

**A Project Report On**  
**“Marketing Strategy of Tommy Hilfiger”**



**In the partial fulfillment of the degree requirement towards the  
BACHELOR OF BUSINESS ADMINISTRATION (BBA)**

**Submitted To:**

ASHWARIYA

*Assistant Professor*

Department Of Management  
1329862

**Submitted By:**

KAMAL

BBA-5<sup>th</sup> SEM

ROLL NO.



**CT INSTITUTE OF MANAGEMENT AND I.T.**

## STUDENT DECLARATION

I hereby declare that the Summer Training Report conducted at “Marketing Strategy of Tommy Hilfiger” submitted in partial fulfilment of the requirement of Bachelor of Business Administration (BBA) CTIMIT, Affiliated to: Punjab technical university.

KAMAL

Student signature

## PREFACE

This project aims at looking at the Tommy Hilfiger in India. Secondary sources have been used to look into the apparel sector of India. It has been found out that the textile industry is one of the oldest industries in India. It has played an important role in generating foreign exchange reserves and creating employment opportunities. The growing fashion consciousness during the 1980s and the convenience offered by ready-to-wear garments were largely responsible for the development of the branded apparel industry in India.

Moreover the study further looks into the branded T-shirt/ Jeans market through a primary study conducted in Ludhiana and Jalandhar .

## ACKNOWLEDGEMENT

There is always a sense of gratitude which one express to other for the helpful so needy services they render during all phases of life. I would like to express my gratitude towards all those who have been helpful to me in getting this mighty task of training to a successful end.

With the deepest sense of esteem and gratitude I express my sincere thanks to Mr. Christopher Randhawa ( Store Manager) under whose able guidance I was able to learn much and successfully complete my summer training.

I would take this opportunity to thank all my teachers for their helps & suggestions during the course of project work. I am also thankful to all my friends who gave me constant & continuous inspiration to complete this project.

KAMAL

Roll No. :1329862

## INDEX

### TABLE OF CONTENTS

CHAPTER-1: INTRODUCTION OF THE COMPANY

CHAPTER-2: PROFILE & ORGANIZATION STRUCTURE OF  
THE COMPANY

CHAPTER-3: OBJECTIVES OF THE STUDY

CHAPTER-4: METHODOLOGY ADOPTED

CHAPTER-5: ANALYSIS OF THE PROBLEM UNDER STUDY

CHAPTER-6: INTERPERETATION OF RESULTS

QUESTIONNAIRE

## CHAPTER-1

### INTRODUCTION OF THE COMPANY

#### 1.1. INTRODUCTION OF THE COMPANY

The Tommy Hilfiger brand was launched in 1985. Tommy is a range of clothing designed to bring 'American classics with a twist' to consumers. Today, those consumers represent people from all races and backgrounds and can be found in practically every country around the world. As a truly global brand, Tommy's preferred suppliers are those who can fully appreciate each individual marketplace and in Europe nobody understands the retail marketplace like Anker.

### INDIAN TEXTILE INDUSTRY

#### TEXTILE AND CLOTHING SECTOR

##### Building on recent advances

Just A decade back, the Indian textile and clothing sector had almost been written off; in fact it was pejoratively called a sunset sector. The erstwhile ugly duckling now looks very attractive. Indeed the last two years have been a dream run for the Indian textile sector. It has witnessed tremendous growth in raw material, especially cotton: fabric production is growing at around 10 percent on an already high base and the all-around investment in the sector has been unprecedented.

Any study of the prospects of the textile sector in the years to come necessarily engenders three patient questions. First, what growth target in the Indian industry envisaging in the next five years; second, can the industry achieve and sustain this growth, and third, what will be the new trends and risk factors in the coming years. Let us first examine the performance of the industry in the last few years.

##### Firm raw material base

The raw material situation has been highly encouraging especially in cotton against a low of 101.5 lakh bales (170kg) in 1984-85. The crop in 2012-13 is placed at 470 lakh bales. There is reasonable price stability and no more uncertainty related to imports. The position has improved

even in man-made fibres. A reduction of excise duty from 19 percent to 8 percent in the 2006 budget has boosted domestic demand of MMF yarn and fabric. A further rationalization of duty will certainly work wonders. The growth in fabric production, which is often seen as an indicator of the country's textile prowess, has been very encouraging in recent years. It was 10 percent in 2011-12 and the expectation for the current year is 25 percent.

The sector has witnessed unprecedented investment trend in the last few years so much so that for the last five years, the CAGR of investment has been around 100 percent. What is more encouraging, even the erstwhile laggard sectors like processing where India has traditionally been very weak, have drawn significant investments in the last few years.

#### Weaknesses persist

The immensely satisfying developments of the last few years should not blind one to the fact that weakness still persist in this sector.

The legacy of the earlier restrictions has ensured that the textile sector continues to be highly fragmented and poorly modernized. Thus, in the weaving sector, out of a total of 2 lakh looms, hardly 50, 000 are shuttle-less looms. Also, the average size of a weaving unit in the decentralized sector is 4-5 looms. In the processing sector, there are more than 10,000 hand processing units using obsolete technology. Even in the power processing units which number 2334, only 227 can be said to be modern.

Thus if India is to compete with textile giants like China, the industry has a long way to go in technological up-gradation, modernization and consolidation (scaling up) of the units. Another weakness is the heavy dependence on cotton. While elsewhere fashion preferences are dictating 60 percent usage of man-made fibres vis-à-vis 40 percent of cotton, in India the reverse is true. Thus in the export sector, India misses on many opportunities where manmade or blended fabric is preferred.

The sector is also hampered by the absence of big-sized global textile and apparel producers, with their attendant marketing and other linkages.

Despite the weaknesses, the Indian industry is brimming with unprecedented confidence and optimism. It is no coincidence that two separate studies (through some members were overlapping) in 2006 projected almost identical growth targets for the industry. The first study was the government sponsored 'Report of The Working Group on Textile and Jute Industry for the 11th Five year Plan' in which the textile industry is envisioned to grow at 16 percent in value terms to reach the level of \$ 115 billion by 2012. Cloth production is expected to grow at 12 percent in volume terms while apparels are expected to grow at 16 percent in volume terms and 20 percent in value terms. Exports are expected to grow at 20 percent in value terms.

The second Study was the CITI (Confederation of Textile Industries-the leading textile association) sponsored 'Vision for the Indian Textile and Clothing Industry' prepared by CRISIL. The CITI Vision Document envisages a figure of \$110 billion by 2012 boosted by a CAGR of 10 percent p.a., in the domestic and 19 percent p.a. in the export sectors.

These growth targets envisage a fundamental sift in the textile scenario and a trajectory of rapid growth. Cloth production registered a growth of 8.6 percent during Eighth Plan (1997-2002) and 4.21 percent during the Tenth Plan (2002-07). A scenario based merely on past growth would have given a target of paltry 6 percent CAGR during 2007-12. Yet, the industry is confident of achieving a 12 percent cloth production CAGR during 2007-12—a confidence born out of the high growth plan taken by the economy.

Some detailed economic calculation led us to this conclusion. Taking 8.5 percent as the GDP growth rate p.a. during 2007-12, and estimating a marginal increase in clothing expenditure as percent of PFCE (private final consumption expenditure) from 5.3 percent in 2005-06 to 5.9 percent in 2011-12 (due to several demand and supply side drivers,) the total demand for fabric came to 92.6 billion sq.m—very close to 12 percent CAGR for fabric production during 2012-13. It would be interesting at this point to understand the factors that are expected to boost textile demand.

#### Growth drivers

In the domestic sector, disposable incomes of families are on the rise. There is also the 'demographic dividend'—a sharp increase in the percentage of younger and employable persons till 2025. Above all, the

penetration of organized retail (the percentage is expected to increase from 10 percent to 16 percent by 2014) will increase the availability and hence the purchase of textile and clothing.

In the export sector, the end of the Multi Fibre Arrangement has given a boost to Indian textile entrepreneurs, which is aided by the progressive dismantling of spinning and weaving in the developed world. And the quota limit on China till 2008 is another incentive for the Indian industry to strengthen itself in the meantime.

In the present scenario of optimism and the country's overall high growth trajectory, the targets are certainly achievable. At the macro level, the targets have some implications in terms of requirements for investment, machinery, infrastructure and manpower.

The investment required during 2007-12 will be Rs.1.5 lakh cross (certainly achievable when compared to the investment in 2006-07), the trained manpower requirement will be 6.5 million; there will have to be heavy influx of machinery, which will mean practically doubling of the existing capacity of 29.59 million spindles in spinning, adding over one lakh shuttle-less looms in weaving, and a substantial investment in processing, to cover at least 50 percent of the projected fabric under continuous power processing. The industry will have to add 38.48 billion sq.mt capacity of such plant to the existing capacity of 7.62 billion sq.mt of continuous power processing.

Are these investments possible domestically? According to informed industry and government estimates, the continuance of the Technology Up-gradation Fund will ensure at least two-thirds to three-fourths of the required investments to come from the domestic textile industry.

#### Foreign capital

For the remaining 25 to 35 percent investment, India will have to depend on foreign direct investment or even private equity coming in a big way. One may not compare India with relatively smaller economies, but even in China (which like India straddles the full range of textile and apparel value chain), out of its overall exports of textile and clothing, foreign-investment enterprises accounted for about one-third in 2004. In fact official statistics confirm the presence of over 20,000 foreign invested enterprises, with an FDI inflow of \$ 15.3 billion in 2011.

In India's case, FDI will be required for high quality fabric manufacturing especially in processing, synthetic fibres, technical textiles as also in widening the base of the machinery sector.

Several new trends can be seen in the textile and clothing sector, which will strengthen the sector. There is a significant scaling up by way of horizontal consolidation and vertical integration. The majority of the investment under TUFs has come not from new entrants but from the existing players. As the restrictions on capacity additions were removed since the mid-1980s, the mean investment per firm in plant and machinery has significantly increased. The trend has greatly accelerated in the last two years, Bigger players such as Arvind, Indian Rayon, Vardhaman, Welspun and Alok have planned investments of over Rs.10,000 crore in the last few years (Source—Office of the Textile Commissioner).

Second, there has been significant forward integration by yarn makers, spinners and major weavers into garments—examples, Arvind Mills and Vardhman. Interestingly, significant member of ginners are forward integrating into spinning as can be seen in the cotton areas of Andhra Pradesh and Punjab.

Third, significant backward integration by small and medium kitwear exporters into yarn making is being witnessed in the Coimbatore-Tirupura area.

Finally, textile producers are adopting IT-driven production process control systems as also productivity enhancing energy audits. In fact, there was a huge response to the seminar organised by SIMA and SITRA on usage of IT in small and medium enterprises in the textile and clothing sectors in early 2006. Some of the best examples of full integration are exemplified by Alok, Esispun Industries and Vardhman Industries, who straddle the entire range from spinning to branded garments and home textiles. With increased purchasing power of households, demand for textiles has been buoyant. A healthy development of this context has been the rapid rise of domestic brands. Practically all the top 20-30 textile and apparel firms have introduced their domestic brands and are aggressively positioning themselves within segments of the domestic market.

This trend had started with Zodiac and Monte Carlo brands some decades ago, but the market size for branded wear has now grown

rapidly along with extreme competition. Many of them have purchased international brands to penetrate the First World market and also supply to the domestic market under foreign brand names. For example, in the home textile market, Welspun has purchased Christy, GHCL has purchased Dan River and Roseby's and Creative acquired Protico brands to facilitate their entry into U.S. and EU markets. Thus, the earlier difference between domestic manufacturer and exporter is slowly whittling away. The successful textile player has to constantly look at opportunities both in the domestic and export markets.

### Role of big retails buyers

More than any other factor, the entry of the bit retailers such as Reliance, Bharti-Walmart, Aditya Birla Group. Tata-Trent will have a significant impact on the future direction of the textile and clothing industry. Through organized retailers' penetration is only 3 percent.

As clothing forms an important aspect of organized retail, sale through organized retail chain stores can go up to 15-20 percent of total sales in coming years. This will still be much less than in the U.S., where the 24 biggest retailers account for 98 percent of apparel sales. The position in the EU is similar. International experience suggest that the high-volume retail chains, because of their large distribution networks and considerable buying power can influence prices and dictate quality terms.

The retail phenomenon has two other features as well. First is 'lean retailing' which allows retailers to maintain a lean inventory but will coerce supplies for 'rapid replenishment' of goods. Second is the concept of 'full packaging' in that the retailer will not buy fabric from different sources and get it converted into apparels again from different sources, but will prefer a 'full package' solution from a limited member of sources.

Thus, the increasing presence of major retailers will lead to even greater formal and informal vertical integration and horizontal consolidation in the sector, while enhancing quality trends.

The pressure on margins will serve to reduce inefficiencies in the system by way of further modernization, consolidation and integration. The best outcome, however, will be increased demand and faster growth.

Any major downturn in the Indian economy and, to a lesser extent, a downturn in the global economy can hit consumer spending including clothing purchases. To that extent they can affect the growth and progress of this sector.

The conclusion of free-trade agreements especially with Asian countries (which are otherwise India's strong competitors in this field, through not the high technology areas), can have a deleterious effect on the domestic industry if the Rules of Origin clause is not fully and strongly adhered to.

### China factor

The china factor will always be present, especially after 2008 when quantities restrictions on China are removed from the major U.S. and EU markets. The impact will be felt by all textiles and clothing producing countries including India. Indeed a foretaste of China's impact was seen in 2005, the first year of quota removal, when China's exports surged by almost 60 percent in all major areas. In effect, India has been provided a window of opportunity till 2008 to modernize and consolidate its textile sector. Thus, it is seen that despite the recent advances in this sector, India has still a long way to go. The industry is still fragmented and requires significant modernization and consolidation. Hence heavy investment in this sector must be continued for several years, building further on the recent positive trends.

The industry will also have to introduce greater fashion and design elements so as to have a much higher per unit value realization. On the government's part, all forward looking schemes including the TUFSS require to be continued for five more years, so that the industry becomes stronger to face the global competition. The Scheme for Integrated Textile Parks of the Government is also expected to go a long way in providing for informal consolidation and integration in the sector.

Only coordinated efforts by all—government, industry and individual units—can make India achieve its apparently high targets of 2012. The next five years are period of reckoning when the future directions of the Indian textile and clothing sector will be set.

## Post-Quota growth drivers

The textile industry is the second largest employer in the country next to agriculture. With global trade getting liberalised India's textile industry has to face stiff competition not only in the export market from China, Pakistan, Bangladesh, Sri Lanka and others but also in the domestic market due to free flow of foreign goods.

## Clothing industry

Abolition of trade quotas in January 2005 coupled with increased buoyancy in the domestic market has infused a new lease of life to the Indian textile industry and also opened up enormous opportunities to expand. The market size has increased to \$ 46 billion in 2005-06 with 37 percent imports (\$ 2.69 billion). Growth in exports of textiles and textile products accelerated from 6.0 percent in 2004-05 to 18.3 percent in 2005-06 benefiting from access to the markets of erstwhile quota countries (the U.S. EU and Canada)

Exports to quota countries increased sharply by 31.76 percent but shipments to non-quota countries were almost unchanged in 2005-06 (marginal decline of 0.1 percent). EU and the U.S. remained the major export markets, together accounting for 62 percent of India's total textile exports in 2005-06.

Within textiles and textile products, exports of man-made fabrics, yarn and made-ups declined by 2.2 percent mainly due to the sharp decline in exports to non-quota countries. Readymade garments, the major component of textile exports, benefited from strong demand in the major markets such as the U.S. and Europe. Textiles and apparel exports to the U.S. increased by 27.1 percent in 2005 (13.1 percent in 2004) and India are one of the fastest growing exporters to the U.S.

## Revamp vital

The whole value chain of the textile industry needs modernization technology up-gradation, expansion in order to produce cost effective products to meet the stiff competition. The country has a strong multi-fibre raw material base, plenty of labour but is faced with limited / non-availability of finance for modernization / expansion of production capacities. Foreseeing the great opportunities and the inherent strength of the industry, the Government had launched various schemes (TMC –

Technology Mission on Cotton; TUFS—Technology Up-gradation Fund Scheme; SITP—Scheme for Integrated Textile Parks) to help it equip itself to face the competition.

### Value addition

A simple textile value chain consists of fibre, grey yarn, grey fabric, processed fabric, and final product. The garmenting sector converts the processed fabric into final product. The value added by this sector to the final product depends on the end-product. The varying percentage of value addition in garmenting is shown below.

### Value added by converting—

- Processed cotton knitwear fabric made of 30s cotton grey combed yarn into garments is 290 percent;
- Processed cotton bottom weight fabric made of 20s carded yarn into trousers is 212 percent;
- Processed cotton shirting fabric made of 2/60s singed, mercerized, dyed yarn into garments is 102 percent;
- Processed cotton shirting fabric made of 60s combed yarn into shirts is 78 percent; and
- Processed cotton sheeting fabric made of 40s combed yarn into made-ups is 45 percent.

### Survey findings

The National Household survey on the market for textiles and clothing conducted by the Textiles Committee reported that the size of the domestic market of all textiles increased to 21.784 million meters in 2004 from 17,969 million meters in 2000 registering an increase of about 21 percent (Table II). In value terms, the increase of about 29 percent over these years. The per capita purchase of all textiles was 20.14, an increase of 13 percent over 2000.

## Export performances

On the export front also, there is huge potential due to the scaling down of production and outsourcing practices adopted by developed countries but India has to face stiff competition from cost effective producers such as China, Pakistan, Bangladesh and Sri Lanka. Also it has to overcome the different kinds of trade barriers generated by the formation of trade blocs and the large number of agreements between trade blocs and preferential trade agreements (PTAs). India too is entering into a number of trade agreements.

The recent one progress is the trade agreement with European Union consisting of 25 countries.

While exports of all commodities increased by 125 percent between 2000-01 and 2005-06, exports of textiles & clothing rose by 32 percent over the same period.

Global exports of textiles and clothing were \$ 452.80 billion in 2004, registering a growth of 27 percent from

## Bonanza from textile boom

TEXTILE MACHINERY is one of the largest capital good segments in India. Over the last five and half decades, the industry has built Rs.3,050 crore worth of complete machinery and other equipment in the whole range from opening up of fibres to production of finished fabrics. It is well supported by small and medium enterprises for critical components, parts and accessories, monitoring and testing equipment, and auxiliaries. A number of firms have attained global standards in terms of product design, capability and processed technology.

There are over 250 units producing complete textile machinery and about 500 units producing parts and accessories.

## Profile of the industry

The accompanying graphs give trends in production, capacity utilization, demand, exports and imports of textile machinery, parts and accessories during the last six years.

Production of textile machinery in 2004-05 was Rs.1,648.81 crore during 2004-05 and rose sharply by 28 percent to Rs.2,148.60 crore (estimated).

Annual exports of textile machinery and components have reached Rs.500 crore.

The industry exports over 25 percent of its annual production to more than 50 countries, including advanced economies. About 55 percent of the exports are from the spares and accessories sector.

#### End of recessionary phase

In the past, the industry had largely depended on foreign technical/technical-cum-financial collaborations and indigenous development was not taken up seriously. This was due to the encouragement given by the Government and the easy access to such collaborations. Second, certain policies of the Government had restricted machinery manufacturers, especially in the weaving sector, to bring in sophisticated machines resulting in low demand and high cost of such machines.

With the opening up of the economy and trade since 1991-92, the industry was hamstrung due to the reluctance of foreign manufacturers to provide technology, Foreign partners preferred to establish their own manufacturing bases in India for components and parts of captive use and deliver the machines to third countries. At the same time, large imports of new and second-hand textile machinery were taking place encouraged by duty concessions given by the Government. As a result, Indian textile engineering units were in a distinctly disadvantageous situation to find customers for their products. The industry stagnated until 2003-04 due to acute demand recession.

#### Pick-up in textiles

The process of the textile engineering industry is closely linked with the growth of the domestic textile industry.

The textile industry has embarked on a long-term modernization and expansion plan with huge investments to compete with foreign players in India and abroad.

The momentum for such huge investments has been triggered by the dismantling of the quota regime from January 2005.

The textile industry has been backed by the following schemes provided by the Government:

A technology Upgradation Fund Scheme (TUFS) introduced in 1999 with five percent interest rebate. The scheme is to cease in 2007;

20 percent Credit Linked Capital Subsidy Scheme under the TUFS for the weaving industry;

10 percent Credit Linked Capital Subsidy Scheme for the processing industry together with five percent interest rebate under TUFS;

Cluster developments at important textile centres and creation of Textile Parks; and

The various Apparel Parks created for the textile industry.

These schemes have specific emphasis for units in the medium and small-scale industries. A number of units in the textile industry have taken advantage of the above schemes.

In addition, the Government has streamlined the industrial and fiscal policies to encourage the industry to meet the global challenges effectively. With these support measures, the textile industry has stepped up investments for modernising and upgrading plant and machinery.

It is essential that the textile engineering industry is assured of substantial and sustained demand from the textile industry to enable it to turnout sophisticated and latest generation machines. Frequent interactions between the users and the manufacturing industries should take place to understand and mitigate each other's problems.

Customer expectation

The industry is aware of the customer's expectations while deciding to procure their requirements with the following parameters: Technology and brand, productivity, price of machines, customer recommended components availability, service aspects, export benefit, power savings and labour reduction. While the first two parameters play a vial role in

the decision-making by the customer, the other parameters will influence the demand.

### Research & Development

A number of large manufacturers have their in-house research and development facilities and continuous developments take place.

The industry had established a research and development centre at the Indian Institute of Technology, Powai, Mumbai, coupled with an academic course in post-graduation in textile engineering, Substantial investments have been made to encourage advancements in technology in a full-fledged post-graduation course in textile engineering, machinery manufacturers are encouraged to take advantage of the facilities available at IIT-B. The various projects developed by the post-graduate/dual degree students during their training require quick exploitation by the engineering sector.

“Technology and Brand” being the prime parameter, the industry should upgrade its technology in keeping with the advancements in developed countries either through acquisition of new foreign technology or development of indigenous technology.

Expansion of capacity, wherever required, should be taken up expeditiously to discourage unnecessary imports, especially of used items of textile machines.

The industry should have a close interaction with the components manufacturing sector for the development and sophistication of textile machines.

It necessary, such units can form a cluster or units capable of procuring foreign technology should acquire the same and assist the original equipment manufacturers (OEMs). Measures have to be initiated to bring about cost reduction, efficiency, quality improvement in skill, upgradation and improved infrastructure facilities to enable the machinery industry meet the surge in demand from the domestic textile industry.

### Export initiative

The industry had been exporting its products to a number of countries over the last 35 years. The products have been well received by developing as well as developed countries. The industry should ensure

quick and effective after-sales service. The Government should provide matching credits on softer terms to select thrust countries to enable Indian exporters compete in the global market.

The industry is capable and is endeavoring to produce new generation machines in quality, quantum and performance to meet the rising demand from the textile industry. It has sufficient production capacity at present. However, some machinery manufacturers have taken up technology up-gradation and expansion programmes.

With the implementation of the above measures, it is hoped that the industry will rise to the occasion and meet the huge modernization and expansion plans of the Indian textile industry fully.

The textile industry is one of the oldest industries in India. It has played an important role in generating foreign exchange reserves and creating employment opportunities. The industry is very vast with over 30,000 readymade garments manufacturing units and employs nearly three million people (Indian Apparel Portal: 1998). It has been estimated that the size of industry is Rs. 78000 crore.

The concept of readymade garments (apparels) is relatively new for the Indians. Traditionally, Indians preferred dresses stitched by local tailors, who had tailoring units in townships or cities and catered exclusively to local demand. The growing fashion consciousness during the 1980s and the convenience offered by ready-to-wear garments were largely responsible for the development of the branded apparel industry in India. Other factors which contributed to its growth were:

- ✓ Greater purchasing power in the hands of the youth,
- ✓ Access to fashion trends outside the country, and
- ✓ The superior quality of fabrics.

KSA Technopak study shows that 48 percent of the population of India is in the age group of 15-44 years, and this group is already into ready-to-wear apparel. There is rapid growth in 15-44 years age group and this group has both the willingness and the ability to pay.

Moreover, the spending on clothing and footwear is quite high in India, when compared to the developed countries. It is estimated that Indians spend 9% of their disposable income on clothing and footwear, which is

significantly higher than the US (5%). Moreover, the expenditure on clothing is higher in the higher income levels.

A study conducted by National Council for Applied Economic Research (NCAER) in the late 1990s revealed that there has been a gradual increase in the purchasing power of the people. According to the report, the population in the income range of Rs 45,000 -Rs 2,15,000 per annum was increasing at a fast pace. In 1997-98, there were 33 million households in this income group and this number is expected to increase to 75 million by 2006-07.

Indian garments export business has made great strides in the past few years and today many of the leading fashion labels, from all over the world, are known to source their products from India. This speaks volume of India as a major supplier of top quality fashion garments.

## CHAPTER-2

### PROFILE & ORGANIZATION STRUCTURE OF THE COMPANY

#### 2.1 PROFILE & ORGANIZATION STRUCTURE OF THE COMPANY

##### TOMMY HILFIGER – HISTORY

Tommy Hilfiger was born in 1952 and grew up in Elmira, New York. Tommy Hilfiger started as a fashion designer by driving to NYC, purchasing jeans, and selling them where they were not available in the rural area of Elmira, NY. Eventually he made enough money to open his own clothing stores throughout upstate New York.

In time, he found himself considered one of the "4 Great American Designers for Men" from a very successful ad campaign. (Ralph Lauren, Calvin Klein, Perry Ellis, and Tommy Hilfiger)

His clothing was getting very popular and was surprisingly being worn by many different people of all ages & races. Tommy Hilfiger responded to the diversity of his customers by adding more variety to his clothing line. Tommy Hilfiger has succeeded in making clothing that many people enjoy wearing. His fragrances have been a huge success as well. The clothing line has expanded by including home products, eyewear, footwear, swimwear, jewelry, and divisions such as Tommy Hilfiger Athletics. Tommy Hilfiger is a true American Designer.

Tommy Hilfiger's clothing company, TOM Inc., has been amongst the leading exponents in this intensified process of mass customization over the last few years. Indeed Hilfiger clothing can be seen as an extreme case of how the idea of mass designer fashion operates. Mass designer fashion is a specific formation within the industry; it is not equivalent to traditional haute couture (which is often dependent upon highly artisanal means of production and which is still somewhat outside the circuits of globalizing capital that nurture the mass clothing industry); nor is mass designer fashion equivalent to standard garment production (which relies on reordering of staple and relatively stable goods season after season). Mass designer fashion is that peculiar formation which occurs within this

nexus of the globalizing economy and the concomitant expansion of the means of consumption.

Almost by definition it demands the capture of ever wider segments of the mass market at the same time as it needs to maintain familiar standards of product differentiation between brands, and offer frequent variation. Thus Hilfiger's relative importance and visibility in this context is in part a result of an ongoing strategy which has put his company in a position to cover just about all segments of the clothing market, but which also marks the products as identifiable and unique (the familiar Hilfiger logo and red-white-and-blue designs), offering appreciably variable "looks" or themes from season to season and year to year.

#### TOMMY HILFIGER IN INDIA

Hilfiger was in India to unveil the first set of stores in New Delhi, Mumbai and Bangalore, and renew his ties with the country which date back to 1978. Tommy Hilfiger was brought to India through a joint venture between the Murjani Group and the Lalbhai Group, which owns the 'Arvind' brand. Called Arvind Murjani Brands Private Limited, the joint venture had entered into a licensing agreement for marketing and distribution of Tommy Hilfiger apparel in India.

AMB introduced the Tommy Hilfiger men's sportswear, men's jeanswear and juniors' jeanswear collections in freestanding specialty stores across country in spring 2004. Tommy Hilfiger Inc., through its subsidiaries, designs, sources and markets men's and women's sportswear, jeanswear and childrenswear under the Tommy Hilfiger trademarks. Its products can be found in leading department and specialty stores throughout the United States, Canada, Europe, Mexico, Central and South America, Japan, Hong Kong, Australia, and other countries in the Far East.

#### HILFIGER - RIVALS

While older companies like Levi-Strauss, Timberland or even Ralph Lauren have been slow in entering the mass designer fashion stakes--some being particularly wary of attempting to enter ethnically or racially identified areas of consumer culture—and while many other companies have been content with their long established market niches and hierarchies of market segmentation, the story of Hilfiger's company is just the opposite.

Beginning with a line of preppy looking, clean-cut and conservative sportswear--similar to that offered by The GAP, but somewhat more expensive--Hilfiger set out in the early 1990s to compete against department store staple lines like Ralph Lauren and Liz Claiborne with essentially Young Republican clothing. In the course of only a few years this basically khaki, crew and button-down WASP style, while remaining a constant theme in Hilfiger collections, has been submitted to variations which were intended to bring the product closer to Hip-Hop style—bolder colors, bigger and baggier styles, more hoods and cords, and more prominence for logos and the Hilfiger name. These variations on a house-in-the-Hamptons theme opened up the doorway to African-American consumers, and Hilfiger's status is often closely linked to his popularity among African-Americans.

But at the same time, that market has clearly been only one focus for Hilfiger's ambitions, set on maintaining and expanding markets among non- black consumers, and continually multiplying the range of products offered. In addition to hip-hop styles Hilfiger now sells golf wear, casual sportswear, jeans, sleepwear, underwear, spectacles, fragrances, and even telephone beepers. Tommy has recently moved into women wear, and offers a women's cologne to go with the popular men's line. Not content with crossing all these areas of the mass market, Hilfiger seems currently to be conducting a foray into more classic designer markets with high-fashion shows marked by his appearance at the British fashion shows in 1996 and by the introduction of a line of brightly colored menswear that was clearly his attempt to become more of a haute-couture designer.

Hilfiger's success has been quite astounding since the initial public offering of TOM in 1992. The company now has over 850 in store department store sales points in the US. In addition there are now almost 50 Hilfiger speciality stores across the country--a figure that has almost doubled in the course of two years. The company's annual report in early 1996 showed that revenue in the last quarter of 1995 was over \$130 million, a 47% increase over the previous year. The company's cost for goods sold was less than \$72 million, leaving more than \$58 million in gross profits--a rate of gross profits of more than 80%. The sound financial health of the company ensures its regular appearance on stockbrokers' to-buy lists, even though share prices keep rising. Early in 1995 the small consortium of TOM's original investors-- which had bought the company from Mohan Murjani in the late 1980s--sold their

remaining TOM stock for over \$50 million, after a year in which the value of the stock had increased by 106%. Hilfiger himself was one of this small group, of course, and after his profit-taking he remained as an employee of the company drawing more than \$6 million a year in salary.

The economic success of TOM is explicable largely because the company has led the way in many of the aspects of mass customization. Even though Hilfiger still does not have (so far as I'm aware) a Web site, or other of the mechanisms that apparel companies now routinely use, TOM's corporate strategies have been ahead of those of many of its competitors, and have always stressed the acceleration of product delivery, new forms of retailing partnership, innovative EDI usage for inventories and customer tracking--and of course, the speedy and timely introduction of new lines and redesigned goods, assuring consumers a wide range of product choices (something which Hilfiger himself sees as crucial in provoking and expanding demand).

TOM has been especially willing--again, leading the field—to engage in what is now a standard industry practice of licensing.

TOM has licensing agreements with some of the world's major clothing companies. This network of links has been methodically and aggressively built up in just the last few years: Pepe plc for jeans, Stride Rite for shoes, Liberty Optical for eyewear, Estee Lauder for fragrance, Russell Newman for shirts, Jockey for underwear, and so on. While licensing agreements probably have little impact on consumer consciousness, one advantage they have for a company like TOM is that they offer the borrowed cachet of known and respected manufacturers. This is all important in negotiating sales points with department stores and generally in testifying to the quality of TOM products. Most of TOM's retailing partnerships are with department stores, and in 1995 about 70% of Hilfiger's products were sold at those venues. Added to TOM's strategies for speeding up product design, delivery, and turnover, licensing helps ensure access to what is still the principal channel for clothing sales in the US where 65% of all clothing is sold by only 35 companies, the majority of which are chain retailers with department stores in malls and urban spaces all across the country.

Tommy Hilfiger aims at 40 outlets in India by 2009

New Delhi, Oct 12 (IANS) Riding on a burgeoning middle class with deep pockets, international fashion brand Tommy Hilfiger aims to ramp

up its outlets in India to 40 by next year - up from the 30 it has opened in the four years since it launched in the country."We are at a phase where we understand Indian consumers and their needs. We have our presence in so many Indian cities and we don't think that our competitors will manage to expand their business in a short period of time to reach our levels," Tommy Hilfiger Apparel India CEO Shailesh Chaturvedi told IANS.

Today the brand has a presence in 12 major cities - Ahmedabad, Bangalore, Chandigarh, Chennai, Delhi, Gurgaon, Hyderabad, Jalandhar, Kolkata, Lucknow, Mumbai and Pune - with 14 stand-alone stores and 16 shop-in-shop stores.

Tommy Hilfiger has been rated as the No.1 brand by Women's Wear Daily in its WWD100 survey of the most recognised brands in the US. In September, in an exclusive deal, the brand's complete collection of men's and women's wear and accessories were rolled out in 550 Macy's outlets in the US. In November, the company plans to open a huge 20,000 sq ft flagship store on the prestigious Fifth Avenue in Manhattan spread over four floors.

The brand launched in India in April 2004 through Arvind Murjani Brands Pvt Ltd, a 50:50 joint venture between the Murjani group, a 77-year-old global group with a proven track record in international and Indian markets and the Ahmedabad-based Arvind Mills.

According to Chaturvedi, the brand has already crossed its target of Rs. 1 billion (\$21 million) in sales per year.

"We do our homework before launching a store. We know where our market lies. Meticulous planning and a scientific approach is the reason for our 100 percent growth," he maintained.

Towards this end, the brand chose the swish Khan Market in central Delhi to launch its 30th store in a shopping complex rather than in a mall, which otherwise is the preferred destination of most international and domestic upmarket brands.

"Khan Market with its premium and cool outlook is at a very exciting stage of growth - buzzing with niche boutiques, eateries and lifestyle stores. With the launch of this store, consumers will have access to an international range of apparel and accessories," Chaturvedi said.

“Khan Market caters to a number of foreigners and diplomats, who will be our target consumers,” he added.

As for the label’s expansion plans Chaturvedi said second outlets would be opened in cities like Ahmedabad, Bangalore and Pune, as also in some of the other cities where it already has a presence. An outlet is also planned in India’s diamond capital of Surat.

All Tommy Hilfiger stores showcase the best of international trends that are very youthful, stylish and energetic.

“Fashion trends are converging everywhere and thanks to the media, people know what is in and what is out. Our design team in the US develops the line based on international trends. We have a team that focuses mainly on style trends and forecasts,” Chaturvedi explained.

“We source all our products from the US but keep the Indian fit and size in mind. Our colour palette, trends, pricing and quality remain the same worldwide.

“What we offer is an international collection at an international price,” Chaturvedi said.

Thus, the apparel range starts at Rs.2,000 for a shirt to Rs.40,000 for a jacket. The accessories start at Rs.2,500 and go up to Rs.7,500.

“If you are looking for good quality, you tend to get used to a brand. Our loyal customers will always come back to us,” Chaturvedi maintained.

## 2.2 PROBLEMS ORGANIZATION OF THE COMPANY

The foundations of the Indian textile trade with other countries began as early as the second century BC. The silk fabric was a popular item of Indian exports to Indonesia around the 13th century, where these were used as barter for spices. Towards the end of the 17th century, the British East India Company had begun exports of Indian silks and various other cotton fabrics to other countries. These included the famous fine Muslin cloth of Bengal, Bihar and Orissa. The trade in painted and printed cottons or chintz, a favorite in the European market at that time, was extensively practiced between India, China, Java and the Phillipines, long before the arrival of the Europeans.

Together with allied agricultural sector, it provides employment to over 82 million people by the end of the tenth plan period. The contribution of this industry to the gross export earnings is over 23 percent while it adds only three percent to the gross import bill of the country. It has been estimated that India has approximately 30,000 readymade garment manufacturing units in the country. It is the only industry which is self-reliant, from raw material to the highest value added products viz. garments/ made-ups. Cotton accounts for more than 73 percent of the total fibre consumption in the spinning mills and more than 58 percent of the total fibre consumption in the textile sector. The Indian textile industry contributes substantially to India's export earnings. The 1996 Indian textile exports approximately amounted to Rs.35,000 crores of which apparel occupied over Rs14,000 crores. At present, the exports of textiles account for about 24.46 percent of total exports from India and are the largest net foreign exchange earner for the country as the import content in textile goods is very little as compared to other major export products.

The clothing sector is both a labor-intensive, low wage industry and a dynamic, innovative sector, depending on which market segments one focuses upon. In the high-quality fashion market, the industry is characterized by modern technology, relatively well-paid workers and designers and a high degree of flexibility. The competitive advantage of firms in this market segment is related to the ability to produce designs that capture tastes and preferences, and even better – influence such tastes and preferences – in addition to cost effectiveness. Another major market segment is mass production of lower-quality and/or standard products such as t- shirts, uniforms, white underwear etc. Manufacturers for this market segment are largely found in developing countries, often in export processing zones and/or under outward processing agreements with major importers.<sup>6</sup> they employ mainly female workers – semi-skilled and unskilled – and outsourcing to household production is quite common in the low end of the market. In the low to middle priced market, the role of the retailer has become increasingly prominent in the organization of the supply chain. The retail market has become more concentrated, leaving more market power to multinational retailers.

Globalization has put forth India's business community in the international market. Various foreign trade policies and investment policies have been framed to facilitate foreign trade and increase the profitability of the Indian garment manufacturers. The advent of liberal

trade policies in textile and garments sector have made it possible of usage of modern technologies and international methods of manufacturing clothes. This sector of garments is one of the most successful and important in terms of foreign exchange generation and employment generating field. It provides employment to lakhs of people and is the most sort out and booming industry of India.

It is essential that the textile engineering industry is assured of substantial and sustained demand from the textile industry to enable it to turnout sophisticated and latest generation machines. Frequent interactions between the users and the manufacturing industries should take place to understand and mitigate each other's problems.

## 2.3 COMPETITOR'S INFORMATION

### PROFILES OF COMPETITORS

#### Duke

Duke, reportedly rated by ORG-MARG as the top T-shirt maker in the country, prices its T-shirts in the Rs 199-699 range. It also makes trousers, shirts, jackets, sweaters and will begin making thermal underwear this year. T-shirts account for 60-65 per cent of the company's total revenues. Domestic sales account for 80 per cent. Its overseas buyers include Gap, Wal-Mart and Target.

Today, Duke embraces a complete vertically integrated garment manufacturing plant, with knitting, dyeing, processing, finishing, mercerising, compacting, embroidery and printing under one roof. Production facilities are located in India and Nepal.

Duke Fashion (India) Ltd pioneered the T-shirt culture, and gradually established several new trends in knitted garments and fabric research. In 1998, thermalwear was introduced for the first time in India, under the brand name of Neva. Two other group constituents, Venus Garments (India) Limited and Deekay Export are also there. The group also consists of Duke Fabrics and Glaze Garments.

Duke is acknowledged today as the undisputed leader, with a turnover of Rs 1,250 million. Over 5,00,000 garment units are produced every month by over 2000

## Benetton

When Benetton was started in 1989 in India, all they found themselves selling were jeans and T-shirts. With television serials like 'Friends' and 'Ally Mcbeal' making waves on the small screen, people began to feel that it is okay to be wearing trousers and jackets, evening clothes and party wear. Benetton now sells 1,500 styles as compared to the 400 they started shop with. The €1.7 billion Italian fashion company had entered India through a joint venture with DCM but now Benetton India is a wholly owned subsidiary after they broke up about a year back.

## Levis

Levi's is a future brand in the Indian context. Levis has excellent brand architecture in place, and it is performing well. The market for denim, specially at the premium end, is growing between 15 and 20 per cent annually. (The overall domestic denim market in the top six metros is estimated at 12 million pieces annually. The mass-priced segment of Rs 300-500 accounts for six million pieces. The mid-priced market — up to Rs 1,000 — chips in with three million pieces, while the premium end of above Rs 1,000 accounts for another three million, which include 0.4 million over the price point of Rs 1,400.)

The four sub-brands are pretty well straddled. We have 30 per cent of the premium denim market in the country, and about 10 per cent of the overall market across price segments.

## REEBOK

Reebok is the brand for sportswear — shoes, T-shirts etc — while Rockport is for a premium range of footwear and apparel marked by 3 Rs — rugged, refined and relaxed, explained Mr Manish Dawar, Country Manager, Rockport.

Entering India in 1995, Reebok has captured a market share of 50 per cent followed by Nike. As a marketing tactic, the MNC promotes fitness through aerobics. The girls are trained for six months by an expert from the USA.

## TOMMY HILFIGER SUBSIDIARIES

← Hilfiger Stores BV

- ← Hilfiger Stores GmbH
- ← Hilfiger Stores Ltd
- ← Hilfiger Stores SAS
- ← Hilfiger Stores SL
- ← New Bauhinia Limited
- ← T.H. International N.V.
- ← TH Belgium NV
- ← TH Danmark AS
- ← TH Deutschland GmbH
- ← TH France SAS
- ← TH Italia SRL
- ← TH Retail, LLC
- ← TH UK Ltd
- ← THHK Childrenswear Limited
- ← THHK Jeanswear Limited
- ← THHK Junior Sportswear Limited
- ← THHK Menswear Limited
- ← THHK Womenswear Limited
- ← Tomcan Investments Inc.
- ← Tommy Hilfiger (Eastern Hemisphere) Limited
- ← Tommy Hilfiger (HK) Limited
- ← Tommy Hilfiger (India) Limited
- ← Tommy Hilfiger 485 Fifth, Inc.
- ← Tommy Hilfiger Canada Inc.

- ← Tommy Hilfiger Canada Retail Inc.
- ← Tommy Hilfiger Canada Sales Inc.
- ← Tommy Hilfiger E-Services, Inc.
- ← Tommy Hilfiger Europe B.V.
- ← Tommy Hilfiger Hungary Ltd.
- ← Tommy Hilfiger Licensing, Inc.
- ← Tommy Hilfiger Retail (UK) Company
- ← Tommy Hilfiger Retail, LLC
- ← Tommy Hilfiger U.S.A., Inc.
- ← Tommy Hilfiger Wholesale, Inc.
- ← Tommy.com, Inc.

## 2.4 SWOT ANALYSIS OF ORGANIZATION

### STRENGTHS

Strong Cotton Base – India has a very strong cotton base. The country has one of the largest areas under cotton cultivation in the world today placed at over 7.5 million hectares and this area is expanding. Cotton also accounts for 75% of the textile fabric consumption in this country and cotton garments already account for about 65 percent of our total trade in garment assortments. The world demand for cotton fabrics and clothing is expected to be fairly stable.

Abundant and Low cost manpower resources – Indian labour is plentiful and its is also reported to be one of the cheaper in the world today. This fact need no reiteration.

A large and Diversified Textiles Industry :- Indian is perhaps the openly nation in the world where all the three textile sectors namely handloom, power loom and the mill industry co-exists. The fact does provide the country some advantage in producing a wider variety of designs and

colour combinations in its textiles to satisfy the more discerning foreign buyers.

Creativity of Indian craftsmen / weavers and entrepreneurs – the creativity of India weaves particularity in the handloom and decentralized power loom sectors has obtained the admiration of detailed specifications. Many of the larger departmental stores abroad are known to have got some of their garment fabrication done in India although they may ultimately give their own labels to the clothing so manufactured.

Ability to Cater to Small Orders. This aspect of the Indian garment sector has already been mentioned earlier. It refers to the flexible structure of this industry which enables it to secure smaller order from overseas importers for varied assortments and designs – a preposition which many of the large scale units find totally unviable.

Liberalized policies of the Government of India:- Having realized the case export potential of this sector the government has liberalized the imports of wide range of modern garment manufacturing machinery including high-speed machines. Similarly imports of essential items like zip fasteners trimmings and embellishments have also be liberalized. Import duties on several of these item have also been substantially reduced. Such measure should help to develop the production bases of this industry, a process which has already started.

## WEAKNESS

The industry suffer from certain inherent weaknesses which has been responsible for its apparent inability to capitalize on may of its advantage. These are as following:

Decentralized Structure of Industry – The industry is highly decentralized. At the top of the exporting chain is the merchant-exporter who canvasses for and finally executes the import orders. The production operations however are carried out by independent & individual fabricating units who are sometimes assisted by button-holing in its and other small processing units. Although this factor gives the industry some degree of operational flexibility. It can cause hardships if the merchant-exporter has not control or little control over the fabricators leading to delayed shipments and needless trade disputes.

Old & outdated machinery – Compared to most of the other exporting nations of the world. The Indian garment sector is equipped with obsolete machinery – in many cases with simple pedal operated machines with hardly any productivity. This problem is only now being addressed with a liberalized import policy.

Shortage of trained manpower – Although labour in India is plentiful the garment sector has been experiencing a shortage of skilled labour force – like expert cutters, machine-operator, designers and so on in the different manufacturing centres. There is also a problem of migrant labour force which have no stakes in the industry particularly in a place like Delhi which has often posed a problem to entrepreneurs.

Restricted fabric base – While acknowledging the fact that India has vast and variegated textile industry it has been recognized that the production of specialized and heavier varieties of fabrics like drills twills, gabardines corduroys velvets and denims etc is generally of very poor quality of grossly inadequate for the requirements of the Indian garment sector. This has precluded the garment sector from producing heavier garments for winter wear or the finer varieties for sport wear and so on.

Restricted export ranges – the limitations experienced by the Indian garment sector in regard to fabrics has had its impact in the export sector also. Currently India's apparel exports are more or less confined to light weight cotton garments made from the power loom sector mainly for summer wear. These items are also used as casual wear. There is huge international demand for standard garments like formal wear shirts & trousers besides children's garments made out of polyester / cotton blends besides children's garments made out of polyesters cotton blends besides clothing and industrial clothing in which India has currently little or no representation.

From analysis of India's strengths and weakness in the garment industry it emerges that on the balance the strengths in the industry are more pronounced. Also many of the weaknesses mentioned are now being suitably addressed by the Government of India. For instance the establishment of the Institute of Fashion Technology by the Ministry of Textiles should overcome the problem of obtaining skilled technicians and designers for the industry. The industry on its part has also resulted in the induction of modern and updated machines into this sector which will improve its productivity. The industry is also going in for marketing tie-

ups with some of the reputed international brand leaders of specific varieties of garments like jeans and sportswear which augurs well for quality and variety of garment to be manufactured in the country in the future.

## OPPORTUNITIES

With each product category opportunities exist because products in which Indian exports have minimal share have been showing a substantial growth rate. India needs to expend its potential in these markets. Indian also has to sustain its product categories where to demand for imports as are showing a declining trend. Opportunities also exist in product diversification into new products categories of formal knitwear which fashion forecasts predict as a booming industry all over the world.

Indian exporters should improve their manufacturing system quality speed and efficiency in order to effectively enter markets which will yield great value realization and more value added profit margins.

India's exports readymade garment's mill it badly most of the would wants to import trade sanction against the country for conducting there nuclear sanction have come at a time when India's garments exports hence started picking of the period of stagnation which determined at for India's garment export back.

## THREAT

There is little evident that the average Indian garment exports has full grasped the full implication of the phasing out of the quota regime for textiles and garments in the foreseeable future under the historic Uruguay Round Accord signed in December 1994 when the protected market access provide by the cocoon of quotas disappear completely in the not too distant future there will be vitally a free for all situation and only those countries with established market reputations for quality diversified range and prompt delivers will be able to survive the acid test of competitions.

Indian exporters have to refurbish their image in the interim period of evolve from being branded as supplier of low budget item who often lag behind in adhering to delivery schedules to high profile suppliers of quality garments.

Another factor of considerable significance is the emergence of new garment supplier to world markets, which included countries like China Thailand. Sri Lanka, Bangladesh and Pakistan etc some of these nations have not only a viable cotton base but also have low cost labour, which could pose a greater threat to Indian interest as compared to the earlier competitors like Hong Kong and Korea who were supplying a different assortment of item. India is threatened by fresh competitors from US and EU other of which have resolved to sourcing fabric supplies from nearby countries and converting them into readymade garments.

## CHAPTER-3

### OBJECTIVES OF THE STUDY

#### 3.1 OBJECTIVES OF THE STUDY

#### 3.2 OBJECTIVE

- To review the present status of the Tommy Hilgiger & Analyze its contribution to the economy.
- To critically evaluate the export performance of Indian garments over the years and its share in the global trade in clothing.
- To examine in detail the US as a market for clothing and India's current performance in the market.

#### 3.3 SCOPE OF THE STUDY

- I have based my study on various aspects of Indian Textile Industry and for me there was no end to the scope of the study on this topic

#### 3.4 SIGNIFICANCE OF THE STUDY

It was a matter of great significance and importance for me to make a project on this topic. The making of this project has benefited me in many ways

it helped me to understand the culture of this industry more closely and clearly

it helped me to gain some practical knowledge about making a live project on a particular industry

Overall a great experience and a great medium of learning.

#### 3.5 SIGNIFICANCE TO THE INDUSTRY

The analysis and conclusions drawn by me during the course of my study can serve as a guide to the industry people since a systematic analysis of facts has been attempted by me.

## CHAPTER-4:

### METHODOLOGY ADOPTED

#### 4.1 METHODOLOGY ADOPTED

Methodology adopted consisted of exploratory research initially, followed up by questionnaire design. Lastly, markets research was done in the form of questionnaires followed by the analyses and summarization.

In all two questionnaires were exercised: One each for the target segment of end consumers and the retailers. Thus the methodology consisted of:

- Exploratory research
- Questionnaire design
- Data collection through interviews and market surveys
- Data analysis and summarization.

#### RESEARCH DESIGN

The project required exploratory research. Two separate questionnaires were exercised for the end consumers and the Retailers. Convenience sampling was done to reach out to the respondents and the sample was collected using Personal interviews, in house interviews and market surveys.

## CHAPTER - 5

### ANALYSIS OF THE PROBLEM UNDER STUDY

#### 5.1 ANALYSIS OF THE PROBLEM UNDER STUDY DATA ANALYSIS

Q1 How many different types of Textile products do you Trade/manufacture?

- T-SHIRTS
- TROUSERS
- KNICKERS
- CHILD WEAR
- OTHERS

Q2 How many of these products do you get manufactured on your own?

- T-SHIRTS
- TROUSERS
- KNICKERS
- CHILD WEAR
- OTHERS

Q3 Approximately, what is the total quantity (numbers) of garments do you purchase/manufacture on monthly basis from all your suppliers?

- >1000 units
- >5000 units
- >10000 units
- >50000 units
- >100000 units

Q4 How much of importance (in %terms) do you give to raw material to ensure that the final look of the product is as desired by you and the client?

|||||||

0 10 20 30 40 50 60 70 80 90 100

Q5 How satisfied are you with your present suppliers of raw material:

1.....3..... 5

Very Neutral Very

Dissatisfied Satisfied

## 5.2 FINDINGS AND ANALYSIS

Half of the respondents said that they prefer shirts over jeans.

Nearly twenty percentage of the respondents said that they prefer to wear the T – Shirts twice a week.

## INTERPERETATION

The number of the people surveyed for this project was 100 which include the sufficient mix of people from different backgrounds. The survey was done on 40% - students, 20 % - working professionals, 20% - self employed, 20% - others.

#### INTERPERETATION

The pie given below shows that the Casual wear is normally preferred among the surveyed respondents.

#### INTERPERETATION

Brand Name is very important to consumers when it comes to buying as 34% of the respondents said that they buy only branded products only. 20% of the people said that the price is the most important parameter in their buying decisions.

#### INTERPERETATION

Clearly 12 % of the people think that the Tommy Hilfiger is the expansive brand and Reebok takers were 16%. Though Tommy Hilfiger is not significantly present here in India but most of the respondents were aware of this brand

#### INTERPERETATION

Nearly 31% of the respondents said that they spend around 3000 – 4000 INR annually on buying T – shirts.

#### PEST ANALYSIS

##### Political-legal

- > Complete elimination of the quota restrictions under the Multi Fibre agreement (MFA) since January 2005
- > Inflexible Indian Labour laws

- De-reservation of garments from SSI sector since 2001

#### Economic

- All capital goods in the textile sector have been covered by Export Promotion Capital Goods scheme, which attracts 5 per cent customs duty without any countervailing duty.
- Union budget 2005-2006: Ad valorem component of customs duty on textile fabrics and garment has been reduced from 20% to 15%.
- Per Capita income spent on branded garments is less than that in the developed countries.
- Demand for branded garments is more income elastic than price elastic

#### Socio-Cultural

- Increased disposable income of Indian households
- People are exposed to the western lifestyle and there is a drastic shift in their taste and preferences
- Continuing shift in customer preference towards ready-to-wear products
- Consumers more aware of brands and are now more style and brand conscious.
- Styles and trends changing faster than ever which reduces the shelf life of fabrics as well as readymade garments
- Customers accepting the casual and colourful look even at work.

#### Technological

- Pedal-operated machines in the 60s, the industry moved on to power-operated machines and steam presses in the mid-80s, started assembly line manufacturing in the late 80s and then entered the phase of using computerized machines. This in short summarizes the usage of technology in garment industry over the years.
- IT tools being used for tracking of stock keeping units.

> IT helps improve the supply chain management, for direct marketing, for identifying customer preferences in multiple geographies.

> Regular innovations in colour, style, design, fabric, finish and fit are necessary in the dynamic industry, which in turn requires automated machinery and IT solutions.

> Automation brings down the total cost of production by at least 10 to 15 per cent, out of which the saving on fabric alone would be 5 to 7 per cent.

> Cost of technology is however a deterrent

> E-retailing

1. Threat of new entrants:

> Economies of scale

> High capital investment: The entry barriers are low to enter the fabrics industry but the organized sector is much difficult to enter as it involves huge capital requirement because of the quality requirements

> Supply chain constraints

> High product development costs

> Distribution networks

> Seasonal businesses

> Bigger Indian players today are focusing on building a good distribution network. Access to a good distribution network too can be a critical factor in the future.

2. Extent of rivalry

> Branded segment is growing at 18-25% annually from 1998 onwards (the industry growth rate is only 5%- KSA Technopak)

> Competitors:

> Tailor Made

> Ready Made

The Indian textile and garment industry is highly fragmented with 90% of sales coming from the unorganized segment. There is intense rivalry among the organized players and competition is very high

← Textile Mills integrating forward. e.g. Mayur, Raymonds, Arvind, Bombay Dyeing, Grasim, Siyarams, etc.

← Garment Exporters focussing onto domestic market e.g. Zodiac, Colour Plus, Lerros, Weekender, Warehouse, etc

← Retail Chains bringing own Brands, e.g. Shopper's Stop, Westside, Pantaloon, etc.

← Fabric Distributors diversifying into Garments, e.g. Crocodile, Pan America, etc.

← Other Localized competition e.g. Cambridge in Bombay, Turtle in Calcutta, etc.

← The umpteen opportunities offered by the Indian market, attract the established global players.

← Competition across segments.

3. Threat of Substitutes: The substitutes do not really exist for this industrial product. However since we are talking about ready to stitch fabric industry, the organized readymade retailing garment and the unorganized retail garments can be treated as close substitutes.

4. Bargaining power of the suppliers:

← Limited role, no branding.

← Low differentiation of inputs.

← Large number of suppliers.

← Business characterized by commodity and seasonal cycles.

5. Bargaining power of the buyers:

← Wide range of choices available for the customer right from Fabrics to Ready Made Garments and after the influx of foreign players in the market the options have increased for the benefit of the End-Consumers.

← Price points started playing an important role in brand selection due to which the small and domestic brands survive.

## TOMMY HILFIGER COMPANY ANALYSIS

### APPAREL INDUSTRY – VALUE CHAIN

## CHAPTER–6

### INTERPERETATION OF RESULTS

#### 6.1 INTERPERETATION OF RESULTS

The number of the people surveyed for this project was 50 which include the sufficient mix of people from different backgrounds. The survey was done on 40% - students, 20 % - working professionals, 20% - self employed, 20% - others.

Half of the respondents said that they prefer shirts over jeans.

Nearly twenty percentage of the respondents said that they prefer to wear the T – Shirts twice a week.

#### 1. INTERPERETATION

Nearly 31% of the respondents said that they spend around 3000 – 4000 INR annually on buying T – shirts.

#### 2. INTERPERETATION

Clearly 12 % of the people think that the Tommy Hilfiger is the expansive brand and Reebok takers were 16%. Though Tommy Hilfiger is not significantly present here in India but most of the respondents were aware of this brand

### 3. INTERPERETATION

Brand Name is very important to consumers when it comes to buying as 34% of the respondents said that they buy only branded products only. 20% of the people said that the price is the most important parameter in their buying decisions.

### 4. INTERPERETATION

50% of peoples do window shopping before buying the cloth .

QUESTIONNAIRE

### 1. General information

✓

Name

---

---

---

✓ Age \_\_\_\_\_

✓ Sex \_\_\_\_\_ Male \_\_\_\_\_ Female

#### Occupation

Self Employed \_\_\_\_\_

Salaried \_\_\_\_\_

Student \_\_\_\_\_

Other \_\_\_\_\_

#### Annual income

Rs. 300000 & above \_\_\_\_\_

Rs. 200000 – 3000000

Rs. 100000 – 2000000

up to Rs. 100000

### 2. Which form of clothing do you prefer?

Shirts \_\_\_\_\_

Jeans \_\_\_\_\_

### 3. If you wear T-Shirts / Jeans, how often do you wear it per week?

once \_\_\_\_\_

twice \_\_\_\_\_

thrice \_\_\_\_\_

daily \_\_\_\_\_

4. Category of T-shirts / Jeans you wear the most?

casual wear \_\_\_\_\_

active wear \_\_\_\_\_

5. Select Top 5 brands and rank them according to your preference

Benetton \_\_\_\_\_

Levis \_\_\_\_\_

Lee \_\_\_\_\_

Weekender \_\_\_\_\_

Duke \_\_\_\_\_

Adidas \_\_\_\_\_

Nike \_\_\_\_\_

Reebok \_\_\_\_\_

Tommy Hilfiger \_\_\_\_\_

6. What attracts you the most while you buy a T-Shirt /Jeans ? Rank the following as per your preference:

Quality of material \_\_\_\_\_

Design and colour \_\_\_\_\_

fitting \_\_\_\_\_

Price \_\_\_\_\_

Brand name \_\_\_\_\_

7. How often do you buy a T-shirt / Jeans?

once a month \_\_\_\_\_

Once in 2 months \_\_\_\_\_

Once in 3 months \_\_\_\_\_

Once in 6 months \_\_\_\_\_

8. Which price range in T-shirts / Jeans you prefer the most?

Rs. 150-300 \_\_\_\_\_

Rs. 300-450 \_\_\_\_\_

Rs. 450-600 \_\_\_\_\_

Rs. 600 & above \_\_\_\_\_

9. Which brands do you feel is the most expensive?

Benetton \_\_\_\_\_

Levis \_\_\_\_\_

Lee \_\_\_\_\_

Weekeneder \_\_\_\_\_

Duke \_\_\_\_\_

Adidas \_\_\_\_\_

Nike \_\_\_\_\_

Reebok \_\_\_\_\_

Tommy Hilfiger \_\_\_\_\_

10. If you switch to other brand, will it be among these?

Benetton \_\_\_\_\_

Levis \_\_\_\_\_

Lee \_\_\_\_\_

Weekender \_\_\_\_\_

Duke \_\_\_\_\_

Adidas \_\_\_\_\_

Nike \_\_\_\_\_

Reebok\_\_\_\_\_

11. Why would you like to switch over to other brand?

Price \_\_\_\_\_

Quality \_\_\_\_\_

Brand\_\_\_\_\_

Design \_\_\_\_\_

12. If you like T-shirts then in which form do you prefer them?

Plain \_\_\_\_\_

Logo/Graffiti \_\_\_\_\_

Designer\_\_\_\_\_

13. Overall income spent on clothing (T-shirt) in a year?

Rs. 4000 & above \_\_\_\_\_

Rs. 3000-4000 \_\_\_\_\_

Rs. 2000-3000 \_\_\_\_\_

Rs. 1000-2000 \_\_\_\_\_

Less than Rs.1000 \_\_\_\_\_

-----

Customers Preferences