



THE COMPETITIVENESS OF TEXTILE INDUSTRY

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Abstract: *The role of this paper is to highlight the position of the European players in the textile market and the challenges to which they are subjected. In this paper are presented ways, taking the „diamond” model of M. Porter and are adapted to the situation of the textile market. These adaptations have outlined the main existing problems and the possible solutions that can ensure the long-term competitive advantage. Gaining a competitive advantage based on innovation, the development of production and outsourcing strategies using the "diamond" model of M. Porter, we can say that is one of the viable solutions for gaining competitive advantages necessary for proper European companies to face competition from countries outside Europe. As developing countries do not meet certain environmental standards or norms of European law, but in terms of product innovation and development of new materials, they do not have the necessity for technology. We conducted an analysis of the factors that play a key role in the production of textiles, representing how they are used in the favor of European companies such investments to be supplemented can be found in how these factors act on the total costs.*

Key words: *competition, factors, strategies, competitive advantage*

1. INTRODUCTION

The massive competition between producers in the EU and those who are in countries like China, Japan, Turkey, Korea provoked questions on the EU textile industry and its lifetime. The desire to maintain market share, many manufacturers are in the European Union they were forced to take drastic measures such as reducing of staff. European textile market in 2013 had an income of 190 billion euro in 2010 had an income of 172 billion euro. Largest textile market segment is represented by the casual wear, they share with 36.7% of all textiles, and the next place is the textile 35.4%.[1].

The textile industry continues to have a significant role in the European economy and its decline will have a serious impact on the EU economy.

The concern is caused by the production of textiles in Western Europe because it competes directly with the regions outside the EU who have a cheaper labor force, and in terms of environmental standards they are more relaxed and most of or do not exist at all. Finding alternative ways to EU producers with which they can survive. The strong points held so far at the same time are not sufficient prerequisites for competitive advantage.

In this analysis we use Michael Porter's theory on competitive advantage. According to it, the goal of all businesses is to obtain an competitive advantage in the relations with competitors on the market. This advantage can be achieved by two ways, ie selling products at a lower price, or their differentiation.[2] Regarding the price of the products, we can specify that the EU does not practice the lowest prices, but to enjoy a competitive advantage that can ensure the longevity of textile manufacturing companies requires a differentiated product. This differentiation it can be able to make through quality, namely providing superior quality products that are competing manufacturing companies in countries like China. We have to consider that competitive advantage in any industry is represented by the synergy of factors and not just by one. To use the competitive advantage we need to know the weaknesses and threats that confront major textile producing countries in the EU.

In his book *The Competitive Advantage of Nations*, Porter introduces the notion of national competitive advantage, which refers to "the decisive characteristics of a nation that allows companies to create a sustainable competitive advantage in some areas" [2]. In our case we consider that the most

advanced countries like France, Germany and the United Kingdom, because according to statistics conducted by Datamonitor in these countries produce the largest quantity of textiles in Europe. But to face competition from outside the EU, manufacturing companies have to believe or support their competitive advantages.

Table. 1: Europe textile market segmentation

| Country | %Share |
|----------------|--------|
| France | 15,6% |
| Germany | 15,3% |
| United Kingdom | 14,3% |
| Italy | 13,8% |
| Spain | 9,4% |
| Rest of Europe | 31,5% |

2. FACTOR CONDITIONS

These factors are represented by human resources (their quantity, quality, and knowledge), data resources of capital (cost of finance industry) and infrastructure (here we include transportation system, communications, health care, cultural conditions). Given that some of these factors are detained by a default country, and have different combinations of factors from one industry to another, we can specify that the competitive advantage of a country is the result of the mix of these factors. But we have to mention that in creating competitive advantage not all factors are equally important, so Porter has classified as "basic factors" (human resources, unskilled labor), "advanced" (modern infrastructure, trained personnel in research), "general" (transportation system, motivated staff with basic general education high school) and "specialized" (specialized or adapted infrastructure industry, specializing in a particular field staff).

In textile production factors are required basis, the general being rare. General factors, represent the processes that need qualified staff rarely found, one of the processes that it takes these factors are the production of synthetic fibers. Otherwise, the main production processes can take place using only basic factors, ie mainly unskilled or basic knowledge, the resources required for the production of textiles finding is easy. These factors can be considered as the generators of competitive advantage, but their operation is typical of countries where we find abundant and the breakneck small. In Europe the labor cost is relatively high compared to countries beyond, developing countries. Imports of textiles from developing countries such as Indonesia, India, Pakistan, grows twice as fast as exports of textiles to the EU regions [3]. Noticing that brain source of competitive advantage is in practice a low cost because competition can not be surpassed in this respect, European manufacturers were going to invest in other ways to create competitive advantage. They developed the design, fashion, even created new materials, by investing in research. We may say that was created a competitive advantage based on innovation.

3. THE DEMAND FACTOR

The second factor in creating competitive advantage in an industry is represented by the existence demanded for its products. In the early 1980s has been changing the way of buying clothing that is people have begun to purchase clothing only for one season. This custom came with creating the concept of fashion and lifestyle change that until 1980 does not take place only once or twice a year. The appearance of this concept has led to intensified competition in consumption growth. European producers have focused more on fashion in style textile quality and less on their price. This demand for textiles in fashion having different colors and patterns are more likely to be satisfied by 'local' or Europeans manufacturers than by those from outside Europe because Europeans are the ones who invented this concept, it will occur subsequent changes or adaptations throughout Europe. The competitive advantage enjoyed by European manufacturers bringing with him a number of other advantages:

- a) the response speed to challenges demand;
- b) lower distribution costs;
- c) there will be costs due to long period's stationary products in stock.

With the advent of large brands, the buyers began to associate with quality, preferring them instead of them located in Asia for example where they are unknown. With the growth of the industry based on demand, manufacturers have started to look for distributors that would ensure quick delivery of

products and to deal with frequent changes of style in this area. In Europe the company which registered in 2010 the highest incomes in Europe is Benetton Group. This is recorded in Milan, Italy and is the main activate the production of clothing for adults and children and the second activity is the production of textiles. Benetton has nearly 10,000 employees and in 2012 had \$ 3,2 million turnover [1]. Indeed, in Italy the percentage that you spend on clothes per citizen is the highest, being 10% of total revenues in 2000 [3]. As consumers are more sophisticated applications with both pressure faced by manufacturing companies is higher.

4. STRATEGY STRUCTURE AND RIVALRY

In a globalized and liberalized world, there is a clear line of demarcation between "cost routing" and "differentiation".

Differentiation markets can go hand in hand with directing supply chain costs.

A competitive strategy used by European companies is represented by textile manufacturer's collaboration with the fashion designers, resulting in the creation of materials and new designs. We mention here one of the most popular joint Marks & Spencer ventures.

One method to enter the retail sector of many European countries without fear of loss of identity large companies is the method called franchising. Benetton was among the first who used this method and managed to deliver around the world textile and clothing without losing autonomy and thus having control over the distribution network.

The major companies have considered relocating production as the only method that could cope with success in this area. The relocation takes place only in the production and is in countries where labor is cheap. Both the research and part design and product design will be outsourced.

This outsourcing of production takes place in countries from Europe, most of them belonging to the Central and Eastern EU. Eastern European countries have come to be among the leading textile providers of West European with Turkey and North Africa.

Investments made in research and development has led to the creation of new types of materials, like those ecological and environmentally and are difficult to copy by the EU's main competitors represented as barriers to entry of new producers less developed.

Regarding competition, we can consider the one threatening from India and Pakistan. Their products are limited to simple items like t-shirts or underwear. China already produces complex items of superior quality the aforementioned countries. It holds a 30% share of EU imports in 2003 and owns 50% of imports from Italy. [1]. The key to success of China, lies in practicing a very low price for a product "good" or well done. Counterfeiting products has become a highly practiced in China. To strengthen its position in the Chinese industry is mostly used in practicing state dumped. Although, with China's accession to the WTO (World Trade Organization) should have the advantages establishing fair competition. But these advantages cannot be operated because there complete information on the conditions of production and sales in China.

5. RELATED INDUSTRIES

The competitive advantage comes from tight cooperation between large suppliers and companies. They help companies to gain access to information on new technologies and methods [2]. EU textile sector is composed from small and medium companies. In 2010 the European textile industry realised a total turnover of € 172 billion and employed 1.9 million people in more than 127,000 companies. The average number of employees in a company in 2010 was about 19. [4] The largest drop has been registered in Spain, France, Germany, Czech Republic and the UK. All have experienced a decline above 55%, the largest seen in the UK with 67%. The lowest declines were registered in Belgium, Netherlands (both 43%), Finland²⁴ (37%) and Bulgaria with only 17%. In Bulgaria textile manufacturing employment declined by 50% whereas clothing manufacturing employment only declined by 9%.[1]

The speed of the producers response to customer needs, flexibility and the speed at which manufacturers can adapt to environmental changes occurred is really to competitive advantage. The high degree of regional concentration, combined with decentralization, creates conditions for the phenomenon appointed by Marshall an "industrial district" [5]. These types of small concentrations of

the same type and in the same place are the most common in Italy and each company is specialized in a specific type of activity production process.

This "industrial district" has a greater flexibility, and companies that are part of this district do with the changes more quickly, being bulk cooperation. On the other hand, companies focused but behave independently, these do not receive the information to others and engineering of the atmosphere located in the district.

6. CONCLUSIONS

With the increasing of international competitiveness and market belong to the new "players" such as China, companies in Europe must awareness of, the basis of competition is not only the low price. To face the challenges must develop their certain skills such as flexibility. The innovation has an important role in combating competition, there is need for investment in research and development areas, where they develop new products, new materials with different uses. Needs of the customer are put on the first plans, the importance of speed of response to requests from producers to drug users. Manufacturers focus on the niche markets is an asset owned by Europeans because they are hardly satisfied, most often these markets are product customization, but at small series. The access from China manufacturers such competitors in these markets are difficult because the response speed, quality, and innovation are key features of this market. Although at this time the textile industry in Europe is not competitive in terms of production costs, the solution found by the major manufacturers, namely outsourcing is the optimal production. It also benefits from the ability of European producers anticipate customer needs, which are increasingly difficult to satisfy. This prediction is made by changing trends, adapting them to the main activities of most consumers. In the future, European companies need to adopt new strategies to be based on demand trends and national distribution systems.

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