

Textile & Clothing Products Acceptability in Euro-American Markets: An Empirical Study of Textile Firms of Rajasthan

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Abstract

Post MFA it was anticipated that the world- wide textile base will be shifted to Asia with the removal of quota. India was considered to be a major gainer from this opportunity. Textile being a labor intensive industry and India and China were the major beneficiaries from this due to availability of cheap labor. However in the post quota period conflicting information begin to emerge, on the one hand there were signals that India is going to have the seamless market and on the other hand some reports indicated that India is losing its share from its competitors i.e., China, Bangladesh, Vietnam etc. In this research work the investigator tries to study how the Indian textile & clothing exporters responded to the situation and to what extent India has been able to prepare itself to take on this opportunity. Furthermore to understand to what level Indian textile & clothing manufacturers have understood the importance of this opportunity and various marketing strategies adopted by the textile & clothing manufacturers and to understand problems faced by textile & clothing manufacturers. The paper also highlights the efficacy of marketing mix in export of textiles to Euro-American markets and the problems faced by the textile & clothing exporters operating from Rajasthan due to lack of strong brand equity.

Keywords: Textile, Euro-American markets, Marketing Mix

Introduction

The Textile & Clothing Industry of India plays a crucial role in the economic development of the country by way of contribution to gross domestic production, industrial output, foreign exchange earnings and employment generation. The textiles & clothing sector contributes 3% to gross domestic production, 14% to industrial output and more than 35 million people are employed with it. About, 27% of foreign exchange earnings and 8% of excise revenue collection is contributed by the textile & clothing industry. The Multi-Fiber Arrangement (MFA) has administered global trade in textiles and clothing since 1974. The MFA facilitated developed nations, primarily the USA, European Union and

Canada to contain imports from emerging countries with the help of the system of quotas. The Agreement on Textiles and Clothing (ATC) put an end to quota system and manifested a momentous turnaround in the global textile & clothing trade. The Agreement on Textiles & Clothing (ATC) permitted the progressive removal of import quotas established under MFA, and the consolidation of textiles and clothing into the multilateral trading system after December 2005.

It was anticipated that, post-MFA, majority of tariff barriers would slowly disappear and firms with fleshy capabilities will expand in the global trade of textile and apparel. Quotas provided a structure under which developed countries restricted import of yarn, fabric, readymade garments etc. from developing nations. The removal of quotas has offered the buyers an alternative to source from the most efficient and cost effective suppliers and countries, for the suppliers it has opened the door of rigorous global competition driven by low costs and new legislation. The first few years of quota free trading has faced a number of transformations happening in the textile & clothing trade i.e. changes in supplier's bases, stress on marketing mixes and marketing intelligence etc. Although the phase out of quotas has gave clear emergence to supplier regions (China and South Asia), it hasn't shattered the defenseless countries. The countries like Bangladesh, Indonesia, Vietnam and Cambodia etc., which were likely to lose market share, have in contrast seen an boost in their exports to key destinations i.e. Euro-American textile & clothing markets. This is may be due to the fact that several buyers have not changed their sourcing strategy significantly and also due to various steps taken by these countries to improve their competitiveness.

Review of Literature

A reasonable amount of work has been done on international marketing mix and branding strategies adopted by exporters worldwide. Donthu and Kim (1993), found no significant relationship between international market expansion strategy and export growth, the effect of export market concentration on export success was empirically supported by a few non-US based studies while

the effect of export market diversification strategy on export performance also received empirical support in a number of studies. Chetty and Hamilton (1993) found that market selection had a significant effect on export success in their meta-analysis of export performance studies. Cavusgil, Zou and Naidu (1993), found positive relationship between the uniqueness of the product and the level of adaptation in positioning, packaging, labeling and promotional approach in the sample of US firms. Campbell and Rao (1998) studied that wide product lines provide an opportunity for increased export sales. Broad product lines enhance profitability and market share positions in domestic and export markets. Ogunmokun & Ling-ye Li (2001), in their study on "a study of strategic behaviour influencing export performance in international marketing" found the key strategies and strategic behavior that differentiate successful export ventures from unsuccessful export ventures with particular reference to exporting companies in the People's Republic of China.

O'Cass & Julian (2003) studied the influence of firm specific characteristics on the marketing mix strategy adaptation-standardization. Uniqueness of the product was one of the indicators of firm specific characteristics, but its individual influence was not studied. However, the results supported the positive relationship between firm specific characteristics and adaptation level of product and promotion strategies, and thus give some indication of the influence of product uniqueness. Chao, Samiee, and Yip (2003), in their study argues that in less developed countries context product and price adaptation strategies are by far the dominant export marketing mix strategies. This study conceptualized adaptation as the degree to which a firm adjusts its marketing mix strategy either to those of its domestic operation or in relation to those of its other export markets. Lee and Griffith (2004) highlighted the dominant role of product and price adaptation strategies and the inferior role, if any, of distribution and promotion adaptation strategies. They found that it is very likely that countries depending mainly on exports will have few, if any, global brands, e.g. India or Indonesia; while countries depending on global marketing will have many global brands e.g. Japan. They implied that exporting activities are

hardly, if at all, related to brand-led direct communication and promotional activities to consumers since export channel activities limit access to consumers.

Williams (2007) in his study showed that MSEs which are able to adopt their pricing strategies to the international market have high success in exportation comparing to those which do not. The study also explained that MSEs which are able to gain economies of scale in production are able to lower their cost structure and sell their products at lower prices. Jorma Lariomo (2008), in his study on “standardization vs. adaptation of the marketing mix strategy in SMEs exports” analyzed the degree of standardization vs. adaptation of the marketing mix elements by SMEs in their foreign sales integrating selected contingency factors into the analysis.

Research Methodology

Objectives

1. To study the factors affecting product acceptability in Euro-American textile & clothing markets.

Hypothesis

- There is no significant difference in the level of difficulty faced by large scale and small & medium scale firms due to low brand equity.

Research Design

The study conducted with the primary, secondary and other qualitative inputs that identified the factors affecting textile & clothing products acceptability in Euro-American markets as well as to study the marketing mix strategies adopted by the textile & clothing manufacturers/exporters operating from Rajasthan. Research rely hereby on the field survey techniques, i.e. questionnaires, interviews and observations as well as published and unpublished reports & records, journals, periodicals, newspapers and magazines.

Sample Design

The Sample of textile exporters has been selected by stratified and purposive sampling technique. Primary data have been gathered from 30 large scale exporting firms and 66 small & medium scale manufacturers/exporters

operating from Rajasthan. All of these firms were either exporting to European Union countries or to USA or to both of these markets.

Statistical Tools

The primary data so gathered has been tabulated, analyzed and interpreted with the help of Mean relevance rating, Variance and parametric test i.e. students t-test. Quantifiable data from the questionnaires was coded into the Statistical Package for Social Sciences (SPSS10.0) for analysis.

Data Analysis

Large scale respondent firms were asked to indicate the importance of the factors affecting their products acceptability in Euro-American markets on five point scale starting from most important (5) to not at all important (1). The table 1 shows that, the Product quality was the most important factor affecting the product acceptability in the Euro-American markets with a mean score of 5.00 and standard deviation of 0.00 followed by range of products (Mean score=4.85, SD=0.48) and Quick delivery (Mean score=4.85, SD=0.37). Compliance to regulations ranked 3rd with a mean score of 4.77 and standard deviation of 0.43, followed by competitive prices that ranked 4th with a mean score of 4.65 and standard deviation of 0.49. Competitive price was the fifth important factor to affect product acceptability in Euro-American market with a mean score of 4.65 and SD of 0.49 trailed by price bargaining at 6th rank with a mean score of 4.50 and SD of 0.51.

Convenient channel of purchasing graded at 7th place with a mean score of 4.31 indicating it as most important factor affecting the product acceptability in Euro-American market with a mean score of 4.31 and standard deviation of 0.47, trailed by product adaptability with a mean score of 4.27 and standard deviation of 0.45 indicating the consistency in the responses. Brand reputation too ranked as most important factor affecting product acceptability in the Euro-American markets with a mean score of 4.19 and SD of 0.49. The mean score of product design was 4.15 with a standard deviation of 0.48 indicating the uniformity in the responses. It ranked at 10th place followed by packaging

(rank=11) with a mean score of 4.12 and standard deviation of 0.33 indicating the steadiness in the responses.

Discount/allowances ranked at 12th position with a mean score of 4.08 demonstrating it as a one of the most important factor affecting the product acceptability in the Euro-American markets with a standard deviation of 0.27 that point out the regularity in the responses of the firms. Quick response system also ranked at 12th place with a mean score of 4.08 and SD of 0.27. Internet promotion utility placed at 14th position with a mean score of 4.04 and SD of 0.20 followed by mode of payment at 15th rank with a mean score of 4 and standard deviation of 0.20.

Exposure in international fairs and events ranked at 16th

with a mean score of 3.31 indicating it as an important factor responsible for product acceptability in the target markets with a SD of 0.47 followed by advertisement which was the least preferred factor by the firms with a mean score of around 3 and standard deviation of 0.20.

As from the analysis of table 4.9, it can be concluded that majority of the large scale exporters and manufacturers found product quality as the most important factor affecting the firm's exports in the Euro-American markets. Surprisingly the range of products and quick delivery considered more important factors affecting product acceptability in the Euro-American market than to competitive prices.

Table 1: factors affecting product acceptability in Euro-American markets (Large scale firms)

Factor	Mean Score	SD	Rank
Product quality	5.00	0.00	1
Product design	4.15	0.48	10
Range of products	4.85	0.37	2
Product adaptability	4.27	0.45	8
Brand reputation	4.19	0.49	9
Packaging	4.12	0.33	11
Compliance to regulations	4.77	0.43	4
Competitive prices	4.65	0.49	5
Price bargaining	4.50	0.51	6
Mode of payment	4.00	0.20	15
Advertisement	3.04	0.20	17
Discounts/Allowances	4.08	0.27	12
Internet Promotion Utility	4.04	0.20	14
Exposure in International Fairs and Events	3.31	0.47	16
Convenient Channel for Purchasing	4.31	0.47	7
Quick Delivery	4.85	0.37	2
Quick Response System	4.08	0.27	12

The small & medium scale respondent firms were also asked to indicate the important factors affecting product acceptability in Euro-American textile markets on 5 point likert scale ranging from most important (5) to not at all

important (1). Majority of the small & medium scale firms pointed product quality (Rank 1) as the most important amongst all with a mean score of 5 and standard deviation 0.00 showing no inconsistency in responses. Quick

delivery also ranked at 1st position along with product quality with a mean score of 5 and standard deviation of 0.

Competitive prices ranked at 2nd position with a mean score of 4.94 and standard deviation of 0.24, showing steadiness in responses followed by range of products at 3rd position with a mean score of 4.76 and standard deviation of 0.50, compliance to regulations at 4th position with a mean score of 4.73 and standard deviation of 0.45, product adaptability at 5th position with a mean score of 4.36 and standard deviation of 0.49.

Product design ranked at 6th position with a mean score of 4.21 and standard deviation of 0.60 depicting no inconsistency in the responses followed by quick response

system at 7th place (mean score=4.18, SD=0.39), price bargaining at 8th place (mean=4.09, SD=0.58), packaging at 9th position (mean=4.06, SD=0.43), brand reputation ranked at 10th place with a mean score of 4.03 and standard deviation of 0.47.

Exposure in international fairs and festivals ranked at 11th position (mean=3.82, SD=0.73), discount/allowances ranked at 12th place by small & medium scale firms with a mean score of 3.70 and standard deviation of 0.37 followed by internet promotion utility (mean=3.67, SD=0.69), convenient channel for purchasing (mean=3.52, SD=0.62), mode of payment (mean=3.33, SD=0.48) and advertisement (mean=3.18, SD=0.39).

Table 2: Factor affecting product acceptability in Euro-American Markets(Small & medium scale firms)

Factor	Mean Score	Rank	SD
Product quality	5.00	1	0.00
Product design	4.21	6	0.60
Range of products	4.76	3	0.50
Product adaptability	4.36	5	0.49
Brand reputation	4.03	10	0.47
Packaging	4.06	9	0.43
Compliance to regulations	4.73	4	0.45
Competitive prices	4.94	2	0.24
Price bargaining	4.09	8	0.58
Mode of payment	3.33	15	0.48
Advertisement	3.18	16	0.39
Discounts/Allowances	3.70	12	0.47
Internet Promotion Utility	3.67	13	0.69
Exposure in International Fairs and Events	3.82	11	0.73
Convenient Channel for Purchasing	3.52	14	0.62
Quick Delivery	5.00	1	0.00
Quick Response System	4.18	7	0.39

The responses from both large scale and small & medium scale firms have been recorded and in order to know that whether there is any significant difference lies in responses

of large scale and small & medium scale firms, t test has been carried out. The test results are mentioned in table 3.

Table 3 : Test results of the study factor affecting product acceptability in Euro-American Markets

Factor	Category	N	Mean	SD	t	df	Result
Product quality	Large	30	5	0	-	-	-
	Small	66	5	0			
Product design	Large	30	4.15	0.48	0.883	94	NS
	Small	66	4.21	0.6			
Range of products	Large	30	4.85	0.37	0.883	94	NS
	Small	66	4.76	0.5			
Product adaptability	Large	30	4.27	0.45	0.998	94	NS
	Small	66	4.36	0.49			
Brand reputation	Large	30	4.19	0.49	1.53	94	NS
	Small	66	4.03	0.47			
Packaging	Large	30	4.12	0.33	0.68	94	NS
	Small	66	4.06	0.43			
Compliance to Regulations	Large	30	4.77	0.43	0.41	94	NS
	Small	66	4.73	0.45			
Competitive prices	Large	30	4.65	0.49	3.9	94	ES
	Small	66	4.94	0.24			
Price bargaining	Large	30	4.5	0.51	3.33	94	S
	Small	66	4.09	0.58			
Mode of payment	Large	30	4	0	7.62	94	ES
	Small	66	3.33	0.48			
Advertisement	Large	30	3.04	0.2	1.85	94	NS
	Small	66	3.18	0.39			
Discounts/Allowances	Large	30	4.08	0.27	2.93	94	S
	Small	66	3.81	0.47			
Internet Promotion	Large	30	4.04	0.2	2.87	94	S
	Small	66	3.67	0.69			
Exposure in International Fairs & Exhibitions	Large	30	3.31	0.47	3.85	94	VS
	Small	66	3.82	0.73			
Convenient Channel for Purchasing	Large	30	4.31	0.47	6.21	94	ES
	Small	66	3.52	0.62			
Quick Delivery	Large	30	4.85	0.37	3.31	94	S
	Small	66	5	0			
Quick Response	Large	30	4.08	0.27	1.27	94	NS

There have been no significant differences found between large scale and small & medium scale firms on factors such as product design, range of products, product adaptability, brand reputation, packaging, compliance to regulations, advertisement, quick response system. On degree of freedom of 94, at 5% level of significance calculated t value is 0.883 and it is not in the region of table value so we can conclude that there has been an extremely significant difference in responses of large scale and small & medium scale firms on competitive price attribute. There have been extremely significant differences found between large scale and small & medium scale firms on factors such as convenient channel of purchasing, mode of payments.

The high degree of differences in responses have been found between large and small & medium scale firms on factors such as price bargaining and exposure in international fairs & festivals. A low degree of difference between both large and SME firms have been found on factors such as quick delivery, internet promotion utility, discount/allowances.

Conclusion

The finding shows that large scale firms have considered that the Product quality was the most important factor affecting the product acceptability in the Euro-American markets followed by range of products and Quick delivery. Compliance to regulations ranked 3rd followed by competitive prices that ranked 4th. Competitive price was the fifth important factor to affect product acceptability in Euro-American market trailed by price bargaining at 6th rank. Majority of the small & medium scale firms pointed product quality (Rank 1) as the most important amongst all. Quick delivery also ranked at 1st position along with product quality followed by Competitive prices, range of products and compliance to regulations. It has been found that there was no significant difference in responses between large scale and small & medium scale firms on factors such as product design, range of products, product adaptability, brand reputation, packaging, compliance to regulations, advertisement, quick response system. Therefore in order to planning the marketing mix of their respective products textile firm should take these factors into account for better projection of the products.

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