers face certain challenges in procuring raw hair regarding their cost and purchase price.

It is found out from the study that all the exporters are facing challenges in packing despite their mode of distribution. But those who are exporting directly are facing more challenges in transportation than those exporting to international agents. This is due to the worldwide expertise of international agents which come in handy with respect to transport.
5.2 SUGGESTIONS

Hair business requires more infrastructure facilities which in turn require more investment. Sole traders are comparatively weaker position in mobilizing capital, when compared to partnership firms and private companies. Hence, it is better for them to convert their business into private ltd and locate their business in MEPZ or other special economic zones to get Government privileges and other preferences.

Those who want to start new business have more scope to become a successful hair supplier for hair exporters. This is because many of the exporters (especially sole traders) are procuring raw hair from hair suppliers. The entrepreneur should identify the temples festivals and hair tonsuring practice of the people and should visit more pilgrims and other areas.

Procurement of raw hair is the major challenge faced by hair exporters. To solve this alternative source must be searched by the exporters. For instance, he can procure the waste hair on comb from household women, by supplying plastic drums to the houses and collect the waste hair at regular intervals (fortnightly or monthly). In exchange for the waste hair the exporters can give some money or gifts to the households.

In human hair business, India has the advantage in availability of long human hair. The government should take serious initiatives to promote the Indian hair export business to the whole world through Export Promotion Council. The Government should create a brand image for Indian exporter among the worldwide importers.

China is the number one country in importing human hair from India, mainly due to its wide hair-based industries and huge production of amino acid. Human hair also has more demand in most of the Asian and European continents, many are still not covered by Indian exporters. Instead of concentrating only on existing importers, the hair exporters should try to penetrate new markets by visiting directly and identifying the market pulse.

However, the hair exporters are not giving much importance are show less interest in promoting of hair and hair products. It suggests building the unique name for Indian hair through creating brand it is an important attribute of marketing in any business. Branded and classified hair products with more varieties will surely take the hair business to the next level.
Many of the sole traders are using carton boxes to keep raw hair. It is identified that it involves more wastage while retrieving. Hence, they should try to use metal/plastic drum to store raw hair.

It is found in the study, source of procurement has severe impact on quality of hair. There is more chance for getting low quality hair when procured from saloon and the quality of hair procured from temple auction is much higher. Hence, if the hair is procured from saloon, the exporters should check the quality at least thrice before delivering them to the importer.

It is strongly recommended to hair exporters to form a collective body to represent their interest to the Government. The body should represent the hair exporters’ interest to the Government regarding regulation of hair supply, subsidies for new exporters, etc.

Human hair is in huge demand all over the world, due to the accelerating growth of cosmetic industry since the last two decades. Exporters should explore new markets by participating in International trade shows and exhibitions. These shows will aid to promote their product and help to grasp the global market scenario.

Procurement of raw hair is the foremost challenge faced by Indian hair exporters. Government should take steps to regularize the supply of raw hair. It should also make intervention in temple auction methods and should try to uniform the cost and price of raw hair.

It is also suggest, the panchayat board, local municipalities or government bodies are take initiate to regularize and monitor the tonsuring practice of temples which are located around the town and villages.

Hair industry has potential to act as a significant income source for our country. The Government should take steps through DIC & other organisations to encourage new entrants into the business. It should provide training regarding hair business to the youth through its ED Cell, SSI and SME.
Exporters are facing challenges with respect to the adoption of International Standards particularly in packing. Many of the small exporters are facing problems in adhering to the international packaging rules and regulations of importing countries. Government should support the small exporters with respect to packing and other marketing activities.

The technology of the industry is still in its nascent stage. Exporters should try to make joint venture with the hair businessmen in other countries. It will help them to know the technical know-how and marketing aspects from their foreign partners.
5.3 CONCLUSION

The present study identifies the various opportunities available to exporters of human hair and explores the challenges faced by them with respect to marketing, procurement, technology, pricing, packing, government regulations, etc. The results of the study will be useful to the young entrepreneurs who are willing to start new business and it will enable the existing exporters to get a whole perspective of the hair industry. The study has the privilege of being the first academic contribution done in hair exporting industry. Further study can be done in this area, with respect to the marketing strategies, standardization of hair trade practices, fully organized industry set-up and export finance, labour practices, etc.