CHAPTER I

1.1 INTRODUCTION

India’s textiles and clothing industry is one of the mainstays of the national economy. It is also one of the largest contributing sectors of India’s exports worldwide. The report of the Working Group constituted by the Planning Commission on boosting India’s manufacturing exports during 12th Five Year Plan (2012-17), envisages India’s exports of Textiles and Clothing at USD 64.41 billion by the end of March, 2017. The textiles industry accounts for 14% of industrial production, which is 4% of GDP, employs 45 million people and accounts for nearly 11% share of the country’s total exports basket. Exports of textiles and clothing products from India have increased steadily over the last few years, particularly after 2004 when textiles exports quota stood discontinued. During the year 2012-13, Readymade Garments account for almost 39% of the total textiles exports. Apparel and cotton textiles products together contribute nearly 74% of the total textiles exports.

India’s textiles products, including handlooms and handicrafts, are exported to more than a hundred countries. However, the USA and the EU/ account for about two-thirds of India’s textiles exports. The other major export destinations are China, U.A.E., Sri Lanka, Saudi Arabia, Republic of Korea, Bangladesh, Turkey, Pakistan, Brazil, Hong-Kong, Canada and Egypt.

India has made a name for itself as a garment manufacturing centre of global renown. The garments industry provides employment to around 3.5 million people across the country. Delhi, Mumbai, Tirupur, Bangalore and Chennai are the five major garment production hubs, producing exclusively for the exports market. Karnataka has a sizeable presence in the garments and textiles sector; many well-known multinational brands have chosen this state to set up their global sourcing centres.

The phasing out of the Multi Fibre Agreement (MFA) in 2005 was a great opportunity for small factories to increase garment production for exports. As the market became highly competitive, only factories that could produce at the lowest cost survived; many were forced to close shop. Thus, stiff competition was inevitable among different
factories in the country and also among the countries of the third world that were able to produce garments at a much lower cost than India. There were instances where India lost orders to China and Bangladesh. Just a couple of years ago, India was at second position in garment exports, after China; today it stands sixth with countries like Bangladesh and Vietnam higher up the ladder.

1.2 GARMENTS INDUSTRY

There has been a significant relocation of global manufacture followed by a restructuring of global trade in the past two decades. It seems that both in respect to the quantum as well as in terms of mode of participation in the global production process, the role of developing countries is undergoing change. And this is happening in a world precisely when the growth of manufacturing value added in developed countries shows a virtual stagnation, i.e., growing at a low 1.1 per cent per annum while that for developing countries, it is 7 per cent. The share of developed countries in world manufacturing value added declined from 74.3 per cent in 2000 to 69.4 per cent in 2005 (IDR, 2009). The evolving division of labour either through rigid links of global value chains or by way of specialized trade provides greater scope to developing countries in contributing to the world manufacturing output. New-structuralism perhaps explains the stylized fact of U-shaped relation between specialization and per capita income better in a way that provides greater insights to capture the dynamics of rise in the share of developing countries in global manufacture (Imbs and Wacziarg, 2003). The literature suggests, countries need to change their portfolio of exports as they move up the income ladder and only by such changes fast moving low-income countries are increasing their share in global trade.

Garment is one of the many labour-intensive sectors that provide a gateway for developing countries in entering into the global market. It offers important opportunities to countries to start industrializing their economies and in course of time diversify away from commodity dependence. Forty years ago, the industrialized countries dominated global exports in this area. Today, developing countries produce half of the world’s textile exports. Moreover, the economic performance of the apparel and textiles industries in developing countries has large impacts on employment opportunities especially for women, the development of small- and medium-sized enterprises (SMEs) and spillovers into the informal sector (UNCTAD, 2004).
1.3 PROFILE OF GARMENT INDUSTRY IN INDIA

The textile industry including readymade garments occupies a unique position in the Indian economy. Its predominant presence in the Indian economy is manifested in terms of its significant contribution to the industrial production, employment generation and foreign exchange earnings. The RMG or also called the apparel sector is the final stage of the textile value chain and the maximum value addition takes place at this stage. In India RMG industry is fragmented and pre-dominantly in the small/scale sector. Therefore, the sector is low investment and highly labour-intensive industry. This industry is environment friendly as it is least polluting and it could provide employment to the rural population, as this sector does not need sophisticated skill sets.

The RMG industry contributes around 8 per cent of India’s exports, 7 per cent of industrial output and is the largest employment generator after agriculture. It contributes about 14% to the industrial production and about 4% to the GDP. It has immense potential for employment generation particularly in the rural and remote areas of the country on account of its close linkage with agriculture. The contribution of this industry to the gross export earnings of the country is about 37% while it adds only 1 – 1.5% to the gross import bill of the country. It is the only industry which is self-reliant and complete in value chain i.e. from raw material to the highest value added products i.e. garments/made ups. As a corollary to this, the growth and promotion of this industry has a significant influence on the overall economic development of our country.

India’s textile products, including handlooms and handicrafts, are exported to more than a hundred countries. However, the USA and the EU/ account for about two-third of India’s textiles exports. The other major export destinations are Canada, U.A.E., Japan, Saudi Arabia, Republic of Korea, Bangladesh, Turkey, etc. In the post-quota period, India has emerged as a major sourcing destination for new buyers. As a measure of growing interest in the Indian textile and clothing sector a number of buyers have opened their sourcing/ liaison office in India. Commercially, the buoyant retailers across the world are looking for options of increasing their sourcing from the Indian markets. Indian manufacturers are also proactively working towards enhancing their capacities to fulfil this increased demand. India’s textiles and clothing (T&C) export registered robust growth of 25% in 2005-06, recording a growth of US$ 3.5 billion in value terms thereby
reaching a level of US$ 17.52 billion and the growth continued in 2006-07 as T&C exports were US$19.15 billion recording an increase of 9.28% over previous year. (Diagnostic Study Report for Ready Made Garment Cluster, Bangalore-R. Gopinath Rao, SISI, Government of India, Bangalore). Though India’s T&C exports in 2007-08 at US $22.13 billion were badly affected by strong appreciation of the Indian rupee against the US dollar, it still managed to record a healthy growth of 15.59% in US dollar terms (in rupee terms, the growth was about 2.76%). Readymade Garments account for approximately 41% of the country’s total textiles exports. After the MFA phase out the textiles exports grew from US$ 7986.38 million in 2005-06 to US$ 8282.27 in 2006-07. During 2007-08 the Readymade Garments exports amounted to US$ 9065.36 million, recording an increase of 9.46% over the exports during 2006-2007. During the period of 2008-09, the Readymade Garments exports amounted to US$ 10242.08 million, recording an increase of 12.93% over the exports during the corresponding period of 2007.

Exports started growing in August 2010 after witnessing deceleration in the initial months of the current fiscal. According to AEPC News, ‘India’s apparel exports grew by about 24 per cent to USD 1.1 billion in February 2011 -- the highest in this fiscal -- year-on-year, due to a strong demand from the US and European markets. The exports stood at USD 938 million in 2009-10, according to the data provided by the Apparel Export Promotion Council (AEPC).

The US and Europe together account for about 65 per cent of India's total garment exports. During 2009-10, India’s garments aggregated to USD 10.64 billion. The garment industry employs about 70 lakh people in the country, out of which almost half are engaged in the export sector. Due to its inherent potential of employment creation and earning foreign exchange through increased exports, Government is pursuing ‘garment led growth’ strategy which would also in turn boost the prospect of upstream segment of the industry like spinning, weaving and processing.
1.4 STRUCTURE OF GARMENT INDUSTRY

Production Units

Garment production units in India are spread across the country but mainly concentrated in manufacturing clusters. The clusters are also specialized in terms of (a) types of garments manufactured (either woven or knitted) and (b) variety of products produced (i.e. Men’s Women’s of Children’s). Major manufacturing centres (19) are Kolkata, Mumbai, Tirupur, Indore, Bangalore, Chennai, Okhla, Gurgaon, Noida, Jaipur, Ludhiana, Bellary, Kanpur, Ahmedabad, Jabalpur, Salem, Erode, Madurai and Nagpur.

Number of Units

Estimated Number of units in 19 centres are 33400, that account for 95% of total production of the country. Almost 92% of total units situated in the following 12 bigger centres account for 85% of total production.

1.5 NATURE OF OPERATION

There are two types of units operating within the garment industry in India:

1. Manufacturers: Controlling manufacturing operation including purchase of raw materials (primarily fabric or yarn), design developments, cutting operation, folding and ironing (sometimes), packaging and marketing of products in local and international markets. These proprietorship units are closely held by the members of the family. Integrated units (very few in the industry) undertake other operations like knitting (for knit garments), stitching, fixing of accessories and dyeing too.

2. Jobbers: Involved in knitting, stitching, embroidery, accessory fixing, ironing, processing, etc. There are, however, a few cut-to-pack jobbers operating in the industry. They obtain orders from the manufacturers supply and work on piece rate basis. However, sometimes even manufacturers undertake jobbing operation after obtaining fabric and designs from the buyers in order to ensure optimal utilization of capacities.
1.6 ACTIVITY WISE CLASSIFICATION OF UNITS

- Knitting- Mainly jobbers.
- Cutting-Majority are manufacturers.
- Cutting & Stitching- Manufacturers as well as jobbers.
- Stitching- Majority are jobbers.
- Embroidery- Majority are jobbers.
- Accessory Fixing /finishing –largely jobbers.
- Dyeing-Majority are jobbers.
- Packing- Mainly manufacturers.

Most of the manufacturers outsource a major part (around 60%) of their production process to the jobbers due to cheap labour. Manufacturers specializing in different types of products prefer to outsource the processes to jobbers located in different places. Sometimes jobbers live in distant places. The number of garments produced in these 19 centres is approximately 890 crores pieces per Year.

1.7 CHALLENGES FOR THE INDUSTRY

1.7.1 Labour supply

Garment industry depends on migrant labourers. Labour comes from UP and Bihar. However, large clusters like Tirupur, Kolkata, Chennai, etc. depend upon local labour force, from nearby villages, due to easy availability. There is greater tendency to employ contractual labour rather than permanent labour. The wages paid are as per the prevailing minimum wages standards. The average reported wage rate is Rs.4000 per month for the labour. One of the major problems faced by the industry is huge shortage of appropriately trained manpower.

1.7.2 Fragmentation – the key problem

According to industry associations, the garment industry in India has not grown to its potential and the main reason for this is the fragmented structure of the industry. Smaller sizes of the production units has led to several drawbacks for the industry such as uncompetitive scale in globalized environment, low technological development, lower production and high raw material cost.
Due to all these the local clothing industry is failing to perform up to the world-class standards, despite its high potential for growth. To mitigate these challenges, the domestic clothing industry needs to be well equipped with modern technology, specialized skilled workers, and quick adoption to changes with new trends which only can place if there is greater consolidation.

The Government Policy is also responsible for fragmentation to a great extent. To illustrate, woven garment sector was reserved for SSI sector till 2001 while the same was applicable for knitted sector up to March 2005. The quota policy which prevailed during the quota regime also did not encourage consolidation of the units. Exemption of excise duty for units having turnover less than Rs.4 crores is equally responsible for fragmentation. However, subsequent to quota phase out and de-reservation, the process of consolidation has started but momentum is slow due to prevailing labour laws.

1.7.3 Human Resource Development

There is a gap of 2,50,000 managers between the availability and requirement of personnel in the areas of management, merchandising and vendor management. To bridge this gap, the Government has set up

1. Sardar Vallabhbhai Patel Institute of Textile Management (SVPITM), Coimbatore
2. Institute of Apparel Management (Through AEPC), Gurgaon

These institutes are expected to create managerial cadre professionals in the apparel, textiles and fashion retail sectors.

3. Apparel Training and Design Centres (ATDCs) for creating skilled manpower:

Apparel Training and Design Centres (ATDCs) are running various courses/programmes to meet the skilled manpower requirements of the textile industry, especially apparel, in the field of design, merchandising and marketing. The Apparel Industry employs approximately 6 million workers, of which approximately 3 million are employed in the export sector. Fifty two Apparel Training and Design Centres (ATDC) are being run by the Apparel Export Promotion Council (AEPC). ATDCs have trained over 21,000 workers since inception.
1.8 ROLE OF GARMENT INDUSTRY IN THE INDIAN ECONOMY

The Garment industry in India is one of the major and most important sectors in the economy especially in terms of foreign exchange earnings, employment and production in the country. It is presently growing at 20% and accounts for 4% of India’s GDP. It also contributes 14% to the Industrial Production and employs about 35 million people. The entire size of the Garment sector is worth $ 47 billion in which domestic market is at $ 30 billion and the overseas market is at $ 17 billion. This industry attracted Rs. 33000 crores of investment during the fiscal year 2006-07, which was up by 51 percent from Rs. 21850 crores in the former year. The percentage contribution of Garments exports in total merchandise exports of India is 15.56% with Garments exports comprising 7.41 % and readymade garments 8.15%. Yet, India accounts for mere 3.9% of world Garment exports. India possesses many strengths and opportunities in Garment sector. But there is a great need to study this industry as it is structurally flawed and its expansion depends upon curative actions and their effectiveness. It has a lot more potential to do, as compared to what it is performing today. However, the industry is inherent with lot of experience, availability of cheap labour, abundant raw material and supporting government initiatives; but, it lacks behind in many other aspects. Therefore, the study will reveal various prospects which are yet to be tapped in this sector.

1.9 LATEST TRENDS IN INDIAN GARMENT EXPORTS

The latest data available from the AEPC and other secondary sources though deficient in many macro and sectoral aspects are also not much encouraging with regard to India’s position in the world garment market though it records remarkable growth compared to the last decade. The increased volume of trade is facilitated by phasing out of the barriers through the ATC integration. In the last few years, the Indian exporters have been able to create a niche for themselves in global markets. This comes from delivering products of exceptional quality as well as on time at competitive rates. According to experts, these exporters can turn in this acceptance to an opportunity. For instance, for the last many years, Indian Garments have been well accepted in international markets for their exceptional quality. So even if these products were to be expensive by a small margin, the buyers would still flock to Indian shores, since the domestic exporters have created a very good reputation for themselves.
1.10 EXPORT PERFORMANCE OF INDIA

1.10.1 Apparel Export remained down in February Month of FY 2012-13

Apparel exports were to the tune of USD 1227 million in February 2012-13 with decline of 4.7 per cent against the corresponding month of last financial year. In rupee terms, the exports increased by 4.2 per cent in January 2012-13 over the same month of previous FY. Export in dollar terms for eleven months of the FY 2012-13 declined by 7.6 per cent over the same period of previous FY and reached to USD 11519 million; however, in rupee terms exports increased by 5.4 per cent compared to same period of last FY. In April-February 2012-13 in rupee terms apparel export of India was to the tune of Rs. 62676 crores compared to Rs. 59485 crores in April-February 2011-12. In the FY 2011-12 exports in dollar terms increased by 17.9 per cent from previous FY and totalled USD 13699 million in April-March 2011-12.

<table>
<thead>
<tr>
<th>Month</th>
<th>FY 2011-12</th>
<th>FY 2012-13</th>
<th>MoM Growth (%)</th>
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<tbody>
<tr>
<td></td>
<td>In INR Crore</td>
<td>In US$ Million</td>
<td>In INR Crore</td>
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<tr>
<td>April</td>
<td>5253</td>
<td>1173</td>
<td>5486</td>
</tr>
<tr>
<td>May</td>
<td>5553</td>
<td>1233</td>
<td>5651</td>
</tr>
<tr>
<td>June</td>
<td>5546</td>
<td>1236</td>
<td>6192</td>
</tr>
<tr>
<td>July</td>
<td>5700</td>
<td>1282</td>
<td>5936</td>
</tr>
<tr>
<td>August</td>
<td>4857</td>
<td>1066</td>
<td>5497</td>
</tr>
<tr>
<td>September</td>
<td>4503</td>
<td>945</td>
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<td>4722</td>
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<tr>
<td>December</td>
<td>6085</td>
<td>1154</td>
<td>5793</td>
</tr>
<tr>
<td>January</td>
<td>6619</td>
<td>1289</td>
<td>6715</td>
</tr>
<tr>
<td>February</td>
<td>6334</td>
<td>1288</td>
<td>6599</td>
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<tr>
<td>Cumulative (April-February)</td>
<td>59485</td>
<td>12469</td>
<td>62676</td>
</tr>
</tbody>
</table>

1.10.2 Apparel Imports of US

Apparel imports of the United States witnessed a decline of -1.7 per cent in the year 2012 from the previous year and amounted to 77.9 billion dollars. In the year 2012, US imports of apparel from India declined by 8.4% per cent and reached to USD 3.1 billion in Jan-Dec. 2012 against USD 3.3 billion in Jan-Dec. 2011. US imports saw almost decline from all major suppliers in 2012 over the corresponding period of last year.
except for Vietnam. In 2012 India reached at 6th position. India exported US$ 202 million apparel in Dec. 2012 with an increase of 6.1% over the same month of previous year. Among the top 6 suppliers in Dec. 2012 all registered increase in export to USA except for Mexico. Vietnam registered maximum growth from the same month of the previous year.

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</thead>
<tbody>
<tr>
<td><strong>Total Apparel Imports of US</strong></td>
<td>78767.6</td>
<td>77922.2</td>
<td>5308.2</td>
<td>5684.7</td>
<td>-1.1 % 7.1 %</td>
</tr>
<tr>
<td>China</td>
<td>30091.1</td>
<td>29699.3</td>
<td>2004.8</td>
<td>2125.5</td>
<td>-1.3 % 6.0 %</td>
</tr>
<tr>
<td>Vietnam</td>
<td>6556.0</td>
<td>7027.0</td>
<td>455.5</td>
<td>523.5</td>
<td>7.2 % 14.9 %</td>
</tr>
<tr>
<td>Indonesia</td>
<td>5065.8</td>
<td>4959.9</td>
<td>336.9</td>
<td>374.5</td>
<td>-2.1 % 11.2 %</td>
</tr>
<tr>
<td><strong>Bangladesh</strong></td>
<td>4391.6</td>
<td>4357.4</td>
<td>260.8</td>
<td>278.4</td>
<td>-0.8 % 6.7 %</td>
</tr>
<tr>
<td>Mexico</td>
<td>3963.2</td>
<td>3844.7</td>
<td>291.3</td>
<td>252.1</td>
<td>-3.0 % -13.4 %</td>
</tr>
<tr>
<td>India</td>
<td>3370.5</td>
<td>3088.9</td>
<td>190.5</td>
<td>202.1</td>
<td>-8.4 % 6.1 %</td>
</tr>
</tbody>
</table>

(Source: U.S. Department of Commerce Office of Textile and Apparel, 2013)

1.10.3 Apparel Imports of EU

EU’s apparel import accounted for USD 83.6 billion for the Jan.-Dec. 2012 with a decline of 12 per cent over the previous year. India’s export to EU for the year 2012 amounted to USD 5.1 billion with a decline of 21 per cent. For the period Jan.-Dec. 2012 none of the top apparel suppliers registered increase in the apparel export to EU except for Bangladesh. In the month of December 2012 compared to same month of last year, all top 4 suppliers registered decline in the import of EU. Highest fall in import has been registered by China and India. EU’s apparel import accounted for USD 83625 million in the year 2012 with a decline of 12.3 per cent over the previous year. India’s export to EU amounted to USD 5129 million with a decline of 21 per cent over the previous year.
### Top Apparel Supplier Countries to EU, (USD Mn.)

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>95343.0</td>
<td>83625.7</td>
<td>95343.0</td>
<td>83625.7</td>
<td>6544.7</td>
<td>5925.9</td>
<td>-12.3</td>
<td>-9.5</td>
</tr>
<tr>
<td>China</td>
<td>41825.0</td>
<td>34873.1</td>
<td>41825.0</td>
<td>34873.1</td>
<td>2774.5</td>
<td>2375.0</td>
<td>-16.6</td>
<td>-14.4</td>
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<tr>
<td>Bangladesh</td>
<td>10588.4</td>
<td>10596.3</td>
<td>10588.4</td>
<td>10596.3</td>
<td>860.1</td>
<td>842.7</td>
<td>0.1</td>
<td>-2.0</td>
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<tr>
<td>Turkey</td>
<td>11577.8</td>
<td>10546.3</td>
<td>11577.8</td>
<td>10546.3</td>
<td>689.2</td>
<td>642.2</td>
<td>-8.9</td>
<td>-6.8</td>
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<tr>
<td>India</td>
<td>6499.5</td>
<td>5129.8</td>
<td>6499.5</td>
<td>5129.8</td>
<td>378.8</td>
<td>337.1</td>
<td>-21.1</td>
<td>-11.0</td>
</tr>
</tbody>
</table>

*Source: GTIS, 2013*

1.10.4 Apparel Import of Canada

Canada’s apparel import from world was to the tune of US$ 8486.2 million in 2012 which declined by 1.2% compared to previous year. Import from Indian in 2012 was around US$ 271 mn. which is 13% lower than 2011. India is 7th largest apparel exporter to Canada with 3.2% share. China is the largest apparel supplier to Canada followed by Bangladesh, Cambodia, USA, Vietnam and Mexico. In Canada’s total apparel import from world among the top 7 apparel suppliers except for China and India rest of the suppliers registered increase in apparel import compared to previous year.

### Canada's RMG Import (January-December)

<table>
<thead>
<tr>
<th>Rank in 2012</th>
<th>Exporters</th>
<th>Import in US$ Mn.</th>
<th>Share in %</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td></td>
<td>7542.9</td>
<td>8653.9</td>
<td>8486.2</td>
</tr>
<tr>
<td>1</td>
<td>China</td>
<td>3931.6</td>
<td>4310.1</td>
<td>3932.6</td>
</tr>
<tr>
<td>2</td>
<td>Bangladesh</td>
<td>720.4</td>
<td>951.5</td>
<td>994.9</td>
</tr>
<tr>
<td>3</td>
<td>Cambodia</td>
<td>328.9</td>
<td>490.9</td>
<td>536.4</td>
</tr>
<tr>
<td>4</td>
<td>USA</td>
<td>404.2</td>
<td>427.4</td>
<td>450.4</td>
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<tr>
<td>5</td>
<td>Viet Nam</td>
<td>263.6</td>
<td>340.2</td>
<td>386.9</td>
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<tr>
<td>6</td>
<td>Mexico</td>
<td>287.7</td>
<td>308.7</td>
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<tr>
<td>7</td>
<td>India</td>
<td>274.6</td>
<td>312.2</td>
<td>271.0</td>
</tr>
</tbody>
</table>

11
1.11 REASONS FOR INDIA’S POOR SHARE IN WORLD TRADE

India’s export performance is poor over the years. Since independence, India’s share of the world export trade has been very low. At present India’s share of the world export trade is 1%. The share of export of other developing countries of Asia, namely China, South Korea, Malaysia, Singapore and Thailand is much more than that of India. There are several reasons for poor performance of India’s export trade. The reasons or causes can be broadly divided into two groups as shown below.

1.11.1 Exporter –Related causes/reasons

1.11.1.1 Poor quality

One of the main reasons for poor performance of India’s export trade is due to the poor quality of products. A good number of Indian exporters, especially, the small-scale exporters do not give much importance to quality control. Due to problems in quality, the Indian exporters do not get orders from foreign buyers. There are also cases, where Indian goods are rejected and sent back to India by foreign buyers.

1.11.1.2 High prices

The price of Indian goods is higher as compared to other Asian countries. The price of Indian exports is high due to higher value of Indian rupee vis-a-vis the value of some of the other Asian countries such as Malaysia, Thailand, Philippines, etc. Some of the Indian exporters quote higher prices in order to make higher profits per unit sold. The price of Indian goods is also affected by high transaction costs and documentation formalities.

1.11.1.3 Inadequate promotion

Promotion is vital for export marketing. However, a good number of Indian exporters do not give much importance to promotion. Apart from advertising, and sales promotion, Indian exporters must participate in trade fairs and exhibitions. But in reality, a good number of Indian exporters are not professional in advertising and sales promotion. They also do not take part in trade fairs and exhibitions, and if they do so, they lack professional approach in handling the visitors at the trade fairs and exhibitions.
1.11.1.4 Poor Follow-up of Sales

There is after poor follow-up of sales. The Indian exporters do not bother to find out the reactions of the buyers after the sale. They are also ineffective in providing after-sale-service. As a result, there is poor performance of India’s export trade.

1.11.1.5 Poor Negotiation Skills

Indian exporters, especially the small exporters lack negotiation skills. Due to poor negotiation skills, they fail to convince and induce the foreign buyers to place orders. The lack of negotiation skills is mainly due to poor training in marketing and negotiation skills.

1.11.2 General Causes/Reasons

1.11.2.1 Poor Infrastructure

The infrastructure required for export of goods is poor. Due to poor infrastructure facilities, Indian exporters find it difficult to get orders, and also to deliver the goods at the right time. The poor infrastructure facilities are poor port-handling facilities, inadequate warehousing facilities, poor transport facilities etc.

1.11.2.2 Presence of Good Domestic Market

In India, there is a good domestic market sellers find a ready market for their goods within the country. Therefore, they do not take pains to get orders from overseas markets. However, from the long term point of view, Indian marketers should look beyond domestic markets, and enter in to the export markets.

1.11.2.3 Documentation and Formalities

In India, there are a number of documentation and other formalities. Due to the various formalities, some of the marketers do not enter the export field. Therefore, there is a need to simplify and reduce formalities and documentation work on the part of government authorities.
1.11.2.4 Negative Attitude of Overseas Buyers

Some of the overseas buyers, especially from developed nations have a negative attitude towards Indian goods. They are of the opinion that Indian goods are of inferior quality, and that the Indian exporters provide poor service after sales. Therefore, there is a need to correct this negative attitude through affective promotion and good marketing practices.

1.11.2.5 Problem of Trading Blocs

Indian exporters are affected due to the presence of trading blocs. There are some powerful trading blocs in the world such as NAFTA, European union and ASEAN. The trading blocs reduce or eliminate trade barriers on member nations, whereas, they impose the trade barriers on non-members. Since India is not a member of the powerful trading blocs, Indian exporters do face problems to export goods to the member countries of the trading blocs.

1.12 PROFILE OF TIRUPUR

Tirupur, an obscure town in Coimbatore District in Tamil Nadu, has been placed in the knitwear map of global garment industry, apart from catering to the whole India. Tirupur as a district was formed in October 2008 and the Tirupur town has been announced as a corporation governed by a Mayor. Tirupur city is the administrative headquarters of this district. The district has one Municipal Corporation, six municipalities, 16 panchayat unions, 17 town panchayats and 273 village panchayats under its jurisdiction.
1.12.1 The population of Tirupur District

- Total Population 19,17,033
- Rural area 56%
- Male 52%
- Female 48%
- Under 6 years of age 10%
- Literacy rate 76% Male 82%, Female 69%
- Source – Government of India – Census – 2001
1.13 GARMENT INDUSTRY IN TIRUPUR

The first knitwear unit in Tirupur was set up in 1925 but the growth of the industry was slow till late 1930s. A series of strikes in late 1930s in knitting factories in the neighbouring towns of Salem and Madurai resulted in the opening of new firms in Tirupur. Subsequently, it emerged as the prominent centre for knitwear in South India by 1940s. In 1942, only 34 units were engaged in the production of knitwear. All these units were composite mills and the production was carried out in the same unit. There are also references to some units performing specific tasks / operations like bleaching and dyeing, located in the larger units. By 1961, the number of units rose to 230 and till early 1970s, the industry catered only to the domestic market. These units were mostly composite mills without any subcontracting system of production. In the 1980s, the export market began to expand and subsequently Tirupur emerged as the largest exporter of cotton knitwear from the country, accounting for roughly 80 percent of the total cotton knitwear exporters.

1.14 COMMENCEMENT OF EXPORTS

Tirupur’s direct exports started with Italy. Mr. Verona, a garment importer from Italy came to Tirupur in 1978 through Mumbai exporters to buy white T-shirts. A lot of job workers were manufacturing garments for merchant exporters. He realised the potential and came to Tirupur the following year. Verona was the man who brought European business to Tirupur. On seeing the quality, others soon followed suit. In 1981 European retail chain C&A entered the scene, and gradually, other stores approached the exporters.

The Garment industry in Tirupur has been developed for decades as a family business. There are different units for knitting, compacting, calendaring, dyeing, bleaching, fabric painting, embroidery, cutting and stitching. Latest technology is used for processing various elements of garments and the quality achieved is of international standards. The various trade associations accuse that the infrastructure that plays an important role in developing the textile industry in Tirupur suffers from infrastructure inadequacy. However, some infrastructure project for water supply, wind mill power supply, reverse osmosis system, bridge across the Noyyal River are promoted by the state government.
Also the central government launched a Technology up gradation Fund Schemes (TUFS) to upgrade technology in different segments of textile and jute industries and incentives from Government such as establishment of Power loom Service Centre, Computer Aided Design Centre and Group work shed scheme have been extended.

There exist local representative institutions and support bodies that initiate the development of the knitwear sector in Tirupur. Textile Committee under the Ministry of Textiles, Apparel Export Promotion Council (AEPC), The South Indian Hosiery Manufacturer’s Association (SIHMA), Tirupur Exporters Association (TEA), and Knit Cloth Manufacturer’s Association (KCMS) are some of the most important associations operating in Tirupur extending a trade related help to the entrepreneurs.

Tirupur is now a leading exporting centre of knitted garments and undergarments. It is a well integrated cluster with maximum number of units into garment making followed by knitting, dyeing and bleaching, fabric printing, other ancillary units and compacting and calendaring units. Out of 2500 garment making units, about 60 per cent of the units are small while 20 per cent units are large.

At about 72 per cent average capacity utilization, the cluster manufactures garments worth approximately Rs.14,000 crores (144 crores pieces) per annum. About 70 per cent of the products from this cluster are exported. Over the recent past, the cluster has recorded about 15 per cent growth in its output as well as exports. The cluster employs about 305 lakh people directly and about 2.5 lakh people indirectly.

Since Tirupur is an export oriented cluster, machines used at various stages of production are largely imported to match the international standards of production. Different types of machines are imported from Europe/USA and Far East like Japan/Taiwan/Korea. Of late Tirupur exporters have started using machines of Chinese origin due to cost considerations. TUF & EPCG schemes are used extensively to import technology.

Exports through Buying Houses in India and direct exports to importer/wholesaler in India are the preferred channels of distribution. However, there are several units who
are using commission agents. Some units are also directly targeting retailers abroad. Major strengths of the cluster are: (a) good entrepreneurial/business attitude, (b) active and strong association, (c) good industrial relations, (d) local availability of raw material, (e) plentiful availability of supporting/related activities, (f) highly skilled, hardworking and cheap manpower, (g) use of modern technology (h) easy access to Ports and Airport, and (i) supportive role played by AEPC and Textile Committee.

Some of the problems faced by the cluster are shortage of manpower, rising yarn prices, power cuts, exchange rate volatility and rising transportation cost. **Short supply of labour**: Availability of labour has been a major problem in Tirupur. According to an estimate, the cluster is facing a shortage of 50,000 labours. Most of labours come from southern district of Tamil Nadu. However, supply is closely linked to monsoon. In the event of good monsoon, the cluster faces labour shortage as villagers opt for cultivation. Labourers come from surrounding states of Kerala, Andhra Pradesh and Karnataka also. Labourers from Kerala are deployed in more skilled jobs because of their higher educational standards. To combat the problem of short supply, manufacturers nowadays have started hiring manpower from states like Orissa and Bihar. Because of such peculiar situation attrition rate among the labourers is very high. Demand for unskilled workforce has also led to rise in wage cost over the years. Manufacturers have started taking a series of steps to retain labourers by way of providing accommodation, Training, etc. Transportation is also arranged by many companies on daily basis from their home in nearby village to factories.

**Shortage of skilled manpower**: The cluster also suffers from availability of technically qualified managerial level manpower like professional knitting master/merchandisers/marketing personnel for selling in the international market / designers, etc. Though AEPC has started an ATDC and TEA and collaborated with NIFT for offering various technical and fashion designing courses, it appears to be not enough.

**Problems relating to the Dyeing units**: The effluents released from dyeing and bleaching units in Tirupur are either treated by common effluent treatment plants (CETPs) or individual effluent treatment plants (IETPs). In general, the larger units have their own IETPs and smaller players operate through CETPs. As per directives issued by
Madras High Court in 2006, the treated effluents released by the CETPs and IETPs were required to be fully compliant with Zero Liquid Discharge (ZLD) norms before July 31, 2007. On January 28, 2011, hearing a contempt petition from the Noyyal River Ayacut-dars Protection Association, Madras High Court observed that the dyeing units were polluting the river, and should not function until they comply with ZLD norms. Following the court’s order all dyeing and bleaching units have been shut down, resulting in production losses of 200-250 tonnes per day (tpd).

**Power:** Power situation in Tamil Nadu has deteriorated in recent times and manufacturers have to face power cuts for six hours a day. Given the importance of timely delivery, exporters have to resort to captive power generation using diesel as a fuel which costs more than double as compared to the State Electricity Board grid power cost.

The Indian Garment Industry is a vertically integrated industry which covers a large gamut of activities ranging from production of its own raw material namely, cotton, jute, silk and wool to providing to the consumers high value added products such as fabrics and garments. India also produces large varieties of synthetic and man made fibres such as filament and spun yarns from polyester, viscose, nylon and acrylic which are used to manufacture fabric and garments.

India’s ministry of Garments is planning to help build integrated Garment parks within two years to support domestic manufacturers’ bid to take full advantage of post-quota trading. This and other institutional support could give a big fillip to this sector [2]. Indian companies were planning to invest INR300bn ($6.8bn) over the next two years to upgrade their facilities, to close the gap with China. A new Kurt Salmon Associates Techno park study estimates that the Indian Garments sector needs at least $15bn of investment throughout the Garment chain. Garments continue to maintain its position as the India’s largest single item of exports since 1986. There is no doubt that the "person" as the principal resource of labour incentive garment industry plays a crucial role in any productivity improvement effect. Further, this argument is supported by the facts that labour comprises about 20 per cent of the cost price of a garment. Therefore, the way people are directed, motivated or utilized will be decided upon whether the organization
will be prosperous and survive or ultimately fail. Hence, people are the key element for competitive advantage.

1.15 IMPACT OF GLOBAL ECONOMIC CRISIS AND OTHER FACTORS IN TIRUPUR TEXTILE INDUSTRIES

Tirupur, the well-known textile hub of India, has more than 5,000 garment manufacturing and job work units in the district. Tirupur is the biggest centre for exports of knitwear in India and seen as one of the most dynamic garment clusters in the “developing” world. Nearly 6 lakh people of Tirupur are dependent for livelihood on garment manufacturing and related industries. In fact, when the textile industry was booming, Tirupur was portrayed as 'Dollar City' and 'Little Japan' by media. From Tirupur 55% to 60% of exports are targeted at the European market and 30% at US market. The following Table shows the year-wise export data from Tirupur.

<table>
<thead>
<tr>
<th>Year-Wise Export Date</th>
<th>Value (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>3528.00</td>
</tr>
<tr>
<td>2002</td>
<td>3250.00</td>
</tr>
<tr>
<td>2003</td>
<td>3896.00</td>
</tr>
<tr>
<td>2004</td>
<td>4468.00</td>
</tr>
<tr>
<td>2004-2005</td>
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<tr>
<td>2005-2006</td>
<td>8500.00</td>
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<tr>
<td>2006-2007</td>
<td>11000.00</td>
</tr>
<tr>
<td>2007-2008</td>
<td>9950.00</td>
</tr>
<tr>
<td>2008-2009</td>
<td>11250.00</td>
</tr>
<tr>
<td>2009-2010</td>
<td>11500.00</td>
</tr>
<tr>
<td>2010-2011*</td>
<td>12500.00</td>
</tr>
<tr>
<td>2011-2012*</td>
<td>12500.00</td>
</tr>
</tbody>
</table>

*Source: TEA *The increase in turnover is due to price increase and quantity wise it is on the decrease side.

Up to 2006 - 07, the growth registered an average of 10 - 12 per cent year-on-year basis. In 2006 - 07, Tirupur earned around Rs 11,000 crores in foreign exchange. But in 2007 - 08, it declined to Rs 9,950 crores. For the last three years the growth remained at around Rs 11,500 - 12,500 crores. While it should have reached about Rs 17,000 crores in FY 2011 - 12, this stagnation brought on by a combination of global and local issues have shaken the foundation of the industry.
In 2007, economic crisis hit the United States of America and in late 2009 it spread to European countries. The growth of Tirupur textiles did not continue for long time due to growing global economic crisis and with the rising cotton prices, Tirupur faced many serious troubles. Just some time before the global financial crisis began, Tirupur garment export business was hit by the appreciation of rupee value against US dollar. Then they were hit by the global financial crisis.

While the Central Government was deciding to take out cotton from the list of essential commodities, it was open for speculation by the online trading companies. Its price, per candy, consequently went up from Rs 28,400 to Rs 65,000, directly affecting the yarn price (the major raw material for garment). The cotton yarn price jumped from Rs 110 to Rs 200 and has been increasing since then. As a result of all this, the industry lost around Rs 1,500 crores.

Apart from global economic crisis, the following factors affected the exporters:

- The raw material (Cotton) price increased by 70% to 100% in the last one and half year.
- All dyeing units were closed on January 2011 as directed by High Court due to pollution problem. Hence, the exporter started dyeing of cloth at Ludhiana, Chandigarh, Mumbai and other parts of India. It increased the production cost.
- Labour cost increased up to 60% in the last two years.
- Severe power failure problem has been hurting the industry for the last three years. This year 60% power failure problems were faced by Tirupur textile industry. During power failure time, they are running the unit by captive power, which is almost 2.5 to 3 times costlier than regular TNEB grid power cost.
- India's bank interest rates are higher compared to China and Bangladesh. For example Bangladesh has an interest rate of around 7 - 8 per cent, but the Indian textile industries are paying 13 - 14 per cent.
- Transportation charge increased due to increase in fuel cost.

In general, the production cost of garment soared to a very high and it has become very difficult to compete with other countries. Due to economic crisis in US and Europe, the buyers are asking for discount in the garment price. With increases in cost of raw
material, power, labour, dyeing, fuel etc, it has become very difficult to get orders from buyers. Also, internal problems like high interest rates threaten to detail growth of Tirupur garment export. In volume terms, business is down 15 per cent. But in real terms, if you see with price hikes and dollar rate hikes over the past one year, business is down by over 30 per cent for a city that does exports worth Rs 12,500 crores.

Tirupur garment industries reveal that the capacity utilisation by the industry is not more than 50 - 60 per cent for bigger exporters and 30 per cent for medium and small exporters. Around 10 per cent exporters are without work for more than six months; many of whom are on the verge of closure. Thousands of workers have lost jobs and are in severe distress. According to Tirupur Exporters Association, more than 20,000 workers lost their jobs in just one year. Most of those employed are actually on contract basis and are easier to get rid of when required.

Due to low demand from US and Europe Union, the exporters are forced to look for new markets like South America, some parts of Africa and Japan though it will take a couple of years to establish their presence in these new markets. Interest rates are the highest in India among its competitor countries. The depreciating rupee against the dollar is not giving much benefit to the exporters as the buyers would always want their suppliers to reduce the price when rupee value depreciates against dollar. Also the input costs have gone up substantially.

Exporters from Tirupur have expressed concern over the duty-free access given to 46 textile items to Bangladeshi garment. The garment imported from Bangladesh are 20 per cent cheaper than the garment produced in India. With this advantage, Bangladeshi products will flood Indian market and domestic players would be “killed”, they fear. The Bangladesh's garment exports were showing higher year-on-year growth rate than India in the global market. In 2010 - 11, when the Bangladesh garment exports had clocked $ 15 billion, India's garment export was $11.16 billion only. The main reason for Bangladesh industry having more exports than India is their low cost of manufacturing due to lower wages. After allowing import of Indian cotton and yarn under duty free & the raw material cost in Bangladesh is cheaper than the yarn sold in India's domestic market. This will increase their export additionally in the global market.
In the Union Budget 2011 - 12, excise duty at 10 per cent was imposed on readymade garment sold under a brand name in the domestic market. The tariff value at 45 per cent of the retail sale price in domestic market attracts this duty and this has made Indian garment costlier. Only the exporters who are having their own spinning mill can survive and it is very difficult to do business for small exporters and even though yarn export has been banned, it is still not available in the market.

### 1.16 PROBLEMS FACED BY TIRUPUR GARMENT INDUSTRY

Tirupur is the seventh largest city in Tamil Nadu and is one of the fastest developing cities in the state. Popularly referred to as "Dollar City" or "Small Japan" or Banian City" it excels in knitted ready-made garments. Yet, at first glance, nothing about Tirupur can make one believe that this town earns an annual $1200 million plus in foreign exchange. This is because the state government and local municipal authorities have been too slow to cope with this dynamic growth.

The main problems and difficulties faced by the Tirupur Garment industry relate to raw material availability, pricing, subsidiary and ancillary industries like processing units, labour, taxation and other law-enforcing agencies.

#### 1.16.1 Raw material availability

Raw material availability is a vital area for any industry, whereas uncertainty is prevailing in India with respect to the major raw materials, namely, cotton and yarn, the undue and frequent price fluctuations, the mismatch between supply and demand, lack of proper forecasting of political decisions and other commitments.

#### 1.16.2 Pricing

Compared to other countries the production costs are much higher in Tirupur, and the Tirupur exporters find it difficult to compete with other countries. For example, in Bangladesh they are able to quote prices that are lower by 17 percent, thus securing very good export orders. In Tirupur, the knitting, processing and finishing units are scattered all over, whereas other countries are run under one-roof.
1.16.3 Fuel

Compared to other countries, the higher fuel cost in India mainly Tirupur is a major drawback. The duties and taxes on petroleum products are also higher in India especially in Tirupur.

1.16.4 Processing units

Processing units are located at different places; lately discharge of effluents has proved another problem. The government is well aware of the situation that existed for over four decades, and all of a sudden industrial units were put under pressure. While the units are tiny in nature, they are asked to have effluent treatment plants.

1.16.5 Labour

Unlike other countries labour has become a very sensitive area to handle in Tirupur. Some big industries spend huge time and money on training, but unfortunately there is no assurance or binding on the part of trained labour to continue to work in one place.

1.16.6 Taxation and other laws

The bureaucracy in India, particularly the customs and excise, income tax, foreign trade are in general not happy with any business community, particularly exporters. The rules and regulations and policies of one ministry are contradictory to those of another. Different interpretations are made and objections raised. Show cause notices are issued by the officials, and the entrepreneurs are put to a lot of difficulties.

1.17 EXPORT MARKETING

Export marketing means exporting goods to other countries of the world. It involves lengthy procedures and formalities. In export marketing, goods are sent abroad as per the procedures framed by the exporting country as well as by the importing country. Export marketing is more complicated than domestic marketing due to international restrictions, global competition, lengthy procedures and formalities and so on. Moreover, when a business crosses the borders of a nation, it becomes infinitely more complex. Along with this, export marketing offers ample opportunities for earning huge profits and valuable foreign exchange. Export marketing has wider economic significance
as it offers various advantages to the national economy. It promotes economic / business / industrial development, to earn foreign exchange and ensures optimum utilization of available resources. Every country takes various policy initiatives for promoting exports and for meaningful participation in global marketing. Global business is a reality and every country has to participate in it for mutual benefits. Every country has to open up its markets to other countries and also try to enter in the markets of other countries in the best possible manner. This is a normal rule which every country has to follow under the present global marketing environment. In the absence of such participation in global marketing, the process of economic development of the country comes in danger.

1) According to B. S. Rathor, “Export marketing includes the management of marketing activities for products which cross the national boundaries of a country”.

2) “Export marketing means marketing of goods and services beyond the national boundaries”.

1.18 FEATURES OF EXPORT MARKETING

The main important features of export marketing are as follows:

1.18.1 Systematic Process

Export marketing is a systematic process of developing and distributing goods and services in overseas markets. The export marketing manager needs to undertake various marketing activities, such as marketing research, product design, branding, packaging, pricing, promotion, etc. To undertake the various marketing activities, the export marketing manager should collect the right information from the right source; analyze it properly and then take systematic export marketing decisions.

1.18.2 Large Scale Operations

Normally, export marketing is undertaken on a large scale. Emphasis is placed on large orders in order to obtain economies in large sole production and distribution of goods. The economies of large scale help the exporter to quote competitive prices in the overseas markets. Exporting goods in small quantities is costly due to heavy transport cost and other formalities.
1.18.3 Dominance of Multinational Corporations

Export marketing is dominated by MNCs, from USA, Europe and Japan. They are in a position to develop worldwide contacts through their network and conduct business operations efficiently and economically. They produce quality goods at low cost and also on massive scale.

1.18.4 Customer Focus

The focus of export marketing is on the customer. The exporter needs to identify customers needs and wants and accordingly design and develop products to generate and enhance customer satisfaction. The focus on customer will not only bring in higher sales in the overseas markets, but it will also improve and enhance goodwill of the firm.

1.18.5 Trade barriers

Export marketing is not free like internal marketing. There are various trade barriers because of the protective policies of different countries. Tariff and non-tariff barriers are used by countries for restricting import. The export marketing manager must have a good knowledge of trade barriers imposed by importing countries.

1.18.6 Trading Blocs

Export trade is also affected by trading blocs, certain nations form trading bloc for their mutual benefit and economic development. The non-members face problems in trading with the members of a trading bloc due to common external barriers. Indian exporters should have a good knowledge of important trading blocs such as NAFTA, European Union and ASEAN.

1.18.7 Three-faced competition

In export markets, exporters have to face three-faced competition, i.e., competition from the three angles – from the other suppliers of the exporter’s country, from the local producers of importing country and from the exporters of competing nations.
1.18.8 Documentation

Export marketing is subject to various documentation formalities. Exporters require various documents to submit them to various authorities such as customs, port trust etc. The documents include – Shipping Bill, Consular Invoice, Certificate of Origin etc.

1.18.9 Foreign exchange regulations

Export trade is subject to foreign exchange regulations imposed by different countries. These regulations relate to payments and collection of export proceeds. Such restrictions affect free movement of goods among the countries of the world.

1.18.10 Marketing – Mix

Export marketing requires the right marketing mix for the target markets, i.e. exporting the right product, at the right price, at the right place and with the right promotion. The exporter can adopt different marketing – mixes for different export markets, so as to maximize exports and earn higher returns.

1.18.11 International marketing Research

Export marketing requires the support of marketing research in the form of market survey, product survey, product research and development as it is highly competitive. Various challenges, identification of needs and wants of foreign buyer in export marketing can be dealt with through international marketing research.

1.18.12 Spreading of Risks

Export marketing helps to spread risks of business. Normally export firms sell in a number of overseas markets. If they are affected by risks (losses) in one market, they may be able to spread business risks due to good return from some other markets.

1.18.13 Reputation

Export marketing brings name and goodwill to the export firm. Also, the country of its origin gets reputation. The reputation enables the export firm to command good sales in the domestic market as well as export market.
1.19 IMPORTANCE OF EXPORT MARKETING

Exports are important for all countries whether developed or underdeveloped. The need / importance / advantages of export marketing can be explained from the viewpoint of a country and that of business organization.

1.19.1 Need / Importance / Advantages of Export Marketing at the National Level:

1.19.1.1 Earning foreign exchange

Exports bring valuable foreign exchange to the exporting country, which is mainly required to pay for import of capital goods, raw materials, spares and components as well as importing advance technical knowledge.

1.19.1.2 International Relations

Almost all countries of the world want to prosper in a peaceful environment. One way to maintain political and cultural ties with other countries is through international trade.

1.19.1.3 Balance of payment

Large – scale exports solve balance of payments problem and enable countries to have favourable balance of payment position. The deficit in the balance of trade and balance of payments can be removed through large-scale exports.

1.19.1.4 Reputation in the world

A country which is foremost in the field of exports commands a lot of respect, goodwill and reputation from other countries. For example, Japan commands international reputation due to its high quality products in the export markets.

1.19.1.5 Employment Opportunities

Export trade calls for more production. More production opens the doors for more employment. Opportunities, not only in export sector but also in allied sector like banking, insurance, etc.
1.19.1.6 **Promoting economic development**

Exports are needed for promoting economic and industrial development. The business grows rapidly if it has access to international markets. Large-scale exports bring rapid economic development of a nation.

1.19.1.7 **Optimum Utilization of Resources**

There can be optimum use of resources. For example, the supply of oil and petroleum products in Gulf countries is in excess of home demand. So the excess production is exported, thereby making optimum use of available resources.

1.19.1.8 **Spread Effect**

Because of the export industry, other sectors also expand such as banking, transport, insurance, etc. and at the same time number of ancillary industries comes into existence to support the export sector.

1.19.1.9 **Higher standard of Living**

Export trade calls for more productions, which in turn increase employment opportunities. More employment means more purchasing power, as a result of which people can enjoy new and better goods, which in turn improves standard of living of the people.

1.19.2 **Need / Importance / Advantages of export marketing at Business / Firm / Enterprise Level**

1.19.2.1 **Reputation**

An organization which undertakes exports can bring fame to its name not only in the export markets, but also in the home market. For example, firms like Phillips, HUL, Glaxo, Sony, Coca-Cola and Pepsi enjoy international reputation.

1.19.2.2 **Optimum Production**

A company can export its excess production after meeting domestic demand. Thus, the production can be carried on up to the optimum production capacity. This will result in economies of large scale production.
1.19.2.3 Spreading of Risk

A firm engaged in domestic as well as export marketing can spread its marketing risk in two parts. The loss is one part (i.e. in one area of marketing) can be compensated by the profit earned in the other part / area.

1.19.2.4 Export obligation

Some export organizations are given certain concessions and facilities only when they accept certain export obligations. Large-scale exports are needed to honour such export obligations in India, Units operating in the SEZs / FTZs are expected to honour such export obligations against special concessions offered to them.

1.19.2.5 Improvement in organizational efficiency

Research, training and experience in dealing with foreign markets enable the exporters to improve the overall organizational efficiency.

1.19.2.6 Improvement in product standards

An export firm has to maintain and improve standards in quality in order to meet international standards. As a result, the consumers in the home market as well as in the international market can enjoy better quality of goods.

1.19.2.7 Liberal Imports

Organizations exporting on a large-scale collect more foreign exchange which can be utilized for liberal import of new technology, machinery and components. This raises the competitive capacity of export organizations.

1.19.2.8 Financial and non-Financial benefits

In India, exporters can avail of a number of facilities from the government. For example, exporters can get DBK, tax exemption, etc. They also can get assistance from export promotion organizations such as EPCs, IIP, etc.
1.19.2.9 Higher profits

Exports enable a business enterprise to earn higher prices for goods. If the exporters offer quality products, they can charge higher prices than those charged in the home market and thereby raise the profit margin.

1.20 TYPES OF EXPORT MARKETING ORGANISATIONS (EMOs)

In India, different types of export marketing organisation are operating. These are as follows:

1.20.1 Manufacturer Exporter

The manufacturer exporter is the direct exporter. The manufacturer obtains the orders from the overseas markets, manufactures the goods and then exports. The main advantages are reputation in the domestic as well as overseas markets, optimum use of resources, spreading of risks of domestic market, and export obligation fulfilment.

1.20.2 Merchant Exporter

Merchant exporters are those traders who do not manufacture goods by themselves but they arrange the required goods and services from local manufacturer and sell directly to the foreign buyers. Normally such exporters have very good arrangement with several manufacturers who produce goods as per the requirements of the merchant exporters. However, if any dispute arises as to the quality of products in foreign markets, the merchant exporter alone is responsible.

1.20.3 Canalising Agencies

Canalizing agencies are concerned with production, distribution and marketing of goods and services. The main canalizing agency is the State Trading Corporation of India which was established on May 18, 1956 to organize and undertake exports from India of all such goods which the corporation determines from time to time and also organize and undertake purchase and sales of goods and services.

1.20.4 State Corporations

In some states of India such as Bihar, U.P. and Gujarat, state government, have set up corporations to look after exports of small scale sector. This is because, small sector
units find it difficult to negotiate with overseas buyers, and also to undertake various export formalities. Therefore, the small units supply the goods to state corporations, which look after export activities.

1.20.5 Export Consortium

Manufacturers, especially in the small sector, can organize themselves into a co-operative organisation for export purpose, which is called export consortium. The export consortium enables individual exporters to take the advantage of joint marketing efforts, such as joint negotiation with overseas buyers, joint marketing research, joint shipment etc.

1.20.6 Export Houses

Export houses were introduced by the government of India in the year 1960 with the objective of promoting export by providing assistance for building marketing infrastructure and expertise required for export promotion. To qualify for export house, the exporter must have aggregate export performance during the four years of Rs. 20 Crores.

1.20.7 Star Trading Houses

The government of India has recognized a new class of trading house called “star trading house” to facilitate global marketing activities in the export-import policy. 1990-93 exporters having exports during the preceding three licensing years of Rs. 500 Crores FOB shall qualify the exporter for the recognition as a star trading status.

1.20.8 Trading House

Manufacturer exporters, merchant exporters, EOUs, units in SEZs and others can apply for trading house status. In April, 2007, the government replaced the concept of three star export house by trading house. To qualify for trading house, the exporter must have total export performance (FOB) during the four years of Rs. 500 Crores.

1.20.9 Premier Trading Houses

Manufacturer exporters, merchant exporters, EOUs units in SEZ and others can apply for premier trading house status. In April, 2007, the government replaced the
concept of five star export houses by premier trading house. To qualify the premier trading house, the exporter must have aggregate export performance (FOB) during the four years of Rs. 10,000 Crores.

1.21 MOTIVATION FACTORS FOR EXPORT MARKETING

Companies have to take several decisions to participate in export marketing. There are same basic economic reasons which influence a company decision regarding participation in export business. Such reasons can be treated as motivators for export marketing. These motivational factors for export marketing are as follows.

1.21.1 Rate of profit

The rate of profit in export business is normally higher as compared to rate of profit in domestic marketing. The unit value realization of export products normally increases. Such progressive improvement in the unit value of realization is one reason which acts as a motivator for exporting.

1.21.2 Sales and production stability

Export marketing may enable a firm to maintain sales and production stability. For example, in the case of seasonal products, exporting may help to achieve sales stability, because the seasons may be opposite in certain export markets. For example woollen clothing.

1.21.3 Inadequate domestic demand

The level of domestic demand may be insufficient for utilizing the available production capacity fall, i.e. at the optimum level. Here, the company enters in export marketing so that the available production capacity will be utilized fully for meeting domestic demand and demand from abroad. This is one motivational factor for export marketing.

1.21.4 Economic growth

Growth is another major reason for internationalization. The growth potential of many foreign markets is a very strong attraction for foreign companies. Several developing countries, like China and India, have been growing at a much faster rate than
the developed countries. Many multinational companies are eager to establish their foothold in such countries, considering future potential.

1.21.5 Reducing business risks
Geographical diversification facilitates distribution of business risks among different export markets. Even the risks in internal marketing can be reduced by undertaking export marketing. A diversified business spreads business risks among different markets.

1.21.6 Information and media Revolution
There has been tremendous growth in the field of information and media. For example, internet facility has given a big boost to a global trade. Now, business firms can conduct global operations with much investment in setting up elaborate offices. Business activities in other countries can be conducted through information network.

1.21.7 Strategic vision –
Some firms have a strategic vision to enter in export markets. The business strategy of such firms includes systematic international growth. Therefore, the stimulus for export marketing comes from desire to grow and expand, need to become more competitive.

1.21.8 Accepting social responsibility
Export promotion is a collective responsibility of all social groups including business enterprises. Some large enterprises accept this social obligation and participate in export marketing. Here, social responsibility acts as a motivation for export marketing.

1.21.9 Government policies
Government policies and regulations may also encourage the companies for international marketing. Some companies export and invest in foreign countries to avail economic incentives, and benefits provided by the government. Also some companies internationalize due to government’s emphasis on import development and foreign investment. In India, certain companies export in order to fulfil their export obligation.
1.21.10 W. T. O.

Due to WTO, member nations have reduced a number of restrictions on foreign investment, and trade in goods and services. For example, the custom duties have been reduced worldwide. This has motivated business firms to enter in the global markets to a greater extent.

1.21.11 Benefit of bulk selling

Export business is normally in bulk quantity. Export orders are much larger as compared to orders in domestic marketing. Export business is undertaken in order to take the benefits of selling in bulk i.e. in large quantities. It helps to earn foreign exchange in large. In brief, export marketing offers many benefits to exporting organization. Such benefits encourage companies to participate in export marketing. The benefits also act as motivators for export marketing.

1.22 PRESENT PROBLEMS / DIFFICULTIES FACED BY INDIAN EXPORTERS

At present, Indian exporters face a number of problems / difficulties. The problem demotivates the business firms to enter into foreign markets. These problem / difficulties are as follows.

1.22.1 Recession in world market

The world market faced recession in 2008 and in the first half of 2009. The recession was triggered due to sub-prime crisis of the USA in September 2007. Due to recession, the demand for several Indian items such as Gems and Jewellery, Textiles and Clothing and other items was badly hit. During recession, exporters got low orders from overseas markets, and they had to quote lower prices. Therefore, exporter got low profits or suffers from losses.

1.22.2 Technological differences

The developed countries are equipped with sophisticated technologies capable of transforming raw materials into finished goods on a large scale. Less developed countries, on the other hand, lack technical knowledge and latest equipments and therefore they have to use their old and outdated technologies. It leads to the lopsided development in the international market.
1.22.3 Reduction in export Incentives

Over the years, the Govt. of India has reduced export incentives such as reduction in DBK rates, withdrawal of income tax benefits for majority of exporters, etc. The reduction in export incentives demotivates exporters to export in the overseas markets.

1.22.4 Several competitions in global marketing

Export marketing is highly competitive. This competition relates to price, quality, production cost and sales promotion techniques used. Indian exporters face three-faced competition while exporting. This includes competition from domestic exporters, local producers where the goods are being exported and finally from producers of competing countries at global level. Such competition is one special problem to the exporters.

1.22.5 Problem of product standards

Developed countries insist on high product standards from developing countries like India. The products from developing countries like India are subject to product tests in the importing countries. At times, the importing countries do not allow imports of certain items like fruits, textiles and other items on the grounds of excessive toxic content. Therefore Indian exporters lose markets especially in developed countries.

1.22.6 Fluctuations in Exchange Rate

Every country has its own currency which is different from international currencies. The dominant international currencies are US dollar or Sterling Pound. From the point of view of Indian exporters we are interested to realize the payment in international currency. Foreign exchange earned by the operators is converted into Indian rupees and paid to the exporters in Indian currency; this exposes the exporters to the dangers of fluctuation in foreign exchange rates.

1.22.7 Problems of Sea Pirates Attacks

A major risk faced by international trade is attack by pirates in the Gulf of Aden. More than half of India’s merchandise trade passes through the piracy infested Gulf of Aden. New exporters and importers are facing problem, because of increased pirate attacks as they find it difficult to get insurance cover.
1.22.8 Problem of subsidies by Developed countries

The developed countries like USA provide huge subsidies to their exporters. For example, in case of agriculture exporters, USA, UK and others provide huge subsidies to their exporters. Therefore, the exporters of developing countries like India find it difficult to face competition in the world markets.

1.22.9 Problem in preparing Documents

Export involves a large number of documents. The exporter will have to arrange export documents required in his country and also all the documents as mentioned in the documentary letter of credit. In India, there are as many as 25 documents (16 commercial and a regulatory documents) to be filled in.

1.22.10 Government restrictions and foreign exchange regulations

The Government restrictions compel the exporters to follow certain rules and regulations in the form of licenses, quotas, and customs formalities. Due to such restrictions, new problems develop before the exporters. Even trade restrictions in foreign countries create problems before exporters. Indian exporters face this difficulty of government restrictions and foreign exchange regulations even when trade policy is now made substantially liberal.

1.22.11 High risk and Uncertainties

Export marketing is subject to high risks and uncertainties. The risks may be both political and commercial. Political risks involve government instability, war, civil disturbances, etc. The commercial risks involve insolvency of the buyer, protracted default on the part of the buyer dispute on quality and so on.

1.22.12 Competition from China

India is facing stiff competition from China in the world market, especially in the OECD markets. As a result, India’s share of export of OECD markets declined from 53% of total exports in 2000-01 to about 38% in 2007-08. Some of the Indian exporters have lost their overseas contracts due to cheap Chinese goods and supplies. This is the major problem of exporters.
1.23 STATEMENT OF THE PROBLEM

The readymade garment industry contributes around 8 per cent of India’s exports, 7 per cent of industrial output and is the largest employment generator after agriculture. It contributes about 14% to the industrial production and about 4% to the GDP. It has immense potential for employment generation particularly in the rural and remote areas of the country on account of its close linkage with agriculture. The contribution of this industry to the gross export earnings of the country is about 37% while it adds only 1 – 1.5% to the gross import bill of the country.

Tirupur, the well-known textile hub of India, has more than 5,000 garment manufacturing and job work units in the district. Tirupur is the biggest centre for exports of knitwear in India and seen as one of the most dynamic garment clusters in the “developing” world. Nearly 6 lakhs people of Tirupur are dependent for livelihood on garment manufacturing and related industries. The industry suffers from various problems like raw material availability, pricing, subsidiary and ancillary industries like processing units, labour, taxation and other law-enforcing agencies. Apart from this it also suffers from internal and external problems. Thus, this study is an attempt to explore the internal and external problems faced by the industry in export garments marketing and its prospects.

1.24 NEED FOR THE STUDY

Tirupur, the well-known textile hub of India, has more than 5,000 garment manufacturing and job work units in the district. Tirupur is the biggest centre for exports of knitwear in India and seen as one of the most dynamic garment clusters in the “developing” world. Nearly 6 lakhs people of Tirupur are dependent for livelihood on garment manufacturing and related industries. The industry suffers from various problems like raw material availability, pricing, subsidiary and ancillary industries like processing units, labour, taxation and other law-enforcing agencies. These problems may be classified under two major headings namely internal and external problems. The internal problems are management problems, financial problems, marketing problems, human resource problems, production problems, quality related problems, technical adaptation problem, etc and the external problems are industry and vendor problems, business environment problems, export documentation issues, etc. Only a few studies were done
on these problems and also the focus was on a particular problem. Thus, this study is an attempt to study the problems in a holistic view. This study focuses on the internal and external problems faced by the industry in export garments marketing and its prospects.

1.25 CHAPTERIZATION

1.25.1 Chapter I:

This chapter deals with the introduction of the study. It talks about garment industry, profile of garment industry in India, structure of the industry. The chapter also discuss the nature of operation namely manufacturers and jobbers, classification of units, challenges of the industry like labour supply, fragmentation, human resource development, etc. It also deals with the role of garments industry in Indian economy, trends in garment exports, export performance, reasons for India’s poor share in world trade: discussed under exporters view point and in general. The chapter also presents the profile of Tirupur, Tirupur garment industry, export marketing, features and importance of export marketing.

1.25.2 Chapter II:

This chapter deals with the review of literature on various problems of export marketing. The reviews presented in this chapter provide the findings and conclusions of the earlier studies related to export marketing. In this chapter the reviews related to the problems of export marketing, challenges in export marketing, economic performance, export marketing strategy, etc. are dealt with.

1.25.3 Chapter III:

This chapter focuses on the methodology used for the study. It talks about the research design, universe, sampling method, tools of data collection, variables used, scoring pattern, reliability and validity, pre-test and statistical tools like mean, standard deviation, t-test, ANOVA, Correlation and multiple regression.

1.25.4 Chapter IV:

This chapter deals with the analysis of the study. It includes demographic details, internal problems related to the management, marketing, financial, human resource, production, quality and technical adaption. The chapter also deals with the analysis of
external problems related to vendor, business environment and export documentation. It also discusses the relationship between demographic variables, internal and external problems.

1.25.5 Chapter V:

This chapter deals with the findings related to demographic variables, internal problems related to the management, marketing, financial, human resource, production, quality and technical adoption. The chapter also deals with the findings of external problems related to vendor, business environment and export documentation. The suggestions and conclusion of the present study are also included in this chapter.

1.26 SUMMARY

This chapter discussed the various issues related to export marketing around the globe and in particular India. It also explains the basic concepts related to export and marketing to provide an overview of the study. Garment is one of the many labour-intensive sectors that provide a gateway for developing countries to enter into the global market. The textile industry including readymade garments occupies a unique position in the Indian economy. Its predominant presence in the Indian economy is manifested in terms of its significant contribution to the industrial production, employment generation and foreign exchange earnings. The percentage contribution of Garments exports in total merchandise exports of India is 15.56% with Garments exports comprising 7.41% and readymade garments 8.15%. Yet, India accounts for mere 3.9% of world Garment exports. India possesses many strengths and opportunities in Garment sector.

Tirupur is now a leading exporting centre of knitted garments and undergarments. It is a well integrated cluster with maximum number of units in garment making followed by knitting, dyeing and bleaching, fabric printing, other ancillary units and compacting and calendaring units. Out of 2500 garment making units, about 60 per cent of the units are small while 20 per cent units are large. In 2007, economic crisis hit the United States of America and in late 2009 it spread to European countries. The growth of Tirupur textiles did not continue for long time due to growing global economic crisis, and with the rising cotton prices, Tirupur faced many serious troubles.
The challenges faced by these industries are labour supply, fragmentation and human resource development. Export performance of Indian apparel export remained down in February Month of FY 2012-13. The reasons behind this were poor quality, high prices, inadequate promotion, poor follow-up of sales, poor negotiation skills, poor infrastructure, presence of good domestic market, documentation, formalities etc. The export marketing problems are recession in world market, technological differences, reduction in export incentives, several competitions in global marketing, problem of product standards, fluctuations in exchange rate, problem in preparing documents, etc.