



## **EXPORT STRATEGIES OF TEXTILE PRODUCTS FOR SMEs UNDER COMESA & CFTA AGREEMENT.**

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### **Abstract:-**

Textile and Apparel manufacturing have been considered to be an important element in Egyptian economy. Considering the Marketing strategies widely used by composite apparel manufacturers in a form of direct marketing and relationship marketing. But its potential has not been incorporated in small and medium textile and apparel companies in Egypt. and also activate COMESA & CFTA agreement.

This paper focuses on the development and formulation of effective marketing and export strategies for textile and apparel industry.

There is also an important opportunity to grow manufacturing exports and make Egypt and Africa the world's next great manufacturing center as industries shift away from China to lower-cost regions.

President Sisi takes over as new head of African Union and directed to work to expand the circle of cooperation with fraternal African countries

The consequence of this study could be an important outline for small and medium apparel and textile companies in order to formulate and execute effective marketing strategies for fostering market growth.

Case study method was used to collect qualitative data for this study. However, several unique strategies were identified and explained in favor of introducing a new platform for textile and apparel companies in Egypt.

One of our main objectives is to position Egypt and Africa as a major source of supply for textile and Apparel and achievement the integration of textile and apparel supply chain.

### **Keywords**

Textile & Apparel Marketing, export strategy, marketing strategy, COMESA,CFTA, Africa, African Unionisms.

## 1. Introduction

Basically, the marketing strategies we formulate and implement for better outcomes, all related to Business-to-Business Marketing, Relationship marketing, and overall product marketing. Partially, that entire task goes under traditional marketing, but Garment and Textile product business has a unique way of communication which is commonly used by composite garment and textile companies in Egypt. Garment and Textile companies follow and practice a customized strategy to capture market locally and globally. Under this circumstance, a new era is emerging in the favor of Garment and Textile product sectors, which is almost closer to traditional marketing tools and techniques, but a new marketing system is growing faster for better consequence. It could be new Marketing policies that will be known as “Garment and Textile Marketing”, a perfect blend Conversely, in Garment and Textile sector, the product comes after process, capacity, and machinery. Although, a Brand name exists in this sector, it is not strong enough for a Garments and Textile manufacturer to capture the market. Export marketing decision should be based on Through knowledge of products, and their current and future prospects, of technology marketing, product marketing and services marketing. A customized marketing policy is waiting for opening the window of Garment and Textile companies. This study aims to provide a clear understanding of effective marketing strategies for small and medium companies in order to attract potential market and accelerate current market growth and use the benefits of COMESA agreement.

### 1.1 Statement of the Problem.

The government of Egypt has made considerable efforts to the textile sector development due to its strategic and comparative advantage to the country. Despite these efforts, the performance of the sector is not satisfactory. the textile sector has suffered a decline in sales in recent years (ETIDI, 2012) largely due to the inability to compete in the face of low cost and high quality production in Asia. This claim is further supported by the fact that export of textile products does not figure even among the top ten export products of Egypt.

Given the large domestic market, the favorable land for cotton production, and the oversea market opportunities created through CFTA, COMESA, and some other bilateral agreements, the textile industry should have flourished and played a significant role in the country's economy. However, regardless of these opportunities, the sector's development has been constrained over the years by many factors.

The marketing problem has remained the top critical problem in the sector and hence becomes the center of attention for this study. Let alone being competitive in the global markets, Still, the imported textile products hold a large domestic market share and many Egyptian companies are engaged in importing the products mainly from China, Indonesia, and India

The above controversy of huge potential for textile production and market on the one hand and the restricted scale of export and increment of imported textile products on the other hand clearly indicate the competitiveness problems of the textile firms. The competitiveness of companies is

determined by their ability to design and implement appropriate marketing strategy considering their particular circumstances (Porter, 2000). On the other hand, the sophistication of consumers' preferences and the desire to see a better world calls for marketing strategies to become more deliberate and systematic (Kotler, Kartajaya, and Setiawan, 2010).

As a result, marketing strategy has become more important than ever before for companies to be competitive, and hence prioritizing it is an important exercise. Thus, the central research question here was, therefore, how do Egyptian textile firms formulate and implement their marketing strategies?

## **1.2 Objectives of the Study**

This study purpose is to analyze all the factors that a company should contemplate when considering to establish their export and marketing strategies.

## **1.3 Research Methodology**

The study used a case study approach comprising field observations and in-depth interviews with the key personnel of World Trading Company and Delta groupe . Case study method allows researchers to keep the holistic, rich and significant characteristics of real-life events. Case studies are applied to topics such as decisions, individuals, organizations, processes, programs, institutions and events" (Yin, 2009).

The discussion of this study is based on qualitative data written in diary notes during the survey. The below techniques were used to collect data:

### **Interview:**

This report is based on Primary data collected through couples of in-depth interviews conducted with the key Managers of different units of World Trading Company and Delta group.

Secondary information: Secondary information was collected from reviewing reports, newspapers, journals, and relevant documents and Internet.

## **1.4 Research Limitations**

The study can provide valuable insights about marketing strategy in general and marketing strategy formulation and implementations in particular to the selected textile companies.

## 1.5 Significance of the study

In Egypt, composite apparel and textile companies enjoy more freedom and scope for initiating different marketing strategies to capture market. Giant companies often maintain a good relationship with international market leaders for achieving better technological advancement and communication skill. It is quite helpful for the giant companies to get more knowledge about potential market opportunities and threats. Information works as an encouragement to formulate better marketing strategies. Due to lack of resource and knowledge about current and potential market small and medium companies often face difficulties related to formulate new strategies to attract new market for the globally competitive market. Therefore, the consequence of this study could be an important outline for small and medium apparel and textile companies in order to formulate and execute effective marketing strategies for fostering market growth.

## 2. Garments & Textile industry in Egypt

The ready-made garments industry in Egypt consists of many small to medium garment factories, both registered and unregistered, that produce garments catering to foreign Buying houses

The garment industry of Egypt has been the key export division and a main source of foreign exchange for the last 25 years. At present, the country generates about \$2 billion worth of products each year by exporting garment. The industry provides employment to about million and half workers .

Globalization has altered the competitive dynamics of nations, firms, and industries. This is most clearly seen in changing patterns of international trade, where the explosive growth of imports in developed countries indicates that the center of gravity for the production and export of many manufactures has moved to an ever expanding array of newly industrializing economies (NIEs) in the Third World(Gereffi, 1999).

Textile and apparel manufacturing industries have been considered to be an important element in economic activity and growth since the beginning of Industrial Revolution for basically two reasons: textiles and apparel are basic items of consumption in all countries, and apparel manufacture is labor- intensive, requiring relatively little fixed capital but can create substantial employment opportunity. Thus, textiles and apparel have been major issues in trade relations among and between many countries (Joarde et al., 2110).

During the last decade, there have been several changes in the international trade agreements for Garment products, which are generating new challenges and opportunities for the export-oriented Garment industry of Egypt. In addition, there also prevail several domestic challenges.

In the international market, implementation of the rules and regulations of the World Trade Organization (WTO) and preferential trade arrangements among different groups of countries are of special concern for Egypt. In the domestic market, the challenges include lack of backward

linkage industries (supplying inputs) for Garment, low efficiency of the workers, and lack of efficient Infrastructure.

### **3. Products and Main Export Markets of Garment and Textile**

The apparel sector in Egypt has two sub-sectors: garments made from woven cloth, and those made from non-woven material, namely, sweaters and knitwear. These differ in terms of the “effective” trade policy put on them by the US and EU which are Egypt’s main markets (Kee and Krishna, 2007) . Egypt is a famous destination for a number of world class buyers, like Levis, Nautica, target, JC penny, Wrangler, Lee, Nike, Wall mart, American eagle, From USA and Europe. All the activities are focused for some certain regions. Therefore, finished products are exported to European Union, United States, Canada, Italy.

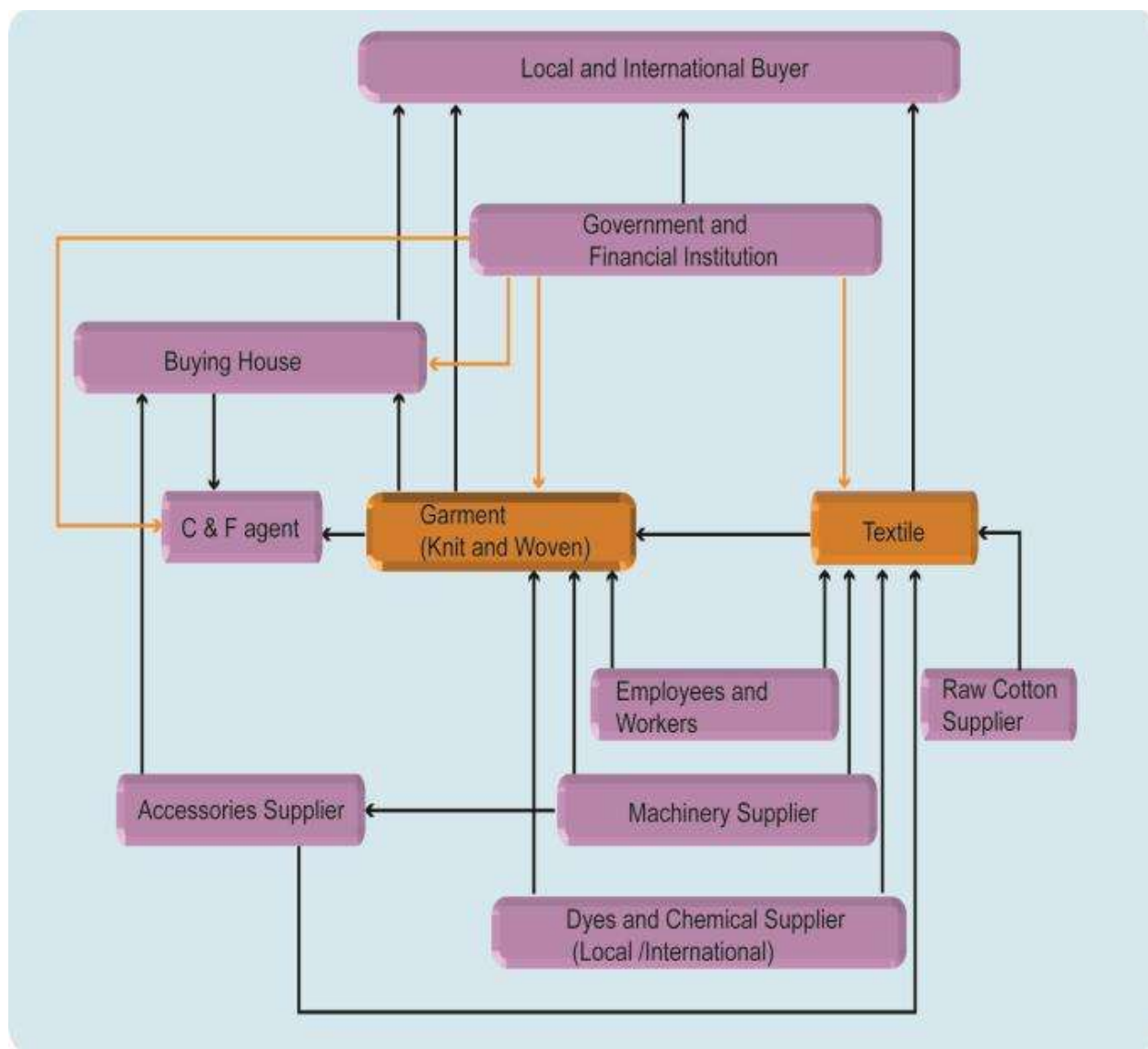
#### **3.1 Garment and Textile dealing region**

Garment and Textile industry, consisting approximately eleven different business entities dealing with each other (e.g. figure: 1). Outcomes depend on effective information and credit flow among business entities. Apparel Manufacturer need fabric as a main raw material for production. Therefore, company is always interlinked with local and foreign textile companies. In case of, composite companies fabric comes from own textile as a result of backward linkage. In Egypt, very few composite manufacturers are enjoying this advantages compare to India and china.

In order to meet the demand for ultimate local and international buyers Garment and Textile work together as an individual unit. Companies can be directly communicated by international and local buyers through merchandiser and buying house. Textile manufacturer follows almost the same strategies as it is performed by garment manufacturer.

In addition, Textile Company needs a very strong supply of yarn cotton. India, Sudan, Zambia all these countries produce huge amount of cotton. In Egypt cotton yarn is being imported from these countries in order to produce fine quality weaving fabric.

Without having updated machinery and skilled work force a factory can’t increase efficiency level. Italy, Switzerland, Germany, Turkey, all these countries are a good manufacturer of garments and textile machinery. Textiles and Garments acquire machines for production from these countries. Garment and Textile Companies need to deliver the finish products to buyers all over the world. For that a strong distribution network is a crucial to control overall activities. Garment and Textile companies use different local and international shipping and Transportation Company which is called Clearing and Forwarding (C&F) agent. Some companies have their own developed transportation system, but those are not sufficient enough to control the entire market.



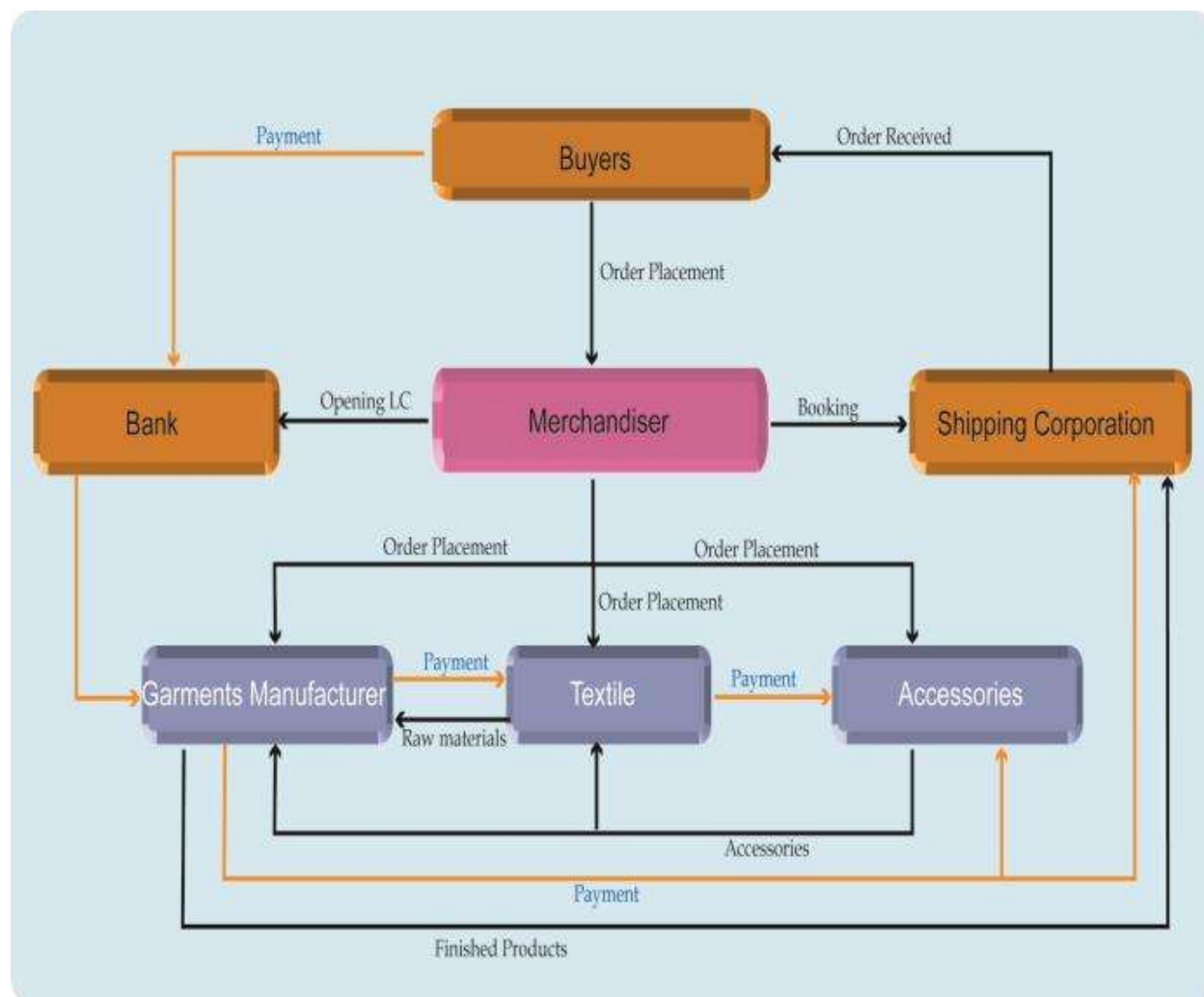
**Figure 1: Garments and Textile dealing regions**

Dyes and Chemical Suppliers supply dyes and chemical to textile and garments. Textile needs more of dyes and chemical than garments. Only garment washing plant needs to use some sort of chemical for washing purpose. Textile requires good amount of dyes and chemicals. Textile and Garments outsource dyes and chemical from abroad directly or through local suppliers. Accessories supplier maintains good relationship with Garments and Textile directly for better flow of different hanger, zipper, button, packaging materials etc. Without accessories garments product can't be portrayed as finished product. Different types of accessories are used in order to make the product more presentable to buyers.

In this sector is supported by Government and Financial institutions in order to deal with internationally by giving the opportunities of opening LC and finance facilities. Also, different Banking institutions offer long-term loan facilities. International compliance focuses on working environment and labor laws is also very significant for attracting new buyers. Employee and worker policy often play a very imperative

role in garments and textile business. Most of the Garments and Textiles are one hundred percent export oriented.

As a result, businesses have very little contribution to local market. Apparently, the Buying process starts from merchandiser, who plays a very essential role in this sector (e.g. figure: 2).

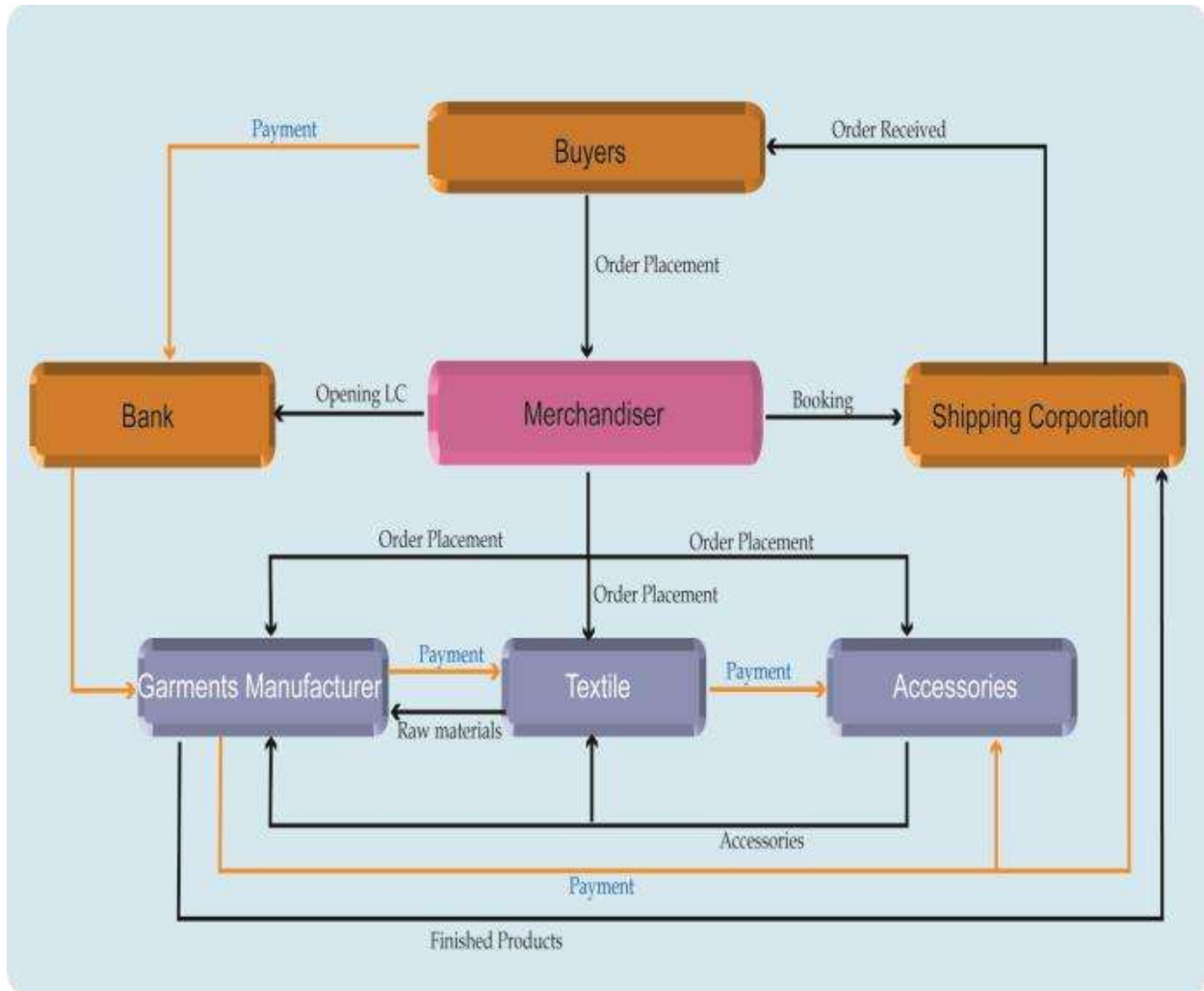


**Figure 2: Garments and Textile buying process model**

Merchandiser could be factory oriented or Buying house oriented. Buyers directly contact with the merchandiser of a particular manufacturer through ICT tools (B2B market place, E mail) about order placement. After having the formal communication with the Buyer, merchandiser starts working with making further communication with related business entities. First merchandiser talks with the selected Garments about placing order.

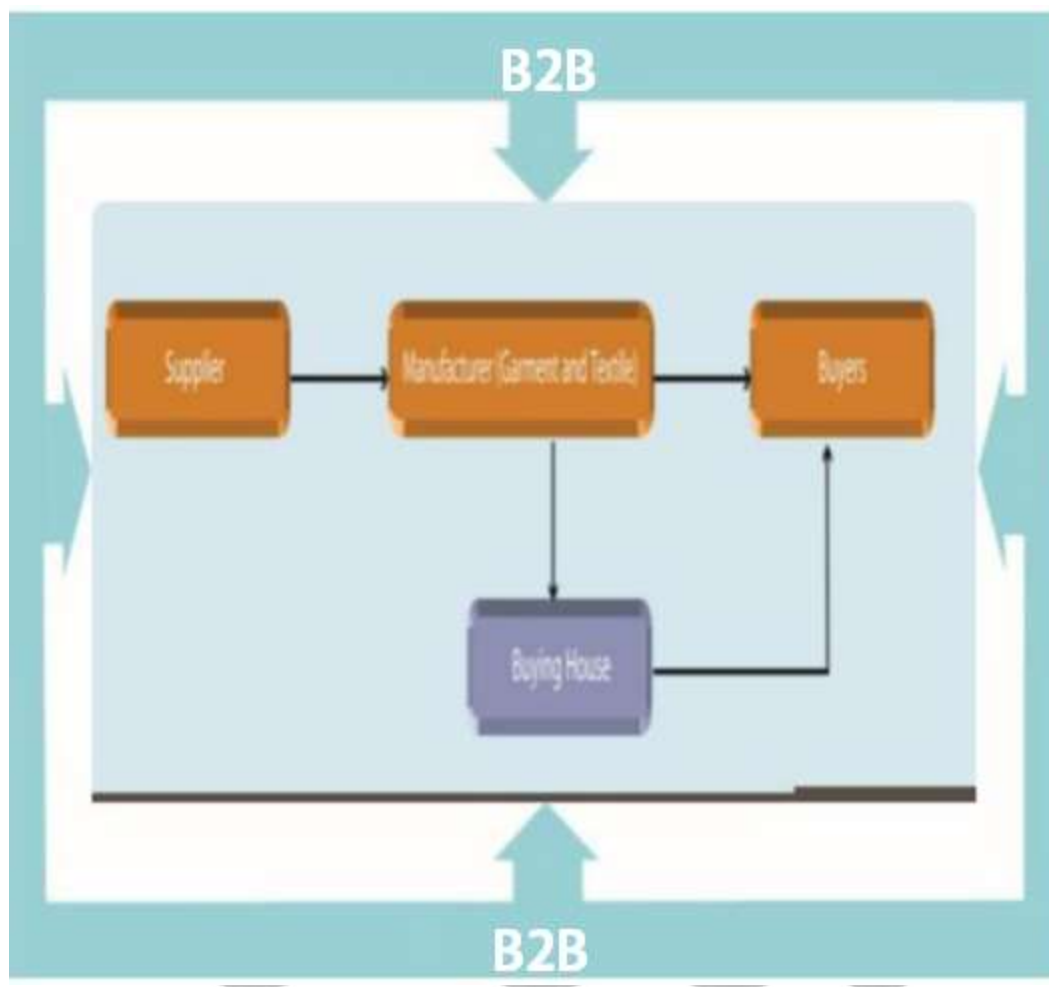
Initial stage merchandiser asks for sample production and sends that sample to buyer's destination by courier services from Egypt. Once the sample is approved by buyers, merchandiser can go for bulk production. Meanwhile, merchandiser communicates with textile for supplying fabric to garment. Then merchandiser asks the accessories suppliers to supply all necessities accessories to garment. After making the bulk production by garment, finished

products need to be sent to buyer destination. Merchandiser contacts with the Bank about opening Letter of Credit (LC) and Shipping Corporation for transporting finished product. Apparel supply chain (e.g. figure: 4) is patronized by various B2B ecommerce platforms. These forces are changing the nature and dealing process of apparel business frequently.



**Figure 3: ICT Model for Garment and Textile**





**Figure 4: Distribution Channels**

In Egypt many apparel companies are not aware about this emerging platform. Globalization is changing the apparel dealing process in a form of B to B e-commerce. Old economic trends have been added recently by newer globalization trends which affect deeply the apparel supply chain modifying its configuration and intensifying the industry competitive pressure (Cepolina, 2011).

For Apparel Company, distribution channel starts from Supplier it could be raw cotton, yarn or fabric. Suppliers make the materials available for production. Manufacturer (Garment or Textile businesses) produces the finish product and sends it to buyer by using shipping agent. Or finished products are sent to Buying house as per requirements and it is shifted to buyer by Buying house through shipping agent.

**Information and Communication Technologies (ICT) for Apparel and Textile:**

ICT in Apparel is a crucial factor for establishing organizational competencies. The entire dealing processes of apparel companies are highly supported by ICT tools. ICT tools are the only way to communicate with international buyers (e.g. figure: 3). Some marketing activities are also done by ICT tools. thus, organization can enhance its competitiveness. Competencies can be reached by the evolution of the companies in the field of ICT networking, organizational networking and knowledge networking (Cepolina, 2011).

## **4. Activities performed by apparel companies with Buyers through ICT**

1. Get the order from foreign buyers through Buying house or directly through Internet
2. Sell the product to the local or international buyers
3. Provide information to the manager of the organization
4. Send the order to the production department
5. Get the product from production department for local and international sale
6. Sales department also send product and report to local store and to the manager
7. Get information from marketing department about market demand.

## **5. Effective Marketing Strategies**

### **5.1 Industrial Tour for Buyers**

Garments and Textile is the only sector, where product comes last and process comes first. In other businesses the concentration is always on the Product. Even though, a strong brand image doesn't work to motivate buyers. New Buyers never place any order unless or until they visited the factory and get satisfied. In this sector, brand image works as an encouraging factor not the match-winning factor. Almost 25 world top most international buyers including PVH, Decathlon, Hugo Boss, Wal-Mart, Levi's, are outsourcing finished products from Egypt.

Delta Galil, Jade-Apparel-Industries, Delta Textile Egypt Factory, Swiss Garment Company are renowned Brands not only in Egypt but also worldwide. Delta is an international brand and it is famous for its quality products. Delta has business with world 15 top most buyers. That means Delta has very good brand image worldwide. This brand image is not sufficient to get a purchase order from new buyer. Before making any new order, new buyer usually visits the factory, where it is located and gets satisfied. During the time of visit, buyers generally focus on quality of the product and capacity of the company. Garments and Textile companies often invite these buyers to visit the factory and get familiar with the capacity and quality.

### **5.2 Activities of Buying Houses**

Buying house has the capability to manage or contact with different buyers. In fact, buying houses manufacture garments products and act like a subcontractor. In case of FMCG, these middlemen can only trade by simply Buying and receive some profit. In case of Garment, middlemen act like a manufacturer and coordinator. If the business is a foreign company, the company has to contact with different Buying houses to make the negotiation. Buying house works as a middle man and performs all tasks from manufacturing to export. Buying houses therefore work as a media between buyer and seller.

In that case, the work area of the buying house can be enormous. Buying house contacts with manufacturer of garment products, maintains contacts with textile and manages fabric (later on fabric is sent to garment manufacturer). The Buying houses also contact Accessories Company for collecting accessories and finally Buying house makes a shipment of the final products. Buying houses usually make profit by getting commission from garments, textile and accessories businesses. Also, Buying house

make profit by selling garments product to the buyers and make profit along with commission from garments, textile, accessories business. In fact Buying house works as a manufacture of product.

### **5.3 International Compliance**

Often compliance requirements are treated as pre condition of negotiation by the international buyers. International Compliances issues are the biggest issues regarding Garments and Textile manufacturing. Brand image, quality and productivity will be less important if company is unable to fulfill the compliances requirements. Even world biggest and famous buyers (Levi's, Gap, Nike, and Wal-Mart) consider compliance requirement before they place any order to garment and textile manufacturers. These buyers first ensure compliances requirements than place order. Sometimes, these buyers post their compliance requirements as a banner or posters in front of manufacturing units located in Egypt and declare as authorized suppliers.

Garments and Textile companies group maintain top most important to compliance of local and international rules and regulation related to child labor, force labor, harassment abuse, Health and safety issue, benefits, work hour, over time, discrimination and natural environment. Companies also maintain global standard in factory and work management. Highest priority has always been on work place safety. Most of the cases factories are equipped with mechanical, Chemical, electrical hazard free.

### **5.4 Diversification and Modernization**

Diversification and Modernization are also significant issues in this sector. Most of the cases manufacturer wants to diversify and modernize their business so that they can increase the capabilities to meet the demand. For that Textile has a tendency to set up state-of-the-art plants and machinery.

Although, the production/manufacturing is completed by exiting set up, garments and textile set up new plant for showing the capabilities.

### **5.5 Foreign expert**

Almost all Garment and Textile manufacturers rely on foreign expert. Maximum cases expert are recruited from India, Sri-Lanka and Turkey. These expert works on the top level. These foreign experts work as a Brand promoter of a company. On the other hand, those people are used to convince the international buyers. As Egypt has huge business connection with India and Sri Lanka, for that, most of the experts are from those countries.

### **5.6 Vertical Integration**

When we see an organization is known as composite organization, it will make the way clear for the vertical integration. Vertical integration has a great impact over buyers. Buyers feel comfortable to have a business with that composite organization. In general vertical integration means a comprehensive plant that can have the capacity to outsource the raw materials of the production internally. Although companies main focus on readymade garments but many companies stepped to backward Linkage industry with a view to maintaining quality and reduce

lead time for export. Many companies have separate Textile division which consists of Spinning, Yarn Dyeing and Weaving, Fabric dyeing, Printing and Finishing, Composite Knitting unit.

## **5.7 Managing Relationship**

Garment and Textile business are all about making relationship with the respect buyers. Manufacturer wants to make a good relationship by fulfilling the desire wants of the buyers. As result loyalty program has been developed and repeat purchase take place.

On the other hand Business has to make very strong relationship with the suppliers. All about making the good flow of supplies from suppliers and finished product for buyers.

## **5.8 New Product Development (R&D)**

Besides dealing business with the buyers companies established its own Research and Development Department to meet the current demand of the customers. This R&D is responsible for developing new fabric construction and meets the buyer's requirement efficiently and effectively.

## **5.9 Corporate Social Responsibility (CSR)**

Companies provide schooling facilities to the local children and worker children, Health care facilities, day care center for worker children, Canteen and Club facilities in the factory. For that, companies have established School, College, and Hospital.

Now, Egypt boasts a large number of well-known composite apparel companies. Companies are aware that their activities have a major impact on the environment. To save natural environment in the factory area many companies has undertaken a massive tree plantation program. Beside each factory has waste management plant and to avoid hazard.

## **5.10 Promotional Strategies**

Garments and Textile business follow business-to-business concept. As result it has to make a good relationship with the buyers and suppliers. The main promotional campaigns are limited to Magazine advertisements and arranging tradeshow for buyers.

In this sector manufacturer need not go to the buyer rather buyer comes to manufacturer in different ways. Manufacturer needs to formulate strategies to retain the buyers. Manufacturer arranges a formal presentation about product, machinery in front of buyers. It's all about manufacturer capacity, whether they can fulfill the requirements of the buyer. Sometimes manufacturer send Company brochure including Product and machinery setup just to give an impression about company about fulfilling the requirements.

## 6. Organization Sustainability

According to Costanza & Pattern (1995), Sustainable organization introduces constraints aimed at:

- Lowering material and energy depletion intensity (at production, use and dismissal)
- Avoiding toxic dispersion and lower pollution
- Enhancing using renewable resources and re-using of exhausted tangibles
- Increasing the service intensity (by artifacts sharing and by functions dispensing, etc.)
- Increasing recycling efficiency, with profitability of the new business aiming at the tangibles reverse logistics (from waste, to 'raw' materials)
- Increasing energy efficiency

Competitiveness will turn towards the ability of offering to the customer expected product functions with proper satisfaction and non-renewable resource balance (Cepolina, 2011).

## 7. Conclusion & Remarks

The research objective aimed to assess the level of emphasis given to marketing strategy in the case companies. Both the within and cross case analyses indicate that the level of emphasis given to marketing strategy in the case companies is very low. Such low emphasis was explained in terms of almost no resource commitment to market research, innovation, and marketing capabilities. Such low commitment was also reflected on companies marketing plan in that the firms' marketing plans seem sales plans implying little expertise even in the preparation of the document. Hence, the level of emphasis given to marketing is concluded to be low and insignificant.

Each and every organization has its own way to do business. Egypt has good prospect of Garment and Textile product. We have three of advantages over other countries, out of them cheap labor cost is one. Country vision, economic agreement (COMESA& CFTA) Textile and Garment have a common flow of changes. Before, Garment and textile happened to be owned by western part of the world. It takes long time to develop and consistently passing through Asia. After developing Asian economy it will again move to another undeveloped area. The main concern is to develop an economy. Right now we have few of composite mills working very efficiently. But those are not enough for a country to be developed. As we have low cost on raw materials and cheap labor we can use these opportunities and can compete with our main competitors. Some multinational corporations have found the potentiality of Garment and Textile In our country. For that, a number of foreign investments are coming towards our country. But if we compare our Garments and Textiles with multinational corporations, variation will not be in terms of quality but in terms of Marketing. Those multinational corporations have huge budget for marketing activities, but our local companies have very limited budget for formulating marketing activities. All we need to create a competitive marketing system, in order to attract new customer, develop core strength and retain existing customer.

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## ملخص عربي

تعتبر صناعة النسيج والملابس عنصراً هاماً في الاقتصاد المصري. وبالنظر في استراتيجيات التسويق المستخدمة على نطاق واسع من قبل مصنعي النسيج الملابس في شكل التسويق المباشر والعلاقة التسويقية. لكن لم يتم دمج إمكانياتها في شركات النسيج والملابس الصغيرة والمتوسطة في مصر. وكذلك تفعيل اتفاقية الكوميسا و منطقة التجارة الحرة الأفريقية القارية. (COMESA&CFTA) تركز هذه الورقة على تطوير وصياغة استراتيجيات التسويق والتصدير الفعالة لصناعة النسيج والملابس. هناك أيضاً فرصة مهمة لتنمية صادرات الصناعات التحويلية وجعل مصر وأفريقيا مركز التصنيع الكبير القادم في العالم حيث تنتقل الصناعات من الصين إلى المناطق الأقل تكلفة. يتولى الرئيس السيسي منصب رئيس الاتحاد الأفريقي ويوصى للعمل على توسيع دائرة التعاون مع البلدان الأفريقية الشقيقة

يمكن أن تكون نتيجة هذه الدراسة بمثابة مخطط مهم لشركات الملابس والنسيج الصغيرة والمتوسطة من أجل صياغة وتنفيذ استراتيجيات تسويقية فعالة لتعزيز نمو السوق.

تم استخدام طريقة دراسة الحالة لجمع البيانات النوعية لهذه الدراسة. ومع ذلك ، تم تحديد العديد من الاستراتيجيات الفريدة وشرحها لصالح تقديم منصة جديدة لشركات النسيج والملابس في مصر.

أحد أهدافنا الرئيسية هو وضع مصر وإفريقيا كمصدر رئيسي لتوريد المنسوجات والملابس وتحقيق تكامل سلسلة التوريد النسيج والملابس.