

Competitive Pressure and Customer Satisfaction in the Export Marketing Of Garments in Karnataka

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Abstract – *In a rapidly changing competitive world, the success of any organization will depend heavily on its ability to meet demands and respond quickly to fluctuations and change. In this fashion conscious world, wherein consumers are keenly interested in different styles for each new season has clearly shifted to the future of the Indian garment exports. So the Indian garment exporters slowly and steadily following global trends of supply chain collaboration and developed a set of strategies to manage them as a result several of the world's leading fashion brands are sourcing products from India.*

With the phasing out of the Multi Fibre Agreement (MFA) in 2005 the world garment industry was put on one platform where the countries had to compete with each other to grab business. On the one hand work pressure has been constantly rising while on the other working conditions in the factories are going from bad to worse. While the garment industry is one of the biggest sources of export, with considerable and rapid increase in growth, there has been a corresponding race to the bottom in so far as labour standards and wages are concerned. A competitive pressure has substantially increased at most of the levels, customer is supposed to get better offer and value for his money offers. This will definitely makes customer more satisfied. The Indian garment industry is a major source of employment and foreign exchange contributes to 4% of the country's GDP and 14% of its industrial output. This industry being the second largest employer provides jobs to around 35 million people play an extremely significant role in terms especially of share in value added, foreign exchange earnings, and employment.

There is a tremendous opportunity for export of garment products. However, our country has not been able to convert this potential into reality, mainly due to the lack of market competitiveness, technical up-gradation, operational efficiency and increase in input cost and so on; as a result India's presence is felt only in the low value segment. In the view of above problems, this article highlights various issues of export, competitive pressure, recent trends in customers satisfaction, Govt. support etc. of garment sector in Karnataka.

Key words: *Garment industry, export led growth, export market, competitiveness of garment, Competitive pressure, customer satisfaction, Recent trends in garments, problems*

INTRODUCTION

India's garment industry being the second largest employer provides jobs to around 35 million people and plays an extremely significant role in terms especially of share in value added, foreign exchange earnings, and employment. The workers in these garment factories are almost always illiterate/ less educated. They have very limited knowledge of human rights, working conditions and labour standards. Garment workers are concerned with long working hours or double consecutive shifts, personally unsafe work environment, poor working conditions, wage and gender discrimination. Indeed, employers treat the RMG workers as slaves, exploiting workers to increase their profit margins and keep their

industry competitive in the face of increasing international competition. However, fear of losing their jobs and lack of alternative job opportunities compel workers to continue in unsatisfactory employment. Indian exporters have been under continuous pressure to comply with international labour standards. Ensuring Social compliance is very important in the garments industries to both maintain quality of products as well as meeting the expectations of the export market. Therefore, an effective initiative by the Government in this regard can provide a basis for negotiating with buyers for a unique set of Codes of Conduct, based on national laws and core labor standards.

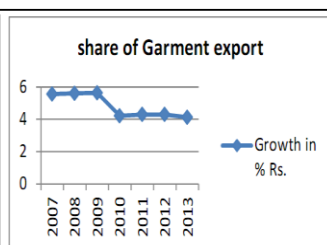
21st century is different in many aspects for business

management; competition is at all-time high as well customer seems to be aware about his rights. The customer satisfaction is appraised through competition pressure in the recent business scenario. There is boon or bane in customer satisfaction due to liberalization, privatization and globalization. But Indian garment exporters are facing a strong competition from a number of other low costs countries like Indian, Cambodia, China, Indonesia and Vietnam. The elimination of quotas has brought threats to Indian garment exporters as well as opportunities. China has continued to make massive gains, except when its exports have been restrained by quotas, and new competitors have appeared like Vietnam. India has faced pressure to open its market to foreign suppliers under the WTO requirement hence the Indian garment manufacturers increasingly encounter fierce competition from foreign suppliers who have long eyed the huge Indian market.

Over the past few years the Indian garment industry has been in a state of continuous restructuring. A combination of technological and socio-economic changes, production costs, liberalization, and the emergence of important international competitors are influencing the garment supply chains. Garment companies are facing increasing competition and cost pressures. Removal of quota system in India created tremendous pressure on Indian garment industry to restructure their whole business operations. Garment supply chain has to deal with long supply and manufacturing lead-times. On other hand it has a very short product life cycle. Hence supply chain collaboration is an important key factor for retailers and manufacturers to survive in this highly competitive market.

Table; 1 Share of Garment Export During 2007 to 2013
(Value: Rs. Crore)

Year	Total textile exports	Readymade Garment export	% of Readymade Garment export to total textile exports
2007	655864	36498	5.56
2008	840755	47113	5.6
2009	845534	47608	5.63
2010	1148170	48356	4.21
2011	1342689	57691	4.29
2012	1459281	62625	4.29
2013	1634672(P)	67413	4.12



all specialize in different types of garment production. Bangalore is one of the main centres of production of garment. With the phasing out of the Multi Fibre Agreement (MFA) in 2005 the world garment industry was put on one platform where the countries had to compete with each other to grab business. On the one hand work pressure has been constantly rising while on the other working conditions in the factories are going from bad to worse. While the garment industry is one of the biggest sources of export, with considerable and rapid increase in growth, there has been a corresponding race to the bottom in so far as labor standards and wages are concerned.

This study is conceptualized in the above context; it focuses on working conditions of laborers based on the competitive pressure faced by the Bangalore garment industries like Tesco, Wal-Mart (Asda/ George) and M&S.

GARMENT SECTOR IN KARNATAKA

The State of Karnataka in the Indian Union has a sizeable presence in the garments and textiles sector and it has a mixed culture due to its geographical location and floating population.

The clothes are an epitome of a culture and people in different parts of the world have their own styles of dressing which symbolize their culture and status. In the liberalized period, Karnataka has emerged as a major sourcing destination for garment buyers from all over the globe.

There are around 1200 big, medium and small garment factories in the city of Bangalore with nearly fifty thousand workers working in these factories. Of these, seventy percent are women, and most are first-generation migrants from rural Karnataka. The garment industry in Bangalore is growing rapidly.

The trend is towards larger factories, and higher concentration of capacity and workforce. This is the result of Bangalore becoming the preferred destination of large brands like Crocodile, Van Heusen, Arrow, Allen Solly, Lee, Lacoste, Levis, Strauss, Tommy Hilfiger, Marks and Spencer, Gap, H&M, Matalan and Mothercare etc. There is substantial industry confidence in the continued growth and profitability of the sector. This is evident from the various industry transactions of major capital restructuring.

Source: Foreign trade statistics of India (principal commodities and countries) DGIG&S, Kolkata, 2011-12

There are five different garment production hubs in India;

Table: 2 District wise distribution of Readymade Garments in Karnataka

S.No	District	No. of Units	Investment on plant & Mach (Rs.in Lakhs)	Total investment (Rs.in Lakhs)	Employment (No's in hundreds)
1	Bangalore urban	2039	1167.78	17111.24	4577
2	Belgaum	772	13.99	533.21	269
3	Bellary	1282	792	1092.18	614
4	Bijapur	613	35.17	522.23	355
5	Bidar	612	9.45	233.24	25
6	Chitradurga	256	5.19	131.62	98
7	Chikmagalur	334	9.1	157.14	143
8	Madikeri	235	4.45	98.23	129
9	Dharwad	1595	21.78	425.51	407
10	Gulbarga	655	12.86	228.86	168
11	Hassan	300	7.14	150.51	75
12	Karwar	204	3.46	101.12	78
13	Mangalore	584	25.3	573.06	372
14	Kolar	676	26.72	494.14	494
15	Mandya	299	8.86	214.44	205
16	Mysore	567	18.16	377.18	353
17	Raichur	139	13.78	170.13	69
18	Shimoga	1251	15.76	506.48	344
19	Tumkur	557	10.42	250.82	120
20	Bangalore rural	518	15.53	244.66	227
21	Bagalkote	49	1.26	17.27	15
22	Chamarajnagar	46	27	3.97	3
23	Davangere	111	1.75	25.04	16
24	Gadag	136	1.87	40.78	18
25	Haveri	37	0.7	7.92	4
26	Koppal	14	0.31	3.11	2
27	Udupi	36	7.64	90.39	28
	Total	13917	1518.62	23804.5	8939

Source: Directorate of industries and commerce, Govt .of Karnataka, Bangalore

Over the years many international brands have set up offices in Karnataka to enjoy the low cost of the Indian labour force. Although it can be claimed that the abolishment of the MFA has led to a consolidation of the Indian garment industry, it did not go hand in hand with an improvement of working and living conditions of garment workers. In contrast, the increase in orders from retailers all over the world led to rising daily production targets for garment workers in Bangalore, which are the cause for increasing and often unpaid overtime work, verbal abuse and harassments by supervisors.

OBJECTIVE & SCOPE OF THE STUDY

The following objectives are set for the study:

1. To evaluate the competitive pressure on Bangalore based garment exporters.
2. To analyze the policies adopted by garment industries towards customer satisfaction.
3. To study the effect of pressure on the productivity, working conditions and other aspects.

This study is limited only to the Bangalore based garment export units because Bangalore has a sizeable presence in the garments in the Indian union and exhibits the same characters with other parts of the country.

METHODOLOGY

This research paper is based on the secondary sources of information. Where an exhaustive literature review is done, tables, figures are used to analyses the facts elaborately.

INTERNATIONAL PRESSURE

Many international buyers from the United States, European Union, Canada and elsewhere, consider that Indian garments are produced in abusive and exploitative conditions which do not uphold labour rights and standards and acceptable working conditions. The failure by Indian's garment manufacturers and government to observe its own national laws has prompted international buyers to insist on their own Codes of Conduct with local employers. Since the expiry of the Multi Fibre Agreement Quota system in 2005 they have demanded compliance with their own codes of conduct before placing any garment import order. These buyers' codes of conduct rely heavily on the idea of social compliance. For example Nike code of conduct mandates that social compliance audits be carried out with all their suppliers are complying with social welfare practices such as allowing their employees one day of out of six give concrete examples from a real company's real codes of conduct.

TRENDS IN THE GARMENT INDUSTRY

Garment exports witnessed a significant decline in recent years after five years of consistent growth. Due to the problem of dollar depreciation in terms of rupees during the year, rupee realizations declined, affecting profitability of garment units. While the big ones managed to stay afloat, several smaller units closed down. Last year it was the depreciating dollar and the rising operational costs that affected the garment industry. But now, in early 2009, the economic recession in the US is expected to impact the industry that is one of the largest-employing trades in India. Export numbers having gone down in the recent past, the garment industry, which witnessed a drop of 11 percent in profit margins because of the depreciating dollar. The last year has also seen a few big mergers and acquisitions in the garment sector. India's largest garment exporting firm Gokaldas Exports Ltd sold 67.88% of its shares to a large private equity player, Blackstone from the US, Bombay Rayon Fashions Ltd (BRFL), acquiring a controlling stake in Leela Scottish Lace for US\$ 38.8 million (Rs. 155 crore) etc.

Indian exports to United States, Canada and European Union comprise 80% of the total garment exports, the remaining 20% goes to rest of the world. In India, Delhi's contribution towards garment exports stands highest at 30% and then Tirupur with 25%. Mumbai and Bangalore come next with 20% and 15% respectively and lastly

Chennai with the least contribution of 10 %.

TRADE OPPORTUNITIES AND BARRIERS

In the garment and textile industry, while there are many opportunities for growth after the quota regime ended, Experts opinioned that opportunities in this sector are great but only the financially strong and technically competent producers will survive in this gamble. The biggest opportunity now that exporters can export to any country and in any quantity but problem is that they will have to face competition with other countries. The domestic market has also a lot of potential the consumption of clothing is increasing with the growth of the employed class, especially women. The social compliance issue - related to labor, environment and standard of products – which was not a part of the WTO agreements but has to be adhered to, could be considered as a non-tariff barrier to restrict exports from the developing countries like India. Some impediments to the growth of the India garment export industry like excessive competition, high cost of production, shortage of skilled workers and Rupee strengthening.

The competitive pressure is analyzed in the export marketing based on the following bases:

1. Rivalry within industry:

The competitive pressure within industry seems to be high. The small unorganized players are having their local vicinity and better understanding about local markets but the globalization made China and many other ASEAN countries makes the supply chain more complicate as these players can focus only on marketing strategies and outsource the production to these countries.

2. Threat of Substitute:

There is threat of substitute in the market as a faster rate of innovations make it difficult for capital investments as these innovations many times presents opportunity to substitute with better performance or reduces costs and makes it difficult for many companies. Political environment has drastically changed and many regulations presents threat of substitute like new environmental policy may lead to use of certain grade of plastic instead of steel as production of steel may cause pollution.

3. Threat of new entrant:

Again in most of the garment industries threat of new entrant is high due to Government has liberalized its licensing policy and made it easy to enter in many industries. Due to globalization and attractiveness of Indian markets many MNC's wants to enter in India. This makes threat of new entrants easier.

4. Collective Bargaining power of suppliers:

Collective bargaining power of the suppliers seems to be unchanged but still one threat is that due to other competitive forces companies needs to invest heavily on technology for adoption of new processes. Suppliers are resisting for system integration and system up gradation as it is difficult for them to invest without any additional ROI.

5. Collective bargaining power of customers:

In 21st century collective bargaining power of customers seems to be increased due to availability of multiple buying channels like internet, organized retailing, auction sites etc. makes it easier for customers to compare offers and products and choose.

COMPETITIVE PRESSURE AND CUSTOMER SATISFACTION

Pressures from the United Nations and other international agencies to improve human rights and working conditions through formulating trade policy and other incentives in the garment industries are now asking for 'ethically correct' processes in the manufacturing of garments. Corporate Codes of Conduct have been introduced to implement it. Big brands are apprehensive of negative publicity hence they see that these codes of conduct are followed and ethically made garments are a must now. For e.g.; there is hardly any child labor in factories but isolated cases are highlighted and the industry suffers. Non-tariff barriers like social accountability, use of organic cotton (cotton grown without using synthetic fertilizers), and users becoming increasingly conscious of environmental issues all have 'restrictive' impacts on the supply of garments.

In Bangalore, more than two third of the garment workers are women and most of them are illiterates or less than matriculation and aged between 16-30 years working in these factories to supplement their family income. Garment workers tend to quit work and join other factories very often. Many reasons are attributed to this, the major being retrenchment of workers by the factory when they are about to complete five years in the factory. Law requires that workers who have completed five years of work in a company are qualified for a gratuity payment. Managements try to avoid this payment. The woman garment worker is often the only member in the household who earns a regular monthly income. In most of the cases their husbands work as vegetable sellers, porters, plumbers and agricultural laborers. A large number of workers from villages come to Bangalore as migrants in search of work.

The code of conduct initiated by the international buyers on the exporters has created a pressure on the workers .The important areas of dissatisfaction among the workers

includes.

1. Working hours and overtime

According to Chapter VI Sec 51 of the Factories Act, 1948 "No adult worker shall be required or allowed to work in a factory for more than forty eight hours in a week" and Sec 54 adds that "no adult worker shall be required or allowed to work in a factory for more than nine hours in any day". Where a worker works in a factory for more than nine hours in any day or for more than forty-eight hours in any week, he/she shall, in respect of overtime work, be entitled to wages at the rate of twice his ordinary rate of wages. In reality every garment worker ends up working for nine to ten hours daily and this is not always recorded as overtime work. Often overtime work is not voluntary and workers are compelled to do overtime work to complete production targets.

2. Wages

The average monthly wage of the workers is somewhere around Rs. 3200 to Rs.5000 pm. Most of the garment workers have only one source of income, i.e. their wages from the garment factory work. Workers find it difficult to run a family with this income and there is an annual increment of about Rs 150-200 to compensate for the increase in the costs of living. There is no increase in the real wage of the workers as the increase is offset by inflation.

Table 3 : Inter country comparative average hourly wage in the RMG industry

No.	Country	Wage/hour (US\$)	No.	Country	Wage/hour (US\$)
1.	Germany	25.00	9.	Nepal	0.30
2.	USA	16.00	10.	Indian	0.15
3.	Mexico	2.40	11.	Vietnam	0.85
4.	Poland	1.40	12.	Turkey	7.3
5.	Sri Lanka	0.45	13.	Pakistan	0.41
6.	China	0.5	14.	Cambodia	0.32
7.	India	0.35	15.	Thailand	1.75
8.	Indonesia	0.40	16.	South Korea	5.00

Source: Ministry of Textiles, Government of India website,

3. Work shifts and transportation

Garment industries do not follow common working shifts. Women workers in the garment sector do not do night shifts in Bangalore. They are allowed to work latest till 7.30 pm whereas men workers may work in the night shifts as well. Garment workers do not take their work home. There are a few factories which provide for transport to and from the factory but most of them come by walk on average of two –three kilometers.

4. Gender discrimination

It is evident that many practices at the factories would be tantamount to gender discrimination (wage disparity, harassment, preference for higher positions, lack of enabling provisions like maternity leave, child care etc) . The men workers are better paid packing and labelling jobs. The reason for this disparity in wages, they believe, is that men do harder manual work. One of the women workers,

Table4: Gender differentials in Wages in RMG industry

Categories of workers	Male wages Tk/pm	Female wages Tk/pm
Operator	2,254	1,536
Cutting Master	3,935	-
Ironer	1,894	1,106
Sewing helper	1,200	762
Cutting helper	1,512	837
Finishing helper	1,209	1,023
Folder	1,528	1,157

Source : Ministry of Textiles, Government of India website,

5. Labour contracts

Most of the workers do not enter in to any work agreement or documents when they were hired for work. Those who signed a contract have only a very vague idea of what the paper contained. All workers feel that there is no job security and that they are always under the threat of being dismissed by the management. Minor mistakes in work, non-completion of production targets, reporting late to work even by a few minutes and talking back when shouted at, are all used as grounds for dismissal.

6. Employees benefits

Women workers get a maternity leave of three months, wages for this period are fully paid by the ESI35. Women with infants do not get extra time to feed their children in the factory premises. They leave their child at home as very few factories have crèches. Women workers are not allowed to come late or go early or take longer breaks to attend to their infants. These women feel that they could produce and earn more if their children were cared for in a work-place crèche while they are at work. Workers will get leave only in the case of dire emergencies on normal working days.

7. Health and safety

Most of the industries do not provide ventilation as they working in godowns. There are no enough windows for

fresh air and fire extinguishers are in place. But long hours of sitting take a toll on their health. Most of the workers complained of backaches and breathing problems because of the work they do. Workers also complained of occasional incidents of injury from needles. Very few workers get masks to wear during work. Illnesses like asthma and other respiratory problems, backache, weak eye-sight, piles and anemia are very common among the garment workers.

8. Work place harassment:

Workers related instances where the floor manager or supervisor spoke to workers in sexually suggestive language. They also throw cloth lengths at workers and shout at them. Women, in their attempt to avoid this unsavoury treatment, try to complete their work even if they have to work late. They don't get paid for the extra work they do.

9. Collective bargaining:

Collective bargaining is unheard of in these factories. Workers are not allowed to talk among themselves. Men workers are not allowed to mingle with other co-workers (men) because of the fear that they may 'hatch conspiracies' against the management.

All these labor practices in garment industries created pressure on the workers, while productivity was declining and quality slipping. Overtime was increasingly required to meet deadlines; several orders had even been partly rejected due to delayed delivery. A number of countries including Vietnam, Japan, Indonesia, El Salvador, Thailand, Indonesia, and Zambia, are requiring social compliance and fair labour practices and avoiding labour unrest in garment manufacturing factories by adopting best practice. If the RMG Industry fails to implement social compliance according to International Labour Standards, it may lose its global markets. Ignoring social compliance could harm Indian's competitiveness as a supplier of ready-made garments. This could have dire results: the closure of most of the garment industry with millions of employees losing their jobs; the decline of economic growth, and social disorder such as snatching, kidnapping, robbery, street hustling and prostitution. Alternatively ensuring social compliance is very important in Indian's garments industry to both maintain quality of products. In the RMG sector, a Social compliance Certification System could be offered through buyers to promote and certify lawful, humane and ethical working conditions in manufacturing processing, and the working environment as well as meet international labour standards.

SUGGESTIONS

Given the study findings, we offer the following recommendations to avoid competitive

Pressure and improve the satisfaction among the workers as well as exporters:

1. In order to have a conducive working environment the management of the factories should understand the importance of a committed workforce motivated to do a better job. Workers should get a platform to discuss their issues and talk to the management collectively without jeopardizing any individual worker's job.
2. Global brands should see to it that the Social Audits conducted by them give a true picture of the ground realities. The workers would be more dedicated to their work if they could feel that they benefit from the factory profits and of the growing of their country. The way the management involve the workers is the key to a well-run factory.
3. Consumer action on the global level is needed to pressure international brands to ensure the compliance with labor standards within their supply chain.
4. Changes of legislation with regard to wages and working conditions from the Central and State governments of India are required.
5. Only combined action on different levels can result in an improvement of working conditions and in a broader sense living conditions for workers in one of the most globalized industries in the world.

CONCLUSION

Fragmented industry structure is the major problem of Indian garment industry with a dominance of small scale. Getting skilled workers is a major challenge. Due to constant growth of the industry in the last few years, the industry is facing severe shortage of labour. People who are migrating from rural areas do not have any prior experience in the industry. Since, there is need for labour, they are asked to take up the work with any prior training. Frequent power cuts, increasing pressure on road traffic have put considerable strain on the growth of this cluster. In fact, exports from the cluster did not increase, in terms of units during the year 2013; in comparison to the previous year. However, Compared to India, other developing countries like Indian and Sri Lanka which are more productive, at the same time they are paying less wages. To manage threats from the foreign companies, Indian companies have to enhance their brand image and focus on domestic demand, improve labor skill by proper training.

The Indian garment companies slowly and steadily following global trends of supply chain collaboration. The success of any organization will depend heavily on its ability to meet demands and respond quickly to fluctuations and change. Garment products are

characterized by volatile markets, short product lifecycles and high product variety. Therefore Indian companies in this sector have to be more responsive. It can be achieved only by having a high level of collaboration with other partners of the supply chain. Thus there is an urgent need to understand the importance of collaboration in a supply chain perspective and develop a set of strategies to manage them.

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