

China Textile and Garment Industry to Enhance Competitiveness by Industrial Chain Management

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ABSTRACT: China's textile and garment industry is declined by the fluctuation of world economy, appreciation of Chinese currency and increment of labor cost. Based on the industrial chain management theory, this paper aims to find the constraints on the industrial chain and propose how to enhance the international competitiveness of textile and garment industry.

KEY WORDS: Competitiveness, Industrial chain, Industrial cluster, Textile and garment

1 INTRODUCTION

Textile and garment industry is a pillar of China's industrialization as well as a key export business. After the founding of new China, this industry has developed into a full range and sizeable modern industry in the past 60 years, and played an important role in employment, social demand and export. Its industrial chain has been formed gradually while the potential of personnel, capital, material, information and technology has not fully developed due to a lack of coordinative mechanism, loosened and unstable links of enterprises on the chain. It is difficult, therefore, to produce high-grade, high-quality and high-value added textiles suitable to market changes. Generally speaking, enterprises on the whole industrial chain are lacking in the ability of risk aversion. The mode of "fight alone" becomes more fragile when facing the global competition. Under such a condition, the enterprises, including the upstream and downstream ones, must link together to fight as a whole. One possibly effective solution for enhancing the international

competition is to create a new model of league for all the enterprises involved in the industry.

2 CURRENT SITUATIONS OF TEXTILE AND GARMENT INDUSTRY

Textile and garment industry chain is the longest and most labor-intensive. After the Reform and Opening-up Policy, the industry started its considerable expansion. According to State Statistics Bureau, employment in this industry kept increasing from 2005 to 2010. 19.6 million were employed in 2009, 14% of the employment in all up-scale enterprises. In 2010, the industry Gross Output Value was ¥ 4.765 trillion, an average increase of 18.22% year-on-year. 41.3 million tons of fibers were processed in China, 52-54% of the global amount. The sales volume in garment market was ¥RMB 1.25968 trillion, an increase of 20.07% compared to that of 2009. The export volume was US\$ 212 billion, 30-40% of the global amount. Despite the remarkable achievement, the whole industry remains an extensive development model of low margin and low-end market.

The chain of any industry, except manufacturing, involves six links: design, purchasing, delivery, order handling, wholesale and retail. The six links, instead of manufacturing, are most valuable and profitable. In China, unfortunately, the links on the chain is unbalanced and featured with full-developed manufacturing and processing but under-developed R&D and branding. Over 95% of up-scale enterprises are specialized in manufacturing which belongs to the lowest

margin, lowest value added and low-tech link.

With good supportive industries and systems, China textile and garment industrial chain is actually complete and its products are in high quality. However, there are not world brands such as Chanel, Louis Vuitton, Dior or Versace produced in China. With no control of the chain, Chinese enterprises are currently fallen behind because of their longer lead time, asymmetric information, lack of communication and unreasonable resource allocation... This industry is generally energetic, but the energy is separated and isolated. To enter the high margin international market and enhance the industry's competitiveness, upstream and downstream enterprises on the chain must avoid vicious competition, establish stable cooperation, improve communication efficiency, and realize a situation of information sharing, reintegrating and branding.

3 A PROPOSAL TO ENHANCE THE COMPETITIVENESS OF TEXTILE AND GARMENT INDUSTRY

“In the past years, the core competitiveness of textile and garment industry relied on its comparative advantages of cost, complete chain and nationalization. After the financial crisis, the industry had to face both domestic and global challenges of fluctuation of world economy, appreciation of Chinese currency, increment of labor cost and trade disputes. As a result, a lot of small and medium-sized enterprises became bankrupted.” said Sun Ruizhe, deputy director of China Textile and Garment Industry Association and director of China Textile Information Center, at the seminar of International Global Garment Branding and Color Application. Under the global “reshuffling” circumstances where China is losing its comparative advantage, the following four points should be considered to enhance its international competitiveness and forge a gold industrial chain.

3.1 Reintegrate the regional industrial cluster

Textile and garment industry is featured with cluster development. As an important economic mode, over 200 local clusters in China plays an essential role in enhancing the competitiveness of the whole chain. Because of the back-lagged technology, weak R&D and marketing abilities, however, most of them can't take the role of extending or pushing the chain to upstream or downstream. To make things worse, the clusters are similarly functioned and have been suffering vicious competition in pricing and unreasonable resources allocation. The booming textile clusters, to a great extent, have weakened the individual enterprise's strength, lowered the margin and deteriorated the industrial development as a whole. To make the local clusters bigger and stronger, local specialization guided by the government is a must. To realize the specialization, the industrial chain must be reintegrated.

Reintegration should start from full-developed clusters based on their geographic features, current development and local industrial chain. In Southeast coastal areas advanced in technology, assets, brand buildings, R&D and marketing channels, up-to-date, high-tech, high value added, lower-consumed products should be prioritized; In Central and West areas where complete industrial chain has not been formed, industrial gradient transfer should be preferred so as to take the advantage of resources, connect East to West, and complement each other. Local clusters, with one core enterprise on every chain, should be integrated to form a league where members are orderly assigned, earnestly cooperated, mutually complemented and closely linked. To enhance the value of the whole cluster, core enterprises should outsource the manufacturing parts to other members and focus on more cultivating parts such as creative opportunities and R&D.

This mode featured with value chain-orientation and league-based cooperation will reduce dramatically the cost and time on innovation and make the industrial chain more

flexible and efficient. Therefore, a new trend of orders of small quantity, various range and multi-level can more easily be met.

3.2 Complete the industrial chain to provide one-stop service

Develop a complete industrial chain with once less produced fibers, knitting textiles, finishing, textile machines and garment accessories, etc; Construct a logistics network from processing, storing, to market and clients; Establish specialized market; Gather human resources, logistics and information services to provide one-stop service. When the pricing advantage is lost, one-stop service, as a symbol of intensification and modularization in international resources allocation, can still attract the global buyers. To develop more marginal space, all the enterprises on the chain should transform from pure manufacturers to service suppliers, provide more one-stop service including design, marketing, and logistics.

3.3 Industrial chain branding

Textile and garment industry is typically brand-driven: all the resources allocations are brand-centered. Therefore, all the upstream and downstream enterprises should make every effort to build their own brand and to contribute to the chain branding. The core enterprises, on the other hand, are expected to push the brand marketing to facilitate the upgrading of the whole chain and forge famous Chinese textile brands.

Only by this way can the enterprises obtain added value and more profit and make the chain enhancing possible.

3.4 Establish international brand E-commerce platform

International brand E-commerce platform is a prevailing trade mode. This mode can accelerate the building of E-shops, push forward E-commerce and enhance international marketing. Top management and elaborate mechanism facilitate large amount of information be shared on the e-commerce platform, where the design,

purchasing, manufacturing and sales can be communicated directly and efficiently. The competitive pricing of on-line direct selling helps to widen the marketing channels and upgrade the marketing mode of end products. It is undoubtedly accelerating customers' response and international operation to realize sustainable development of the whole chain.

4. Conclusion

Realize the compatible development, all league members should be mutually supportive, interdependent, and information sharing. It is also necessary to improve efficiency of the whole industry chain strategically by streamlining the members guided by chain management theory.

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