

EMERGING MARKETING STRATEGIES IN TEXTILE INDUSTRIES IN INDIA WITH SPECIAL REFERENCE TO BRAND BUILDING

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ABSTRACT

The Indian textile industry is one of the largest in the world with a massive raw material and textiles manufacturing base. Our economy is largely dependent on the textile manufacturing and trade in addition to other major industries. A textile is the largest single industry in India (and amongst the biggest in the world), accounting for about 20% of the total industrial production. It provides direct employment to around 20 million people. Textile and clothing exports account for one-third of the total value of exports from the country. There are 1,227 textile mills with a spinning capacity of about 29 million spindles. The process of brand building in India has led to the emergence of the following main trends: Disappearance of the distinction between domestic and international, lmarkets.Expansion of organized retail, networks. Localisation of global brands, Globalization of local brands. This paper discusses the present scenario of textile marketing especially Brand building in India, and its importance, current trends, and highlights certain problems related to Brand bulding.Further it highlights the improvements that make the textile marketing system most effective.

INTRODUCTION

The Indian textile industry is one of the largest in the world with a massive raw material and textiles manufacturing base. Our economy is largely dependent on the textile manufacturing and trade in addition to other major industries. About 27% of the foreign exchange earnings are on account of export of textiles and clothing alone. The textiles and clothing sector contributes about 14% to the industrial production and 3% to the gross domestic product of the country. Around 8% of the total excise revenue collection is contributed by the textile industry. So much so, the textile industry accounts for as large as 21% of the total employment generated in the economy. Around 35 million people are directly employed in the textile manufacturing activities. Indirect employment including the manpower engaged in agricultural based raw-material production like cotton and related trade and handling could be stated to be around another 60 million.

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people. Textile and clothing exports account for one-third of the total value of exports from the country. There are 1,227 textile mills with a spinning capacity of about 29 million spindles. While yarn is mostly produced in the mills, fabrics are produced in the powerloom and handloom sectors as well. The Indian textile industry continues to be predominantly based on cotton, with about 65% of raw materials consumed being cotton. The yearly output of cotton cloth was about 12.8 billion m (about 42 billion ft). The manufacture of jute products (1.1 million metric tons) ranks next in importance to cotton weaving. Textile is one of India's oldest industries and has a formidable presence in the national economy inasmuch as it contributes to about 14 per cent of manufacturing value-addition, accounts for around one-third of our gross export earnings and provides gainful employment to millions of people. They include cotton and jute growers, artisans and weavers who are engaged in the organised as well as decentralised and household sectors spread across the entire country.

International trade in textiles and clothing has

played an important role in the development process of many countries and has also facilitated their integration in to the world economy. In the Developed Countries, the process of industrialization and Subsequent prosperity in a way commenced with the mechanization of textile production in the early 19th Century. In the Developing Countries, on the other hand, the sector has come to occupy an important place in terms of its contribution to national output, employment and exports. Developing countries as a group account for more than one half of world exports of textiles and clothing.

As the latest WTO report (2006) states "In no other category of manufactured goods do developing countries enjoy such a large net exporting position" as they do in the textile sector.

IMPORTANCE OF TEXTILE INDUSTRY IN INDIA

Like the other developing countries, the Textile industry in India also occupies an important place in the economy as shown below:

KEY INDICATORS

- Contributes 4% to the Gross Domestic Product (GDP)
- Accounts for 17% of total Exports
- Is the largest employment provider after Agriculture (82 million people direct/ indirect)
- Market size of the Textile industry (exports & domestic) is US\$ 52 billion, at present
- Expected to reach US\$ 110 billion by 2012

COVERS THE ENTIRE VALUE CHAIN

RAW MATERIAL: Cotton Production estimated at 4.32 million Tons

SPINNING: 37.5 million spindles

WEAVING: 1.93 Million looms (excluding hand looms)

APPAREL: Current level of exports - US\$ 10 billion

EMERGING TRENDS IN WORLD TRADE

With the removal of the Quota system, in the year 2005, the textile and clothing industry is undergoing structural changes worldwide with production lines further shifting distinctly towards low cost producing countries with flexible production systems, to match the growing retail power.

Perceived as a "third migration" this shift is seen more towards Asia- away from Europe, US and a large number of small suppliers who were "Quota rich" prior to 2005 and whose rising cost structures are increasingly precluding them from being able to compete.

A noteworthy feature of these emerging trends in international trade is that the developed countries even though exiting from direct manufacturing, continue to dominate it by controlling the retail end of the supply chain. The cost and price structure globally is being characterized by higher potential for profit from innovation, marketing, and retailing rather than production, assembly, finishing and packaging. Multiple store retailers are already selling 70% of the clothing in Western Europe and 85% in the US.

The developing countries on the other hand, are becoming manufacturing hubs for textile products, and are increasingly getting themselves integrated with the global market place and offering capabilities not only in production capacities, but also in product development and efficient Supply Chain management.

Application of Technology

In this emerging scenario, wide spread application of technology is required not only to upgrade the quality of products, determine consumer choices, but also to overcome locational disadvantages and reduce overhead costs on unsold inventories.

The developed countries are already focusing on niche products like protective clothing, clothing for medical use by developing competitiveness in novel "nanotechnology" coatings, greater adoption of Product Life-cycle Management (PLM) Systems, in order to deliver new "fast fashion" paradigms, while at the same time remaining steadfastly committed to lower production costs.

The textile industry in the developed countries is also restructuring itself in a manner so as to take advantage of product innovation. Some of the products, now being developed are jackets that cool the wearers down, warm them up, and send out soothing vibrations, textiles with healing and caring properties and protection from harmful radiation. Intelligent Textiles, Smart Clothing are receiving unprecedented attention and are in the realm of possibilities.

Immense opportunities are also being seen in the entire gamut of Technical Textiles given the range and diversity of raw material, processes, products and applications that they encompass. "Technical textiles" have been breaking new ground due to their cost effectiveness, durability, versatility, user friendliness, eco-properties. In fact, it is estimated that around 40% of all textiles made in Germany are now covered under the field of "Technical Textiles".

While the developed countries are seeking to upgrade their presence in the textiles and clothing sector by moving in to the field of technical textiles, the developing countries are equally concerned about the need to adapt themselves to the changing requirements of the consumers and move up the value-added supply chain by adopting innovative technologies and redefining the product mix.

INDIAN TEXTILE INDUSTRY: CHANGING PROFILE

The Indian textile industry has embarked on an ambitious programme of modernization and technological upgradation in recent years to transform the textile sector from a state of low technology level to a producer of high technology products. Technological upgradation in India has resulted in: -

- A shift from commodity based trading to high value added fashion garments.
- Vertical integration and horizontal consolidation of production process leading to lowering of manufacturing costs.
- Improved productivity gains
- Efficient supply chain management
- Development of Economies of scale.

DEVELOPING BRANDS: THE INDIAN EXPERIENCE

Greater reliance on technology has led to good quality products, innovative designs, refining of consumer choices and needs. These factors have also led to the emergence of Brand Consciousness. As is well known, "Brands" occupy a significant place in international marketing as they give a product better identification, differentiate it from competition, create long-term loyalties and make possible premium pricing.

Unbranded products, on the other hand, do save on costs of packaging, selling & manufacturing.

However, a quantitative analysis of branded & unbranded products shows that costs so saved are far less than the margins that a branded good fetches. For instance, unbranded ladies knitted tops are being sold at US\$ 2.50, whereas the same product with a few modifications & improvements fetches nearly US\$ 20 when sold as a brand. The difference is thus nearly 9 times.

BRAND-BUILDING IN INDIA

The process of brand building in India has led to the emergence of the following main trends:

- Disappearance of the distinction between domestic and international markets.
- Expansion of organized retail networks.
- Localisation of global brands.
- Globalization of local brands.

Disappearance of the distinction between Domestic & International Markets

Purchasing power of the Indian consumer continues to increase due to India's increasing GDP Growth and "demographic dividend" in terms of youthful population leading to an expansion of the domestic market.

The size of the domestic market is expected to reach US \$ 60 billion by 2012 from the present level of US 34.6 billion, growing at a CAGR of 10%

MARKET ESTIMATES

Market Size of Indian Textile Industry (2006) - US\$ 52 bn; CAGR - 13%

Market Size of Indian Textile Industry (2012) - US\$ 110 bn; CAGR - 13%

Market Size of Domestic Market (2006) - US\$ 34.6 bn; CAGR - 10%

Market Size of Domestic Market (2012) - US\$ 60.0 bn; CAGR - 10%

The cloth production is expected to grow at an annual rate of 13% and garments at the rate of 19%. Further, with the reduction in tariffs and the proliferation of Regional Trade Agreements and Free Trade Arrangements, the distinction between the domestic markets and international markets will be narrowed considerably.

Manufacturing firms have recognized this trend, which has resulted in vast improvements in the quality of goods produced for domestic markets, which is on par with international standards.

With consumers becoming aware of fashion trends worldwide, demand for branded products has been increasing. In fact available data in India shows a vast & significant shift to branded products in preference to tailor made products.

EXPANSION OF RETAIL NETWORKS

The increase in GDP per capita, availability of higher disposable income, greater use of credit cards, more working female population have allied to a greater penetration of organized retail network in India. The organized retail industry in India is amongst the fastest growing retail sectors in the world growing at a rate of 22% per annum adding approximately 25 million consumers each year. The sector is expected to increase its penetration from the present 3% to 12%-15% by the year 2012. Consequently, awareness about brands will also increase to smaller cities and semi-urban areas (Tier II and Tier III cities) with organized retailers now targeting the rural markets. The expansion of retail networks with their growing emphasis on "lean retailing" i.e. maintenance of low inventories and "rapid replenishment" of merchandise and "full packaging" i.e. one-stop sourcing from "fabrics to fashion" has further encouraged consolidation and integration in the Indian textile industry.

LOCALISATION OF GLOBAL BRANDS

India is expected to grow at about 8% until 2020 according to a new report by Goldman Sachs and overtake the economies of Italy, France and the UK by 2017 and emerge as the largest economy in the world after China by 2042.

Considering these prospects and the ongoing rapid globalization of the Indian economy, a large number of foreign brands are jostling for shelf space trying to catch the fancy of Indian consumers.

Further, the present policy permits 51% FDI in single brand retailing which may, in future, be extended to multiple brands. With the entry of major corporates in India into the retailing sector, the demand for international brands is expected to expand exponentially thereby not only popularizing the global brands, but also localizing them.

EMERGENCE OF LOCAL BRANDS

Another interesting feature of the Indian Market is

the emergence of local brands. All the leading textile and apparel firms have introduced domestic brands and are increasingly positioning themselves within the various segments in the domestic market. Prior to 2000, there were around 5-6 brands in India, prominent amongst them being Zodiac, Monte-Carlo, Raymond, Bombay Dyeing.

The market size of branded wear has since expanded on account of the continued increase in purchasing power, rapid increase in the consuming class, coupled with reduction in import tariffs. The competition has thus intensified in the Indian market with all the major producers of textiles and clothing products in India now working towards building local brands.

Some of the brands built in recent years are "Pantaloons", "Killer" Jeans, "Easios", "Tibre", "Colour Plus", "Trigger" etc. Many of these brands have now reached a stage where they can look towards gaining a regional, if not a global presence.

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In order to gain global acceptance several Indian companies are investing overseas and acquiring International brands. For example, in the Home Textile market, Welspun industry has purchased "Christys", a UK Towel Brand; GHCL has acquired "Dan River" and "Rosebys", Creative Garments has purchased "Portico" brand to facilitate entry into the US and EU markets; Alok Industries has purchased "Hamsard", a UK based retail chain.

ISSUES IN BRAND BUILDING AND BRAND PROMOTION

While efforts are being made to popularize global brands in the Indian domestic market and globalize local Indian brands in world markets, there are a number of issues, which need to be addressed not only in the creation of brands but also in sustaining them over a period of time.

These issues are:

- Need to understand consumer needs and carefully differentiate the product offering.
- Reconcile differences in brand/product development across countries leading thereby to different product cycles for too same product.
- Choose between "standardization" or "customization" so as to take into account local sentiments and beliefs.

The popular adage Think Global, Act Local explains how to overcome the above issues. Coca

Cola, which is truly a global brand has now come out with Think local, Act local slogan focusing on the need to customize the offerings as per the local requirements.

Another example is the way Mc.Donalds has changed its product mix in India to suit local flavors, tastes and purchasing power.

Joint ventures and collaborations could be a way of overcoming cultural constraints and managing the highly decentralized operations required to make a brand successful in the market. Indian companies are already exploring these possibilities by tying up with overseas companies to try leverage their reach in the global markets.

CONCLUSION

The Indian textile industry is rapidly repositioning itself as a global player. Towards this end, Indian manufacturers are increasingly integrating their operations, both vertically and horizontally. Yarn makers, weavers are moving forward into producing finished goods like Home Textiles and Garments.

Simultaneously, small and medium knitwear exporters are integrating backwards into yarn processing and even spinning. Firms are adopting Information Technology to not only manage supplies, but also control production and enhance productivity.

With the "explosion of expectations", driving consumer demand and investments in retailing, the Indian firms are now catering to requirements of the entire value chain from spinning to branded garments and home textiles. Coupled with increase in the purchasing power of the consumers, strong economic growth and demographic advantages, the stage is well set in India today, for production, sale and consumption of Branded goods.

Textiles are being increasingly viewed as Life Style products with consumers becoming more value conscious than price sensitive. With unprecedented levels of growth and investments taking place, India offers immense opportunities for brand building and brand promo

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