CHAPTER I

INTRODUCTION

1.1. Background

Logistics is increasingly playing an important role in everyday business as markets become global and competition intensifies amongst firms to deliver quality products at lowest costs in the shortest possible time to specified locations.

Over the past two decades companies have been experiencing dramatic changes in the business environment characterised by such phenomena as increasing consumer awareness, rapid transfer of technology, globalisation and competition to reduce costs (Y. Kristianto et al. 2012).

The globalization of production systems and free cross-border flow of capital across geographical boundaries has also led to the growth of many multi-national companies (MNC). The complex operations of these companies spanning across the developed and emerging economies require high levels of logistic efficiencies and effectiveness.

The pressure on organisations to design value creation systems that utilize worldwide resources to meet the ever rising demands of the global customers has further led to accentuating the important role of logistic services in supply chains within & amongst the firms. (Fawcett, et al., 2011).

In today’s competitive world, as businesses including value added sectors in the textile industry like Home textiles, seek to excel in performance, effectively managing the logistics can lead to developing new competencies for achieving cost leadership and differentiation strategies. It no longer remains an operational or tactical concern.

The textile value chain is complex with extensive backward and forward linkages. It is large and varied, passing through the various stages of fibre supply, yarn manufacturing, fabric weaving, processing, making up (stitching) before reaching the customers through distribution networks or directly to retailers (Vaish, Dubey, 2012). Considering the complexity and challenges associated with this sector, logistic performance optimisation is seen as valuable to both the manufacturers and retailers. Monitoring and measuring it, thus becomes important,
A pictorial representation of the textile value chain is at Appendix A.

A unique feature of the Indian textile and logistic landscape is that both sectors are highly fragmented with a transport sector which is in the unorganized sector. These features impose incredible challenges to business enterprises in the textiles industry, as they seek to reach their merchandise to the market place.

In view of the complexity and the challenges associated with the textile sector, there is a need to develop a greater understanding of how far does logistic performance, as understood in terms of logistic effectiveness influence the performance of textile organizations, as a key strategic differentiator in the overall supply chain.

As Ballou (2004), notes, “any product or service loses almost all of its value when it is not available to the customer in time and at a place adequate for consuming”. Given this axiom, studies on enhancing logistics performance and consequently optimizing the larger supply chain have been gaining ground, as businesses realize the competitive advantages of doing so.

Organizations are also realizing the importance of providing high levels of logistics services as they increasingly find that satisfied customers are loyal. Further, dissatisfied customers indulge in negative publicity. Developing a new customer, takes time and is often a costly venture (James, Sasser and Schlesinger 1997).

The growing recognition of the importance of logistic performance has led to the need to enhance its understanding by introducing new variables and examining its links with organizational performance. Despite available evidence, academicians have expressed reservation on the relationship between logistic performance and organizational performance suggesting (Fugate, Mentzer et al 2010), that the relationship needs to revaluated by considering other explanatory variables.

Competing through logistics is today an integral part of a company’s business strategy. Logistics ability and agility are being increasingly seen as strategic choices before companies as they move from a “general focus on market needs” to addressing the “specific needs of the customers” (Mitra 2008).
Considering the above, there is a need to understand logistic performance effectiveness, as a key strategic resource differentiator in acquiring competitive capability and impacting organizational performance within the context of the textile industry, especially in the value added segments like the Home Textile sector. The central purpose of this Research is to work towards developing an integrated model for evaluating the role of logistics effectiveness in enhancing the performance of organizations.

Towards this end, this research proposes a logistics performance model that incorporates Logistics Effectiveness as a focal construct and Competitive Capability as an antecedent of Organizational Performance.

1.2. Theoretical underpinnings of the Present Research

The theoretical underpinnings of the present research are provided by the Resource Based Theory (RBT) preceded earlier by the Resource Based View (RBV) of the organization.

The notion of logistics resources as an important source of competitive advantage for organizations has long been advocated in the Resource based theory of the organization. (Sandberg & Abrahamsson 2011). As such, the primary thrust has been to investigate how effectively resources like logistics in a supply chain can be leveraged to enhance performance (Esper & Crook 2014). In doing so there has been a strong focus on Logistics & Supply Chain (L&SC) effectiveness and how this is linked to competitive differentiation (Barney 2012). Building on the RBV, Resource Management Theory (RMT) argues that the effective and efficient application of resources to the right processes, procedures and capabilities is just as important as the resources themselves (Sirmon et al 2007)

The Resource Based Theory (RBT) provides an important framework for explaining and predicting the basis of a firm’s competitive advantage and performance. The RBT has been used in the strategic literature for the analysis of business performance and in understanding the role of logistics in realizing the strategic objectives of individual organizations.

Tracing its roots to Penrose (2009), the RBT views organizations as a bundle of resources that are managed, deployed and reorganized in ways to provide unique form and value.

Wernerfelt (1984) defined resources as tangible and intangible assets that an organization possesses. Expanding on Wernerfelt’s work, Dierickx and Cool (1989) suggested that
competitive advantage may be gained from two main sources: - Assets and the Capabilities that enable the assets to be deployed advantageously.

Barney (1991, 2012) in his seminal work “Firm Resources and Sustained Competitive Advantage” developed the four attributes that a firm’s resources must command in order to become a source of sustained competitive advantage namely valuable, rare, imperfectly imitable and non-substitutable i.e. VRIN. In a subsequent work “Looking inside for Competitive Advantage” (1995) he introduced the VRIO framework (an improvement on the VRIN Model) i.e. Valuable, Rare, Costly to Imitate, Organized to capture the value of the resources.

Thus, the Resource Based Theory (RBT) provides the theoretical foundation for this research in examining the relationship between logistic effectiveness as a dimension of logistic performance, competitive capabilities and organizational performance.

1.2.1. Perspective on Tautology

In the process of pursuing the research the question of tautology arose and was examined. A detailed note stating that empirical analysis is required to verify whether the tautological arguments can be confirmed or otherwise, is at Appendix B.

1.3. Logistics Process

By definition, the logistics process over it’s entire span pertains to the flow of goods, services and information between what the Council of Supply Chain Management Professionals (2013), call "the point of origin" to "the point of consumption" in order to meet the customers’ requirements. Spatial distance between production and consumption of a product create the physical flows.

The logistics process in a manufacturing organization (including Home Textile companies) is shown as involving physical logistics flows, including materials, work-in progress and finished products in Figure 1 below: -
As can be seen, the logistic process comprises both inbound and outbound activities. Inbound activities refer to activities related to bringing goods into the organisation and outbound logistics refers to taking them out of the organization. Further, there is also a distinction between “forward logistics” which refers to logistic activities involved from suppliers towards customers and “reverse logistics” referring to movement in the opposite direction.

Such a broad span of activities is associated with the fact that logistics is responsible for meeting requirements and desires not only of the firm’s customers (external customers) but also of other functional departments within the firm (internal customers) (Morash et al, 1997).

The logistics process in the textile and clothing sector in India comprises the entire inbound and outbound segments of the manufacturing and service supply chain and is receiving a lot of attention from business and industry as well as policy makers. However, as Chandra & Jain (2007) point out, “the role of managing this infrastructure” (logistics management regimen) to effectively compete has often been undervalued.

1.3.1. **Outbound Logistics**

In this study, the focus of attention is mainly on outbound logistics framework or physical distribution of goods. Physical distribution normally is undertaken through a set of coordinated activities that include transportation, warehousing, inventory levels, packaging and customer service to ensure the effectiveness and seamless delivery of finished goods to customers. The
aim is to ensure that the finished goods are delivered in a manner that meets the expectations of the customers at the lowest costs.

A supplier and a customer is essential for the distribution process to commence. The customer places an order with the supplier. The time taken from the receipt of the order and delivery of goods is known as the lead time. Depending on the type of product and market and industry, this varies from time to time. Production plans are made based on the lead time agreed to when the order is placed. Owing to commitments on both sides, late deliveries are not acceptable in most purchasing situations.

The focus of the study is on outbound logistics for the following reasons:

Firstly because of their visibility finished goods are most proximate and in frequent contact with the customers and directly determine customer service expectations and performance. Secondly, managing physical distribution is comparatively a low risk high gain endeavor than altering other functions in the organization. Finally, outbound logistics transforms value creation into value realization. (Porter, 1985).

The Home Textile segment (also known as “Made-ups”) and covered under Chapter 63 of the Harmonized System (HS) of classification represent along with garments the finished goods component of the textile value chain. With India emerging as a highly competitive producer of a wide variety of home textile products on account of availability of raw material, labour, technology and designs, managing the outbound logistics to meet the requirement of customers, has assumed strategic relevance.

1.3.2. Global Logistics Market

For many, logistics is as simple as movement of goods from one place to another. For business, it is a trillion dollar industry which can be vital to stay ahead of competition.

The Global logistic industry mainly comprises of a complex range of freight and cargo related transportation sectors, such as shipping, warehousing, courier, and road/rail/air freight.

According to a report on the Global Logistic Industry Outlook by C and M Research (Jan 2014) the total global logistic market reached a value of about US $ 4 trillion in 2013, representing almost 10% of global GDP. The global transportation sector is the fastest growing segment with an annual growth of 7% year on year growth since 2011, and it is expected to generate
revenue of US $3.8 trillion in 2016. The US currently accounts for more than 42% of global transportation services sector. Emerging markets such as China and India are expected to have increasing influence in global logistics in the coming years.

An analysis of the value add at each step of the textile value chain shows that the maximum value added in the chain is at the garment/home textile to retail stage, where the value becomes more than twice. Considering this, effective logistics becomes critical in providing for the last mile distribution. Keeping the supply and distribution channels full requires efforts to ensure strong ties and seamless movement so that the company is able to maximize the supply chain in the “surplus” (i.e. the difference between the value of a product and the cost of all supply chain activities involved in bringing the product to the market) to its advantage (Chopra, Meindl et al, 2010).

1.3.3. Indian Logistics Industry

The Logistics sector in India has today become an area of priority. A prime reason for this is the consistent high growth in the Indian economy leading to a significant rise in the movement of freight, across the country.

The logistic market in India was valued at an estimated US $130 billion in 2012-13, (IBEF Report, 2013). The market is likely to record an annual growth of around 12% and reach a revenue level of US $200 billion by 2020, on the back of a robust economy, driven by a strong growth of key manufacturing sectors. The Government’s “Make in India” program is also expected to give a fillip to manufacturing activity, well supported by strategic logistic hubs and infrastructural development.

At present the annual logistic cost present in India is estimated at 13% - 14% of GDP and is higher than in in the developed countries and the BRICS member countries. In the former it is estimated at 7-8% of GDP and in the latter it is around 9-10%. (IFTRT 2012).

Amongst the logistic activities, the cost of transportation in India is very high due to a varying set of factors like lack of efficient alternatives to roads for long hauls, poor road infrastructure resulting in low average speed, significant cess and tolls, higher rate of damage (Lahiri, 2016).

With an average speed of 20 to 25 km per hour, a vehicle on Indian roads covers 250 to 400 kilometers in a day. In developed countries, the distance covered could be significantly higher-
about 700 to 800 kilometers a day. Thus vehicles in India cover only 80,000 to 100,000 kilometers in a year while in the USA they cover up to 400,000 kilometers (Lahiri, 2016).

Apart from transportation, other elements of logistics cost in India typically include warehousing, inventory management and other value added services such as packaging, administration and damage related losses. What is worrying about the logistics costs in India is the distribution of costs across various heads (Deloitte Report 2012). A large part of the logistics cost (34%) is attributable to a residual “others” category which is largely due to lack of operational sophistication and poor inter connectedness between multiple components (KPMG Report 2010). In countries like USA and China, the “others” category accounts for 10% to 15% respectively.

The structure of the Indian Logistics market is highly fragmented with several small and midsize players dispersed across multiple regional pockets, asset types and services and with few, if any players able to offer true end-to-end services to their customer (KPMG Report 2010). The top 10 listed players have only 2% market share, with rest of the players constituting 98% of the transportation and logistics sector (IBEF Report, 2013). In outsourced warehousing 92% of the players are from the unorganized sector.

The World Bank in its Report (Connecting to Compete 2014) on Trade Logistics in the Global Economy has ranked India 54th among 160 countries profiled on the basis of a multidimensional assessment of logistic performance. Compared to 2007, India’s position has dropped from the 47th rank. However, aggregation of the results across the four editions of Logistics Performance Index (LPI 2007, 2010, 2012, 2014) positions India at the 48th rank, which is lower than India’s 39th position in 2007. Table at Appendix C gives the details.

Further, the source and destination points for cargo in logistic intensive sectors like agriculture, food processing, consumer products, textiles and garments are also distant and often located in regions with poor access by any mode of transportation. These costs also remain high due to regional concentration of manufacturing in geographically diversified distribution activities.

In the case of textiles, a novel feature of the Industry profile is that while the raw material like cotton is grown in large parts of Western India like Gujarat, Maharashtra, the users of cotton i.e. the spinning industry is in the South in Tamil Nadu. Further due to pollution control norms, bulk of the fabrics woven in Southern India are sent to western India, mainly, Gujarat and some parts of North India and brought back.
As goods pass through the “farm to fashion” supply chains, the logistics cost in India gets accentuated for the industry due to an unfavourable modal mix with a majority share held by road freight which is both costly and inefficient (KPMG Report 2010). The share of Railways in Logistics has been coming down in comparison to Roadways, thereby increasing costs, as transportation by the latter mode costs four times per km than the former.

Coastal shipping and inland waterways, the cheapest mode of transportation have not got the required attention despite that fact that it costs around - 10-15% of road freight.

Another feature of the Indian logistics system is that manufacturing companies have a legacy of in-house set ups. These have historically been perceived as a support function but have also contributed to cost-inefficiencies (KPMG, 2010 Deloitte 2008).

1.3.4. Role of 3 PL Service Providers

The role of 3PL service providers in terms of providing “end to end” logistic solution are at a nascent stage in India (Sahay & Mohan 2006). A study undertaken by IIFT (2012) states that India’s logistic service industry is still evolving. At present, a core service provider contracts for trucking, shipping, forwarding, brokerage, container freight station (CFS), inland container depots (ICD’s) and other related activities. Consistent with global practices transactional, operational and repetitive activities tend to be the most frequently outsourced (Capegemini Consulting 2014)

The evolving nature of India’s logistic service industry is shown in figure 2.

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Fig.2 Evolving Nature of India’s Logistic Service Industry
The erstwhile Planning Commission of India (2007) in its Report on Logistics drew attention to the critical bottlenecks in the transport infrastructure and poor logistics management, leading to time delays and high transaction costs, thereby adversely affecting India’s manufacturing competitiveness.

Against this background, analysts (Deloitte 2012) believe that the reward of enhancing the effectiveness of logistics performance by reducing costs and enhancing service levels are many particularly in increasing the trade flows in a country by increasing the inherent competitiveness of the economy.

According to an EXIM Bank Study (2008), “the logistics and supply chain management in the Indian textile and clothing industry is relatively less oriented in both backward and forward linkages. This is one of the reasons for long lead time and extended delivery schedule in the Indian textiles and clothing industry. Indian industry needs to effectively invest in logistic and supply chain management to execute the orders well in time and at low transaction cost”.

This study seeks to examine the dimension of logistic effectiveness in logistics performance in enhancing competitive capabilities and overall organizational performance in the Indian Textile Industry especially in the value added home textile sector.

1.4. Overview of the Textile Industry in India

The Indian textile industry is a symbol of unity, diversity and complexity and it combines this immense diversity into a cohesive whole with considerable sagacity (Devaraja 2011). Endowed with the largestloomage in the world, the second highest spindleage next only to China, a strong multifiber raw material base, a vast pool of skilled workers, flexible production systems, together with vibrant design creativity… the textile industry has long been the mainstay of the Indian economy (Devraja 2011).

The sector makes valuable contribution to the economy in terms of employment, investment and industrial output. The sector employs nearly 38 million people and is the second-highest employer in the country after Agriculture. It plays an important role in the Indian economy, as it accounts for around 4% of Gross Domestic Product (GDP), 14% of industrial production and 12% of India’s total exports.
India’s total textile and apparel industry size (Domestic + Exports) was estimated to be Rs.6,82,193 Crores (USD 102 billion) 2015 and is projected to grow at a CAGR of 9.5% to reach Rs.14,72,206 crores (USD 220 billion) by 2021 (Ernst & Young 2016) as shown in Appendix D.

1.4.1. Export & Domestic Market Size

Textile & clothing exports play an important role in the overall development of the industry in India. The Indian textile and clothing industry is one of the largest contributors to the country’s exports. Exports of textiles and clothing have shown steady increase during the last few years, particularly after 2004, when textile export quotas were discontinued. India’s textile exports reached US $ 42 bn in 2014-15, increasing from US $ 31 billion in 2010-11, at a CAGR of 8% during this period as shown in Appendix E. India has a share of 4.78% in Global Trade in Textiles & Clothing.

Post MFA (Multi Fibre Agreement), the Indian Textile and Clothing Industry has been growing and has made India, one of the league countries involved in export of textile as well as apparel products (EXIM Bank Report 2008).

The current domestic consumption market (2014) for Textile and Apparel/Home Textile is worth USD 76 billion and is expected to grow at 10.2% annually to reach Rs.6,63,800 Crores (USD 120 billion) by 2020.

1.4.2. Logistics Issues in the Textile & Clothing Industry

In order to understand the logistics challenges, it is important to understand the characteristics of the textile supply chain. With suppliers across the globe and many production stages, the textile industry is doubtless one of the most internationalized. The rapid development in the global transportation and communication systems, contributed to the shifting of production locations far away from the markets, especially for the value added garments and home textile segments of the textile chain. Further, the “add on profit” advantages facilitated through low cost production systems and transfer of technology motivated many retailers-market players to look for cheaper products even at locations far away from the markets. This shift to low cost production centres were seen as “buyer driven” initiatives requiring optimizing of logistic performance, lest it resulted in high cost operations, leading to losses not just for one supplier but for the entire supply chain.
Product categories have generally been segmented into two different types of international economic networks (Gereffi, 1994), viz “Producer Driven” and “Buyer Driven”. In the former large manufacturers play central roles in coordinating production networks and are represented typically by capital and technology intensive industries such as automobiles, aircrafts and computers. In the latter, the large retailers, marketers play a pivotal role setting up decentralized production units mainly in developing countries. Consumer goods industries such as garments, footwear, toys, consumer electronics follow this pattern (Gereffi, 2003).

Bowersox and Closs (2002) suggested that an organization’s business model/strategy may also determine the characteristics of logistic processes. Accordingly, they averred that logistics strategy differs for “anticipatory-based business models’ and “response based business models”. Apart from this, Fisher (1997) in a seminal contribution distinguished between “physically efficient supply chains for functional products” and “responsive supply chains for “innovative products”.

The buyer driven nature of the textile industry can be better understood from the size of the global trade in textile and clothing trade which in 2015 was US $ 745 billion (WTO Report 2015). Its share in merchandise trade is 4.78%. M.Vijayabaskar (2002) matched the needs of various types of retailers with the probable sourcing area/country based on the characteristics of the buyer’s orders and requirements and found that only select, exclusive designer wear involving high levels of craftsmanship and in small lots were being sourced from some parts of Europe. All other varieties including bulk supplies were being sourced from relatively lower cost supplying countries in South/South-East Asia and China. A global Textile/Clothing supply chain is at Appendix F.

It is clear that in global trade the flow of value added products like garments and home textiles are directed towards the retail markets in the developed countries. Consequently, the merchandisers and marketers have come to exercise the main leverage in these essentially “buyer driven” value chain at the design and retail stages (Gereffi, 2003).

1.4.3. Structure of Indian Textile Industry

The structural pyramid of the Indian textile industry is inverse in terms of its “strengths” (Devaraja 2011). While the fibre manufacturing and spinning processes are strong and in the organized sector, the weaving and processing sectors are relatively weak and are in the decentralized sector. The Indian textile industry is broadly divided into two sub sectors i.e. the organized and decentralized sector. The organized sector refers to vertically integrated units
performing all the functions of production within the same premises, often known as a “Mill”. The decentralized sector refers to dispersed production arrangement, where one or more of the textile production functions is performed in an independent unit.

1.5. Home Textile Sector

Home Textiles have played an important role since centuries mainly because of the important role it plays in providing comfort, protection, decoration and style to the homes (EXIM Bank, Occasional Paper No.127, 2008).

The Home textile sector is part of the value added textile and clothing chain representing the segment dealing with Home furnishing products like Bed Linen, Pillow Cases, Terry Towels, Curtains, Kitchen Linen, Rugs/Carpets etc. Like the better known Readymade Garment sector, which is covered under the Harmonized System of Classification in Chapters 61 & 62, the Home textile Sector known as Made-ups is included in Chapter 63. Detailed description and classification of Home Textile Items is at Appendix G.
These products like Readymade Garments are created by a “Cut & Sew” operation which follows the entire supply chain from procurement of raw material to finished product (Lee and Kincade 2003). Like the Readymade Garment Sector, the Home textile sector is also highly labor intensive with the process of “sewing up” or “stitching” lending it the required shape, size and value addition.

1.5.1. Overview of Home Textile Sector

The Home Textile Sector in India is currently estimated at Rs. 18,400 Crores and is expected to increase to Rs.40,800 Crores in 2021, riding on the back of a growing economy, rapid urbanization, rising income levels, improving demographics, booming housing and retail sectors.

Bed and Bath linen dominate the Home Textiles market with a market share of more than two-thirds in value terms. The category wise Market break up is given in Appendix H.

Market Structure and Segmentation

The Indian Home Textile products can be categorized into the organized and the unorganized sector on the basis of the production profile on the lines of the overall structure of the Textile Industry at large. With the dismantling of the Quota-Regime in 2004, greater consolidation has taken place in the sector and the share of vertically integrated units in the production process is steadily increasing. With competition intensifying in the international market many large scale players who were essentially in the export segment have started venturing in to the domestic market. According to industry experts, approximately 45% of the total home textile production in India is undertaken by firms in the organized vertically integrated sector.

Market segmentation in the Indian Home Textile Sector is blurred at present but can be understood in terms of demand for branded vis-à-vis unbranded products. The branded home textile products are manufactured mostly by the vertically integrated units in the organized sector and sold through home furnishing retail outlets. The unbranded ones are made solely by the unorganized sector and sold through department stores in the neighborhood and shopping malls.
Further, the Indian market for Home Textiles can be broadly classified into 3 segments viz. low range, medium range and premium / super premium range (Italian Trade Commission Report, 2009).

The low range products are largely manufactured in the unorganized industry and have low price elasticity. The manufacturer operating in these segments are beset with issues related to small market, limited capacities, inadequate logistics and strengths. This market segment is largely volume driven (Italian Trade Commission Report, 2009).

The medium range of products though also volume driven, cater to a diverse range of customers and the quality range has widespread acceptance across middle to high income consumers. Some of the big manufacturers like Bombay Dyeing, Welspun, and Creative Portico India Ltd also cater to this market with their main products at acceptable price range. For example ‘Welhome’ Welspun’s retail outlet caters to the customers in urban India.

The premium and super premium product categories are being produced by the large Indian companies who have also acquired foreign brands and tied up with retail chains. Many of these products are made from new fibre blends, have innovative designs and serve the high end of the market.

Some of the manufacturers have started their own retail outlets for premium brands. These products are also sold overseas through show rooms set up in New York to top brands in USA and Europe.

The Home Textile Sector like other segments of the textile industry is scattered across the country in various clusters. Some of the clusters have developed product specialization with entrepreneurs making similar or same products. For instance, Panipat in Haryana has specialized floor covering, carpets and furnishing material. Karur in Tamil Nadu has developed niche in items like Kitchen linen, Toilet Linen, Table linen, Wall hangings. Sholapur in Maharashtra is known for its towels. Jaipur in Rajasthan is an important centre for table/kitchen linen, Quilts, Bed linen, Cushion covers using traditional techniques of dyeing, block printing and appliqué work.

The geographical distribution of the Home Textile Sector across India is shown at Appendix I.

1.5.2. Home Textile Supply Chain
The market profile of the Home Textile segment explained in the previous paragraphs, provides the setting for the operation of the supply chain.

As mentioned Home textiles companies can be sub-divided into two main groups. The first group, referred to as the organized sector comprises of large and medium scale players, leading their presence in the market place in terms of brand equity, wider market reach and high turnover.

A majority of the large scale manufacturers are vertically integrated companies occupying a large area to facilitate high volume production capacities. The production facilities are well equipped with the presence of in-house designers and also undertake yarn processing, weaving, bleaching, dyeing and sewing in the same location/site. Many of these companies adhere to European standards and environmental protection norms. Well-endowed in terms of technology these companies cater to the premium segment of both the domestic and international markets.

The second group comprises companies in the unorganized sector. This sector includes small firms specializing in “Cutting, Making, Trimming (CMT), activities also termed as “stitching", acting as sub-contractors for larger firms or merchants who procure the orders.

One of the main reasons for the proliferation of Home Textiles companies in the unorganized sector in India is the fact that the weaving sector is still predominantly in the small scale sector. With over 70% of the value of Home-Textiles derived from the fabric unlike in the Garment sector, scale of production is in large part determined by the weaving capacity. The varying levels of technology exhibited across the textile value chain has not only impacted the overall growth and productivity of the sector but has also defined the operation of the supply chain.

The structure of the supply chain varies with size and scale of operations as well as the product range of individual companies. However the products are mostly sold either through

i. Company owned retail outlets,

ii. Outright sales to independent retailers

iii. Distributors / Franchisees

The transportation and distribution of the finished goods or outbound logistics arrangements vary with regard to the final destination and the specific requirements of the clients.
Transportation of products to large distributors and retail chains is generally outsourced by the Company's wholesaler depending on the delivery schedule of the clients. Apart from the above, deliveries to independent retailers are undertaken by the Company with its own logistical resources so as to guarantee flexibility in operations.

A simplified supply chain of the Home Textile Sector included in this research is at Appendix J.

1.5.3. Home Textile Trade

Global exports of Home Textiles (all fibres) amounted to US $ 93.40 billion in 2015. China is the largest exporter with an export value of US $ 37.10 billion and share of 39.72% in World Trade. India is the second largest supplier with exports valued at US $ 7.84 billion and market share of 8.40%.

Of the total exports in 2015, home textiles of cotton accounted for US $ 45.16 billion. China again retained the leading position with exports of US $ 15.48 billion and market share of 34.29%. India followed at the second position with exports valued at US $ 5.13 billion and share of 11.37%.

The top ten suppliers of Home Textiles for all fibres and cotton are given in the Table at Appendix K.

1.5.4. India’s Home Textile Export Performance

India is amongst the leading suppliers of Home Textile products ranked 2nd only after China.

Exports of Home Textiles (all fibres) recorded an export level of US $ 7.84 billion in 2015 accounting for 39% of total India’s textile export (excluding apparel). Exports of Cotton Made-ups constitute 46% of total cotton textile exports.


Cotton Made-ups constitute more than 65% of all Home Textiles exported from India.

USA is the single largest market for Home Textiles followed by Germany and UK. Other important market outside Europe is United Arab Emirates, Australia, Canada, Japan and South Africa.
Details of the leading markets for Indian Home Textiles made of all fibres and of Cotton is given in Appendix L.

The major items of Home Textiles (all fibres) and of cotton supplied by India are shown at Appendix M.

The Home Textile Sector thus is an important component of the textile and clothing sector and contributes significantly to India’s industrial production and export basket. Considering the value addition at each stage of production of the various product lines, logistic processes and their effectiveness have an important bearing on export competitiveness.

1.5.5. Research Outcomes

The growth in the Indian economy in the coming decade is likely to be driven by increased activity in the manufacturing and retail sectors.

The new Government has also undertaken the ambitious project of promoting “Make in India” as an effective platform for strengthening the manufacturing base in the country.

With the Government of India permitting Foreign Direct Investment (FDI) in multi brand retail recently, the logistics sector will have to step up to provide value enabling solutions so as to ensure seamless cargo movements from the manufacturer to the consumer. The key to success in a rapidly growing economy like India is to add value by commanding better prices and reducing competition by integrating process and capacity to create economies of scale.

This study would be of importance to scholars and businessmen giving them a framework to analyze and explain the effectiveness of logistics practices and processes as differentiators in organizational performance.

Growing recognition of the logistics process as a strategic resource would require managers to acquire skills to deploy them in a competitive manner to enhance organizational performance. With competitive capability seen as a function of managerial competence, the study would alert managers to the constant need to deliver value to their customers through effective management of logistic performance.

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