



A Study on Ready Made Garment Industry in Tirupur - an Analysis of Buyer Behaviour

Dr.U.Vani

Assistant Professor in Commerce, PSG College of Arts and Science, Coimbatore.

Ms. P.Janani

PhD (Full Time) Research Scholar in Commerce, PSG College of Arts and Science, Coimbatore

ABSTRACT

This study focuses on potential industrial buyer's behaviour who are buying from readymade garment industries, mainly knitted garments in Tirupur of Tamil Nadu. Though there are many domestic buyers in this trade, the study approaches the behavior of entirely overseas buyers. Industrial buyers are not the end users. The study includes the statement of problem, objective, Research methodology and limitation of buyer's behaviour. The data has been widely collected applying questionnaire method from 50 overseas buyers of few garment companies through several communication. The tools used in this analysis are Percentage testing method and Average rank analysis method. The study provides buyer's perception towards supplier and manufacturer of garment industries in Tirupur.

KEYWORDS : Buyer; Behaviour; Garment; Supplier; Trade

Introduction

In today's technical and highly competitive business world, the creation of new design innovations have become a crucial element in order to stay competitive. An organization can manage and produce innovations, they still need to market it and create a sale in their targeted markets. It is important to be aware of why a customer or buyer makes a purchase. Without such an understanding, businesses find it hard to respond to the customer's need and wants. The industrial buying is described by the buy of a design which is made to please the entire organization instead of satisfying just one individual. Industrial buying behavior is considered as being an elementary concept when it comes to investigating buyer's behavior in all types of organizations. The major significance of this study is to understand the buyer's pattern towards suppliers and buyer's and supplier's relationship regarding a readymade garment company in Tirupur.

It describes the concept of buyer's behaviour, their characteristics with regarding consumer buyer. Further provides knowledge about export business in textile industry.

Industrial Buyer Behaviour – The Concept

Industrial buyers supply goods and services to consumer markets, meanwhile they are in need of goods and services to run their own businesses. Organizations that buy goods and services for further production of other goods and services,

reselling, renting or supplying to others are termed as industrial buyers. Buyers by themselves are acting as a role of producers, resellers, and government that forms vast marketing organizations that buy a large variety of products including equipment, raw material and other services. Some organizations sell exclusively to other organizations and never come into contact with consumer buyers. Despite the importance of organizational markets, far less research has been conducted on factors that influence buyer's behavior.

However, we can identify characteristics that distinguish organizational buying from consumer buying. It is crucial to aware the differences between consumer buying and industrial buying, since the industrial buyer behavior differs from consumer buyer in many aspects.

(a) Consumers - buy product and services for themselves or on behalf of their households. Consumers are final users or end users of their products.

(b) Industrial Buyers - buy products and services and resell it to others such as consumers, retailers etc. Industrial buyers are not the end users.

Table 1: Differences between Characteristics of Organizational Market (Buyers) and Consumer Market (Consumers)

Characteristics	Organizational Market (Buyers)	Consumer Market (Consumers)
Demand	Organizational	Individual
Nature of Buying Unit	More Professional	More personal
Type of Decision and Decision Process	More complex and formalized	Simpler and informal
Use of reciprocity	Yes	No
Use of leasing	Greater	Lesser

Consumer market is a huge market in millions of consumers where organizational buyers are limited in number for most of the products. The purchases are made in large quantities. Close relationships and services are required in the consumer market. Demand is derived from the production and sales of buyers to consumers. Demand fluctuations are high as purchases from business buyers magnify fluctuation in demand for their products. The organizational buyers are trained professionals in purchasing. Several persons in organization will influence purchase. Lot of buying occurs in direct dealing with manufacturers. These are some of the characteristic of the organizational buyers in export market.

Statement of the problem

In today's scenario competition is very tough. There are so many competitive companies regarding hosiery garment manufacturers in Tirupur. As these buyers are from different countries they are very precise with the quality of manufactured goods. If the requirements are not met then, there will be probability to lose buyers in future. All foreign brands are highly popularized in market and capture a humongous inventory stocks. In this competitive scenario it's difficult for any new innovators to establish their brand so that it can also be recognized in market.

Additionally, due to globalization nowadays India's export companies undergo hard time. The quota system provided to countries like Bangladesh had gained predominant role in export business of garment industry. Buyers provide short time limits for supplying merchandise. Meanwhile, alterations in goods requirement leads to further delay in supply of goods. That imposes severe penalties which affects both the supplier and the buyer.

Objectives of the study

1. To study the concept of industrial buyer behaviour and their

- role in the industry.
- To study about the industrial buyer's behaviour towards supplier regarding garment business.
 - To provide some suggestions based on this analysis.

Research methodology

Research Methodology is a way to systematically solve the research problems. It includes the overall research design, the sampling procedure, data collection method and analysis procedure. The research design adopted was Descriptive research design. The sample size is the 50 Foreign Buyers from a few garment industries in Tirupur District. Sampling Technique is the Convenience Sampling technique has been used. The primary data was collected by using questionnaire. The secondary data was collected from Books, Journals and Websites. The tools used in this analysis are Percentage testing method and Chi-square method.

Limitations of the study

- The sample size is limited to 50 only, since the buyers are from different countries.
- It is always difficult to reach buyers and get feedback for the questionnaire since they were very busy and not reachable as they were mostly travelling.

Garment Industry in Tirupur

Tirupur is a well-known city at present because of exporting knit wear garments around the world. The history of Tirupur started in the year 1937 by a small company called Baby knitting industry. This company induced many entrepreneurs venture in this business as the clothing is always essential next to food. In the year 1960, about 450 garment factories started for the domestic under wear and innerwear merchandise. In the late 1970's the export of outer wear garments gradually started and this export trade became popular in the mid of 1980's. At present, the Tirupur city is doing the export business with the buyers from United States, Europe, Middle East and Australia. There is also much scope for Latin American countries as well as African continent. In this article I have studied such buyer's behavior with exporters from a garment industry in Tirupur.

Buyer's behavior towards their suppliers in garment industry

The relationship of buyer and supplier will be sustained if the following criteria has been achieved by the suppliers.

Timely Supply

The Styled garments are designed for a particular season, which means the fabric quality, color and value additions like prints and embroideries has to co-ordinate with other similar fashion styles. If the deliveries are not met for the particular season, then it will result in the drop of sales and even cancellation of styles. Hence the time of delivery is more vital in international garment business.

Infrastructure Under One Roof

The international garment business requires a very high level of quality standard, as well as timely delivery. More over in this competitive world, the supplier should meet the required level of quality and at the same time, the price has to be acceptable by the buyer. This is possible if the supplier has got the necessary infrastructure under one roof, which means from the raw material till the end product, the supplier has to have all the facility.

Competitive Price

The supplier needs to maintain a very competitive price, beside high quality and time delivery. This is possible only if you have the necessary infrastructure and very efficient workers and a good planning. Additionally necessary ERP systems have to be incorporated along with the production to maintain the planning go correctly.

Quality Maintenance

The exporter has to achieve the stipulated quality control during the entire process of making the garments. The necessary precaution has to be taken in the appropriate stage of operation. The testing labs have to be perfect in evaluating the results to avoid

bigger damages at later stage. Online inspections have to be done during printing, application work and sewing operation. The shrinkage and color fastness has to be checked according to the wash care label instructions before going for packing. If the supplier maintain the quality standard consistently and continuously, the relationship between the buyer and seller will be very strong.

Buyer's behavior towards mode of payment to supplier

There are various methods adopted by the buyers for the payment system towards the purchase of merchandise. The Mode of Payment is given by the buyers to the supplier are as follows

Letter of credit

An L/C is a useful instrument when reliable credit information about a foreign buyer is difficult to obtain. The bank also acts on behalf of the buyer (holder of letter of credit) by ensuring that the supplier shall not be paid until the bank receives a confirmation that the goods have been shipped. An L/C also protects the buyer since no payment obligation arises until the goods have been shipped or delivered as promised. An L/C is a commitment by a bank on behalf of the buyer that payment will be made to the exporter provided that the terms and conditions have been met, as verified through the presentation of all required documents. The buyer pays its bank to render this service. The various Letter of credit are as

Letter of Credit - At Sight

This L/C means exporter will be paid "immediately" (it may take up to 7 days) after presentation of the documents stipulated in the LC conditions to the Issuing Bank or to the Confirming Bank if it was confirmed. It is payable once it is presented along with the necessary documents. An organization offering a sight letter of credit commits itself for paying the agreed amount of funds provided by the provisions of the letter of credit are met.

Irrevocable Letter of Credit

LCs can be issued as revocable or irrevocable. Most LCs are irrevocable, which means they may not be changed or cancelled unless both the buyer and seller agree. If the LC does not mention whether it is revocable or irrevocable, it automatically defaults to irrevocable. Revocable LCs are occasionally used between parent companies and their subsidiaries conducting business across borders.

Documentary Collections

Documentary collection (D/C) is a transaction whereby the exporter entrusts the collection of payment to the remitting bank (exporter's bank), which sends documents to a collecting bank (importer's bank), along with instructions for payment. Funds are received from the importer and remitted to the exporter through the banks involved in the collection in exchange for those documents.

Documents against Acceptance (D/A)

A buyer is required to "accept" a seller's time draft, thus acknowledging obligation to pay at the specific

future date. The buyer may take possession of the goods before the payment. The time of payment occurs at maturity of an accepted time draft, 30, 60 or 90 days after date of acceptance or date of bill of lading.

Documents against Payment (D/P)

A buyer is required to pay a seller's sight draft in order to obtain shipping documents. Payment is made on presentation of the sight draft by a bank to the buyer, usually one or two weeks after shipment. Under D/P terms, the seller, through a bank acting as an agent, is able to retain control of the goods until the buyer pays. Under certain circumstances, such as to meet legal requirements of the importing country or to obtain a government permit for foreign exchange, the buyer will require possession of the documents before payment.

In these modes of payment – Documentary Collection – system involves high risk, as there is no LC available

Data Analysis and Interpretation

Table 2: Buyer's behaviour towards their supplier

Buyer's preference towards their suppliers		Number of Respondents	Percentage
Buyer's preference towards supplier's qualities	Timely Supply	12	24.0
	Infrastructure in one roof	2	4.0
	Competitive Price	23	46.0
	Quality Maintenance	13	26.0
Buyer's preference towards their suppliers		Number of Respondents	Percentage
Buyer's preference towards Mode of Payment	Letter of Credit At Sight	4	8.0
	Document against Payment (D/P)	9	18.0
	Document against Acceptance (D/A)	13	26.0
	Open delivery of payment	24	48.0
Buyer's preference towards packing style	Single Piece Packing	11	22.0
	Double Piece Packing	7	14.0
	Hanger packing	32	64.0
Buyer's preference towards Terms of Delivery	FOB (Free on Board)	37	74.0
	C&F (Cost and Freight)	13	26.0
Buyer's preference towards Order Placement	Through buying office	17	34.0
	Through direct dealing	33	66.0

Total Respondents is 50; n = 50

Interpretation

Most of the buyers prefer their supplier qualities by competitive price, their mode of payment are Open delivery of payment, their packing style preference are Hanger packing, their terms of delivery to be FOB (Free on Board) and their order placement are through direct dealing.

Table 3: Acceptance of Re-Orders for Supplier

Buyer Accept Re-Order for Supplier	Number of Respondents	Percentage
Yes	37	74.0
No	13	26.0
Total	50	100

Interpretation

From the above table, buyers place re-orders orders for their supplier is 74% and not as 26%.

Table 4: Penalty on the supplier for the delay delivery

Penalty for delay delivery for Suppliers	Number of Respondents	Percentage
Yes	40	80.0
No	10	20.0
Total	50	100

Interpretation

From the above table, penalty for the delay in delivery for supplier by buyer is 80% and no penalty for the delay in delivery for supplier by buyer is 20%.

Table 5: Average rank analysis method – Various factors influencing buyer towards their suppliers:

Factors	Rank	I	II	III	IV	V	VI	VII	Total Score	Mean	Rank
	Val-ue	7	6	5	4	3	2	1			
Timely supply of the goods	Nos	11	12	21	23	18	11	4	426	4.26	V
Infra-structure under one roof	Nos	8	10	11	19	17	27	8	360	3.60	VII
Com- petitive Price	Nos	23	23	16	18	8	8	4	495	4.95	I
Quality mainte- nance	Nos	16	12	26	20	14	8	4	456	4.56	III
Promot- ing Skills	Nos	13	14	20	28	13	10	2	448	4.48	IV
Past performance record	Nos	20	23	18	15	9	8	7	478	4.78	II
Design Input of product	Nos	10	12	13	20	20	23	2	395	3.95	VI

Interpretation

The Above table exhibits the Average Rank Analysis with various factors influencing buyer's behaviour towards their suppliers. Competitive pricing is the major influencing factor for selecting a supplier as it has been ranked first (score 495). Past performance record is ranked as second, Quality maintenance and Promoting skills are ranked as third and fourth. Timely supply of the goods is ranked as fifth, Design input of product is ranked as sixth and Infrastructure under one roof is ranked as seventh respectively.

Suggestions

Tirupur is a well-known city at present because of exporting knit wear garments around the world. The study had analyzed and found the buyer's behavior pattern with suppliers of a garment industry are excellent. There are still scope for improvement and the following recommendations are suggested to consider for their upgrading their skill.

- Improve buyer relationship using social network available now days
- Suggest to go for new market along with the existing market and explore more possibility to get more orders from buyers.
- Install Inhouse Laboratory testing facility, to a high standard level to avoid any quality rejections.
- Improve the Data Bank of fabric details in order to refer quickly for any similar enquiries are handled.
- Suggest to improve the logistic facility by adding new software application.

Conclusion

The Indian textile industry is one of the largest and oldest among various industrial sectors of India. Textile is one of leading Company, they should gain support from Government for their future generation of survival of the company. The data are collected from a garment industry based on the questionnaire, also findings and recommendations have been given, based on buyer behavior towards supplier provided by a garment company. The study concentrates on the concept of industrial buyer behaviour, their role and characteristics.

Reference

1. Mukerjee, (2008), "Industrial Marketing", New Delhi, Excel Books, 2008, Volume-1, Pp. 22 -37
2. Saxena, (2006), "Marketing Management", New Delhi, Tata McGraw - Hill Publishing company Limited, 2006, Volume – 3, Pp. 196 - 220
3. Motiwala, (2005), "The Dictionary of Marketing", New Delhi, Lulu publications, 2005, Volume -1, Pp. 105 - 130
4. Smith, (2003), "Great Answers to Tough Marketing Questions", London – U.K, Kogan Page Limited. May 3 – 2003, Volume – 2, Pp. 92 -103
5. Baker J, (2002), "The Marketing Book", England, Butterworth-Heinemann, December 25 – 2002, Volume – 5, Pp. 62-72
6. Jagdish N, (1996),"Organizational buying behavior: past performance and future expectations", *Journal of Business & Industrial Marketing – U.S.A*, Volume. 11, April

- 4- 1996, Pp.7-24
7. McQuiston, Daniel.H, (1989), "Novelty, Complexity and Importance as Casual Determinants of Industrial Buyer Behavior", *Journal of Marketing – U.S.A*, Volume 53, April 1989, Pp. 66-78
 8. Parkinson, Stephen T, Baker, Michael J. (1986), "*Organizational buying behaviour: purchasing and marketing management implications*", London, Macmillan Publishers, 1986, Volume-1, Pp. 97-109