



ISSUES AND CHALLENGES BEFORE APPAREL INDUSTRY IN INDIA

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ABSTRACT

The apparel industry is slowly but steadfastly growing over the years. What started as local strategies are now turned towards global level. However, there are many challenges the industry is facing as well faced. The Indian budget in 2013 paved way for a new direction in this line. The case of workers and other stakeholders have been addressed. There is a need for inclusive growth as seen by the case of Chinese apparel people. The challenges faced by the industry are presented in this article for inclusive growth. An attempt has been made to focus on what is in store for the industry in future.

Key words: Apparel, Global strategies, inclusive growth, Challenges, India

Apparel Industry

The Apparel Industry consists of companies that design and sell clothing, footwear and accessories. Product categories include everything from basics, such as underwear, to luxury items, for example, cashmere sweaters and alligator-skin handbags. Traditionally, Apparel companies are wholesalers, selling large quantities of goods to retailers, which markup items and sell them to consumers for a profit. However, it's become more difficult to draw a line between wholesalers and retailers; most Apparel companies now have both types of operations.

History of Apparel Sector

Before the American Civil War (circa 1860), most clothing was made by tailors or by individuals or their family members at home. Ready-made or ready-to-wear apparel existed, but its variety was limited. Mainly coats and jackets (known as outerwear) and undergarments were purchased using predetermined sizes.

The significant innovations in apparel sector are given as follows:

Chronology Innovation to 1948:

- 1600s: Denim fabric available.
- 1764: Spinning Jenny Invented by Thomas Highs, an obscure artisan in Sweden, one of many true genius of the Industrial Revolution.
- 1767: Spinning Jenny invented by James Hargreaves, improve on Thomas Highs work with larger and more spindles
- 1775: Mechanized Textile Loom invented by Richard Arkwright. Patented improvement to the textile loom included cylinder carding engine, incorporating a crank and comb mechanism. The comb moved up and down, removing the carded fibers from the doffing cylinder in a "continuous filmy fleece".
- 1801: Jacquard Loom Invented, Joseph Marie Jacquard the first machine to use punched card. These punched cards controlled the weaving, enabling an ordinary workman to produce the most beautiful patterns in a style previously accomplished only with patience, skill, and hard work.
- 1849 Safety Pin Walter Hunt
- 1846 Sewing Machine invented by Elias Howe.
- 1873 "Riveted Denim Pants" Invented by Jacob Davis and Levi Strauss, Later known as Blue Jeans
- 1873 Earmuffs invented
- 1893 Shoe fastener, hook-and-eye, invented
- 1905 "Clasp locker" fasteners were being used in the apparel industry, but they weren't considered practical.
- 1913 Zipper invented by Gideon Sundback

- 1929 Sunglasses invented by Sam Foster
- 1946 Bikini Swimsuit invented by Louis Reard
- 1946 Disposable Diapers invented Marion Donovan
- 1948 Velcro invented George de Mestral

The Civil War was a pivotal event in the historical development of men's ready-made clothing. At the outset of the Civil War, most uniforms were custom-made in workers' homes under government contract. As the war continued, however, manufacturers started to build factories that could quickly and efficiently meet the growing demands of the military. Mass production of uniforms necessitated the development of standard sizes. Measurements taken of the soldiers revealed that certain sets of measurements tended to recur with predictable regularity. After the war, these military measurements were used to create the first commercial sizing scales for men. The mass production of women's clothing developed more slowly. Women's outfits generally continued to be custom-made well into the 1920s. In that decade, factors such as the development of industrial production techniques, the rise of the advertising industry, the growth of an urban professional class, and the development of national markets accessed through chain stores and mail order catalogs, contributed to the success of the women's ready-made apparel industry. Ready-made articles of clothing were portrayed as modern and fashionable during a time when the new consumer industries were rapidly redefining the way Americans viewed mass-manufactured goods. Instead of seeing the purchase of mass-produced clothing as entailing a loss of individuality, American women began to accept the pieces of ready-made merchandise as convenient, affordable, and up-to-date fashion items that could be replaced easily as styles changed. However, the new ready-made clothing often fit poorly. Each manufacturer created its own unique and sometimes arbitrary sizing system based on inaccurate body data or no body data at all. Garments of widely different dimensions were frequently labeled the same size by different manufacturers. This situation resulted in additional costs for alterations and large volumes of returned merchandise. This, in turn, increased costs for the consumer of ready-to-wear clothing.

Wholesale business

Wholesale business is what separates Apparel companies from those in the Retail (Special Lines) category. Apparel companies design and produce/source items that they sell to retailers, including department stores, specialty shops and discounters. Often, a company owns licenses to

manufacture goods under particular brand names, and will market and advertise these lines. One license can cover many products. In some instances, an Apparel company may only have the rights to produce specific items under a brand, such as ties and shirts, but not pants or sleepwear. Production is often outsourced to developing countries, where labor costs are inexpensive, relative to those of the United States and Europe. The wholesale market is seasonal. Retailers stock up on merchandise before shoppers hit the stores during the peak back-to-school and holiday periods.

Brand names, those familiar offerings with a good reputation for quality, style or value, are popular among shoppers. A clothing company possessing a broad line-up of well-known brands has a competitive advantage over its peers. This is not always the case, however. In tough economic times, consumers might turn to similar private-label goods to save money. Private-label goods are found in department stores and discount chains. Though they are less expensive than branded items, such goods are often more profitable for the seller. Brand-name items and private-label goods compete against each other for shelf space throughout the business cycle.

Because of the seasonal nature of the wholesale market, it's better to compare sales on a year-to-year, rather than sequential-quarter, basis. Gross and operating margins are the best gauges of a company's health. Sales volume, supply chain efficiency, sourcing costs, and selling, general and administrative (SG&A) expenses determine profitability.

Retail Operations

There are a number of reasons why Apparel companies establish retail divisions. Having stores dedicated to a single brand gives a company control over a line's image and identity. Apparel companies have some control over branding and merchandising at department stores, and their influence is diluted further at the boutique level. Dedicated retail stores allow a company to highlight its own merchandise, without worrying about competing labels.

Retail stores are typically more profitable than their wholesale brethren. By selling its own merchandise at retail, an Apparel company can cut out the middle man and increase profits. However, this strategy can be risky. Instead of just designing and producing clothes and filling wholesale orders, companies with retail operations also have to find store locations with good potential, manage inventory, and avoid big markdowns.

The Internet is another important platform for retailers, especially since consumers are increasingly Web-savvy and have access virtually anywhere. Shoppers want to quickly find what

they are looking for on line, and demand fast processing and shipping. Direct sales via the Internet can be a boon to a company. These sales do not entail expensive storefronts and related staffing and, thus, are more profitable than traditional business.

Apparel sales at the retail level tend to be highly seasonal, with the majority of revenue booked during the holiday and back-to-school periods. Market analysts review total year-to-year sales to identify trends. Notably, they focus on "comparable-store" sales, which indicate the year-to-year performance of locations open for a year or more. Sales-per-square-foot is another important metric that measures how efficiently a retailer utilizes its floor space.

As with wholesalers, the success of retailers is visible in their reported gross and operating margins. Retail margins are influenced by several factors, including markdowns and promotions and SG&A expenses. Product mix also plays a role in determining profitability. For instance, a weighting toward accessories is favorable, given their high margins. Accessories' one-size-fits-all nature involves lower costs than do fitted clothes.

Challenges

1. Indian textile and apparel manufacturers are expecting boost for the sector as Union Budget 2013-14 has opened new opportunities for investments in the domestic as well as international market with reduced excise duty on branded garments, extended Technology Upgradation Fund Scheme (TUFS), assured investments and connectivity in rural areas.
2. In most manufacturing countries, costs (minimum wage, inflation, utility costs, currency exchange) continue to rise faster than efficiency gains. Our costs have risen considerably over the years and right now there is more garment manufacturing supply than demand, which increases competition.
3. Some customers have continued to chase lower cost manufacturing countries. But they will soon hit a wall because the number of "new" countries you can move to and still have stable delivery is now very limited, and paying your workers properly and having a facility that is truly safe to work in actually costs money.
4. There are not a lot of lower price countries to move to. To manage inflationary trends, the entire supply chain will need to work much closer, end to end, to eliminate waste and improve overall efficiencies. The opportunity to pick up and quickly move to another country or vendor for a lot lower price is a thing of the past.

5. Creating efficient supply chains takes a lot more work than moving from one vendor to another for price, or a specific product.
6. To create the supply chains of the future will require people that can go to a factory and sit down with the management teams and operators at the machine and "show" them how to do it right.
7. Skilled manpower shortage.
8. Lack of new production countries/centres.
9. There is no significant market for most major retailers in the stable ones (99% of the Saudi Arabia market is still not a lot). A few franchises in Slovakia or Guatemala are better than nothing - but they make no serious contribution if a retailer is losing share in its core market.
10. The premium and luxury apparel industry will face growing bottlenecks in high quality supply in Europe as capacities become rare or over-aged. Most young people entering the job market are not attracted by apparel jobs and seek their professional future in other industries or services.
11. For the lower end of apparel sourcing, cost will be a tough challenge to tackle as Chinese wages remain on the rise and low-cost alternatives in the region remain unstable or underdeveloped from CSR or infrastructure perspectives.
12. CSR demands and transparency requirements will grow after recent incidents in Pakistan and Bangladesh; alternatives will have to undergo intensive assessments before they are ready to have orders placed.
13. With the exception of online start-ups, most companies in the apparel industry face an uncomfortable reality. Their knowledge, their skills, their relationships - all are oriented toward working through brick-and-mortar distribution channels. But all the growth is happening online. Companies will have to choose between doubling down on offline, taking a leap of faith online, or finding that elusive balance between the two.
14. Economic uncertainty is the biggest challenge facing brands, retailers and consumers. Concerns about the state of the global economy are weighing on consumer spending. Worries over the US fiscal cliff and now the debt ceiling have forced consumers to re-think their spending and lean more towards saving.
15. The onus will be on delivering even greater product with greater value - while keeping an eye on day-to-day costs. To achieve this "speed" and "agility" become the watch words of

the year. For the most part, fashion retailers have been looking at their store operating costs in more detail over the past few years and addressing the most obvious areas, but there is probably more work that can be done. While their online offer has been a traditionally unprofitable channel, this needs to be made profitable or there is the risk that overall margin will be eroded as more sales go through via the internet.

16. In a flat economy, more companies look to increase sales outside of their traditional markets and move into new regions, either with bricks and mortar stores or online. However, the challenges of working in different cultures must not be under-estimated.
17. As such, developing the teams and the processes to manage an omni-channel global business, where quick decision-making will be an imperative, will need to be a priority for apparel businesses if they want to improve sales and profits in 2013.

Conclusion

Despite the slowdown, Indian apparel market is expected to grow annually at 13-15% to cross the \$125 billion (Rs 675,000 crore) mark by 2020, a survey by Clothing Manufacturers Association of India (CMAI) has found. At present, India's apparel market is estimated to be around \$50 billion (Rs 270,000 crore). Thus, the future of the Indian Apparel Industry looks bright and is in the growing state and there is immense scope for improvement

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