Volume : 1 | Issue : 12 | September 2012 ISSN - 2249-555X

Research Paper Management

Marketing Strategies Of Apparel Retailing Trade Some Opportunities And Challenges In The New Era.

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Introduction:
India is the world's fourth-largest economy, the third-largest in Asia, and the second-largest among emerging nations. The Indian market reflects considerable diversity in income levels and lifestyles. Although India's per-capita GDP is one of the lowest among the developing countries, a significant segment of the population (an estimated 200 million people) has significantly higher income. A 1998 study by the National Council of Applied Economic Research (NCAER) projects that India's middle class will expand to include nearly half the country's total population by 2006. The same study projects that the rich and the middle income class together will increase from 29.6 million households in 1997-98 to 97.1 million households in 2006-07. According to a recent article in The Strategist, Indian consumer credit is growing by 35 to 40 percent annually; new cardholders are increasing by 25 to 30 percent annually. Buying has become a year-round phenomenon in India; seasonal demand has gradually disappeared from the Indian market in just the past 5-10 years.

Nearly 70 percent of the Indian population lives in rural areas. While both rural and urban markets are growing significantly, the rural market is estimated to be growing twice as fast as the urban market. According to the NCAER study, the rural share of total consumer purchases rose from 54.2 percent in FY 1989-90 to 57.9 percent in FY 1995-96. A number of factors have fueled consumer spending growth, including rising prosperity and the emergence of a thriving consumer finance business. According to another NCAER study, Indian Demographics Report 1998, consumer preferences have shifted from low-valued items toward the higher priced products.

Consumers in India spend approximately 9 percent of their disposable income on clothing and footwear and nearly 47 percent on food, alcohol, and tobacco, compared with 5 percent for clothing and shoes and 36 percent on food, alcohol, and tobacco in the United States. Clothing expenditures in India tend to be relatively higher for households with higher incomes.93 Currently, disposable incomes of the majority of Indian consumers are so low relative to their basic needs that there is little residual for spending on better quality clothing. As disposable income increases, consumers are expected to spend more on purchases of quality clothing.

The size of the Indian market for consumer durables is estimated at 100 million people, according to a recent survey by KSA-Technopak covering some 7,300 consumers in 12 major cities in India. The Indian market for branded products such as jeans, trousers, shirts, and other consumer goods is estimated at no larger than 40 million consumers. Indian consumers are typically more loyal to their stores than to brands. About three-fourths of the survey respondents reported that they would revisit the stores where they had previously purchased apparel. The survey also revealed that brand is the second most important factor in purchase decisions. In south India, consumers are generally more brand loyal than consumers from the north. Price, however, is the most important factor for the consumers in east India. Home/TV shopping or mail order are not yet popular in India, though consumers are aware of these distribution channels. Indian consumers like to touch and feel the product before they buy it.

Domestic Consumption of Textiles
Yarn and Fabrics
Indian consumption of yarn and fabrics reflects growing Indian consumer preferences for manmade-fiber textiles and blended items. From FY 1994-95 to FY 1999-2000, yarn consumption rose by 44 percent to 4.5 million tons, fueled by the rapid growth in consumption of manmade fibers and filament yarns, which nearly doubled to 1.9 million tons (see table 4-1). Consequently, the share of Indian yarn consumption accounted for by manmade fibers and filament yarn rose by 10 percentage points to 42 percent, while the share accounted for by cotton yarn fell by an identical margin to 55 percent (see table 4-2). Consumption of other fibers such as silk and wool remained relatively unchanged at 3 percent of the total.

Estimated Indian consumption of all fabrics increased by 17 percent between FY 1994-95 and FY 1998-99 to 27.8 billion square meters (see table 4-3), valued at an estimated $40 billion.96 During the period, demand declined for cotton products but increased significantly for blended and noncotton items, reflecting a shift in consumption patterns among Indian consumers and an increased demand for polyester in the production of home textiles, apparel, automobiles, and other industrial applications. Prices have declined, however, because of excess capacity (in India and other major world producers of manmade fibers) and competitive prices (from Taiwan and Korea due to the depreciation of their currencies).97 Fabrics of polyester or polyester blended with cotton or wool have become the fabrics used in most apparel products due to price considerations and changing lifestyles of consumers, who prefer wrinkle-free, easy-maintenance apparel. As a result, the share of total fabric consumption accounted for by cotton fabrics declined from 59 to 46 percent during the period (see table 4-3).

About one-fourth of the total volume of India's fabric consumption consists of finished fabrics (printed, dyed, and yarn-dyed), which are generally purchased as piece lengths and custom tailored as shirts, dresses, jackets, and trousers.98 Another 37 percent of fabric consumption consists of fabrics for producing traditional Indian garments such as dhoties (worn by men as a substitute for pants) and sarees (worn by women). Ready-to-wear garments.

Table-1
India's textile industry: Textile fiber/yarn consumption by type of fiber, FY- 2008-2009-FY2011- 2012
(1000 tons)

Fiscal Year	Cotton	Manmade Filament	Other fibers	Total
2005-2006	65.5	31.2	3.3	100.0

2006-2007	66.2	30.2	3.6	100.0
2007-2008	65.6	31.3	3.1	100.0
2008-2009	62.6	34.5	2.9	100.0
2010-2009	58.9	38.2	3.1	100.0
2011-2012	55.5	41.5	2.9	100.0

Table -2
India's textile industry: Share of textile fiber/yarn consumption by type of fiber, FY 2008-2009-FY2011- 2012

Fiscal Year	Cotton	Manmade Fiber		Manmade Filament		Other fibers	Total
		Cellulosic	Synthetic	Cellulosic	Synthetic		
2005-2006	2605	195	348	56	382	105	3151
2006-2007	2295	207	350	55	433	126	3466
2007-2008	2566	186	460	53	528	120	3913
2008-2009	2719	198	571	54	673	126	4341
2010-2009	2485	183	597	51	771	132	4219
2011-2012	2516	204	676	48	955	131	4530

USITC staff estimate based on 10 months data for the year.

Source: Compiled from official statistics of the Office of the Textile Commissioner, Ministry of Textiles, GOI, retrieved from http://textile.nic.in/ermiude.htm, June 6, 2000.

An analysis of India's domestic fabric consumption by different income groups for 1996 showed that high-income households consumed more expensive fabrics relative to low-income households.The average retail price for all fabrics was $1.40 per meter, compared with $1.86 per meter for the high-income group. Purchases of blended and manmade fiber textiles by all income groups during 1992-96 increased by 29 percent in quantity, from 5.7 million meters to 7.4 million meters, and by 7 percent in value, from $11.3 billion to $12.0 billion. However, the total value of fabric consumption during 1992-96 increased by 49 percent to $3.9 billion among the low income households and by 29 percent to $10 billion among the middle income households.

Apparel
The Indian market for domestic readymade apparel is estimated at $5.5 billion (Rs200 billion) to $8 billion (Rs300 billion) annually. Trade sources estimate that menswear accounts for 25 percent of the readymade apparel market (by quantity); women's wear, 48 percent; and children's wear 17 percent. Approximately 20 percent of the apparel produced in India consists of brande

ready-to-wear garments. Brands are more prominent in menswear, particularly shirts, trousers, and jackets. Most national and regional brands are supplied by the large organized apparel firms.

The Indian market for readymade woven garments expanded 38 percent by quantity and 94 percent by value during 1992-96, whereas the market for knit garments expanded 7 percent by quantity and 68 percent by value, reflecting the improvement in quality and a change in product mix.

Cotton is the primary material in women's blouses and petticoats, while polyester-cotton blends are dominant for most other goods.

Marketing Infrastructure
Distribution
India has a large family-owned and fragmented sales and distribution network, with centralized purchasing for chain stores and supermarkets only a recent (5-10 year) phenomenon. There are over 1 million market intermediaries—wholesalers, stockists, transporters, and retailers—involved in the distribution of consumer goods, including apparel. While urban areas have outlets ranging from supermarkets to small neighborhood retail stores, villages are served by smaller stores. Since the distribution channels are largely independently owned and supply multiple brands, dealer development is of the utmost importance in both urban and rural areas.

There are six types of commercial distributors in the market: importers, indenting agents, wholesalers, commission agents, retailers, and dealers. Because the Indian market was completely closed to textile and apparel imports prior to April 1995, the distribution structure for imported textile products is not well developed. Importers generally handle a broad portfolio of goods rather than specializing in a specific textile or apparel product. For shirt fabrics, bedsheets, towels, and other home furnishings, retailers typically source from wholesalers who, in turn, source from importers. However, retail stores play an important marketing role in home furnishings, vis-a-vis commercial offices, designers, architects, and furnishers, and tend to seek an exclusive arrangement for these products. In industrial fabrics, specialized dealers, rather than retailers or wholesalers, work directly with importers.

Transportation and Communication
Railways, road, and air are the principal means of transportation in India. India has one of the largest railway networks in the world-almost 63,000 kilometers (km) with more than 7,000 stations. India also has a fairly developed trucking system, with many private-sector firms providing freight services; the road network extends to 2.7 million km and links all towns and over 50 percent of the villages. There are 5 international airports and 88 domestic airports linked by private- and public-sector airlines. In addition, 11 major and 139 minor ports along India's nearly 7,000 km coastline provide links between the coastal towns and villages, although poor development of ports and inadequate docking facilities cause delays and other shipping problems. An expansion of the courier business, with the entry of global leaders like DHL and Federal Express during the 1990s, has greatly enhanced the reach of Indian marketers. Telecommunication services have improved substantially during the past 5 years with new policies promoting private-sector participation.

Consumer Finance
India has about 300 commercial banks with more than 61,000 branches. Over half the branches are located in rural areas. Consumer financing has become an accepted method of marketing consumer durables. Several nonbanking financial intermediaries are engaged in leasing and hire-purchase activities which help sales of consumer durables. The credit card business is growing rapidly, with the number of credit card holders doubling since 1997 to 2 million. All standard international cards, as well as cards offered by 21 domestic banks, are accepted in the country.

Advertising and Market Research
Advertisers in India can reach 75 percent of the population through television and almost the entire population through radio. Television advertising is available at reasonable cost in India. According to a study by Hindustan Thompson Associates, an advertising research firm in India, a 10-second advertisement costs about $3,100 during prime time; however, such advertising is mostly ineffective since the majority of people who watch televison cannot afford the products. Several market research companies provide market intelligence services in India. The NCAER is the leading group performing survey-based economic research on consumer demographics on a regular basis. Other groups such as the Marketing & Research Group and the Indian Market Research Bureau provide primary research services. The Operations Research Group conducts detailed audits of India's retail outlets. The world's leading advertising agencies (such as Ogilvy & Mather, J.W. Thompson, BBDO, Young & Rubican, Lintas, McCann, Ericsson, and Leo Burnett) have a major presence in India. Marketers have access to information on television ratings, audience profiles, opinion polls, and other value-added information on the Indian market.

Market Entry Strategy for Foreign Investors™
Franchising is a rapidly expanding method for U.S. and other

foreign companies to enter the Indian market. Franchisees are required to submit a proposal to, and receive approval from, the Foreign Investment Promotion Board (FIPB) and the Ministry of Industry. Franchise fees are normally 5 percent of gross revenues and may be paid in foreign currency.

Joint ventures are another method for foreign companies to enter the Indian textile market. Approval must be obtained from the FIPB. For designated industries (defined as the manufacture of cotton textiles , wool, silk, manmade fibers, and water-proof textile fabrics), automatic approval is granted for FEI up to levels of 51 percent. Automatic approval is also granted to designated industries for technology collaboration agreements, subject to limitations on technology transfer fees and royalty payments.

Until recently , opportunities for FDI were limited in the apparel sector unless a foreign firm wanted to use India as a manufacturing base for export markets. However, the NTP 2000 deregulates the apparel sector and provides for FDI up to 100 percent without any export obligation. The NTP 2000 paves the way for foreign firms to set up large apparel plants in India, either owned fully or jointly with local producers. Foreign firms could also enter the Indian market through licensing of popular brands.

The RBI gives automatic approval for foreign equity investments up to 51 percent for setting uptrading companies that are engaged primarily in exports. Foreign companies engaged in manufacturing and trading are permitted to open branch offices to act as buying and selling agents, undertake trading activities, or provide technical and financial collaborations between Indian and foreign companies. Foreign firms can also open project offices for a specified period of time (turnkey projects) or open liaison offices to oversee their existing business interests. Profits and dividends earned in India are repatriable after payment of taxes. Companies also can sell products or services in India through distributors, without establishing a local presence (by way of a subsidiary, joint venture, or branch).

Textile and Apparel Trade

India's exports of textiles (yarn, fabrics, and made-up textile articles) and apparel totaled $10.7 billion in FY 1998-99, representing 32 percent of India's total merchandise exports.110 In 1997, India was the world's 12th-largest exporter of textiles, with 3.8 percent of world exports, and the 9th-largest exporter of apparel, with 2.9 percent of world exports. Its share of global textile and apparel exports has increased in recent years, but at a slower pace than that of other major suppliers such as China. India's textile imports totaled about $450 million in 1998, accounting for only 0.3 percent of world textile imports. India's imports of apparel are very small, largely because of import restraints and other market access barriers. Almost all of the $9 million in imports of clothing and accessories in 1998 consisted of apparel parts and trimmings, whieh were imported duty-free by export-oriented units for use in the production of garments for export.

Conclusion:

India's major export markets for textiles and apparel are the United States and EU, which accounted for 46 percent of its textile exports and 74 percent of its apparel exports in 1997. However, India's export shares in the U.S. and EU markets have declined since 1994, which Indian industry sources have attributed to tighter quotas in these markets for products in which they are competitive and formation of preferential trade agreements by the United States and the EU. In an effort to expand its exports, India has diversified its export markets to non quota countries and, in some instances, relocated production to neighboring countries such as Nepal and Mauritius which, at that time, had few quotas.