

“MARKETING AS A QUINTESSENTIAL TOOL FOR GROWTH OF ETHIOPIAN TEXTILE AND GARMENT SECTOR”

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ABSTRACT

The global economic reports suggest that Africa is the final frontier of the world and as the GDP of Ethiopia continues to rise substantially year after year, it's the right time that Ethiopia indulge into channelized marketing for textile and garment industry. Moreover there is a sequential increase in production and export of organic cotton to the U.S.A & Europe. It is realized that in the coming decade garment and textile industry is taking a serious turn towards ecological produce and marketing of products. Ethiopia being one of the fastest developing economies in Africa holds a great chance to develop the fashion industry on the whole as with the increasing GDP of the country the customer will have a bigger pocket to spend on fashion & lifestyle products. Moreover there is a substantial rise in the education if textile and garment sector as well. All these factors together will contribute to the growth of the Ethiopian market if the industries channelize their product sales through effective marketing mix.

KEYWORDS: Ethiopian Textile, Product Marketing and Development, Fashion, Brand Philosophy & Image

INTRODUCTION

In this paper, I will run through a brief of how marketing has helped a basic product clothing take shape of a billion dollar fashion industry. Clothing has evolved since the 1920's from the times of Industrial revolution when fashion became a product of mass produce. Fashion evolved from the Europe and U.S.A and hailed down to Asia and Middle East. Today there are thousands of fashion brands which have successfully captured the market and made a visible mark in the brand planet. According to the reports brand research by Interbrand, Wal-Mart ranks as the top brand in U.S.A with a business of 141,017 \$m along with GAP, GUESS following in the list. Fashion accessories brand such as Tiffany & co., Coach also contribute to list of best brands. In Europe we have big ready to wear players such as Zara and H&M which are very strong players for the retail market of textile and garment. On the other side of the planet we have Japanese brands such as UNIQULO topping the branding charts for Asia. In this paper we will see how these brands made a place in the marketplace of Europe and slowly graduating to Asia precisely India and then the new player on African map –South Africa.

Need/Importance of the Study

There is a major need to organize the textile and garment sector in Ethiopia as in developing nations systematic view of production and marketing still doesn't exist which hampers the growth on a long-term basis. Some of the challenges faced by the Ethiopian textile and garment sector are:

- No facilitation for research and development for new product development.
- Lack of product marketing in textile and garment sector.
- No domestic brands to achieve customer loyalty.
- Imported goods monopoly in the market due to low quality and productivity of Ethiopian goods.

- Lack of qualified Human Resources to develop a more stable organization in garment companies.
- Sustainable development of livelihoods and strong social compliance.
- No avenues for experimental marketing methods such as catalogue selling, e-retailing and retail selling.

LITERATURE REVIEW

Overview of Ethiopian Textile & Garment Industry

Ethiopia is one of the most populous countries in Africa with over 80 million according to the 2009 census and growing at the rate of 2.7%. The country being mainly dependent on agriculture, 85% of the Ethiopian population is living in a rural setting. Ethiopia exported US\$ 29 million worth of textiles during the first quarter of the fiscal year 2013-14 that began on July 8, 2013, Addis Fortune reported. The first quarter export earning was over 50 percent higher than the US\$ 19 million made in the corresponding period of last year, but the exports are still likely to fall short of Government target of US\$ 500 million for the entire fiscal year, if the trend continues. In 2012-13, Ethiopian textile sector exports fetched US\$ 99 million, much below the Government target of US\$ 357 million. The Ethiopian textile sector comprises of 110 companies, and the export target for each individual company for the current year is yet to be determined, according to the Ethiopian Textile Industry Development Institute (TIDI). At present, the Ethiopian textile sector is operating at 50 percent capacity, and in order to achieve the Government target, the production capacity would have to be raised, feel industry experts. The government was projected to earn 85 million dollars in the first year of the GTP. The last budget performance met 73.1% of the projection. From the total export of textile products the following have taken the share of exports in the 2010/2011 period; yarn and sewing thread (14.7%), textiles (36.9%), clothing (43%) and hand woven products (5.4%).(www.allafrica.com)

- A growing number of major retailers are sourcing textiles and clothing from Ethiopia, as the country's industry undergoes a major expansion program. They include major UK retailers, H&M, Tesco and Primark. In the last financial year, Ethiopia's textile and clothing exports grew 28% to US\$84.6m. The Growth and Transformation Plan (GTP) of the Ethiopian Government aims at earning textile export revenue of US\$ 1 billion by 2014-15 and creating 40,000 new jobs in the process It also hopes to attract foreign direct investment worth US\$1.6bn to build nearly two hundred new textile and clothing plants in the same period. There are an estimated 3 million hectares available for cotton farming in Ethiopia, but only 30-40,000 hectares are currently used. (Ethiopia: Macroeconomic Handbook, Access Capital, 2012)

REAL GDP VALUED ADDED	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	5-year Average Growth
1. Mining and Quarrying (in '000 birr)	393,819	333,144	404,483	456,160	657,633	1,037,238	
Annual Growth Rate		-15.4%	21.4%	12.8%	44.2%	57.7%	15.7%
2. Service Sector (in '000 birr)	37,747,674	43,534,593	50,506,447	57,632,433	65,208,665	73,368,165	
Annual Growth Rate		15.3%	16.0%	14.1%	13.1%	12.5%	14.6%
3. Manufacture of Textiles and Wearing apparel—Gross Value of Production (in '000 birr)	228,940	331,423	185,022	521,126	907,567
Annual Growth Rate		44.8%	-44.2%	181.7%	74.2%	...	64.1%
4. Manufacture of Leather and Footwear—Gross Value of Production (in '000 birr)	1,022,744	1,213,791	1,447,236	1,332,345	1,639,518
Annual Growth Rate		18.7%	19.2%	-7.9%	23.1%	...	13.3%
GDP at Constant Basic Prices (in millions of birr)	93,474	104,499	116,190	127,857	141,368	157,463	
Annual Growth Rate		11.8%	11.2%	10.0%	10.6%	11.4%	10.9%

Source: MoFED's GDP Estimates for 2010/11, CSA's Large and Medium Scale Manufacturing Survey 2009/10

Figure 1: Growth of Ethiopian Textile and Garment Sector

Highest Inflation Rates– Africa		Highest Inflation Rates– World	
Country	Inflation–2011	Country	Inflation–2011
1 Ethiopia	38.1	Belarus	65.3
2 Sudan	22.0	Ethiopia	38.1
3 Guinea	18.4	Republic of Yemen	25.5
4 Democratic Republic of Congo	16.4	Venezuela	24.5
5 Sierra Leone	16.0	Sudan	22.0
6 Uganda	15.7	Suriname	19.9
7 Angola	15.0	Vietnam	19.0
8 Burundi	14.0	Guinea	18.4
9 Eritrea	12.3	Democratic Republic of Congo	16.4
10 Swaziland	12.3	Sierra Leone	16.0
<i>Top 10 average</i>	<i>18.0</i>	<i>Top 10 average</i>	<i>26.5</i>

Source: IMF Data Mapper of September 2011 WEO at www.imf.org

Figure 2: Inflation Rates in the African Continent

The Western Influence: Why Fashion Brands Cultivated in Europe and U.S.A

In 2000 the world’s consumers spent around US\$1 trillion worldwide buying clothes. Around one-third of sales were in Western Europe, one third in North America and one quarter in Asia. Frequently the geographical regions more popular within the fashion industry are Europe and North America, and the main reason is because the economy activity on those regions has very much to do with textile, apparel and luxury markets. Not only there was a supportive economy in these parts of the world but also they allowed the brands to make way for business marketing into various consumer markets. 3.25 million tonnes of clothing and textiles flow through the UK each year – approximately 55kg per person. Of this, around half is imported as textile products, a quarter as ‘intermediate products’ (mainly fabric and yarn) and the rest as fiber (imported or produced in the UK). Approximately two thirds of the imports of fibers, yarns and fabrics to the UK are man-made. The UK exports 1.15 million tonnes of clothing and textiles each year, comprising fibers, fabric and some completed products – mainly clothing and carpets. One fifth of the UK’s annual consumption (by weight) of clothing and textile products is manufactured in the UK. Consumers in the UK spend about £780 per head per year, purchasing around 2.15 million tonnes (35kg per person) of which one eighth are sent for re-use through charities and the rest is discarded. The UK clothing and textile industry employed around 182,000 people in 2004 split evenly between clothing and textiles. (Grail research, September2009) When we discuss about fashion as a trade we take five major cities of the world such as New York, London, Paris, Milano and Tokyo. These cities became the hub of fashion as here is where the industrial revolution took shape for example the industrial revolution in Britain invented ready-to-wear. A fashion capital has outstanding specialization in terms of production capacity: skilled workers, resources, and innovation and a significant market base of wealthy people to generate interest and competition in terms of fashion and status. The cities mentioned above either possess the both or at-least one of them. But, today due to globalization and standardization of the fashion product each city in the world can host a number of brands across the fashion system and make large profits in this industry. Moreover, the economy of a country should be supportive to foreign investment into the trade but this is only feasible if textile and garment sector form the strength of the nation.(Magnus Danneck, July 2011).

The factor which made a difference for brands and textile industries in Europe and the USA were:-

- **Clothing with a Brand Philosophy:** - The companies were able to establish a relation with the customer through the promotion strategies of the brand. The piece of clothing was beyond covering the body, it became a matter of pride to own a brand as it was speaking about the personality of the customer. This made purchasing behaving more profound and emotional process which lead to increase in sales and booming the industry on the whole.

The greatest example is the birth of fashion accessories and today they form a more stable and sustainable industry than clothing itself.

- **Achieving Customer Loyalty through World Class Product:** - The fashion capitals not only create a drive to but also served a very high class product from the level of couture to ready to wear. The examples of such companies are Giorgio Armani in couture, Diesel for denims and ZARA as a market leader for ready to wear.
- **The Appropriate Marketing Mix:** - The brands translated their values through the most apt marketing mixes which benefited both the company and the consumer. The company was able to earn profit keeping the passion in mind for the consumer. Events, promotions, marketing offers took the shape of a festival in Europe and U.S.A. The examples of perfect marketing mix are the retail sales by brands in the festive seasons such as thanks giving in the U.S.A. or the summer holidays/Christmas in Europe which gave the reason to the consumer to buy with charm in the product. Also strategies by ZARA such as “new collection every 21 days” in the stores all across Europe gave the consumer the areas of spending faster than average timing between purchases and the over stock could be used to satisfy the season end/ festive sales which in the end profited the company.
- **The New Product with Newer Ways of Selling:** - Fashion product is believed to have the shortest life cycle which is in turn an opportunity and threat for the company. Adding to this the fashion consumer is very fragile and demands a new product. A new product doesn't imply a new range of clothes, the companies were able to satisfy this by selling “old fairy tales with new stockings”, which amused the consumer a lot as it was pocket friendly. There has been an established retail in Europe and U.S.A. for past many decades now with big departmental stores such as Harrods, London, Saks 5th Avenue, Macy's, Walmart etc making a very stable footprint into the economy. Newer ways of retailing such as e-retailing also made the consumer experiment over new ways of buying the same goods and adapting to new technology changes in the country. E-retailing has revolutionized the system of selling products benefiting the companies as it saves the cost of retail outlets.
- **Trade Shows and Business Exchange:** - The fashion capitals of the world hosted various business enhancing activities such as fashion weeks, trade shows, fashion shows and various exhibitions big and small across Europe and U.S.A. which invited the interest of people to participate in the economies, to earn and give back in form of the fashion product. A trade exchange strategy not only initiates a fluidic process of business of garment brands in the country but also gives a chance for other industries such as tourism to grow substantially.
- **Towards a Green-Sustainable Future:** - The west is striving hard on making the fashion system ecological in all aspects. The concept of selling products with a message which is saving the ecology and is ethical is majorly into progress. There are various researches at the moment in Europe and U.S.A. which intend to convert the whole clothing system as a part of the eco-system. This conception of being a part of the eco-system makes the west a great platform for reviving the brands and making them brands of the future.
- **Educated Professionals in Garment and Textile Sector:** - Europe and U.S.A. have the best schools for textile and fashion design sector. There are school such as F.I.T, New York, Parsons, NY, Central St. Martin, London etc. teaching the youth to how to be a part of this industry and help in making the future of the economy. Educated human resource is the biggest asset an economy can develop and utilize them efficiently for a better future.

There is no doubt that the western part of the world is suffering major economic crisis in all industries including fashion and clothing but the stages of product development and selling have to be essentially inspired from the west as they

have been sustaining the fashion for more than seventy years now and have successfully established a market to be learnt from.

The New Emerging Fashion Marketing Frontier: India

“We need greater competition and therefore, need to take a firm view on opening up of the retail trade”. – Manmohan Singh, Prime Minister of India

The Republic of India is the third largest Asian economy after China and Japan. Among the major emerging markets, India ranks second in terms of economic growth with the IMF forecasting a GDP growth rate of 6.9 percent for 2012. India is the second most populous country in the world; approximately thirty percent of the country’s 1.2 billion inhabitants reside in urban areas. India's industrialized economy encompasses diverse manufacturing sectors (steel production, oil and gas refining, auto, plastics, textiles) while also including traditional village farming, modern agriculture, and handicrafts. The market is expected to grow from \$4.7 billion in 2009 to over \$14.7 billion by 2015 as people change spending habits from necessity to discretionary. With increased spending power and an ever-increasing passion for fashion, there are significant growth opportunities in the industry. In 2012 alone, the luxury market saw a 25 per cent increase. Apparel today has the largest share of the modern organized retail in India i.e. 20% of the current market of Rs.56, 000 crore and this is expected to grow at a constant rate of 20% over the next 4 years. (Austin, J.E., 1990)

The last decade has seen an immense progress in the clothing and textile business in India. There have been a series of joint ventures from the brands of the world and Indian domestic textile leaders . The Italian designer Giorgio Armani's company signed a joint venture with India's most valuable real estate firm, DLF. Giorgio Armani Holding, a wholly-owned subsidiary of the Italian company, will take 51 percent in the venture, the maximum allowed for a single-brand foreign retailer in India. Armani will bring 10 million rupees (\$250,000) to the venture, which would also act as a wholesaling firm supplying Armani-branded products to other independent retailers.

The world’s most popular ‘fast fashion’ brand, Zara’s Indian unit Inditex Trent -- a joint venture between Inditex and Tata Group’s retail arm Trent -- has registered profits in two out of the three years it has been in the country. In the first half of 2012, Inditex clocked revenues worth 9.3 billion dollars (about Rs49, 000 crores). The Indian unit made profits of Rs38.3 crores and Rs22.5 crores in the previous two financial years. (Doing Business in India, 2012)

Alexander McQueen, Dolce & Gabbana, and Stella McCartney are exploring real estate for stand-alone stores. After opening his first boutique in New Delhi last year, Christian Louboutin is ready for a Mumbai launch. This year marks the tenth anniversary of Louis Vuitton’s presence in India—it was the first luxury brand to set foot in the country. The Western notion of luxury hit Indian shores only ten years ago. It’s still a country of salwar kameezes and saris. But the Indian buyer has grown interested in fashion, investing small but precious sums in brands. “Dior has seen a steady and encouraging growth. As is the case globally with most brands, accessories are doing very well and clothing is picking up.

India is not stuck in a small pond any longer, we have a new mall or luxury store, selling everything from Harry Winston watches to Tom Ford and Zegna, coming up at every ten steps. “The media plays a significant part in introducing brands to readers by regularly allotting space, even if on page 3, where Indian film stars are featured. And the recent gush of international fashion magazines has brought luxury closer to home.

India followed the steps of media and marketing from the west and entertained various brands inside the country to make business. Through India’s policy of FDI from brands all around the world it made it a globalized player of fashion

and accessory market in the world. One of the greatest examples of luxury retail success on the lines of Harrods, 5th Saks Avenue is DLF Emporio mall in New Delhi. With over 100 foreign brands on the location in delhi it stands as a great example for the upliftment of the business in a developing economy such as India.

Items	2009-10 Million US \$	2010-11 Million US \$	April-October	
			2010-11 Million US \$	2011-12* Million US \$
Readymade Garments	10064.73	10627.99	5512.15	7088.74
Cotton Textiles	5711.41	8360.35	3466.96	4899.36
Manmade Textiles	3970.88	4643.06	2465.75	3215.49
Wollen Yarn, Fabrics, MadeupsEtc	470.20	429.75	248.77	324.65
Silk Textiles	596.05	595.19	323.95	282.34
Handloom	264.85	365.48	185.89	324.14
TOTAL	21078.12	25021.82	12203.47	16134.72

Source: Foreign Trade Statistics of India (Principal Commodities & Countries)
* as per latest figures available

Figure 3: Indian Textile and Garment Overview

The Fashionable Neighbor: South Africa

Government initiatives (through the Johannesburg Economic Development Unit) are fueling the growth of the in South Africa fashion industry. Fashion is a USD 4.3 Bn industry in South Africa, yet the industry is fragmented across a number of different competing fashion weeks each year. Growth of the fashion industry is highlighted by the increase in the number of large fashion events held in the country (from 2 in 2004 to 9 in 2008). This is attributed to government support and an increase in awareness of domestic brands among consumers. Johannesburg is fast emerging as the fashion capital of Africa. The South African fashion industry is supported by the government as part of the economic development program. In 2006, the Johannesburg Economic Development Unit announced its goal to develop the city into an “an internationally recognized creative city”.

Some initiatives undertaken so far include: Established a ‘Fashion District’ in the city that houses over 100 fashion enterprises and institutes and provides training to designers. Organized fashion competitions in the city. Before becoming a democracy in 1994, the design sectors in South Africa were dominated by the ‘American youth culture’. (Natalie R. Weathers, M.S., May 2003) However, the last few years have seen the emergence of several domestic brands. Fashion enterprises in the country have a diversified range of designers, including established, emerging, as well as designers of different races and cultures. Major design houses as well as individual designers contribute to Johannesburg’s recognition as an emerging fashion market. Many high profile brands such as Armani, Prada, and Versace have short-listed South Africa for expansion beyond the traditional fashion capitals. Young South African fashion designers have been invited to the Paris Fashion Week to showcase their creations.

Tomoca Coffee- The process of Taking a Basic Product to Retail. An Inspirational Case in Cross-Marketing

“When you drink a cup of coffee ideas start marching like an army”.

When we talk about Apple being one of the most stable branding companies in the world we need we would like to know that apple believes in cross-marketing. Apple gets cross-inspired from companies such as Pixar to form best graphics presentations. On the same end I would like to exhibit Tomoca coffee as a brand which is able not only to export

coffee to various brands in the world but also successfully developing a retail brand and making coffee a basic product to a retail commodity.

The 50-year old Tomoca Coffee PLC is a pioneer in roasting, grinding and selling coffee in Ethiopia. Even though the company has been in business for half a century it only started exporting coffee a decade ago. According to the owners, the company has been honored for its quality produce. The company today has the capacity to produce 34,000 kilograms annually. The garment and textile should be inspired from such commodities which took a very correct shape in satisfying the market demand. Recently the Spanish organization called Business Initiative Directive (BID) awarded TOMOCA for the high quality of our product. (<http://www.tomocacoffee.com/>)

CONCLUSIONS

The Ethiopian garment and textile Industry has to think about how to be inspired from the various marketing strategies and trade policies from the Europe and the U.S.A in order to support the building up of brands from within the country for domestic business. This paper also highlights how other parts of the world such as India & South Africa have been benefited by such strategies of product marketing. The need for mass marketing has to be created where the consumer inside the country should be loyal to the clothing from the local manufacturers rather than buying imported goods, moreover the textile companies should emphasize and different levels of product extensions so the customer is not leaving the brand arena in any case. There should be proper positioning of the product in the market so that the customer is intending to buy the product locally rather looking out for imported goods.

Following are the solutions suggested for a gradual growth of the industry in Ethiopia:-

- More emphasis should be given on the micro and macro level economic factors.
- Contemporization of the traditional Ethiopian design.
- Brand Development -fashion product lines and accessories/Look for co-branding.
- R&D and technology; should be considered as an investment not cost as it pays rich dividend in future.
- Emphasize on improving the standard of labors because garment manufacturing is a labor intensive industry, productivity of industry directly depends upon the productivity of labor.
- New ways of communicating to customers, like sending information about new products, offers, through sms to cell phones. E-retailing as a new experimental marketing.
- Give priority to consumers' opinion.
- Help from government institutions to develop special garment economic zones.
- To create a design council in Ethiopia in association with education institutions such as iOTEX

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