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Texcon '16

Global Competitiveness & Trade Growth Paradigms For Indian Textile & Apparel Sector

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Theme Paper

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Foreword

Textile and apparel industry has witnessed panoramic changes in the last few decades. Over the years, a major part of textile and apparel industry has moved away from 'higher cost' developed countries like the USA, EU and Japan to 'lower cost' destinations like China, South Asia and South East Asia. Two most important factors which caused this shift were the availability of low cost manpower and abundant availability of raw material in Asian countries. India, among other Asian countries, is one of the most competitive textile and apparel manufacturing country today.

For Indian industry, these are specifically interesting times. India stands a chance to gain prominent market share because of China's growth slowdown, supporting Government policies and a strong raw material base. The fact that India's own domestic demand is also large and growing is icing on the cake. For this year's TEXCON, we decided to highlight what are the key requirements that Indian (or any other) manufacturer should focus on to tap the emerging opportunities within the country and in global markets. Hence, the theme "Global Competitiveness and Trade Growth Paradigms for Indian Textile and Apparel Sector" was selected.

The discussions of this conference will shed light on the current status of global and Indian textile and apparel sector, futuristic opportunities arising in the sector and strategies for long term growth. The motto for this conference is not just to locate the problem areas or define the opportunities in the sector but also spot the various structural changes that are needed, whose action is required and who will be the catalyst for boosting investment in the textile sector.

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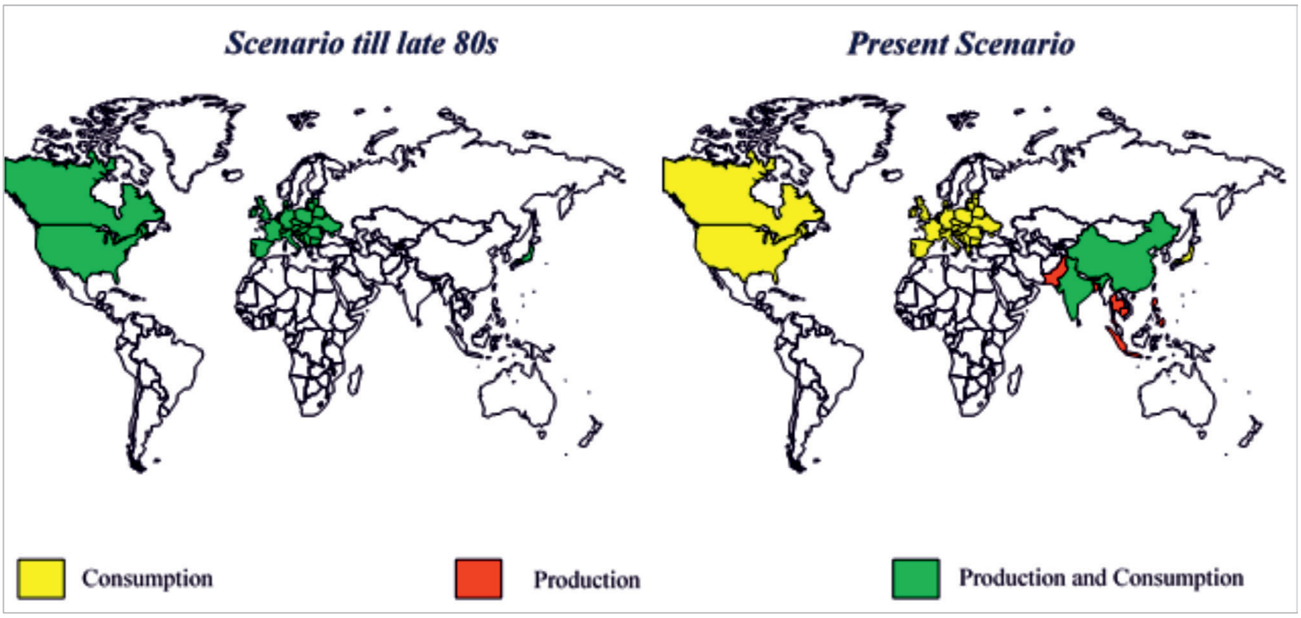
Chapter 1: The way things are

Current status of global textile and apparel sector

Textile and apparel (T&A) products are leading examples of Global Value Chains (GVC) as fibre, yarn, fabric, and garment manufacturing is scattered across the nations depending on their respective manufacturing competitiveness. The geographical distribution of production as well as consumption in textile and apparel has seen a major shift in the last fifty years. Earlier, production and consumption of textile and apparel was centered in USA and EU but over a period of time production of these commodities shifted to low cost destinations, majorly to Asian countries.

Figure 1: Global Production and Consumption Bases



In today's world, USA, Europe & Japan are still the largest consumption bases while manufacturing is concentrated in Asian countries. However, China and India with their large population base and growing economies are now among the largest consumer nations as well.

Changing Manufacturing Landscape

The primary reason for shift in manufacturing locations was cost competitiveness. As the Western world kept on industrializing, the wages rose to very high levels. For examples, from 1960 to 2000, the wages in Japan increased by 88 times, while in Europe it increased approx. 25 to 35 times.

Table 1: Hourly Compensation in Manufacturing Sector (Values in US$)

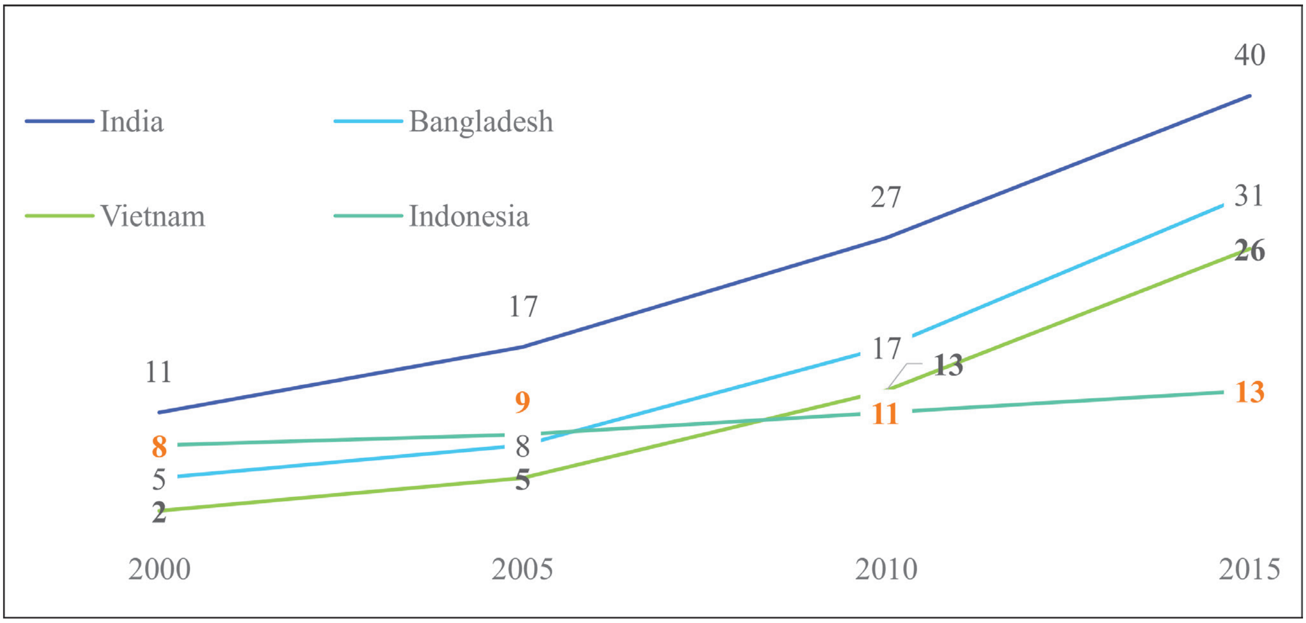
Year	USA	Belgium	France	Germany	Italy	Japan
1960	10.3	3.6	3.9	2.7	3.8	1.3
1970	16.4	9.1	9.1	7.8	11.1	5.0
1980	38.2	59.4	46.3	40.6	46.9	28.0
1990	62.1	89.1	81.8	76.3	104.8	67.2
2000	91.3	90.9	89.7	92.7	92.1	114.6
Growth in 40 years	9x	25x	23x	34x	24x	88x

Source: Bureau of Labor Statistics, OECD

As a result, manufacturing basic products such as textile and apparel was not very profitable. Asian countries on the other hand offered lower wages while some had the added advantage of having a strong fibre base as well viz. China and India. Few Asian countries such as Bangladesh and Turkey also have duty free access which added to their cost competitiveness. Realizing the employment and export potential of this sector, Governments in these countries also provided special investment incentives especially to international investors. As a result, there was rapid growth in textile and apparel output of these countries. Presently, more than 60% of the manufacturing of textile and apparel takes place in Asian and other developing countries.

China has taken the maximum gain from this shift. After the liberalization of China's industrial policy in 1980's, China experienced a massive boost in industrialization and as a result China became a hub of manufacturing. The entry of China in WTO and with it establishing normal trade relations with the USA in 2001 further helped in the growth of China's share in global production and trade. China has used its human resource, infrastructure and manufacturing competitiveness to emerge as the biggest manufacturing base for textile in the world and has remained the largest exporter of textile and apparel in the world maintaining a dominant market share of around 40% since 2000s. Other Asian economies such as India, Bangladesh, Indonesia, Pakistan, Vietnam, Cambodia and Thailand also experienced an upsurge in their textile and apparel exports after 2000.

Table 2: T&A exports of Selected Asian Countries



Source: UN Comtrade and Wazir Analysis

Global Apparel Consumption Scenario

The current global apparel market is estimated at US$ 1.7 trillion which forms approximately 2% of the world GDP of US$ 73.5 trillion. Apparel consumption in top 8 economies constitutes approximately 70% of the global consumption. All four BRIC nations appear among the top markets having a cumulative share of approximately 23%. Combined apparel consumption of US and EU is 40% while they are a home to just 11% of the world population implying a very high level of Per Capita Expenditure on Apparel (PEAP) compared to rest of the world.

Figure 2: Global Apparel Market Size (2015)

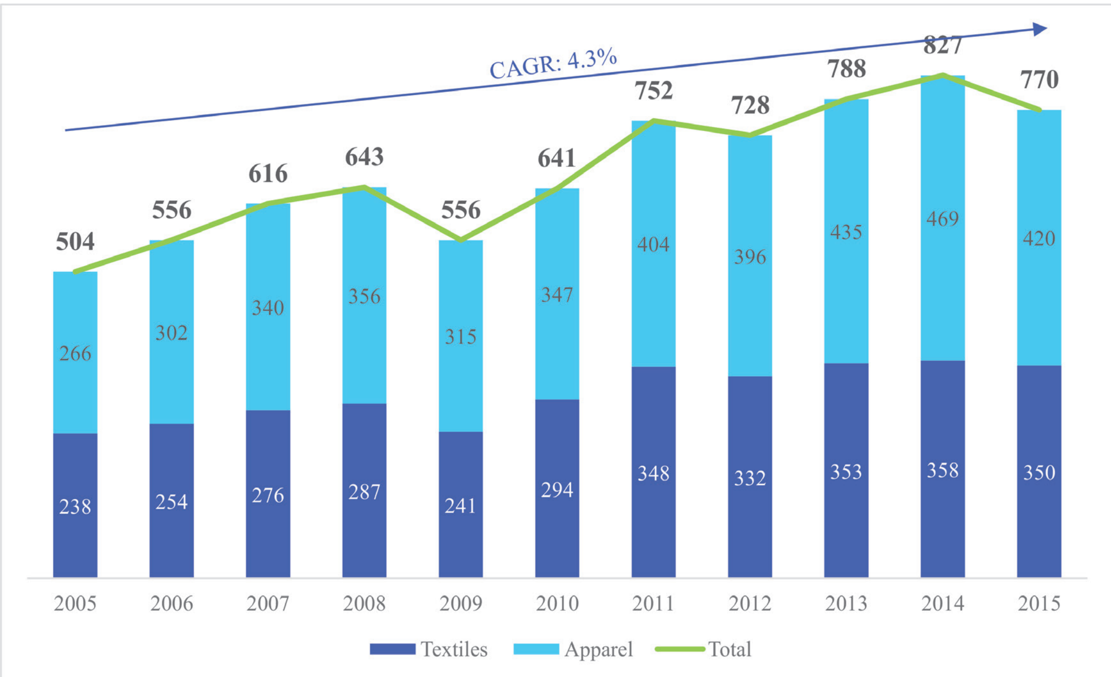
S. No.	Region	US$ bn.
1	EU-28	350
2	USA	315
3	China	237
4	Japan	93
5	India	59
6	Brazil	56
7	Russia	40
8	Canada	25
	Others	510
	Total	1,685

Source: Wazir Analysis

Global Trade Scenario

Out of the total merchandize exports of US$ 16 trillion in 2015, the trade of textile and apparel stood at US$ 770 bn. (5%). Year 2005 is considered a landmark year for textile and apparel sector when the entire quota regime phased out. Since that time the T&A trade has grown at an annual growth rate of 4%. A major decrease in the trade was registered in 2009 due to the demand slowdown which was the result of global financial crisis. However, the trade posted a strong recovery the very next year. From 2009 onwards, the trade has grown continuously for 3 years followed by a year of decline. We have already seen three such cycles, wherein the highest ever trade was recorded in year 2014 worth US$ 827 billion which fell 7% in year 2015.

Figure 3: Historical growth of global T&A trade (Values in US$ bn.)

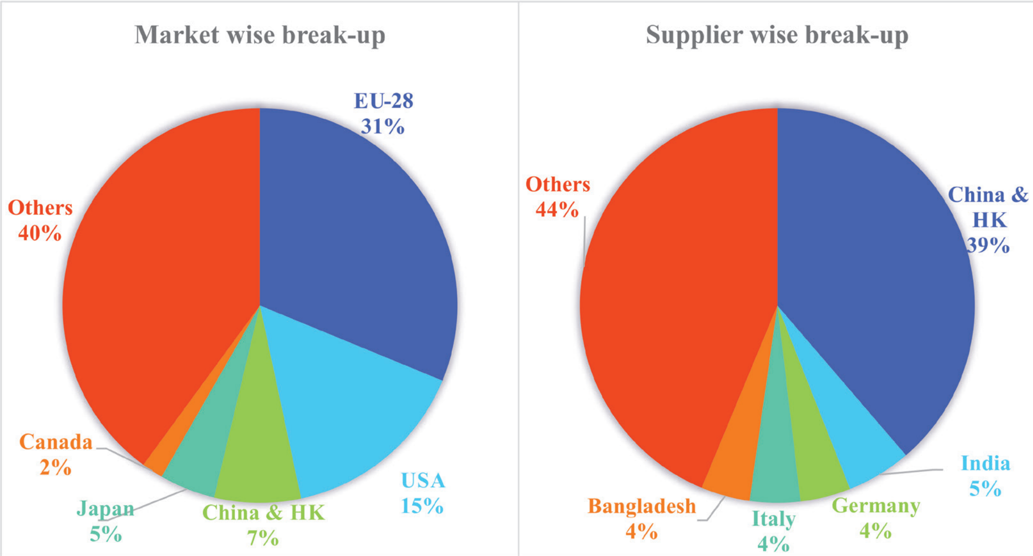


Source: UN Comtrade and Wazir Analysis

Major Exporting and Importing Nations

EU and USA are the largest markets for textile and apparel with a share of 31% and 15%, respectively. The top 5 markets constitute around 60% of the global imports. On the supply side, China dominates the global trade of textile and apparel with a share of 39% remotely followed by India at 5%.

Figure 4: Share of Major Markets and Supplier Nations in Global trade (2015)



Source: UN Comtrade and Wazir Analysis

Over the last many years, there has been a trend of consolidation of supplier bases i.e. fewer and fewer countries are having share of any significance in the global T&A trade. As seen in the chart ahead there were 11 countries in 1995 which had a share of 3% or more in the global T&A which reduced to 7 in 2015. This indicates that the buyers prefer to source from fewer vendors with whom long term strategic relations can be established.

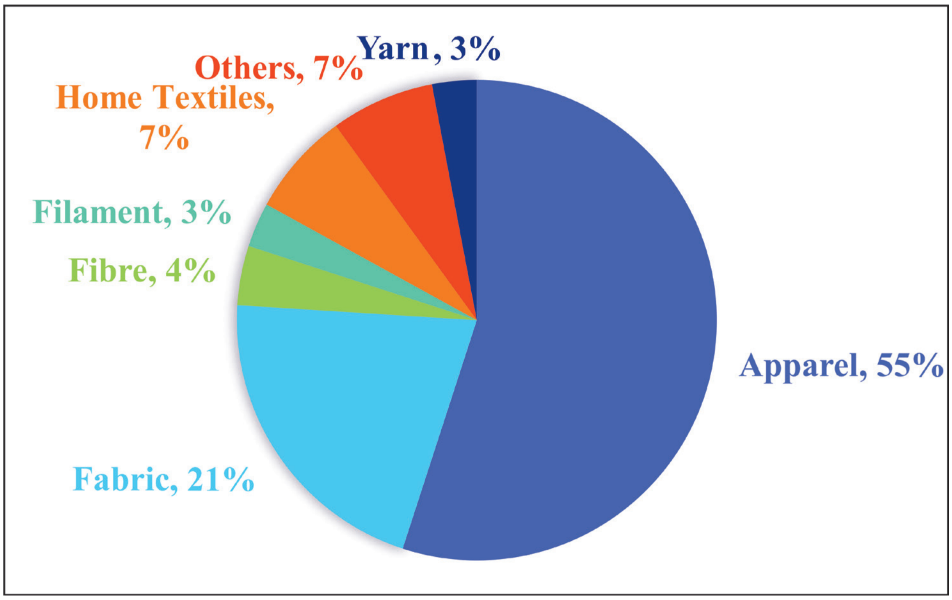
Figure 5: Historical Share of Key Supplier Nations

Source: UN Comtrade and Wazir Analysis

Key Traded Categories

The T&A catgeories cover a wide range of products, fibres, techniques and end-uses. The largest traded category with T&A at the broader level is apparel which had a share of approx. 54% in 2015. It was followed by fabrics with a share of 21%.

Figure 6: Segment wise break of Global T&A Trade (2015)



Source: UN Comtrade and Wazir Analysis

Chapter wise historical trade performance (based on HS Classification) for last three years is provided in table ahead

Figure 7: Segment wise break of Global T&A Trade (2015)

Chapter	Description	2005	2010	2015	CAGR
50	Silk textiles	3	3	2	-4%
51	Wool textiles	13	13	13	0%
52	Cotton textiles	45	56	55	2%
53	Textiles of other veg. fibres	4	4	4	0%
54	Manmade filament textiles	38	42	45	2%
55	Manmade staple fibre textiles	28	34	39	3%
56	Felts & non-wovens	14	20	24	6%
57	Carpets and floor coverings	11	14	15	3%
58	Special woven fabrics	12	12	12	0%
59	Coated / laminated textiles	16	22	24	4%
60	Knitted fabrics	20	26	33	5%
61	Knitted apparel	122	178	223	6%
62	Woven apparel	144	168	220	4%
63	Made-ups & misc. articles	34	49	61	6%
	Total	**504**	**641**	**770**	**4%**

Source: UN Comtrade and Wazir Analysis

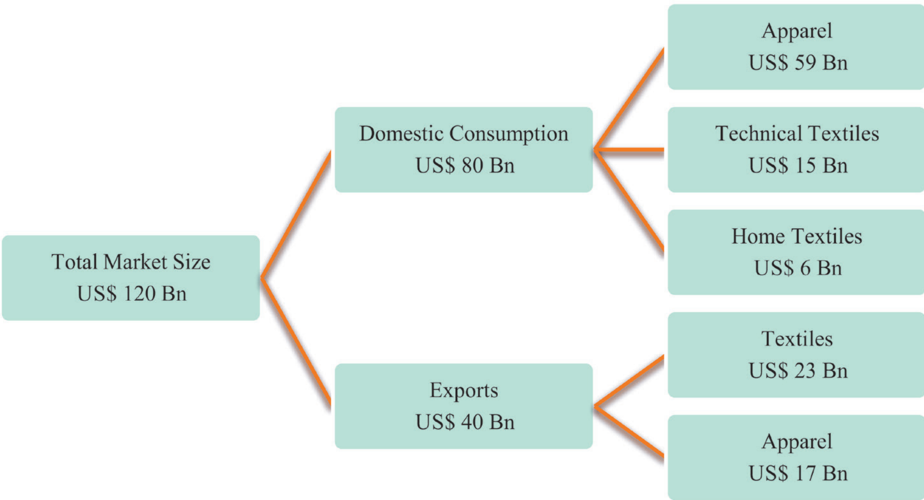
As observed from table above knitted and woven apparel are not only the largest segments but also among the fastest growing ones. Another fast growing category is felts and Non-wovens though the trade value is small.

Chapter 2: Where are we?

India's positioning in global industry

India is the second largest manufacturer of textile and apparel in the world, next to China. Indian textile and apparel market is estimated at US$ 120 Bn. The domestic consumption of textiles and apparel constitutes 65% of the total market size while exports constitute the rest 35%.

Figure 8: India's Textile and Apparel Market Break-up

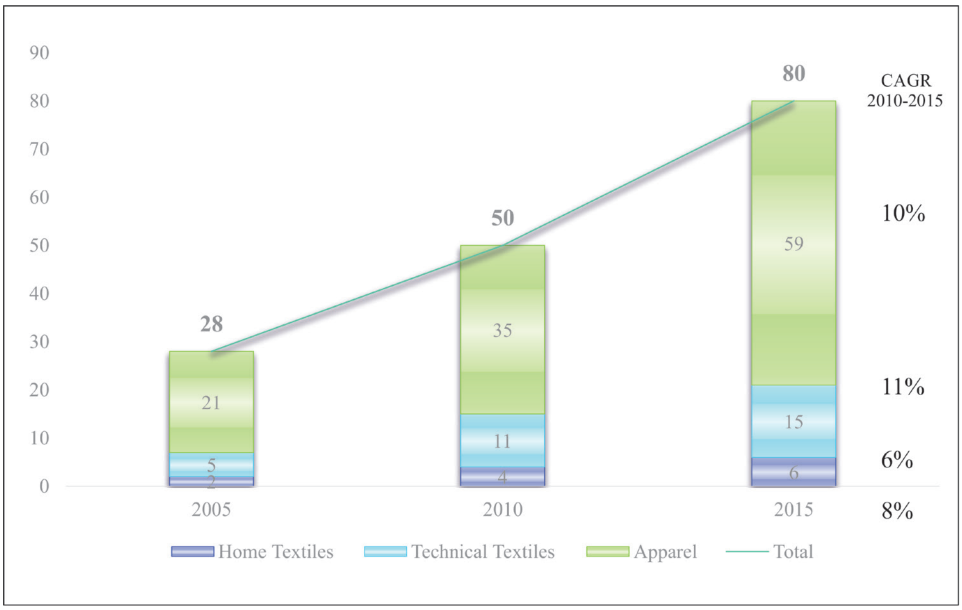


Source: DGCI&S and Wazir Analysis

Domestic Market Overview

The domestic consumption of US$ 80 bn. constitutes of Apparel (US$ 59 bn.), Technical Testiles (US$ 15 bn.) and Home Textiles (US$ 6 bn.). From 2000 to 2015, the overall consumption has grown at a healthy 11% CAGR.

Figure 9: Historical Growth of Indian Domestic Market (Values in US$ bn.)



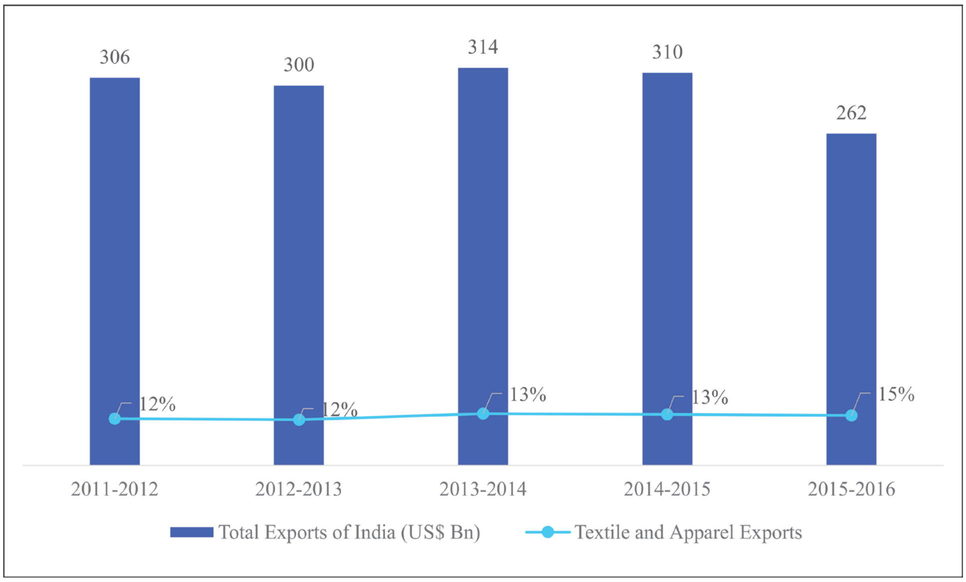
Source: Wazir Analysis

Indian consumers' affinity towards brands and organized retailing is increasing, which is helping the consumption growth of all products, including textile and apparel. Organized retailing in India currently stands at only 8% of the overall retail market of US$ 550 Bn. Within this, apparel has a share of approximately 8%. With growth of disposable income, favorable demographics, changing lifestyles and a high potential for penetrating non-urban metro markets; the share of organized markets in India is expected to reach 31% by 2025. India is also witnessing growth of its aspiring middle class who tend to seek value and consume premium products. This shift in number of households within different income brackets will improve the consumption of products and services, which will definitely include textile and apparel as a lifestyle choice to enhance fashion. The vast population base and growing economy has caused global retailers and brands to enter the Indian market, either on their own or through local partners.

Indian Exports Overview

The textile and apparel sector is a major contributor to the total export earnings of India. Currently, it contributes to 15% of the total export earnings of US$ 262 Bn. The share of the sector in exports has increased from 12% in 2011-2012 to 15% in 2015-2016.

Figure 10: Share of T&A in Total Exports of India

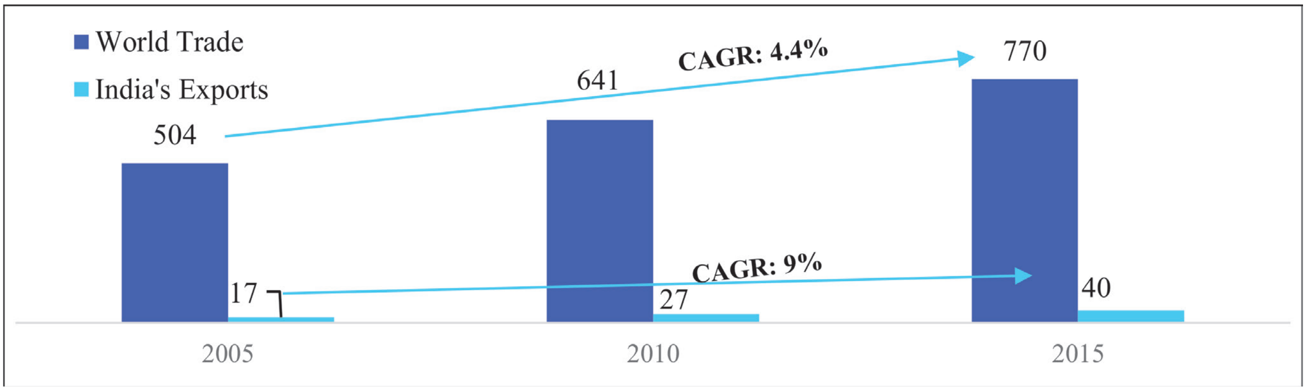


Source: DGCIS

India's key strengths in this sector lies in availabilty of all types of natural and manmade fibres, large pool of manpower across the levels of hierarchy, presence of complete value chain, design capability and flexibility in production. Indian exporters are also well supported by Government Schemes such as Duty Drawback, Rebate of State Levies (ROSL), Merchandies Export from India Scheme (MEIS), Advanced Authorization, Interest Subvention, Market Development Assistance (MDA) and Market Access Initiative (MAI). These support initiatives allow Indian exporters to overcome a large part of duty disadvantage they face in markets of EU and US where some of the competing nations get a zero duty access.

Global textile and apparel trade grew at a CAGR of 4.4 % over the last decade to reach a value of US$ 770 bn. in 2015. During the same period, India's export of textile and apparel grew at a comparatively higher rate of 9% to reach US$ 40 bn.

Figure 11: Comparative Performance of Indian T&A Exports vis-à-vis Global Trade (Values in US$ bn.)

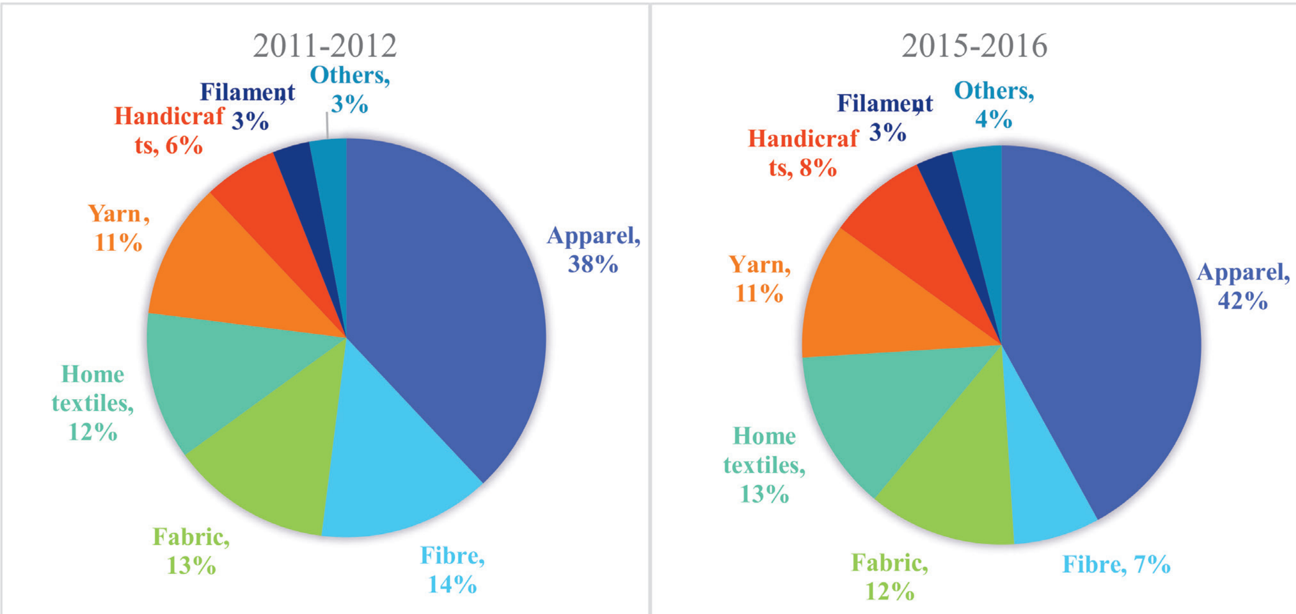


Source: UN Comtrade and DGCIS

Segment Wise Share

In terms of global ranking, India is ranked 2nd in textile export with 6% share and 5th in apparel export with 5% share. Overall, India holds second position with 5.2% share of global exports. Apparel is the largest category exported from India having a share of 42% in the total textile and apparel exports. The share of apparel has increased considerably from 38% in 2011-12. Home textiles is the second largest category exported from India with a share of 13% share followed by fabric, yarn and handicrafts with a share of 12%, 11% and 8% respectively. The top traded commodity was cotton yarn followed by T-shirts and women's ensembles and suits.

Figure 12: Segment Wise Share of Indian Textile and Apparel exports

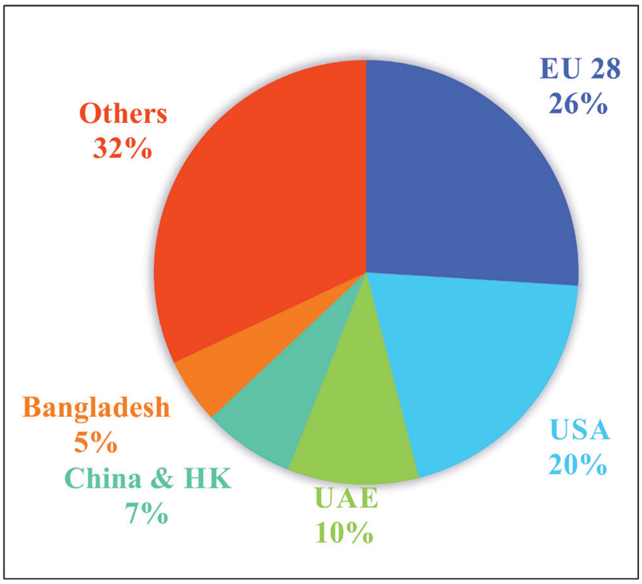


Source: DGCIS

Major Markets

European Union is the largest market for Indian textile and apparel products followed by USA. In 2015-16, share of exports to EU was 25% whereas that to USA was 21%.

Figure 13: India's Key Markets for Textile and Apparel Exports



Source: DGCIS

A detailed analysis of India's exports to key markets over last 5 years indicate that exports to UAE have shown the highest growth rate with a CAGR of 19% while that to China and Hong Kong have shown a sharp decline of 17%.

Table 3: T&A Export Trend in Key Markets

Values in US$ Mn	2011-12	2012-13	2013-14	2014-15	2015-16	CAGR
EU	10,216	9,081	10,366	10,694	10,113	-0.3%
USA	6,521	6,742	7,408	8,064	8,450	7%
UAE	2,402	2,391	3,007	4,159	4,780	19%
China & HK	4,466	3,936	4,441	2,819	2,158	-17%
Bangladesh	1,269	1,773	1,935	1,983	2,097	13%
Others	11,699	11,562	13,173	12,983	12,385	1%
Total	36,573	35,484	40,329	40,702	39,984	2%

Source: DGCIS

Chapter 3: What lies ahead?

Upcoming structural changes and emerging trade opportunities

Today's textile and apparel sector is again at the cusp of some major structural changes. The demand pattern is governed by the economic growth of regions, which indicates a slowdown in developed countries while strong growth in China and India. The export growth rate of China has already slowed down, a trend that will lead China to lose some share of global market while still being the largest exporting nation. The opportunity arising because of China's export growth slowdown can help countries like India, Bangladesh, Vietnam, etc. to increase their trade share. FTAs of these suppliers with major markets of EU, USA and Japan will be of special importance. On the supply side, lack of growth in cotton output will help synthetic to gain share continually. These are some of the mega trends that will impact the industry structure over the next decade. Some of these trends are discussed in details ahead.

China and India: Big market opportunity

China and India have successfully leveraged their large human resource base, low manufacturing costs and large scale infrastructure to achieve leading position in the world trade. While China has been at the forefront of attracting investments across the sectors, India is also catching up fast. As a matter of fact, India replaced China as the largest FDI recipient nation in 2015.

The present apparel market size of China and India is estimated to be US$ 237 bn. and US$ 59 bn., respectively. Over next few years, the combined apparel retail economy of China and India will represent a significant proportion of the global apparel consumption surpassing several developed markets. Both markets have shown robust growth in past despite global uncertainties and slack demand. From 2007 to 2015, the Chinese market posted an annualized growth of 15% whereas the Indian market registered a somewhat lower growth of 11%. However, both the markets have performed better than the largest consumption regions (US, EU and Japan) where change in economic conditions led to lower demand growth.

Both the Chinese and Indian economies are expected to maintain high growth rates in the next decade which will be the major driver of apparel market growth in both countries. Studies show that countries after achieving a per capita GDP of more than $US 2,500 experience a spur of economic growth led by consumer spending. The Indian economy is expected to reach this target by 2020, whereas China is already well past this level.

Apart from economic growth, India's market growth is expected to be supported by increasing youth population and high purchasing power, shift from need-based purchase to aspiration-based purchase, rurbanization and urbanization and growth of new retail formats with better reach. For China, the specific demand for kidswear is expected to rise with abolition of one-child policy. Similarly, the demand of outdoor wear and fast fashion categories is increasing rapidly. There is also gradual increase in spending of Chinese customer from offline to online retail channel.

All these changes are expected to make the combined market of China and India larger than that of EU and USA, as shown below:

Table 4: Projected Apparel Market Size of China & India and USA & EU in 2025

Values in US$ bn.	2015	2025	CAGR
India	59	180	12%
China	237	615	10%
China & India	296	795	11%
USA	315	385	2%
EU	350	390	1%
USA & EU	665	775	2%

Source: Wazir Advisors

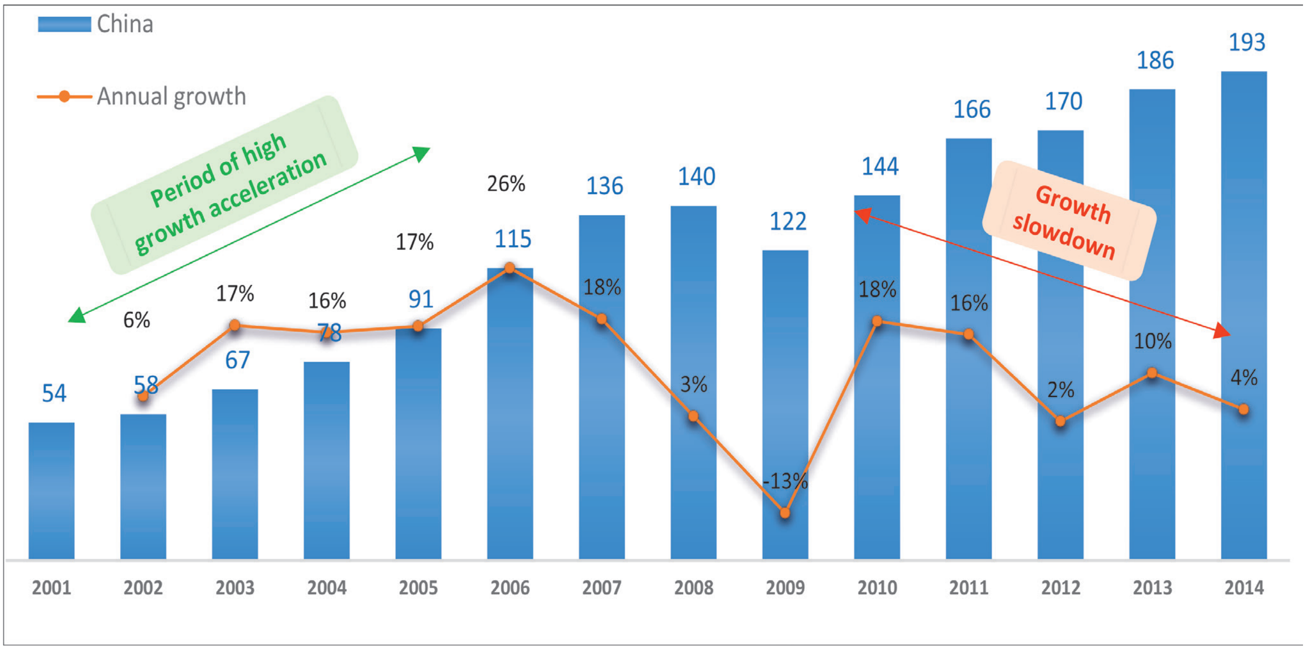
Growth in retail front will lead to a trickle-down effect in the local manufacturing value chain benefitting national manufacturers the most. Huge growth will make domestic market more attractive than exports in many cases for national manufacturers

Rising Chinese Domestic Market will create opportunity for other countries

China has dominated the global trade in last two decades with a share of more than 40%. China is at the juncture now where private consumption is replacing investment as the major driver of GDP growth and will eventually constitute the largest share of GDP. High levels of investment are converting into consumption, creating structural changes in the export oriented sectors like apparel.

Between 2001 and 2014, Chinese apparel exports increased more than 3-folds from US$ 54 billion to US$ 193 billion, growing at 10% CAGR. However, the growth has slowed down in the last few years. From the below chart, it can be seen that after 2010 the exports growth has slowed down in comparison to the period before financial crisis where annual growth was 15% on an average. The trend is expected to remain the same in future.

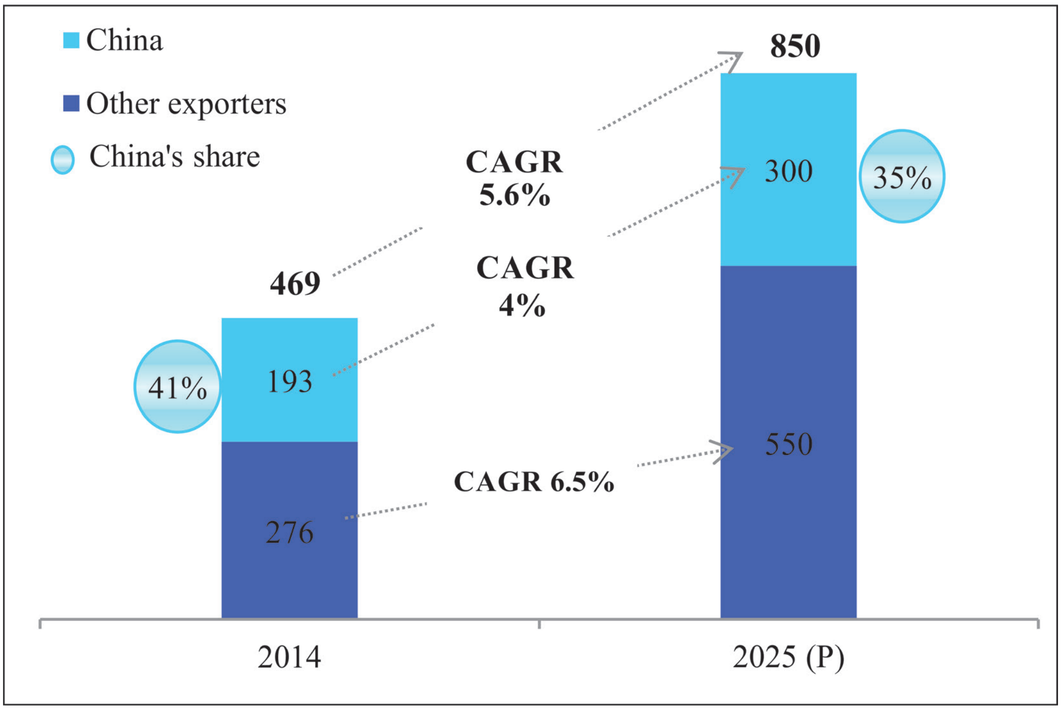
Figure 14: China's Apparel Trade (US$ billion)



Source: UN comtrade database

High growth of domestic demand, wage increase, movement of manufacturing towards more value added segments and relocation of manufacturing to neighboring countries will cause China's export rate growth to slow down. However, China with its vast land base, plentiful resources, manpower strength and large manufacturing setup will continue to be the single largest apparel global manufacturer in foreseeable future. Exports will only slowdown to the extent that China's domestic market will become increasingly attractive for local manufacturing.

Figure 15: Global Apparel Trade Projections until 2025 (In US$ bn)



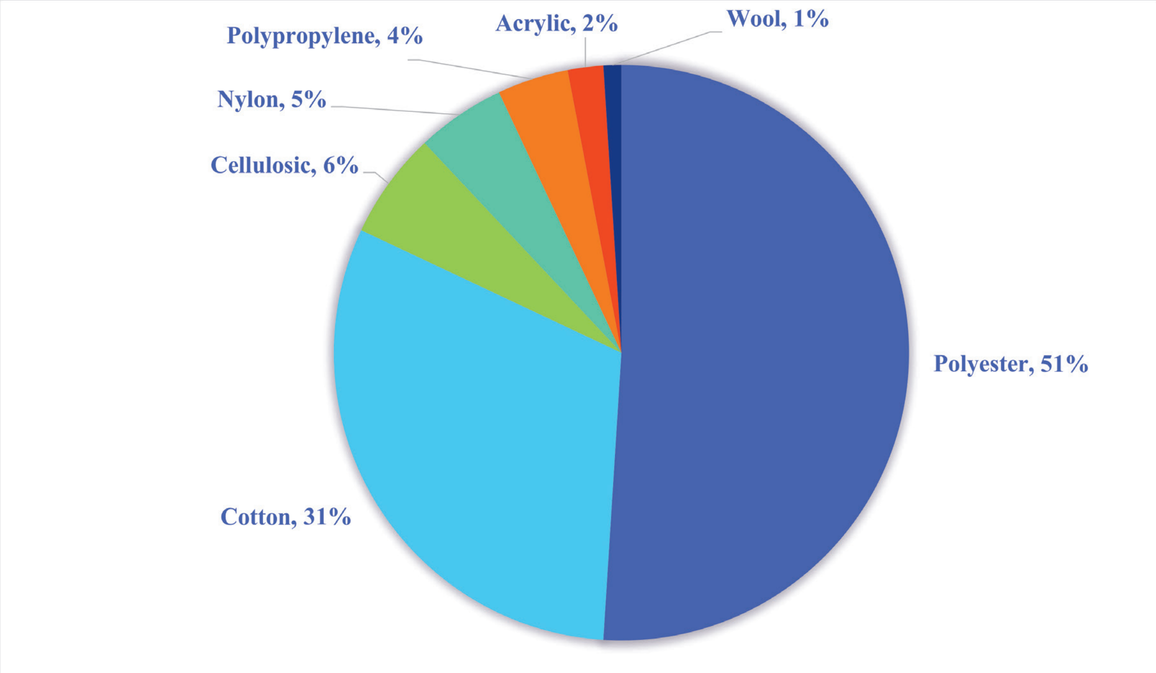
Source: Wazir Advisors

Reduction in share of China in global exports in 2025 corresponds to a value of US$ 50 billion for which other apparel exporting nations will compete. The beneficiary nations of this opportunity would be the ones that have competitive manufacturing cost, FTA advantage with key markets, and good export infrastructure. But, the main issue to be addressed would be development of textile capability and scale of manufacturing comparable to that of China. Beyond these productivity, service and product development will be important for filling the void created by China. FTAs with USA and EU will be an added advantage but it is important to note that China thrived without them. None of the top 5 garment suppliers to US – China, Vietnam, Bangladesh, Indonesia and India today have any preferential access to US. On the contrary, exports from countries in CAFTA, AGOA, etc. have continued to shrink in last many years. Nations which can benefit most from Chinese growth slowdown include Vietnam, Ethiopia, Kenya, Myanmar, Bangladesh and India; but not necessarily in that order.

Consumption of man-made fibers will grow globally

In 2015, the global fibre consumption was around 90 Mn tons out of which polyester and cotton had a share of 51% and 31%, respectively. Rest 18% was contributed by other fibers.

Figure 16: World fibre consumption in 2015 (volume share)



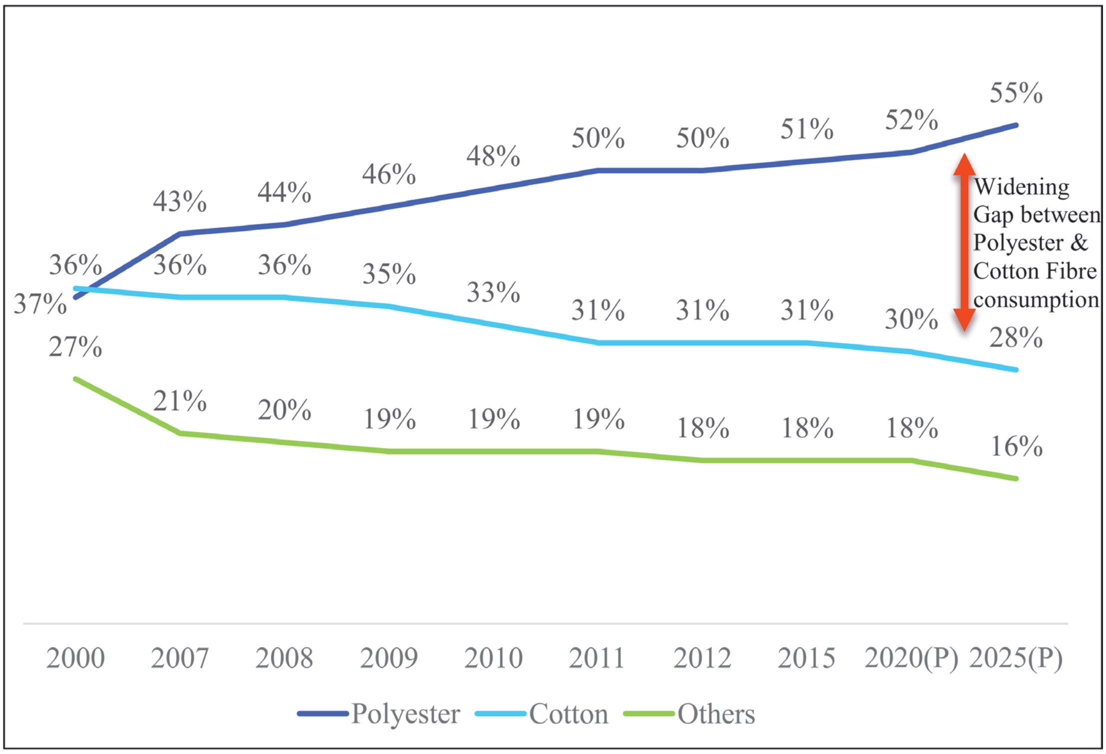
Source: PCI Analysis

Cotton has always been and will continue to be a crucial raw material to the textile industry, but due to supply side pressure it may struggle to satisfy growing demand in the future. It is expected to stagnate around the current level of 26 mn tons over the next years. On the other hand, the global fibre demand is continuously growing. The global fibre demand is expected to grow at a CAGR of 2.5% reach 115 mn tons by 2025. This supply demand mismatch will lead to increase in consumption of polyester fibre and to some extent by cotton-like fibre viz. Viscose.

Changes in consumer lifestyle like increasing emphasis on fitness, rising brand consciousness, fast changing fashion trends, increasing women participation in workforce and hygiene consciousness are driving the trends in the end products. Impact of such trends is passed along the textile value chain which in turn has resulted in high demand of the fibres that can fulfil these requirements at affordable price. In this context polyester has proved to be the most cost effective and adaptable fibre. As a result, polyester is expected to dominate the global textiles in foreseeable future in almost all end use categories while cotton will slowly lose its share.

Wide acceptance of MMF in end use categories like sportswear, leisurewear, women dresses, home textile, automotive, carpets and other industrial sectors has increased the market demand of manmade fibers. As a result, polyester is expected to dominate the global textile in future in almost all end use categories while cotton will slowly lose its share. The share of cotton is expected to continue to decline from 31% in 2015 to 28% in 2025. During the same period, share of polyester will grow from 51% to 55% implying that by 2025 global consumption of polyester will be almost double than that of the cotton fibre.

Figure 17: Global Fibre Consumption Trend



Source: PCI Analysis

FTA will drive trade and investments in the sector

Textile and apparel industry is a labor intensive industry because of which several nations adopt a protected regime by imposing high duties to safeguard the interest of domestic manufacturers.

Table 5: Average and Peak Tariff rates on textile and apparel products in USA, EU and Japan

	USA		EU		Japan	
	Avg. Tariff	Peak Tariff	Avg. Tariff	Peak Tariff	Avg. Tariff	Peak Tariff
Textiles	7.9%	34%	6.6%	12%	5.4%	25%
Apparel	11.6%	32%	11.5%	12%	9.0%	13%

Source: World Tariff Profile 2015, WTO

Key apparel markets EU, USA and Japan have multiple market access arrangements with several key manufacturing nations. They have either entered into different types of trade arrangements or provided special status to certain countries thereby lowering or eliminating tariff rates. Nations such as Bangladesh, Turkey, Sri Lanka, Pakistan, etc. have emerged as major apparel exporters mainly because of preferential duty access they have to one or more of these markets. In fact, China is the only large manufacturer of textile and apparel which does not have any special market access to US, EU or Japan. India though has CEPA with Japan, but the Indian textile and apparel exports to Japan is insignificant.

FTAs are gaining vital importance in global textile and apparel industry. The US and the EU have begun negotiations on the Transatlantic Trade and Investment Partnership (TTIP); Trans-Pacific Partnership (TPP) involving US and 11 other countries has been signed and India, China, ASEAN nations & four others have initiated negotiations to establish the Regional Comprehensive Economic Partnership (RCEP). These three mega FTAs have the potential to change the global trade and investment flow owing to their cumulative economy size as well as population.

Apart from these mega FTAs, there are other bilateral agreements under various stages of implementation which will impact the global trade and investment flow in textile and apparel sector. For example, Vietnam-EU Free Trade Agreement (VEFTA), which will come into effect from 2018, is expected to boost the Vietnam’s apparel exports to EU at the expense of other large exporters to EU like China, Bangladesh, Turkey, India and Morocco.

Chapter 4: How to tap the opportunity?

Paradigms for achieving high trade growth

Future opportunity in textile and apparel is beyond question but for businesses to gain market share overall competitiveness will be the key in terms of cost, quality, compliances, logistics, services and product development. manufacturers across the globe have to confront four major challenges:

- Buyers command a strong control over manufacturing value chain
- Low entry barriers lead to intense competition from unorganized players
- National as well as bilateral/international policies have the potential to make or break an entire business model
- Maximum trade is concentrated in price-sensitive commodity business lacking product differentiation

In such a scenario, attaining manufacturing excellence becomes a function of six factors: Productivity Enhancement, Market Intelligence, Sustainable Manufacturing, Product and Design Development, Recruiting & Retaining Talent and International Partnerships

a. Productivity Enhancement

The demand for higher value at lower price strongly drives the need for productivity enhancement. Beyond a handful of organized players, the textile and apparel industry majorly comprises of fragmented entities that lack the financial and managerial bandwidth to identify, analyze and rectify productivity related challenges. This is specifically true for apparel sector units. In general, Indian garment units operate at a lower productivity levels than their counterparts in countries like China, Bangladesh, Turkey, etc. A ball park comparison of productivities in these countries is given below.

Table 6: Apparel Factory Productivity Levels in Selected Countries

Country	Productivity level
India	40-45%
Bangladesh	50-55%
Turkey	60-65%
China	60-65%

Source: Industry feedback

Fragmented nature of industry, management mind set, lack of best practices & technical knowhow and higher attrition rate are some of the major reasons which are responsible for this position.

In simple terms, higher productivity means higher output from the same set of manufacturing set-up. With higher production, the variable cost of production (fabrics, trims, etc.) will increase proportionally but the fixed costs (overheads, depreciation, etc.) remains unchanged which improves the bottom-line. The importance of higher productivity cannot be overstated. Not only it leads to cost competitive manufacturing but it enables companies to improve their lead time and execute larger orders.

Productivity improvement in an apparel factory can be achieved by focusing on all entities of a manufacturing ecosystem- manpower, machine & material and capital. The key components of what is referred to as 'Factory re-engineering programme' are production planning & control, systems and processes at shop floor, workforce training, use of work aids and factory layout planning. It is estimated that 15% improvement in productivity in apparel units can result in improvement of EBIDTA by 30%, even after paying higher wages to workers in form of production incentives. At a country level, presence of efficient firms would increase India's overall image in the world market attracting larger orders and also enhance wage earning opportunities of the workforce.

b. Market Intelligence

Market intelligence forms an important part of growth as it helps the businesses to figure out the upcoming high traffic products and customers. It helps companies take decisions on taking the right move like entering into a new market, expanding an existing business, establish a distinctive identity or marketing around customer needs.

Every product has a life cycle - innovation, introduction, growth, maturity and decline. All businesses that have product specific profiles face a similar maturity when the product is in its decline phase. To maintain the profitability of business, product extensions or brand innovation becomes important. Thus, identifying the right product at right time can help companies build their distinctive image. For example-the women's bottom wear leggings entered the Indian market just a few years back but gained quick acceptance and has turned into a Rs. 800 crore market.

Market intelligence helps companies choose the correct way of diversifying their businesses. It may be extension of product lines, changing the target consumer base or entirely entering into a totally new segment.

Continuous tracking of global and domestic trends is a must for any business and T&A is no exception, though the reality is that Indian T&A companies at large are yet to appreciate this aspect and establish such systems in-house.

c. Sustainable Manufacturing

Environmental and social compliances are no more optional. The general motto these days is "Compliance first, Business next". Any large buyer before selecting a supplier ensures that all the compliance aspects are met by the factories. Any failure in these aspects are a strong ground for rejections.

d. Product and Design Development

Product development involves modification of an existing product, or formulation of an entirely new product that satisfies a newly defined customer want or market niche by offering additional benefits. It has become important for companies to assess the gap in market and come up with new or improved products to have an advantage over competitors. A successful product development strategy can help businesses increase revenue and gain profitability. Product development has been adopted by numerous businesses to stay competitive in the market. For example- Nike came up with the Dri-fit fabric which was an unheard product initially but later took the sportswear industry by storm.

Several global companies follow the approach of increasing revenue through product development. For example, Freudenberg, world's 2nd largest nonwovens company invested USD 350 Mn of its sales in research and development, which is 4.2 % of its sales of USD 8400 Mn. Additionally, it engaged nearly 2700 employees into its R&D sector. Freudenberg measures the effectiveness of its R&D activities as the share of new products which was nearly 25% of its total sales.

e. Recruiting & Retaining Talent

Recruiting and retaining talent is amongst the most formidable challenges to achieve growth in any organization. The textile industry specifically faces this challenge on a large scale as the awareness about career opportunities in the sector is low. In addition to this, employees find career growth in the sector to be low as compared to other sectors because of the low remuneration by textile and apparel players. This talent shortage could worsen in years ahead because of the lucrative emerging opportunities in various other sectors.

Hence, it becomes important for the businesses to not only locate and recruit employees but rather bring a change in the working environment as well for their successful retention. Thus, hiring and retaining talent should be considered a marketing activity the same way as finding new clients is.

f. International Partnerships

With an emphasis on product development, many companies have started exploring potential tie-ups or partnerships with international players be it for manufacturing, marketing or brand licensing. Such collaborations help the company upgrade in terms of skill sets, manufacturing capacity, design and operational efficiency as they get an access to the partner company’s valuable resources including market foot-print.

Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the growth of industry in India, partnering industry and government alike through advisory and consultative processes.

CII is a non-government, not-for-profit, industry led and industry managed organization, playing a proactive role in India's development process. Founded over 115 years ago, it is India's premier business association, with a direct membership of over 8100 organizations from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 90,000 companies from around 400 national and regional sectoral associations.

CII catalyzes change by working closely with government on policy issues, enhancing efficiency, competitiveness and expanding business opportunities for industry through a range of specialized services and global linkages. It also provides a platform for sectoral consensus building and networking. Major emphasis is laid on projecting a positive image of business, assisting industry to identify and execute corporate citizenship programmers Partnerships with over 120 NGOs across the country carry forward our initiatives in integrated and inclusive development, which include health, education, livelihood, diversity management, skill development and environment, to name a few.

CII has taken up the agenda of "Business for Livelihood" for the year 2010-11. Businesses are part of civil society and creating livelihoods is the best act of corporate social responsibility. Looking ahead, the focus for 2010-11 would be on the four key Enablers for Sustainable Enterprises: Education, Employability, Innovation and Entrepreneurship. While Education and Employability help create a qualified and skilled workforce, Innovation and Entrepreneurship would drive growth and employment generation.

With 64 offices and 7 Centers of Excellence in India, and 7 overseas in Australia, China, France, Singapore, South Africa, UK, and USA, and institutional partnerships with 223 counterpart organizations in 90 countries, CII serves as a reference point for Indian industry and the international business community.

Wazir Advisors is a management consulting firm with a special focus on textile value chain assisting clients in strategy formulation and implementation, forming alliances and joint ventures, investments, market understanding, sector analysis and due diligence – thereby providing end to end solution spanning the complete business cycle in textile sector.

Having worked with leading national and international companies, public sector organizations, Government departments, development agencies, trade bodies etc., Wazir has a deep understanding of business dynamics and right connect with people in the sector.

Wazir's team of sector experts possess experience across functions – projects, operations, sourcing and marketing. The team members have worked on strategy and implementation assignments in all major textile and apparel manufacturing and consumption bases across the globe.

Wazir leverages its body of knowledge, contacts and combined expertise of its team to deliver value to the clients. Wazir offer services in following areas:

Strategic Advisory Services

- Corporate strategy
- Business performance enhancement strategy
- Market entry strategy
- Marketing and distribution strategy

Market research

- Consumer surveys
- Trade research
- Market intelligence
- Customer feedback & relationship management

Services for Govt. and Development Agencies

- Sector growth strategy
- Export and trade promotion
- Policy formulation
- Policy evaluation
- Establishment of industry support centers Implementation Assistance
- Apparel factory re-engineering
- Productivity improvement for apparel factories
- Supply chain optimization
- Training for operators, supervisors and middle management

Support for investments

- Cross border investments
- Company due-diligence
- Location analysis
- Partner search - M&A and JV, other forms of business partnerships
- Feasibility studies and bankable Detailed Project Report (DPR) preparation

Thought leadership

- Conference Knowledge partner
- Sector whitepapers

Confederation of Indian Industry

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