

**STRATEGIC PLANNING IN THE WOMEN'S AND GIRLS'
OUTER WEAR SECTOR OF THE IRISH CLOTHING INDUSTRY**

THESIS SUBMITTED FOR THE AWARD OF

M.B.S.

(MASTERS OF BUSINESS STUDIES)

TO THE

DUBLIN BUSINESS SCHOOL

DUBLIN CITY UNIVERSITY

BY

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AUGUST 1992

THE PRESENT THESIS "STRATEGIC PLANNING IN THE WOMEN'S AND GIRLS' OUTER WEAR SECTOR OF THE IRISH CLOTHING INDUSTRY" IS BASED ON THE WORK OF FRANK FITZPATRICK, POST GRADUATE RESEARCH STUDENT AT THE DUBLIN BUSINESS SCHOOL, DUBLIN CITY UNIVERSITY, DURING THE PERIOD OCTOBER 1990 - AUGUST 1992. THE RESEARCH WAS CARRIED OUT UNDER THE SUPERVISION OF PROFESSOR PETER CHISNALL, HEAD OF MANAGEMENT DIVISION, DUBLIN BUSINESS SCHOOL, DUBLIN CITY UNIVERSITY.



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ABSTRACT

This study is concerned with an evaluation of the women's and girls' outer wear sector of the Irish clothing industry. It examines the sector's performance throughout the 1980's, using published and unpublished data. It undertakes a comparative analysis of the industry relative to specific countries which appear to have significant manufacturing advantages within this area of economic activity. Further, the study incorporates a review of the current situation in the global clothing industry particularly in relation to strategic planning. Finally, this thesis suggests a strategy by which Irish manufacturers of women's and girls' outer wear might improve their prospects of survival and growth in an increasingly hostile business environment.

ACKNOWLEDGEMENTS

I would like to thank the following people for their help.

Professor Peter Chisnall, for his supervision and guidance

Mr. Michael Maguire of the Industrial Development Authority

Mr. Walter Hill of An Bord Trachtala

Mr. Eugene Gilligan of FAS

Mr. Michael Shields of the Dublin Business School

Ms. Julie Hickey Fitzpatrick

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1.1 Introduction

This thesis is concerned with an evaluation of the women's and girls' outer wear sector of the Irish clothing industry. It undertakes a comparative analysis of the industry relative to specific countries which appear to have significant manufacturing advantages within this sector of economic activity. The genesis of the study lies in a desire to identify a strategy in which Irish manufacturers of women's and girl's outerwear can defend their weakening position on the domestic market. The background to this desire is five years of practical marketing management experience in the industry.

The research set about clarifying the relative state of the industry with regard to its past performance and future prospects. This necessitated an extended period of detailed statistical analysis of the industry and the women's and girls' sector, plus an exhaustive literature review covering the world's clothing industry, the EC's clothing industry, the Irish clothing industry and the women's and girl's sector of the Irish industry. It also entails a review of relevant strategic planning concepts and issues. The findings of the literature review and statistical analysis are reported in each relevant chapter. They are discussed in relation to generally accepted 'best' business

practices and theory, particularly in relation to the marketing function.

A number of conclusions are drawn in relation to the strengths, weaknesses, opportunities, and threats, that appear to be significant in explaining the performance of the Irish clothing industry. These conclusions were discussed with 'expert' informants from the industry, before elucidating potentially successful strategic options and recommending a particular strategy, for Irish producers in the women's and girls' outer wear sector.

1.2 Thesis Outline

This chapter, gives a general introduction to the thesis before dealing with fundamental aspects of the research design and methodology. It clarifies the research problem and explains the rationale behind the data collection methods used. It also deals with the use and construction of the measurement techniques and discusses the general limitations of the research.

Chapter 2, undertakes a broad review of general strategic planning concepts, and examines specific strategic issues in relation to industry fragmentation, and entrepreneurship. Many of the arguments central to the analysis of this study draw on and develop the concepts discussed in this chapter.

Chapter 3, is predominantly concerned with the global clothing industry. It examines the challenge to the industry in the developed countries, from clothing producers in the less developed

countries, and also looks at the consequences of this challenge. It attempts to clarify the comparative strengths and weaknesses of each industry.

Chapter 4, examines the underlying reasons as to why the Irish clothing industry is fragmented and how fragmentation affects other variables, such as, profitability, calibre of management, skill of workforce, and export potential.

Chapter 5, concentrates on the competitive performance of the women's and girl's outerwear sector of the Irish industry. It highlights the importance of this sector and identifies the definite submarkets in the sector. The detailed analysis examines the performance of each subsector, and the comparative sensitivity of Irish and foreign market shares to overall submarket trends.

Chapter 6, presents an analysis of eight years (by subsector) of the origins of imported women's and girls' outer wear. It also analyses the intra industry import patterns between Ireland and selected EC member states.

Chapter 7, following the analysis in the previous chapter (which identifies the EC as the main source of imported garments) this chapter attempts to identify the underlying influences which contribute to the greater competitiveness, on the domestic market, of foreign manufactured women's and girls' outer wear.

Chapter 8, examines the current situation, i.e. 1991, in the Irish clothing industry as a whole and the women's and girls' outer

wear sector in particular.

Chapter 9, summarises the findings of the previous chapters, and highlights the strengths, weaknesses, opportunities and threats, that exist in the women's and girls' outer wear sector of the Irish clothing industry. The chapter also discusses competitive strategy, specifically in relation to the clothing industry, it then goes on to recommend a strategy for Irish manufacturers, of women's and girls' outer wear, supplying the domestic market.

1.3 The Research Process

Although a systematic step -by- step approach was taken to the entire research project, as expected, these steps overlapped to some degree. This approach is confirmed by Tull and Hawkins (1984.p 26), who state that to describe the research design process as a sequential series of distinct or separate steps is inherently misleading. The steps in the design should interact and often occur simultaneously. Such was the experience of this study.

Before the research process could get underway it was necessary to identify and articulate the precise problem that initiated this research project. Tull and Hawkins (1984:p 24), argue that the research process involves identifying a management problem, translating that management problem into a research problem then collecting, analysing, and reporting the information specified in the research problem. The research approach of this study broadly

followed the process as outlined by Tull and Hawkins.

The first step in the research process was to clearly identify the management problem. Kane (1987:p 20), argues that while most people tend to believe that their research is too complex to be expressed in a single sentence, the discipline of trying to do so is extremely beneficial in clarifying ones aims and thought processes. Chisnall (1991:p 14), suggests that this first step is critical because it decides the nature and direction of the entire research activity. Therefore considerable thought was given to keeping the expression of the management problem, simple, straight-forward and as practical as possible.

The management problem was stated as follows. 'How can Irish producers of womens and girls outerwear defend their position in the domestic market, against imports of womens and girls outerwear ?'

1.4 The Research Problem.

The next step in the research process was to define the research problem. Tull and Hawkins (1984:p 27), postulate that this step involves specifying the types of information that are needed to help solve the management problem, and that a situational analysis, which focuses on the variables that have produced the stated management problem, should be under-taken, (see Section 1.4.1). They further suggest that this situational analysis should include a problem situation model, i.e. a description of, a) the

desired outcome or objective/s of the research, b) the relevant variables that have created the management problem, and c) the relationship of the variables to the objective/s, (see Section 1.4.2).

1.4.1 Situational Analysis

It was deemed prudent that the situational analysis should take a funnelled approach, i.e. a broad overview with a narrowing focus. The general state of the worldwide clothing industry was analysed, as was the EC. clothing industry, the Irish clothing industry and finally the women's and girls' outer wear subsector of the Irish clothing industry.

However it should be noted that the funnelled analytical approach did not necessarily research each sector separately or consecutively. This was partly due to the nature of the resource material and partly due to the interdependent variables of each sector. For the same reasons, the findings on each sector are not exclusively reported within specific chapters, although certain chapters deal predominantly with certain sectors, (see Section 1.2).

Considerable care and attention was given to this stage of the research, firstly, because it was seen as central to achieving the research objectives. Secondly, because it appeared from the preliminary investigation that no such extended analysis (spanning more than ten years) of the Irish clothing industry, let

alone the subsector, had previously been undertaken. Thirdly, to ensure an objectivity and broad perspective in both the research and analysis. Finally, to negate any research bias that may have been created by the limitations of the researchers own experience in the industry.

Chisnall (1981:pp 24-25), suggests that this stage of the research should include an exploration and analysis of the relationship between the variables that appear to be significant to the problem being surveyed, and that this exploration should give the researcher a thorough grasp and appreciation of all the facets of the research problem. It was with this suggestion in mind that the situational analysis was approached.

1.4.2 The Research Statement.

The next step in the research process was to clarify the desired outcome or objective/s of the study. This was done by way of formulating the following research statement. 'How can an appropriate competitive strategy be developed to help Irish manufacturers, of women's and girls' outer wear, successfully compete with foreign manufacturers, of womens and girls outer apparel, on the domestic market.

Kane (1987:p 21), suggests that once a research statement has been formulated the next step is to use this statement to draw a research design/outline, which in turn should provide a list of the information needed to solve the problem. The success of this

stage in the research process was considered to be paramount to the overall success of the study. Chisnall (1991:p 18), emphasises that an effective research design is the foundation of the entire research process.

Tull and Hawkins (1984:p 28), suggest that a research statement can be transformed into the required list of needed information, by the detailed answering of the following questions.

- 1) What variables determine whether the objective/s of the research statement will be met ?.
- 2) How do these variables relate to the objectives of the research statement ?

By way of answering these questions, the research statement was broken down into the following component parts; 'Domestic market', 'Irish manufacturers', 'Womens and girls outer apparel', 'Foreign manufacturers', 'Competitive strategy', 'Successfully compete', and 'Appropriate'. After clarifying the meaning of each component part, as suggested by Kane (1987:pp 21-38), a list was drawn of their dependent variables. Also listed was the sources of information on these variables, together with a list of the possible techniques for extracting the information needed, (see Appendix A.).

1.5 Data Collection.

Tull and Hawkins (1984.p 31), divide data collection into the following three 'major' methods, (they list observation as a

primary measurement technique rather than a major data collection method).

1) Secondary Research, which they subcategorize into internal secondary data and external secondary data.

2) Survey Research, which they subcategorize into mail interviews, telephone interviews, and personal interviews.

3) Experimental Research, which they subcategorize into laboratory experiments, and field experiments.

'There is no standard strategy suitable for every research problem; researchers must examine scrupulously and sensitively the requirements of individual enquiries. Research strategies should be designed to meet the identified needs of specific studies, bearing in mind that a sound strategy is concerned not so much with what method is best as to what set of methods is most likely to result in objective findings' (Chisnall 1981:pp 22-32).

Bearing this in mind, a priority was placed on the development of a sound research strategy; this resulted in a strategy that was based on a combination of secondary and survey research methods, and which was deemed to be the most effective in achieving the objectives of the research.

1.5.1 Secondary Research

A strong emphasis was placed on secondary research; including detailed statistical analysis. Such an emphasis is supported by

Chisnall (1991·p 19), when he states that, exploitation of all reliable sources of data during desk research should be the first step in market research. He adds that 'in some cases the information resulting from persistent and patient desk research may be sufficient to solve the management problem'. This view is reinforced by Boyd, Westfall and Stach (1985·p 243), when they argue that after the research objective/s have been specified and the list of needed information prepared, the researcher should determine whether such information is already available. They add that the researcher should not collect data from the field until the appropriate secondary sources of information have been reviewed.

In accordance with this body of opinion every effort was made to be both persistent and patient in uncovering and obtaining the best contemporary industrial intelligence, and in avoiding any duplication in data collection.

Chisnall (1991.p 18), argues that the acquisition of secondary data depends on the following four factors, availability of data, relevance of data, accuracy of data, and cost of data. All potential secondary data, and sources, were consistently evaluated against each of these factors.

1.5.2 Survey Research

The initial secondary research indicated that the state agencies with responsibility for industrial development and promotion, such as the Industrial Development Authority (IDA), the Irish

Goods Council, Coras Trachtala, (now amalgated with the Irish Goods Council to form An Bord Trachtala) and FAS, had valuable 'primary' data on various aspects of the clothing industry.

However their data banks were separate and considered primarily as an internal resource for the specific agency. Consequently there was no way of knowing, through secondary research, what information was held by each agency. Nor was it possible to determine the full extent of this information, let alone its accessibility or relevance to solving the research problem.

In order to ascertain the extent of the agencies separate data banks, a direct interview, using a pilot structured questionnaire, was conducted with the appropriate staff member in each agency (see Section 1.6.1). They had previously been identified, by telephone enquiries, as senior staff with specific responsibility for the clothing industry. The interviewees included:

Mr. M. McGuire, Business Development Manager for the Clothing Industry, in the Industrial Development Authority,

Ms. G. Barry, Clothing Industry Consultant, in the Industrial Development Authority.

Mr W. Hill, Marketing Consultant to the Clothing Industry, in the Irish Goods Council (now An Bord Trachtala)

Mr.E. Gilligan, the Industry Specialist, Textiles, Clothing & Footwear, in FAS.

It became clear that both FAS. and the then Irish Goods Council, now An Bord Trachtala, had just completed two separate and very comprehensive surveys of the entire population in the clothing industry. The depth and breadth of information from these state agencies's surveys far exceeded the financially limited survey objectives of this study. This potential source of information was evaluated by Chisnall's criteria of availability, relevance, accuracy and cost. It was deemed to be very relevant and specific to achieving the objectives of this study. Given the professionalism of the bodies involved plus the extent of their surveys, the information was also considered to be accurate data. From the point of view of a relative cost consideration, the data was inexpensive, if compared with the potential cost involved in this study conducting its own industry survey. The state agencies granted access to the information and a decision was made to redirect time and energy away from ungainful survey duplication, of data already available. A detailed and comprehensive analysis of all available data was under-taken, supported by semi structured interviews with expert informants, (see Section 1.6.2).

After the information from the pilot structured questionnaire was evaluated a follow up and more focused questionnaire was sent to the executives earlier interviewed. The first questionnaire sought information on the type of data held by the individual agencies. The second questionnaire focused on obtaining the best specific information relevant to each agencies expertise and quality of information.

1.6 Measurement Techniques

As is the case with selecting the data collection method, selection of a measurement technique is influenced primarily by the nature of the information required and secondly by the value of the information. Selection of the appropriate measurement technique requires the simultaneous consideration of other characteristics of the research design, (Tull & Hawkins 1984:p 34).

Further, Tull and Hawkins suggest that primary measurement techniques can be broadly divided into the following categories,

- 1) Questionnaires
- 2) Attitude Scales
- 4) Observation
- 5) Projective Techniques and Depth Interviews

Before deciding on the measurement technique/s most appropriate for this study, the overall research design was considered as was the type of information required, together with its relevance and value. Only then was it decided that a combination, of the structured Questionnaire technique and semi structured Depth Interview technique, would be best suited to achieving the objectives of the research.

1.6.1 Questionnaire.

'A questionnaire is a method of obtaining specific information about a defined problem so that the data, after analysis and

interpretation, result in a better appreciation of the problem', (Chisnall 1981:p 140).

Tull and Hawkins (1984 pp 258-260), argue that prior to constructing an actual questionnaire, the researcher must know exactly what information is to be collected from which respondents and by what means. Data gained from a questionnaire is of limited value if it is on the wrong topic, also the data collected that is not required increases the cost of the project. In an effort to overcome these precise problems two stages of structured nondisguised questionnaires were used to obtain the best and most relevant data from the state agencies.

Chisnall (1981:pp 141-143), identifies three conditions as being necessary to ensure a true response to a question,^o firstly, respondents must be able to understand the question,^o secondly, they must be able to provide the information requested, and thirdly, they must be willing to provide the information. These basic guidelines were observed at each stage in the construction of the questionnaires.

Chisnall's book Marketing Research, (1981), was extensively used in the overall construction, and use, of the questionnaire as a measurement technique. The remainder of this section makes liberal use of the chapter entitled 'Questionnaires' while concentrating on a number of points which were particularly adhered to.

Careful attention was paid to the actual wording of the questions, in an attempt to keep them as simple and unconfusing as

possible, while taking account of the professional and managerial status of the respondents. Questions were specific, they related to particular aspects of the survey, and they were asked in well defined terms, (see Appendix B. & C.).

Complex questions were broken down into a series of more easily answerable short questions which focused on one specific well defined variable, eg. question no. 7), Appendix B.

Information was sought on the basis of the respondents ability to adequately supply the required information. This resulted in the use of a two stage survey, both stages used structured nondisguised questionnaires, the first being dichotomous in nature (see Appendix B.).

The physical characteristics of the questionnaires and question sequence were designed so that they would be easy to use, the layout was spacious and filter questions were included when appropriate, eg. question number 5), Appendix B. Also used were topic headings accompanied by a 'funnel' technique, where the most general question on the topic was asked first followed by successively more restricted questions thus gradually restricting the area to precise objectives.

Tactful and courteous persuasion was employed to elicit the cooperation of the respondents and to establish an effective rapport between the respondent and interviewer.

Firstly, phone contact was made with the various organisations, initially to get the name and job title of the relevant

personnel. This was followed by phone contact with the identified personnel, explaining the general thrust of the research and ensuring that they indeed were the appropriate personnel to deal with the enquires. A meeting was arranged to facilitate the answering of the structured pilot questionnaire.

Secondly, a letter was sent to confirm the pre arranged meeting, restate the research interest and further explain the objectives. Reference was made to the respondents expertise in the industry, and how this expertise could be of invaluable assistance to the research study. Mention was also given to the researchers practical knowledge of the industry (see Appendix D.).

Thirdly, at the pre arranged meeting great care was given to creating a professional and business like impression. It was at this meeting that the pilot structured survey was conducted, see Appendix B This meeting was also used to explain, and get agreement on, the staged procedure to be employed in obtaining information from the organisation.

The fourth stage involved posting the second questionnaire with a covering letter reiterating the data collection procedures as discussed and agreed at the previous meeting. Further, the letter stated that phone contact would follow, in order to clarify any queries which the respondents might have had regarding the questionnaire, the respondents were also thanked for their assistance (see Appendix D.). Phone contact followed and no difficulties arose.

1.6.2 Semi Structured Interviews

Following the structured enquires, which were restricted to quantitative data collection, it was apparent that the research would be improved by extending the enquires to include qualitative research. It was decided that the best source for the type of qualitative information needed, was 'expert' informants, rather than industry management. It should be noted that the extent of work management in the industry, highlighted by numerous reports, studies, and statistical analysis, strongly influenced this decision (see Chapter 2, section 2.9, Chapter 3, section 3.7, Chapter 7, section 7.9, Chapter 5, sections 5.4.2, 5.4.4, Chapter 8, section 8.4). An additional consideration was how best to achieve the most efficient and effective use of this studies scarce resources.

In relation to the most appropriate method of acquiring the qualitative information, Aaker (1983:pp 113-116, p 53), suggests that the data from semi structured interviewing usually has a 'greater' depth and richness of context, resulting in an improved perspective and increased insight into topics. Macfarlane Smith (1972:p 119), describes the semi structured interview as a process in which the interviewer can focus his/her questions on a limited number of points. She suggests that this approach is useful for examining the validity of a hypothesis and that questions can be focused on one hypothesis after another. It is more formal than the completely free depth interview because the range of topics is limited and specified. Aaker (1983:p 113),

concur with this description and adds that this mode of interviewing is especially effective with busy executives. It was decided that the semi structured approach would be most appropriate in obtaining the opinions of industry executives, on a number of identified strengths, weaknesses, opportunities, and threats.

Crossnall (1981.p 310), states that in most industries there are usually people known to be well informed and to possess sound knowledge of the organisations and movements within their particular sphere of influence. He adds that researchers should attempt to identify and contact these experts. The following 'expert' informants were chosen.

Mr M McGuire, Business Development Manager for the Clothing Industry, Industrial Development Authority.

Mr W.Hill, Marketing Consultant to the Clothing Industry, An Bord Trachtala.

Mr E.Gilligan, Industry Specialist, Textile, Clothing & Footwear, FAS.

Ms. Grace Barry, Clothing Industry Consultant, Industrial Development Authority.

Expertise was based on, the informants position within their respective organisation, their specific responsibilities in relation to the clothing industry, the length of time they were dealing with the industry, and their general reputation within the industry. Tull and Hawkins (1984.p 560) suggest that an

expert is anyone whom we judge has acquired special skills in or knowledge of a particular subject

This stage of the research process was not undertaken until a relative degree of clothing industry expertise had been acquired through secondary research, so that the best qualitative information could be extracted from the informants. This is confirmed by Chisnall (1991:p 67), when he argues that if the interviewer is using an open style approach s/he must be able to win the confidence of the industrial informants, as they will not be impressed by an interviewer who displays an inadequate knowledge of their industries. Macfarlane Smith (1972:p 121), develops this point when she states that 'it is essential when carrying out all types of unstructured interviewing that interviewers should be able to recognise particular leads and follow them up'. Further, Aaker (1983:p 114), argues that in the semi structured and unstructured interview the major challenge, for the interviewer, is to establish rapport and credibility in the early moments of the interview and then to maintain that atmosphere. He concludes that in order to achieve this atmosphere 'there is no substitute for an informed authoritative person who can relate to respondents on their there own terms'. In the course of this study considerable thought was given to these arguments. From the time of initial contact with respondents every effort was made to establish an informed and professional relationship. There is no evidence to suggest that this was not achieved.

Those informants who had not been previously contacted, (see

section 1.6.1), received correspondence seeking their cooperation and explaining the objectives of the study. This was followed by phone contact to confirm their cooperation and to arrange an interview date. In order to allow the informants gather their thoughts and to allay any possible apprehension, with regard to their 'expected' level of expertise, a list of interview topics was sent to each informant, a number of days prior to the interview (see Appendix F). The use of a tape recorder was agreed at interview, on the basis that it facilitated an easier 'conversational' flow.

1.7 Research Limitations

Throughout this study great care was given to the accuracy, interpretation and presentation of data, however, it should be noted that 'no research is without bias, the whole process of research is fraught with many dangers', (Chisnall 1981:p 27). In an attempt to minimise possible errors, and bias, a number of areas were identified, at an early stage of research, as potentially limiting factors on the validity of the research findings and recommendations. Once identified, the data from these areas were studied and interpreted with some caution.

Given the nature of this study and its dependence on secondary data the following research limitations, identified by Aaker (1983:pp 88-89), were closely considered.

Firstly, the source of the secondary data, particularly in

relation to the adequacy of its resources and objectivity in compiling data, Consideration was also given to the nature and character of the source organisation and whether these influenced their interpretation and reporting of the data. However, it should be noted that a proper evaluation of these limiting factors was often outside the analytical resources of the study.

Secondly, it is impossible to appraise the quality of secondary data without knowledge of the methodology used to collect the data. In an attempt to maintain an objective perspective, this study 'notes' the use of 'suspicious' data (ie. unable to find a sound research basis), eg. AIF data in Chapter 8 section 8.3.1.

Thirdly, he highlights variations in the classifications of data as a definite limitation on the use of secondary data. This was perhaps the study's most pertinent limitation, firstly, it limited the period of detailed trend analysis to eight years, due to a change in CSO classifications in 1987. Secondly, it limited the conclusions drawn from industry comparisons, between current data and previous trend data. Thirdly, it restricted the cross tabulation of certain Eurostat data and CSO data.

Aaker also suggests that 'sooner or later time will render all secondary data obsolete and uninteresting except to the historian'. In consideration of this point, the study made considerable effort to relate the eight year trend analysis to the current situation in the Irish clothing industry, devoting Chapter 8 to an analysis of the industry in 1991

Although an extensive survey was not undertaken there is the probability of interviewer bias in the semi structured interviews, thus limiting the validity of the research findings. Chisnall (1981:p 215), suggests that 'interviewer bias occurs when the influence of the interviewer on the respondent is such that it results in responses that do not accurately reflect the attitudes and opinions of the respondents'. Aaker (1983:pp 111-120) argues that the flexibility of qualitative research gives the interviewer great latitude in directing the questions; similarly an analyst with a particular point of view may interpret selectively the thoughts and comments to support that view. As previously stated, a priority was given to achieving a high level of professionalism and objectivity in the analysis and reporting of the research. However, despite the best efforts, it must be noted that this study is subject to limitations in achieving its objectives, including resource limitations.

To conclude, Boyd, Westfall, Stasch (1985:p 671) suggest that although a good report "sells" the results of its study, it should not "oversell", as every project has limitations. Obviously, 'salesmanship' requires a fine balance between enthusiasm and objectivity, hopefully this was achieved in the following chapters.

2.1 Introduction

This chapter undertakes a broad review of general concepts in strategic planning, and examines specific strategic issues in relation to industry fragmentation and entrepreneurship. In order to place these concepts in context they are briefly discussed, where appropriate, in relation to the Irish clothing industry. It should be noted that this review and discussion are not intended to be the definitive analysis of strategic thought but rather a general appraisal of common strategic concepts leading to a greater appreciation of potentially successful strategies for Irish producers of women's and girls' outer wear. Many of the arguments central to the analysis of this study draw on and develop the concepts and principles discussed in this chapter.

2.2 Strategic Planning

Kotler (1988:p 33), describes strategic planning as 'the managerial process of developing and maintaining a viable fit between the organisations objectives and resources and its changing market opportunities. The aim of strategic planning is to shape and reshape the companies businesses and products so that they combine to produce satisfactory profits and growth'.

Chisnall (1985.p 177), concurs with Kotler's discription, and emphasises the need for a methodical and systematic approach to solving problems in an increasingly dynamic market environment. However, he cautions that the same methodical approach to solving problems and planning is not always successful and that different occasions and varying circumstances demand management flexibility. He states that 'one of the hallmarks of a first class manager is the flexibility of his reactions to problems'.

Aaker (1988:pp 10-13), while attempting to explain the evolution of strategic planning, suggests that the process of developing and implementing strategies has evolved over the years from firstly, budgeting and control,^o secondly, long range planning,^o thirdly, strategic planning, and finally to strategic market management. It should be noted that although he discusses their 'evolution' 'all these terms have similar meanings and are often used interchangeably', (Aaker 1988:p 10).

In budgeting/control the emphasis is on controlling annual deviations and managing annual complexities. The focus in long range planning is on anticipating growth and managing complexity, the basic assumption is that past trends will continue into the future. With regard to strategic planning, the emphasis is not only on projections but on an indepth understanding of the market environment, particularly competitors and consumers. The hope is to have the capability to anticipate those changes that have strategic implications.

Finally, Aaker is in agreement with Chisnall's emphasis on an

increasingly flexible response to an increasingly dynamic environment, suggesting that strategic management deals with the rapid rate of change that can occur in the environment. In order to cope with rapidly emerging threats and opportunities, strategic decisions need to be made outside a set planning cycle. This requires continuous 'real-time' information systems rather than, or in addition to, periodic analysis. Further, Aaker suggests that the four 'stages' of planning systems, build on rather than replace each other, and that 'strategic market management, or simply strategic management, actually includes all four management systems'. By way of simple explanation, Chisnall (1985:p 177), suggests that strategic planning 'is concerned with allocating the resources of an organisation in the most effective pattern of reaction to the identified needs of those whom it professes to serve'.

2.3 Corporate Strategy

Strategy can be applied at the corporate, business, and functional level. At the corporate level it involves, firstly, defining the corporate mission. Kotler and Armstrong (1991:p 30), suggest that an organisation exists to accomplish something, and that a company's mission broadly states the company's purpose ie. what it wants to accomplish in the larger environment. The second thing that corporate strategy involves is identifying the company's strategic business units. Thirdly, it must analyse and evaluate the current portfolio of businesses, and finally, it

must identify new business areas to enter. Given the fragmented structure of the Irish clothing industry and the dominant number of very small firms, it can be argued that corporate strategy has little relevance for Irish clothing producers.

However, Kotler and Armstrong (1991:p 37), suggest that although many new and small companies operate 'successfully' without formal plans the planning process can yield many benefits. For this reason and to identify that part of strategic planning that may be more pertinent to the Irish clothing producer, it is necessary to understand the thinking behind the entire strategic planning process.

Kotler (1988:p 34), argues that three key ideas define the strategic planning process. Firstly, the need to manage the company's businesses as an investment portfolio, the implication being that the corporation wishes to maximise the return on its investment. This principle equally applies to a company that operates several businesses, product lines, or products. He suggests, the question that must be asked is which business/product deserves to be 'built', 'maintained', 'harvested', and 'terminated' (see section 2.3.1).

The second key idea is the need to accurately assess the future profit potential of each business/product. He argues that the firm must learn how to develop more analytical scenarios of future conditions in each market. A year-by-year planning process is inadequate as is extrapolating past business trends for longer range plans.

The final key underlying strategic planning is that of strategy. Each company must determine what makes the most sense in the light of the industry position, its objectives, opportunities and resources.

2.3.1 Portfolio Analysis Techniques

Akin to Kotler's 'keys' to strategic planning, a number of techniques have been developed to categorize the different businesses in a company's portfolio and to determine their resource allocation. The two most frequently discussed techniques are the growth/share matrix, identified with the Boston Consulting Group (BCG), and the company position/industry attractiveness screen identified with General Electric (GE) and McKinsey.

Aaker (1988:p 180), argues that the BCG growth/share matrix 'suggests that an analysis of the market can be best summarised by knowing its growth rate, and that the best summary indication of a firm's strength in a market is its relative market share. Thus, the growth/share matrix positions the various strategic business units (SBU), or products, within a firm in terms of these two dimensions'. (For a more detailed review of the BCG growth/share matrix see, Porter 1980, Appendix A :pp 361-367)

General Electric drew on the portfolio approaches of McKinsey management consultants, in developing their company position/industry attractiveness screen, and were able to overcome some of the limitations of the BCG matrix. Instead of

basing industry attractiveness on market growth it uses as many factors as are appropriate, such as, size, growth, price levels, profitability, technology, competition, regulations, economic trends, etc. 'Thus, it has the potential of being richer and more valid than an analysis using only growth,' (Aaker 1988:p 188). Also, the business position assessment instead of using market share as a criterion can also use as many factors as are appropriate, such as, market share, product quality, brand reputation, productive capacity, unit costs, material suppliers, etc. (For a more detailed review of the GE company position/industry attractiveness see, Porter 1980, Appendix A :pp 361-367)

It should be noted that in both the growth/share matrix and the company position/industry attractiveness matrix, the results can be very sensitive to the definition of the product market. The analyses of market attractiveness and business position may be dramatically affected if they refer to a narrowly defined niche market.

Beyond evaluating current businesses, strategic planning also involves finding future businesses and products the company should consider. This is based on the assumption that every company has an innate entrepreneurial motivation i.e. a desire to grow and expand in order to maximise its profits (for a fuller discussion of entrepreneurial motivation see Chapter 4 section 4.4.2). One of the most widely written about approaches to identifying growth opportunities is Ansoff's product/market expansion grid (Kotler 1988:pp 47-49), which identifies the following

four possible strategies.

Firstly, market penetration, this involves the firm trying to increase sales of its current products in its present markets. In relation to the women's and girls' outer wear sector of the Irish clothing industry this could mean a greater penetration of the middle to lower end of the retail domestic and UK markets, (see Chapter 8 section 8.3).

Secondly, market development, involves the firm increasing its sales by opening up new markets for its current products. This could mean Irish producers targeting the middle to lower end of the women's and girls' outer wear retail markets in other EC states or possibly in the US. It could also involve targeting non retail markets such as state sector procurement contracts, where price is also an important factor.

Thirdly, product development, involves the company increasing sales by developing 'new' or improved products. This could mean Irish producers extending their product range to include a number of women's and girls' outer wear garments, or improving the quality, design, and detail of the garment. Following such a strategy may require moving to a different market segment of the overall market

Fourthly, diversification, the company seeks to increase sales by developing new products for new markets. This could involve Irish producers of women's and girls' outer wear producing new products in which a certain synergy existed, such as, men's outer

wear, or moving into product areas that have no relationship to the firms technology, products or markets.

It is assumed that these increased sales will result in increased profits. Foster (1982:p 119), postulates that the degree of difficulty and risk involved in pursuing these strategies is least for the market penetration strategy and gets progressively greater if the firm moves towards the diversification strategy, which carries the greatest risks and uncertainties. The basis of this commonly voiced argument is that the development of a new product is more costly, difficult, and uncertain than opening up a new market. It should be noted that Anshoff's grid is only a crude indicator of a company's potential strategic direction, it does not take account of overlap between the different approaches nor strategic requirements therein.

2.4 Business Strategy

Business strategy, often referred to as competitive strategy, is concerned with the business unit rather than the corporation, and as such may be more applicable to the overwhelming number of small independent firms in the Irish clothing industry. Kotler (1988:pp 49-50) suggests that business strategy involves the following steps;

Defining the business's mission

Analysing the external environment

Analysing the internal environment

Choosing business objectives and goals
Developing business strategies
Preparing program plans
Implementing program plans
Gathering feedback and exercising control.

Porter (1980:p XVI), broadly agrees with these steps when he argues that 'essentially, developing a competitive strategy is developing a broad formula for how a business is going to compete, what its goals should be and what policies will be needed to carry out these goals'. Further, competitive strategy must take cognizance of the following 'four key factors' that will set the limits of what a company can successfully accomplish. Firstly, a company's strengths and weaknesses, 'are a profile of its assets and skills relative to competitors'. Secondly, the personal values of an organisation, 'are the motivations and needs of the key executives'. It should be noted that strengths and weaknesses combined with values, determine the internal limits to the competitive strategy a company can successfully adopt. Thirdly, industry opportunities and threats determine the competitive environment. Finally, societal expectations reflect the impact of the company on such things as government policy, social concerns, and so on. Porter (1980:p XVIII), stresses, 'these four factors must be considered before a business can develop a realistic and implementable set of goals and policies'.

In relation to a firm's opportunities Kotler (1988:pp 50-52),

argues that they should be classified according to their attractiveness and success probability. Further, a company's success probability with a particular opportunity depends on whether its business strengths not only match the key success requirements in a market but also exceed those of its competitors. A strength does not necessarily create a competitive advantage, as it may be unimportant to the customer, or competitors may have the same strength. A strength is only significant if it is important to the customer and if the company has a relatively greater strength than its competitors, i.e. it becomes a competitive advantage.

Similarly, threats should be classified according to their seriousness and probability of occurrence. The company must prioritise each threat, those with a low probability of occurrence can be ignored. Whereas, serious threats with a high probability of occurrence require an appropriate contingency plan which details the changes a company can make before, or when, the threat occurs

2.5 Competitive Forces

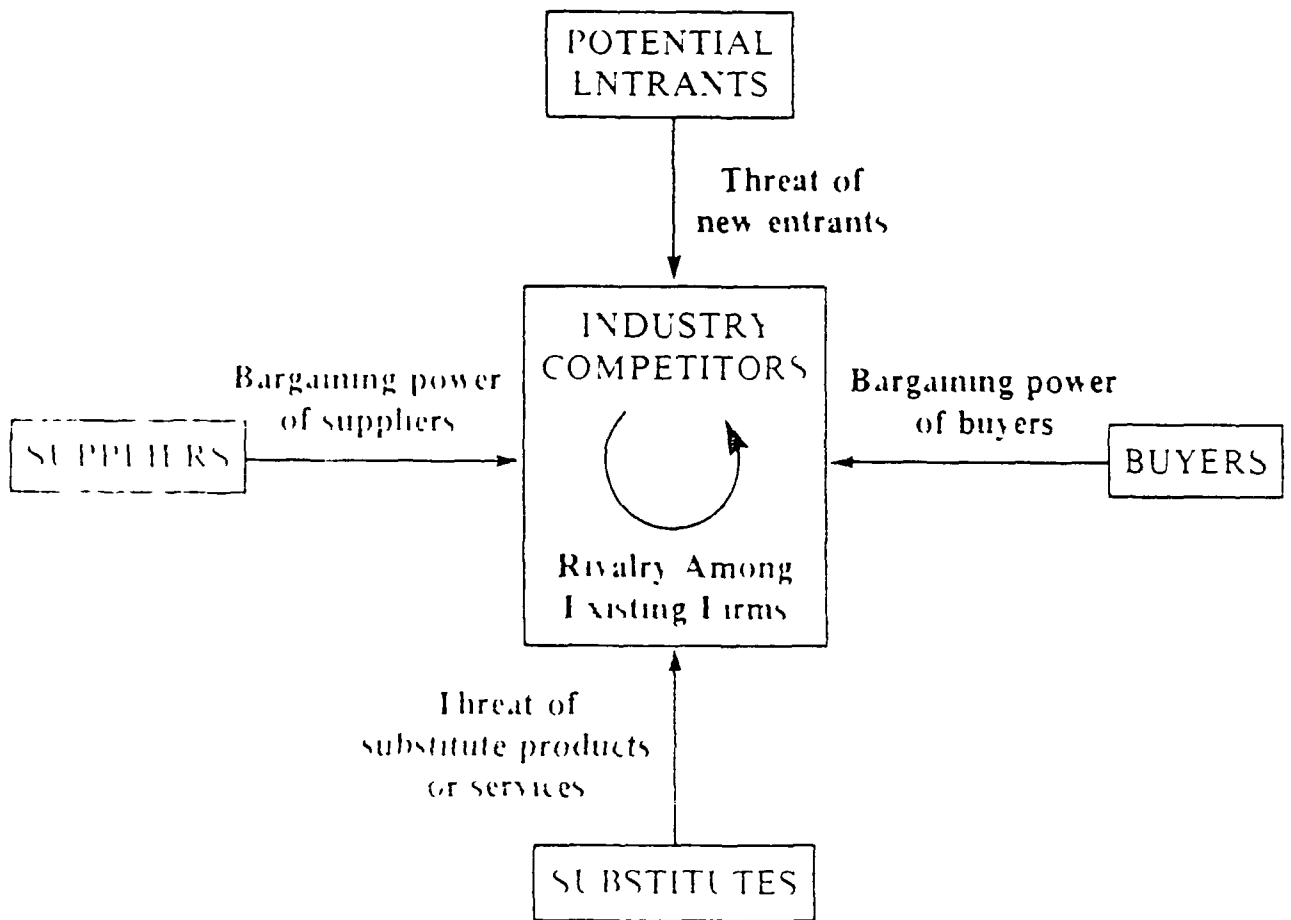
Porter (1980:p XVI), suggests that the move towards formal strategic planning has highlighted a number of managerial questions. What is driving the competition in the industry, what actions are competitors likely to take, what is the best way to respond. ? How will the industry evolve. ? How can the firm be best positioned to compete in the long run. ? Further, he argues

that the foundations for development of competitive strategy is built on the analysis of industry structure and competitors.

He describes competitive strategy as taking offensive or defensive action to create a defensible position in an industry. However, a firm must first diagnose the forces affecting competition, together with their underlying causes, before it can identify its strengths and weaknesses relative to the industry. Five competitive forces are indentified; 1) new entrants, 2) buyers bargaining power, 3) suppliers bargaining power, 4) substitute products, 5) rival firms, (see Fig. 2.1). He argues that the crucial strengths and weaknesses from a strategic standpoint are the company's posture vis a vis the underlying causes of each competitive force.

The collective strength of these forces is said to determine the ultimate profit potential in an industry. However, any one competitive force, or combination of forces, can be dominant, depending on the particular circumstances of the the industry. The essence of competitive strategy is to find the position in the industry where it can best cope with these competitive forces. Knowledge of the underlying sources of competitive pressures can reveal the basic attractiveness of an industry, highlight the critical strengths and weaknesses of the company and clarify the areas where strategic changes and industry trends may yield the grearest return

FIGURE 2.1



Forces Driving Industry Competition

SOURCE: PORTER M. (1980: P 4).

2.6 Generic Competitive Strategies

At the broadest level Porter identifies the following three internally consistent generic strategies for creating a defensible position in the long run and outperforming competitors in the industry, 1) overall cost leadership, 2) differentiation, 3) focus.

2.6.1 Overall Cost Leadership

This strategy requires the ^gaggressive development of economies of scale, vigorous pursuit of cost reductions based on the experience curve, tight cost and overhead control, elimination of marginal customer accounts, and detailed cost minimisation in every area of the business. However, while low cost relative to competitors is the theme running through the entire business, quality, service, etc. cannot be ignored.

The advantages of this strategy are; firstly, lower costs mean that the firm can still earn returns after its competitors have **competed** away their profits. Secondly, a low cost position **defends** the firm against powerful buyers who can only drive down prices to the level of the next most efficient competitor.

Thirdly, the firm can defend against powerful suppliers by providing more flexibility to cope with input cost increases. Fourthly, low cost usually generates substantial entry barriers in terms of scale economies or cost advantages. Finally, it puts the firm in a good position vis-a-vis substitutes relative to

competitors. Obviously, less efficient firms will be the first to suffer in the face of competitor pressure.

The underlying assumption of this strategy is that a firm becomes the most efficient operator, industry wide, within a broadly common set of cost structures. However, Irish clothing producers are not losing market share to each other but rather to imports from producers in countries with different cost structures, including higher and lower cost countries. Even if an Irish producer of women's and girls' outer wear achieved the highest levels of cost efficiencies he could not match the relative costs of producers in low cost countries.

Further, Porter (1980:p 45) cautions that cost declines with cumulative volume are not necessarily automatic, nor are economies of scale significant in every industry. Such is the case in the clothing industry. However, even if the situation were different, the very small size of the vast majority of Irish producers in the women's and girls' outerwear sector would militate against pursuing an overall cost leadership strategy.

2.6.2 Differentiation

This involves creating something that is perceived industrywide as being unique and can therefore command a higher price. Ideally a firm should differentiate itself along a number of lines. This might include design or brand image, fashion creation, customer service, distribution network, corporate

image, technological standards, etc. While costs are not an overriding concern this strategic approach does not allow the firm to ignore costs.

Porter (1980, pp 37-38) argues that a firm can earn above average returns pursuing a differentiated strategy. Firstly, it insulates against competitive rivalry through customers brand loyalty, also buyers lack comparable alternatives. Secondly, it increases margins and lowers customers sensitivity to price. Thirdly, brand loyalty and perceived uniqueness create significant entry barrier. Fourthly, the higher margins give the firm greater leeway when dealing with suppliers. Finally, customer loyalty should leave the firm in a better position vis-a-vis substitutes than its competition.

However, as differentiation often requires a perception of exclusivity it may be incompatible with a high market share. Nevertheless the assumption is that the firm has the capacity and resources to target the entire market and that the uniqueness of its product/service will be perceived industrywide. Given the very small size of the overwhelming majority of Irish women's and girls' outerwear producers, and their lack of coordination within the industry, the application of such a strategy lacks feasibility.

2.6.3 Focus

This involves the firm concentrating on a specific buyer group,

segment of the product line, or geographic market. The basis of the strategy is that the firm serves a particular target very well. It rests on the premise that the firm is able to serve its niche market more effectively or efficiently than competitors who are competing more broadly. Porter argues that even though this strategy does not achieve low cost or differentiation in the context of the market as a whole it can achieve one or both of these positions vis-a-vis its narrow target market. Chisnall (1985:p 194), suggests that nearly every market has several submarkets with 'significant characteristics affecting demand and supply'. He emphasises that the trends in the macro market can often be different from those in the submarket. Such were the findings of this study with regard to the submarkets in the women's and girls' outer wear sector.

A firm pursuing a focus strategy can earn above average industry returns, in that it may either have a low cost position in its niche market, high differentiation or both, thus providing defense against the competitive forces. A significant aspect of the focus strategy is that it can be used to select targets that are least vulnerable to substitutes or where competitors are weakest. It can be argued that as industry wide strategies are not applicable to the vast majority of Irish producers, of women's and girls' outerwear, a focus strategy offers the greatest potential. Possibly operating in the higher value added differentiated end of the market, or submarkets, i.e. specialising in a product, customer type, or both. Where, if nothing else, Irish producers have a considerable labour cost advantage.

Chisnall (1985:p 194), suggests that consumers are increasingly receptive to such a strategy when he argues that buyers are showing increasing discrimination in their purchases and that enterprising firms, particularly small firms, have an opportunity to challenge the 'anonymity of mass produced products by identifying specific types of customers who are seeking to satisfy their needs more completely'.

There are a number of risks inherent in a focus approach, firstly, the cost differential between the broad market and the focus market can widen, i.e. it can become relatively more expensive to produce for the narrower market. Thus, eliminating the cost advantage, or offsetting the differentiation, achieved by focus. It should be noted that the cost differential between lower priced products and differentiated products can become too great to hold customer loyalty. Customers may sacrifice the augmented product in order to save money on the tangible product.

Secondly, there may be a narrowing in the perceptions between the niche market and the broad market as to what bundle of benefits are required from the product. Thirdly, competitors may find submarkets within the strategic niche market and 'outfocus the focuser'.

Porter cautions that the three generic strategies are alternative approaches to dealing with the competitive forces. Implementing them successfully requires different resources and skills. Therefore a definite commitment to one of the strategies is usually

necessary to achieve success. He describes a firm that fails to develop its strategy in at least one of the three directions as 'stuck in the middle'. This type of firm lacks the market share, capital investment, and resolve to play the low cost game, the industrywide differentiation necessary to obviate the need for low-cost production, or the focus to create differentiation or a low-cost position in a niche market, and is almost guaranteed low profitability. Given the performance of the Irish producers of women's and girls' outer wear it is not unreasonable to suggest that a considerable number of producers, may be 'stuck in the middle' firms.

2.7 McKinsey 7-s Framework

Kotler (1988:p 59), argues that even if a firm has developed a clear strategy, such as those suggested by Porter, it may be insufficient to achieve success. He uses the McKinsey 7-s framework to emphasise that strategy is only one of seven elements that the best managed companies exhibit. Firstly, he argues that a successful company must develop an appropriate strategy to reach its goals, it must then build an appropriate structure to carry out this strategy, and then develop effective systems to ensure the task is achieved. However, he adds that the successful company also requires the appropriate 'company culture' This requires that employees must share a common 'style' of behaviour and thinking. They must have an expertise in those 'skills' that are required to carry out the company's strategy. The company must employ able 'staff', train them well and assign

them the right jobs to exercise their talents, and employees must 'share the same values' as expressed in the company's mission.

2.8. Marketing Strategy

Kotler and Armstrong (1991:pp 37-40), argue that strategic planning defines the role of marketing in an organisation. It involves adapting the firm to take advantage of opportunities in its constantly changing environment. Further, marketing planning supports company strategic planning with more detailed planning for specific marketing opportunities. Chisnall (1985:p 179), emphasises the importance of marketing planning when he states that 'it goes to the heart of the business and affects its whole corporate policy'.

There is considerable overlap in current literature between overall company strategy and marketing strategy. The latter looks at consumer's needs and the company's ability to satisfy them. However, these same factors also help to develop the company mission and objectives. Most company's strategic planning deals with marketing variables, such as, market share, market development, growth, etc 'Its sometimes hard to separate strategic planning from the marketing plan. In fact, in some companies, strategic planning is called strategic marketing planning', (Kotler & Armstrong 1991:p 31). Chisnall (1985:p 37), describes marketing strategy as having several functional aspects - production, price, promotion, distribution - 'customarily referred to

as the marketing mix; a different combination of these inputs are needed to secure particular marketing objectives.

It can be argued that marketing plays a key role in a company's strategic planning. It helps provide the guiding philosophy of serving the needs of the consumers. It also provides inputs to strategic planning by helping to identify attractive market opportunities and to assess the firm's potential for taking advantage of them.

Given the importance that Irish producers, of women's and girls' outer wear, place on cost control and competitive pricing, and their very poor performance in following such a 'low cost strategy', it is appropriate to look at some common concepts in pricing strategy.

Chrisnall (1987:p 7), in a study of small firms, suggests that pricing is one of the critical inputs into marketing success and therefore it is important for owner/managers to have a sound understanding of the nature of costs. However, he cautions that 'pricing is far more complex than costs plus a margin'. It is only one of the variables that contribute to the 'marketing mix which forms the business deal'. It should not be treated in isolation from the other variables.

Further, pricing can play an active dynamic part of marketing strategy or merely a subservient and often unproductive role. Small firms should pay heed to the importance of an 'imaginative pricing policy', particularly in high value added market

segments. 'No one buys price' people buy the expectations of a bundle of benefits that constitute the product/service. It is important to note that within the economic equation there are two parties to setting profitable prices: the supplier and the customer. Therefore while a knowledge of costs is very important equally important is a 'knowledge about the nature of demand, including the level of competition', (for an extended discussion of price in relation to demand see Chapter 3 section 3.8).

2.9 Strategy and the 'Entrepreneur'

Given the overwhelming number of small firms in the Irish clothing industry and particularly in the women's and girls' outer wear sector it is important to examine the role of the owner/manager in strategic planning. Wheelen and Hunger (1989:pp 3/1), argue that 'the entrepreneur is the ultimate strategic manager. He makes all the strategic as well as operational decisions. All three levels of strategic thinking - corporate, business, and functional - are concerns of the owner/manager of a company.' They use the term entrepreneur in the broad context of business initiator and manager (see Chapter 4 section 4.4.1).

They add that although all businesses begin life as entrepreneurial ventures and must grow to survive, many owners choose to stabilise their businesses at a particular size of operations rather than pursue continuous growth and profitability. Chisnall (1987:p 1), suggests that small firms are particularly vulnerable in their formative years and during this period their primary

objective is survival, 'once this has been achieved, consolidation is the next crucial step, followed hopefully, (although not necessarily), by expansion and growth'.

At a fundamental level it can be argued that strategy involves a visionary plan which directs the company towards achieving its long term objectives and aspirations while driven by a profit motivation. Bennett (1990:p 44), suggests that the strategic question is not so much, how the company improves its current operations, but rather 'what else can the company do in order to maximise its profit and growth'. The inference is that all business is either implicitly or explicitly driven by a desire to increase profits. This profit objective is the practical application, of the Friedman (1970), school of thought, to small business. He contends that because managers are legal agents of the stockholders their sole duty is to maximise the financial return to the stockholders.

Whelen and Hunger (1989'p 369), argue that there is a dangerous tendency to 'treat the small firm simply as a smaller version of larger companies and to apply standard strategic management concepts and techniques to their situation.' By way of example, Bennett (1990'p 28), states that 'the small firm should be headed towards the most lucrative market segment for which the company has the greatest internal strengths and the fewest weaknesses'. The underlying implication, and indeed fundamental business expectation, is that all firms should wish to grow and maximise their profits. However, there is considerable evidence

to suggest that perhaps the greatest difference between large and small companies are the concepts of continuous growth, increasing profitability and the purpose for which they exist.

Cooper (1989:p 97), argues that small businesses vary substantially in their resource positions, the goals of their founders, their potential, and the stage of their development. Further, 'small firms create an environment for strategic management in which both the opportunities and constraints are different from those in large organisations' Birley (1989:p 78), concurs with this view when she argues that 'the strategic choices which the small firm manager wishes and indeed is able to make often encompass a different set from those open to his counterpart in the larger firm.'

Wheelen and Hunger (1989:p 378), suggest that in order to understand the goals of a small company it is essential to understand the motivations of the owner/manager, 'since the two are indistinguishable.' Birley (1989:p 78), pays particular attention to this point when she states that the strategic choices open to the owner/manager differ, from his/her counterpart in the larger company, in the following four ways, 1) goals, 2) product/market choices, 3) resources, and 4) organisation structure. Each is dealt with separately, in the following four sections.

2.9.1 Goals

In relation to goals, she postulates, that in large companies

strategic objectives tend to focus almost entirely on growth and or profitability. Whereas in small companies the 'objectives of the firm and those of the owner become one and the same.'

Further, a primary motivating factor for the owner/manager to start the firm in the first place is often independence. Given this motivation his/her strategic goal often becomes one of no growth or minimum growth, consistent with company survival. She adds that to the 'outside analyst this can produce a company with a very strange profile but one which is in fact pursuing a strategy which is internally consistent.

Whelen and Hunger (1989, pp 386-390), concur with Birley when they argue that the goals of a small company can change from growth, in order to survive, to stability in order to satisfy key personal needs of the owner/manager. Curtis (1983), supports this view when he suggests that personal needs, personal objectives, personal attitudes towards risk, and compatible personal and corporate objectives, are critical in strategic planning for smaller businesses. Further, he argues that this is contrary to the current thinking in strategic planning for large companies where rigour, objectivity, and analysis are regarded as the most important prerequisites for strategic planning. He adds that in order to close the link between the persona of the owner/manager and the small business the planning process must start at the personal level.

Birley (1989:p 81), states that while the environment in which the small firm owner works and the problems which he is likely

to face can be described, it is not known how he copes. 'We do not know how a strategy and structure evolves. We just know that it does.' Simply, we do not have a clear understanding of the corporate development process in the small firm.

2.9.2 Product/Market Choices

In relation to the difference in product/market choices between the large and small firm, Birley (1989:p 80), states that the successful large firm is almost always market orientated with a wide range of products. Therefore, in choosing a strategy management can pick an optimum mix of products and markets. Whereas the successful small firm is primarily a single product/market company. Thus, 'success in the small firm sector initially means simply survival, and much of this success is often a function of luck rather than strategic planning.'

It could be argued that provided the small company survives long enough to prove its product in the market place the owner/manager will have the opportunity to grow the business through new products or new markets. However, Birley argues that unlike the large firm the owner/managers ability to acquire the knowledge and information upon which to base a 'growth' decision is very limited. Chisnall (1987:p 9), supports this view when he argues that small firms are critically dependent on the skills of the individual owner/manager, 'those who run small firms have to be their own experts in several fields.' Further, Birley suggests that the effect of a new product failure, or new market failure, could

have 'catastrophic' consequences for the small business, because they usually have a one product/market dependence. Therefore the owner/manager, unlike the large company manager perceives a very narrow range of possible options in pursuit of the 'implicit' expectations of management i.e. profitability and growth.

A recent study (Davidson 1990, Ed. Donckels and Miettinen), highlighted the increasingly common findings that small business managers expect growth to bring more negative than positive side effects. Significantly a very large share of owner/managers expected substantially negative effects of growth on their crisis survival ability, an ability which they rated as very important.

It can be argued that the fortunes of many small firms oscillate between the survival and consolidation stage. The degree of fluctuation may depend on how the competitive forces are arranged against these firms, at any given time. If the normal characteristics for the small business are a single product/market, and a single individual source of skills, it is not surprising that many owner/managers are reluctant to complicate matters, by attempting to add new products or markets. They can justifiably fear that their 'seat of the pants' management, the enigmatic ingredient that keeps the operation going, would be insufficient to cope with expansion, and survival should things go wrong

2.9.3 Resources

With regard to differences in management resources between small and large firms, Birley (1989:p 80), states that ' in simple terms management exists as a function in the large firm. Whereas in many small firms the owner is attempting to create management often without even training or help. In other small firms he may view management as a bureaucracy and have no wish to create systems or to delegate responsibilities.' She further argues that, the rate at which a small firm can grow is hugely influenced by the abilities and inclinations of the owner who is the sole source of the skills required, unlike the large firm which can draw on 'several functional specialists'.

Wheelen and Hunger (1989:p 372), suggest that the serious lack of strategic management practices in the small business sector is due to four basic reasons. Firstly, day to day operating problems simply take up the time necessary for long term planning. Secondly, the small business manager may be unaware of strategic management concepts or view them as irrelevant to the small business situation. Thirdly, small business managers often lack the skills necessary to even begin the strategic decision making process and do not have or wish to spend the money necessary to buy in trained consultants. Finally, many small business owner/managers are very sensitive regarding key information about the business and are thus unwilling to share strategic planning with employees or outsiders.

They add, that even if small business managers were adequately skilled, it is possible that too great an emphasis on structured written plans could be dysfunctional to the small entrepreneurial firm, particularly if it took from the very flexibility that is a benefit of small size. However, it is important not to excuse the considerable lack of formal planning in small business as evidence suggests that a certain degree of formality is very beneficial. Chisnall (1987:p 9), pragmatically argues that small businesses cannot afford to have expensive layers of management, nor can they ignore that they are often competing with firms that can afford to use highly paid professionals in the various functions. Management must be constantly aware of its relative strengths and weaknesses and try to exploit or defend them as the case may be.

2.9.4 Organisation Structure

The final fundamental difference in management between small and large firms, identified by Birley, is the organisation structure. She argues that most literature on corporate strategy suggests that once a strategy is decided upon the company structure should be rearranged appropriately, i.e. structure follows strategy, as previously indicated by Kotler (1988). This should be an easy procedure, for the owner/manager, since all the resources are within himself/herself 'His concern is merely the division of his own time', (Birley 1989:p 81). Not surprisingly the structure which emerges is unlikely to fit easily into an organi-

sational chart therefore it will not be easily identifiable from the outside, as is usually the case in larger firms.

It can be argued that small firm strategy, be it implicit or explicit, and the persona of the owner/manager are inextricably linked and that one cannot exist without the other. Chisnall^e (1985:p 185), suggests that managers of small enterprises frequently adopt 'a business strategy of some kind without being consciously aware of the activity'. Wheelen and Hunger (1989:p 378), argue that the greatest strength and weakness of the small firm, lies with the entrepreneur - owner/manager - of the business. The 'entrepreneur' is the strategic manager the source of product/market knowledge and the dynamo that may or may not energize the company. Chisnall (1985·p 185), concurs when he states that in small firms where personal ownership and management are not separate functions strategy is rarely formalised, the policy maker and the manager are one and the same person.

Therefore any small firm strategy which purports to be potentially successful must recognise, firstly, that its success is fundamentally subject to the specific 'mission' of the individual firm, that is the purpose for which it exists. Secondly, the measure of success is a personal value judgement relevant to the goals and aspirations of the individual owner/manager, and is not necessarily measured by profit or growth rates.

3.1 Introduction.

The current situation in Ireland's clothing manufacturing industry, characterised by a declining share of the domestic market and reduced levels of employment, is not unique to Ireland but mirrors the prevailing trends in other industrialised countries, (see Table 3.1). This chapter examines the current economic thought on why such a uniform trend exists. It also looks at particular competitive advantages that the clothing producers in the industrialised countries, such as the US. and the EC. member states, might have over their counterparts in the less industrialised countries, such as low cost countries in the Far East, Northern Africa and Southern Europe.

Not surprisingly the intensity of general international trends vary from country to country, as indicated in Table 3.1. Between 1980 and 1987 the level of employment in Ireland's clothing manufacturing industry declined by 16%, from 12,500 to 10,600.

TABLE 3.1

NUMBER OF PEOPLE EMPLOYED IN CLOTHING INDUSTRY, 00's

(by companies employing over 20 people)

	1980	1981	1982	1983	1984	1985	1986	1987
IREL.	12.5	11.9	11.8	10.9	11.0	11.3	11.1	10.6
UK	237.4	196.3	186.4	177.4	183.3	191.9	191.7	192.3
EC 4	144.0	131.4	123.9	140.0	126.5	121.7	114.7	114.0

(EC 4, ie, Average employment of Germany, France, Italy, Denmark)

Source: Eurostat, Title, Structure and Activity of Industry, Annual Inquiry, 1980/1987. Using NACE Code 453/4.

This decline compared favourably with a 21% decline in the average employment of the EC 4 countries, ie. Germany, France, Italy, Denmark, from 144,000 to 114,000, and a 19% decline in the UK, from 237,000 to 192,300. However, until the Irish industry is analysed vis a vis its own strengths, weaknesses, and opportunities it would be premature to argue that the Irish clothing industry performed comparatively well. Obviously, it is important in a comparative analysis to ascertain the extent to which like is compared with like.

3.2 International Trends.

Elson (1990·p 51), suggests that there has been a globalisation of the clothing industry with an ever growing emphasis on 'western' firms using their foreign manufacturing facilities not only to supply the developed markets of the west but also to supply local developing markets. In a general analysis of the world's clothing manufacturing sector it has been argued that there has been a major shift in the share of world trade and production, from the more developed countries of the 'north' to the less developed countries of the 'south' . This argument can be adequately supported by an analysis of United Nations trade statistics, as indicated by Table 3.2, which shows that between 1975 and 1986 the average annual increase in the index of the world's production of 'wearing apparel' was 1.4 % , as opposed to an average annual increase of 4.4 % for the less developed countries and an average annual decrease of 0.4 % for the developed countries. This data highlights an even greater shift away from the EC, which experienced an average annual decrease in production of 1.3% , and towards the less developed countries of Asia, which experienced an average annual growth in their production of 8.4% .

The relatively large decrease in the EC_y production may be partially explained by the considerable use of 'outward processing' by German and French producers. This process involves the manufacturers in high cost countries subcontracting their work to producers in low labour cost countries, who then partially or

TABLE 3.2

INDUSTRIAL PRODUCTION INDEX FOR WEARING APPAREL

(ISIC code 322 - 324 , includes leather and footwear)

	AVG.%												
	1975	'76	'77	'78	'79	'81	'82	'83	'84	'85	'86	'87	Annual
WRL.	89	94	96	98	101	100	98	96	102	103	104	105	1.4%
DC.	96	103	103	102	104	97	94	94	95	94	94	92	-0.4%
LDC.	82	89	88	92	96	106	105	108	116	118	127	137	4.4%
ASIA.	81	91	89	94	92	119	122	140	157	158	181	213	8.4%
EC.	104	108	105	103	105	96	97	96	95	94	93	89	-1.3%

Base year (100) = ?

(WRL.= world, DC.= developed countries, LDC.= less developed countries, ASIA. excludes Japan & Israel.)

Source: United Nations , Statistical Year Book 1987. General Industrial Statistics. - UN New York, 1989.

wholly manufacture the garments and export them back to the manufacturers in the high cost countries. It is interesting to note that German manufacturers, in particular, have maintained their positions of relative strength within their respective distribution channels. They have achieved this by acting as intermediaries between low cost producers and domestic market retailers. They import the very cheapest merchandise from the Far East, manufacture better quality merchandise in overseas

locations in a variety of ways under German supervision, and concentrate domestic manufacturing at the top end of the market. Whereas the UK retailers, particularly the chainstores, have strengthened their relative positions in the channel by controlling the importation of low cost garments.

The industrial employment statistics compiled by the United Nations and shown in Table 3.3, are equally supportive of the view that the world's clothing industry is shifting 'southwards'. Between 1975 and 1986 the average annual increase in the index of the world's industrial employment in the wearing apparel sector was 1.8 % as opposed to an average annual increase of 5.3 % in employment for the less developed countries and an average annual decrease of 2 % in the employment index for the developed countries. Also, in line with the production data, the industrial employment index shows a greater average annual decrease for the EC of 2.8 % and a greater average annual increase for Asian countries of 6.2%.

De la Torre (1986:p 22) postulates that as a consequence of this shift the aggregate performance of the clothing trade in industrialised countries showed a marked decline in growth, employment, balance of trade, investment, price stability, and profitability, during the 1970's and 1980's.

TABLE 3.3
INDUSTRIAL EMPLOYMENT INDEX FOR WEARING APPAREL
(ISIC code 322 - 324 , includes leather & footwear)

	AVG.%												
	1975	'76	'77	'78	'79	'81	'82	'83	'84	'85	'86	'87	ANNUAL
WRL.	87	96	98	100	101	100	99	101	104	105	106	n/a	1.8%
DC.	105	106	104	103	102	95	90	91	89	85	83	83	-2.0%
LDC.	70	71	72	98	102	103	104	107	115	119	124	n/a	5.3%
ASIA.	66	86	99	99	103	103	106	110	119	123	128	n/a	6.2%
EC.	117	113	109	105	103	92	86	89	88	86	83	83	-2.8%

(WRL.= world, DC = developed countries, LDC.= less developed countries, ASIA. excludes Japan & Israel.)

Source: as for Table 3.2 .

Although there are many contributory factors to this industry shift there are two factors in particular which seem most significant. Firstly, the demographic structure of the majority of industrialised countries produces a low and often a negative rate of population growth, (see Table 3.4) , resulting in a constraint on the potential growth in the respective clothing markets.

TABLE 3.4

PROJECTED % CHANGE IN POPULATION BETWEEN 1980, AND 2025.

	POPULATION (000's)		% CHANGE
	1980	2025	1980 - 2025
NIGERIA	77.1	285.5	270%
MEXICO	69.6	174.0	149%
BRAZIL	122.3	291.3	139%
INDIA	684.5	1233.8	80%
FRANCE	53.5	57.1	7%
ITALY	56.9	57.0	0%
UK	55.9	53.7	-4%
GERMANY(W)	60.9	54.0	-11%

(Showing the four highest projected growth rates and the four lowest projected growth rates for countries with populations in excess of fifty million people).

Source: Population and World Economy in the 21st. Edited, Faaland. J. chapter 8. Tabah. L. - Century - 1980.

The second factor relates to the income elasticity of demand, clothing is considered to be a basic necessity and as such it is estimated to have an income elasticity less than unity, (Begg 1987:p 81) Thus indicating that demand for clothing as a primary product will decrease when there is a rise in the absolute levels of income This is a significant factor, given the relatively

rapid income rises of the industrialised countries. However, it should be emphasised that this measure of elasticity relates to clothing as a primary product, as opposed to a higher value added differentiated product.

In considering the contrasting demographic and economic situation of the less developed countries, with their rapidly growing populations and low per capita income (see Table 3.5) it is not surprising to find that there is a general shift 'southwards' of the clothing industry. The OECD (1983) concur with this view when it argues, that the major determining factor in the growth of clothing production has been the differential growth rate of domestic demand in various groups of countries, as determined by a combination of demographic changes, the growth of incomes, and income elasticities, with all three factors operating trendwise against the industrialised countries of the world.

The TMS (Textile Market Survey 1989:p 58), suggest that within reason, the distance from the manufacturer is no longer a problem, because designs can be created on a computer with ever greater ease and speed and then 'faxed' over long distances to manufacturers or subcontractors in the far east or other low cost areas. While transport will add to overall cost the savings in labour will more than offset this increase and will continue to do so for the foreseeable future. The underlying assumption of this argument is that price is the dominant consideration in the purchasing decision.

TABLE 3.5

PROJECTED GROSS DOMESTIC PRODUCT PER CAPITA 1970 - 2000

Region	Population Growth	GDP. \$ per Cap.		% Growth Rate	
		1970	2000	Period	Average
DC	low	2533	6087	140.3%	3.0%
LDC 1	high	280	1534	133.5%	5.8%
LDC 2	high	185	293	58.4%	1.5%

(DC = Developed Countries , LDC 1 = Resource rich Less Developed Countries, LDC 2 = Resource poor Less Developed Countries. Values at 1970 \$ US. Average is average annual growth rate.

SOURCE : Population, Environment & Third World Development, Ghosh P. , 1984 .

It is not simply demand pull factors which are influencing the industry shift, cost push factors in the more developed countries also have a major influence. It has become increasingly difficult for the clothing industry in the developed countries to achieve sustainable competitive advantages over their 'southern' competitors, particularly in relation to cost advantages (EC Commission 1990' sect 16.14).

3.3 Public Perception.

The EIU (Economist Intelligence Unit 1990 May:pp 68-77) describe the clothing industry as being characterised by a predominantly young female labour force and employed mainly on a fulltime basis. It offers low paid employment, relative to other industries. Employees are subject to fluctuating earnings because incentive payments systems, such as payment by results, have not kept up with the demands imposed by the changing market. The picture is of an industry where work is hard and ill rewarded and the sectors image is poor in the eyes of the potential recruits, particularly in the developed countries where transfer earnings are usually higher than in the developing countries.

It would appear that the public image of the industry, as indicated by the EIU, with its poor working conditions, authoritarian managers and low pay, is unfortunately, often justified. This negative image is compounded by the fact that the industry has notoriously low profit margins. Further, the TMS (Textile Marketing Survey, 1990 p 63), suggest that in view of low entry costs into the industry, extreme fragmentation at the lower end of the spectrum is inevitable. Associated with this characteristic is the general instability of the industry, with its continuous 'coming and going' of companies, especially in volatile times.

3.4 Market Segmentation.

De la Torre (1986:p 239) argued that the general clothing industry operates in two separate market segments . The first segment is characterised by a high degree of price sensitivity. It is the more functional market and accounts for the majority of clothing sales in the developed countries, together with the overwhelming bulk of clothing sales in the less developed countries. Within the developed countries this highly price sensitive segment is further characterised by slow growth in demand, and an intensive distribution channel. It is this market segment, in the developed countries, that has suffered most from the price competition of the less developed countries

It follows, from the arguments of the preceding sections, that in the long run, firms from the high labour cost industrialised countries which are operating in this market are likely to have their competitive position eroded by the competition from the low labour cost countries. However it must be noted that there will also be exceptions. Undoubtedly a number of firms from the developed countries supplying the functional, price sensitive market, will survive through astute management, and by exploiting geographic competitive advantages. Nevertheless, with the ever increasing free flow of world trade the long run sustainability of such advantages are questionable .

The second market segment for the clothing industry is often referred to as the 'upmarket' sector or as Galbraith (1985)

referred generally to it, the 'affluent market'. Its main characteristic is that it is not very price sensitive, relative to the price sensitivity of the more functional market. The keys to success in this market sector are only partially related to cost competitiveness. Other major influences are quick response, flexibility, ability to incorporate new trends and designs into production schedules, proximity to major markets, quality fabrics, strong personal relationships with buyers, quality service, quality promotion and packaging. This market has greater value added to the product and higher profit margins for producers, wholesalers, and retailers.

3.5 Competitive Advantage

Unless an industry has or can develop a competitive advantage, that is sustainable through time and in the face of competitor reaction, it is unlikely that the industry will have an attractive long term future (Aaker 1988: Ch.1).

The two traditional areas in which the industries of the developed countries usually have strong competitive advantages over the industries of the less developed countries are, firstly, in the research and development of technology, and secondly, the availability of a large capital base. However the structure of the clothing industry, with its high labour intensity, low technological base and relatively inexpensive capital equipment, negates any such competitive advantage.

De la Torre (1986:p 29) argues that the scope for innovation and improvement in the processing of fabric is limited, while some production functions can be mechanised there are more which defy mechanisation. Production processes in the industry consist essentially of grading, cutting fabric, assembling, finishing, and pressing. Although significant progress has been made with computerised marker and grading systems together with automated cutters, the required investment in these machines is high for the average clothing manufacturer who tends to be in the small business category, (see Chapter 4, Table 4.1, Table 4.2).

The sewing machine itself has also been considerably improved, however given that the average operator only spends approximately 20% of their time in actual machine operations the impact of machine improvements on labour cost is minimal (de la Torre 1986:p 29) . A further difficulty in seeking sustainable competitive advantages in technology is that new technology is also immediately available to producers in the low cost less developed countries.

3.5.1 Productivity

In an overview of the EC clothing industry the EC Commission (1990. sect. 16 12) surmised that the weak performance of the industry during the 1980's and the subsequent decline in its level of employment was not only due to increased competition but also due to improved productivity. Taylor (1984:p 237) defines productivity as the amount produced by a factor of production in

a given period of time. The term is usually applied to labour and is measured in such units as output per man hour. However productivity is not solely dependent on the energy or commitment of labour, it also depends on other variables such as the development of technology, the volume of capital employed, social conditions, and the quality of management. Changes in any one of these elements can produce changes in productivity, nevertheless the improved productivity of the clothing industry during the 1980's is usually equated with the development of technology.

It has been suggested that the industry in developed countries must maintain a ratio of productivity to their developing country counterparts which approaches the inverse of the wage ratio disadvantage (de la Torre 1986·p 32). If productivity is measured by a volume/labour ratio this would mean that in order to remain competitive the clothing industry in the developed countries must be capable of producing the same amount of clothing as the clothing industry in the less developed countries while using considerably fewer workers. Such a situation would be particularly difficult to achieve given that the clothing industry is characterised by standardised readily available technology and unsophisticated labour skills which account for a considerable portion of input costs.

Assuming a similar level of energy and commitment from labour in the developed and less developed countries and given that labour costs represent between 20% and 30% of factory prices for most countries a sustained differential in the wage rate could only be absorbed in the developed countries by either significant losses

of market share or of profitability (de la Torre 1985:p 30). However if productivity is measured by a value/labour ratio the productivity influence of labour could be reduced while the productivity influence of management on value added could be increased.

3.5.2 Related Technology

An additional problem of competitiveness in the 1970's and 1980's for the clothing manufacturers of the industrialised countries was the technological advances in the textile industry and the increased demand for synthetic fibres . This development had a direct impact on the clothing trade, as the lower price of fabrics emphasised the role of other inputs in the cost structure of a garment. Therefore existing differentials in the cost of labour actually appeared to gain in importance as a component of competitiveness. This also draws attention to the significance of fabric suppliers in the distribution channel, an area which is often overlooked in analysis of the clothing industry, for a fuller examination of the role of the supplier in the channel see section 3.10.3.

3.6 Differentiation

It can be argued that there is little chance of the clothing industry in the developed countries achieving sustainable competitive advantages in labour, technology, capital investment, or

productivity, over their competitors in less developed countries. However, Steedman and Wagner (1989:p 133), suggest that while there is much evidence on the comparative disadvantage of advanced industrialised countries in clothing production it is still far from clear that advanced industrialised countries cannot identify a profitable niche in domestic and international markets. Given that the competitive factors highlighted in the previous sections are primarily concerned with cost advantages, and do not take into consideration sustainable competitive advantages based on a differentiation strategy, Steedmans and Wagners suggestion warrants further analysis.

In developing the arguments of section 2.6.2, Chapter 2, Aaker (1988 p 6) describes a differentiation strategy as one in which the product is differentiated from the competition by providing value to the customer, by enhancing promotion, by pursuing high quality standards, by creating prestige, by improving styling, and by maintaining high quality support services . This strategy is often but not always associated with higher prices because the result of a differentiation strategy is usually to make price less critical to the customer.

De la Torre (1985:p 238), argues ¹ If it were not for the emergence of a global consumer demand for clothes with a high fashion content, the long^g term outlook for clothing manufacturers in high labour cost countries would be bleak. Apparently the more affluent consumer is willing to pay a higher value added for the intangible qualities of a limited degree of exclusivity and

excellence in design.

This trend is highlighted by the experience of the UK, Coras Trachtala (1987), argued that despite the poor economic climate a growing number of British women are prepared to pay for the better quality, more wearable style and better fit, of German, French and Italian clothes. They add that there is a definite demand for higher quality clothes with new design features, where price is not the primary consideration in the purchase decision. Galbraith, (1985:p 117) in describing the new affluent society argues that economic theory has managed to transfer the urgency in meeting consumer demand (which was once equated with food for the hungry and clothing for the cold) to a market where 'increased output satisfies the cravings for more exotic food and more erotic clothing'.

In reaction to development of the affluent society, de la Torre, (1986:p 65) postulates, that by moving out of low value added products which can be imported at significantly lower prices from the less developed countries and by concentrating domestic resources on higher value added products the industrialised countries may then be in a position to improve their intra industry balance of trade.

Further, Elson (1990:p 54), highlights a less price sensitive competitive advantage when she argues, that less expensive products made on the other side of the world will invariably take longer to reach the high street thus giving a basis for competitive advantage in locating production close to domestic

markets in the 'west', even if a premium price must be paid. She argues that new retailer technology in the form of electronic data interchange (EDI.), and barcoding, supports this competitive advantage by improving communications with manufacturers and allowing retailers to source closer to home, thus helping to keep the stock levels down, adding value, service and product differentiation. The underlying assumption of this argument is that price is not the dominant consideration in the purchasing decision.

In pursuing this point, of market proximity, it could be argued that the quick response of manufacturers has the potential to overshadow low cost as a competitive factor, this point receives fuller analysis in section 3.9. However, other factors must also be taken into consideration, Moody and Wheeler (1987·p 55), in a US. study, while accepting quick response as a competitive advantage suggested that the decisive advantage will not go the US producers but rather to the lowest cost countries closest to the US., presumably if this held true for the EC. it would give the low cost Mediterranean countries, and low cost EC. member states such as Portugal and Greece, a strong competitive advantage in relation to the higher cost countries.

According to Textile Marketing Survey (TMS. 1990:p 58), the German clothing industry, has successfully pursued a differentiated strategy, as indicated in sect. 3.2. As a result, the German clothing industry has adjusted remarkable well to fierce international competition, although, this strategy has also

contributed to the contraction of the domestic workforce. While clothing imports are very high in Germany, this is partly due to foreign sourcing and outward processing activities of German producers. It is estimated that approx. 30% of imports are accounted for by outward processing type operations. It is worth noting that Germany is also one of the worlds leading exporters of apparel

Although the total number of jobs saved by pursuing a high value added differentiation strategy would be relatively few within the context of the whole clothing industry. The higher value added per worker would be better able to support the relatively higher wage rates of the developed countries, as is the case in Germany, thus guaranteeing a certain level of protection from the low cost competitors of the less developed countries. Value added, a fundamental part of a differentiation strategy, is calculated by deducting from the value of the firms output the cost of the inputs that were consumed in the act of producing the output (Begg 1987:p 424). It refers to the increase in the value of a good as a result of that good passing through the various stages of production, and marketing processes within a firm.

3.7 Management,

As previously suggested (see Chapter 2 sect. 2.2) management must create and maintain a viable relationship between a firms objectives and resources, while simultaneously matching this relationship with the changing opportunities of the market. By

implication an astute marketing manager is a prerequisite for strategic planning. KSA (Kurt Salmon Associates 1991) argue, in relation to clothing industry strategy, that marketing will probably be the most critical skill of the 90's and will depend on a very high calibre of management.

Chisnall (1985:pp 8-12) in discussing the importance of management in general, and marketing management in particular argues that while sophisticated techniques of management in production, costings, financial control, or personnel are vital, they cannot by themselves produce success in a business environment which is growing increasingly competitive. He adds that it is the role of marketing to interpret and assess the needs, both present and emergent, of specific markets and to stimulate activities within an organisation to develop relevant products to meet these needs.

Obviously, strategy alone cannot guarantee that prosperity or even survival will follow, it is the managing of the total business in a consistent manner that is all important. De la Torre (1986:p 119) argues, in relation to the clothing industry of the industrialised world, that in the final analysis management remains the key to success. Further, the small family owned clothing firm which seems, almost inevitably, to pursue unchanging policies in the midst of rapid environmental change, is unlikely to survive in the long term.

Given the clothing industry's difficulty in attracting talented management (see Chapter 4 sections 4.4, 4.5), and the

implication this has for strategic differentiation, technological advances, capital investment, and productivity, it is not unreasonable to assume that the economics of clothes production for the general industry, in the 1990's, will continue to favour the producers in low cost countries. De la Torre (1986:p 238) argues that poorly managed manufacturers, based in developed countries, will retain their domestic market share only through the sustained use of quantitative restrictions on imports from less developed countries. Further, in summarising a study on the future of the ECX clothing industry, the EIU (1990 May:p 77), argue that above all else human resource issues need to be given greater priority especially in relation to management. They add that the issue to be resolved in the next few years is whether the industry's existing management have the vision and ability to meet the challenges which lie ahead in the 1990's.

On the basis of the above arguments, it can be surmised that the future success and perhaps existence of the clothing industry in the developed countries depends on the initiative, creativity and professionalism of its management. Unfortunately this is an area in which the industry appears to be particularly weak.

3.8 Price Considerations

In a further development of price analysis, as discussed in Chapter 2 section 2.8, Mc Kenzie (1978:p 125) argues that price competition is not always the best method of competition if only

because price reductions mean lower average revenues and because a differentiation strategy is not so easily duplicated by competitors, as is a price centered strategy. As early as the 1950's research has shown that customers will often choose the higher priced of two alternative brands when the only differential information is price (Leavitt 1954:p 43). This suggests that demand curves for branded products may not invariably be negatively sloped, and that price itself may have more than one meaning to a consumer. It also suggests that in certain circumstances a higher price may increase rather than decrease readiness to purchase. This is essentially an argument between macro economic theories, of primary demand for a product, and marketing theories, of brand and differentiation strategies within the parameters of primary demand.

Gabor and Grainger (1975:p 145) agree with the earlier findings, they argue that when the potential customer is faced with a multiplicity of competitive brands at different prices they will generally assess the significance of each in relation to others by comparing differences in price with differences in imputed quality.

This type of argument inevitably reduces the emphasis on competitive price strategies. However, it is not intended to suggest that price is irrelevant or that a differentiation strategy will halt the 'southward' shift of the general industry. But rather that in certain circumstances a low priced product is not necessarily equated with greater competitiveness. It also suggests

that in the segments of the overall clothing industry which are less price sensitive, a branding and differentiation strategy could result in higher prices and increased demand. Fitzpatrick Associates (1991: sect.3), concur with this view when they argue, that although price is a very important competitive factor, regardless of the market niche for which a firm is aiming. It is only one of many considerations which retailers take into account when choosing a clothing supplier.

3.9 Quick Response

Over the past number of years 'quick response' has become a commonly used term in the clothing industry and is often seen as a method by which the producers of the developed countries can develop a sustainable competitive advantage over their 'southern' counterparts.

Blackburn (1991 p 248), takes a broad view when elaborating on the quick response concept, he suggests that it involves getting the right product to the right place at the right time at the right price. It could be argued that such a view is no more than a fundamental description of the marketing function. Nevertheless, he continues by stating that in theory quick response compresses the total pipeline (distribution channel) thus eliminating some efficiency losses by moving closer to the consumer's buying decisions

He suggests that motivation for the development of quick response

is derived from a fundamental principle of forecasting, i.e. forecast error diminishes in proportion to the time until the event. It would appear that new retailer technology, particularly barcoding, scanning and EDI (Electronic Data Interchange), is the driving force behind the improved flow and sharing of data needed to make quick response work. Given this new technology, information from the point of sale can be immediately transferred back through the chain to apparel manufacturers and textile manufacturers. Thus allowing quick response replenishment systems to become possible. Blackburn (1991:p 254) adds the precautionary note, that quick response must benefit everyone in the chain. It should not be a camouflaged campaign to move inventory from the retailer back to the vendor, instead it should be a campaign to time compress the entire distribution channel. Further, while quick response is not a difficult concept, few companies have sufficiently advanced information interchange and short cycle manufacturing methods to be effective, in meeting the requirements of quick response.

KSA (Kurt Salmon Associates, Nov.1990) argue, that the concept of quick response is based on cooperation in order to increase profits of the total chain, by improved sales, quicker stock turns and fewer mark downs. Cooperation should mean better communication and sharing of risks, it should not mean putting all the risk on the manufacturer.

However, in practice the increasing speed of fashion change linked with the demands from customers for greater quality, does

not only affect how companies deal with their suppliers and customers. It also has implications for how companies handle their production with the aim of reducing cycle times, improving quality, promoting operator flexibility and reducing absenteeism and labour turnover. Because of these production implications, together with the need to halt the southward shift of the production function, much emphasis has been placed on the manufacturer in the development of quick response with a lesser importance placed on total channel cooperation. It can be argued that the onus is on the manufacturer to do the work in eliminating the inefficiencies in the commercial exchange between the manufacturer and the retailer.

The BCG (Boston Consulting Group, Elson 1990:p 56) suggest that time sensitivity is not the end of the matter. The crucial point is to estimate losses incurred by retailers as a result of holding stock at levels greater than the optimum, implying that it is up to the manufacturer to improve the profitability of the retailer by reducing their purchasing risk in facilitating smaller and more frequent orders.

Elson (1990:p 56), argues that quick response is the ability to produce a flexible output mix with little down time (in production) as styles are switched. Retailers are not only concerned with the reduction of overstocking but also with stimulating consumer demand through the presentation of an ever changing product mix. She adds that avoidance of loss of potential sales is as important as avoiding unsold stock.

Blackburn (1991:pp 247-267), believes that the first step in the quick response programme is to find a willing partner. KSA (Nov.1991) concur when they argue that cooperation across the chain is vital if quick response is to be effective. However, they then emphasise that in practice, a true understanding of quick response requirements is still, with only a few exceptions, in an embryonic stage. Joint product development between retailer and manufacturer albeit growing, represents only a tiny fraction of business and examples of true joint marketing are extremely rare. While effective implementation of the quick response concept could have major benefits for manufacturers in industrialised countries, achieving effective implementation will not be an easy task.

The EIU (Economist Intelligence Unit, 1990 May:p 66) rightly recognise that the production flexibility and operative skills needed for the short runs and ever changing styles of quick response systems is not suitable to the assembly line process, especially in its less sophisticated form. They stress that operatives will need extensive training to improve skills, allowing increased flexibility Supervisors will need special training in communications and in dealing with new methods including team working. However, above all else managers will need to be trained in the new systems, which will not work without their total commitment. It has been argued that it will be particularly difficult for managers, brought up in the traditional systems, to change the practices and attitudes of a lifetime.

In relation to textile mills, KSA (1991) make a most important point. They argue that the involvement of raw material suppliers, a key element of the distribution chain, is virtually nil at present, and that without their involvement, cooperation between manufacturer and distributor cannot possibly be effective.

Concluding the above arguments it can be said that quick response does offer the basis of a competitive advantage to manufacturers in the developed countries, based on proximity to market. However, it also requires fundamental changes in buyer seller relations, production processes, labour skills, together with a high level of management ability and commitment. Given the reluctance of the retailer and fabric mills to form partnerships with the manufacturers in pursuit of quick response, the burden would appear to weight heaviest on the manufacturer, who not surprisingly also appears to be weakest in the chain.

It must also be noted that market segmentation is a prerequisite for effective quick response, in that different types of garments have different time sensitivities, e.g. high fashion garments are more time sensitive than classic garments. In conclusion Elson (1990:p 56), highlights a potential threat when she states that the importance of quick response has increasingly been recognised by newly industrialised countries such as South Korea, and that flexible response will not remain a monopoly of the developed countries. Thus indicating that the sustainability of quick response as a competitive strategy may be limited, and may need to be increasingly focused.

3.10 Channel of Distribution.

Given that quick response is principally concerned with improving the efficiency and effectiveness of the commercial exchange process between the producer and the final consumer it is necessary to examine the workings of the distribution channel.

Firstly, it is worth noting Drucker's (Kotler 1988:p 61), description of effectiveness and efficiency, the former he describes as 'doing the right thing'. In relation to the quick response concept this could be equated with having the right styles, sizes, colours, etc. in the right quantities at the right price in the retail outlets at the right time, thus matching supply with demand and eliminating markdowns and clearance sales.

He describes efficiency as 'doing things right', which in relation to quick response could be equated with having the most suitable short run production systems, the necessary operative skill levels, the inhouse design capacity, the calibre of management, the financial resources, the essential communications and explicit cooperation between the retailer, the manufacturer and the fabric supplier.

Drucker adds that being effective is more important than being efficient, but that all successful companies are good at both the implication being that manufacturers may be able to survive at less than optimum returns on capital employed, by inefficiently satisfying the demands of the retailer,

(see Chapter 4 section 4.5). It must be stressed that such a situation would leave the manufacturer very vulnerable to the competition of other more efficient rival manufacturers and also to the competitive demands of other members in the distribution channel.

3.10.1 Cooperation.

Kotler (1988:pp 528-551), describes a distribution channel as consisting of different firms that band together for their common good. Adding, because all channel members are effected by the success of the overall channel they should cooperate and work together. However, he notes that individual firms rarely take such a broad view, they are usually more concerned with their own short run goals and their dealings with those firms closest to them in the channel. Although channel members are dependent on each other they often act alone in their own short term best interests.

Kurt Salmon Associates (Nov 1990), in a study of the EC soft goods industry, including the clothing industry, suggest that the prospects of building stable long lasting relationships between producer and distributor seem low. They postulate that retailers are reluctant to tie in with suppliers in long term relations, preferring to keep their options open, while manufacturers tend to concentrate on single transactions. This scenario is consistent with Porter's (1980), analysis of the competitive forces operating in an industry, (see Chapter 2 section 2.5). He accepts that

most successful firms have profit maximising as a primary objective and that profit is derived from revenue minus costs. He argues that competition in an industry is rooted in the underlying economic structure and goes well beyond the behaviour of competing manufacturers.

3.10.2 Buyer's Bargaining Power.

Given that trade buyers and suppliers are intermediaries in the distribution channel these two forces need to be examined in more detail. Porter argues that buyers compete with the industry by forcing down prices, thus decreasing manufacturers revenues, by bargaining for higher quality and better services, thus increasing manufacturers costs, and by playing competitors against each other, thus heightening the competitiveness in an industry. He suggests that a buyer group can exercise considerable power if it purchases large volumes relative to the sellers output. Given, the small average size of clothing manufacturers, (see Chapter 4 Table 4.1. and 4.2), this could be viewed as a potential threat to the independence of the manufacturing sector.

The buyers threat is heightened when consideration is given to the findings of the TMS (1989:pp 98-99), which shows that the larger retailers in the UK are using their purchasing clout to maximum effect. Adding that if manufacturers wish to keep their key accounts they often have to foot the bill for many of the retailers problems, especially those manufacturers supplying the multiples.

Further, buyers can possess substantial bargaining power if the products they purchase from manufacturers are standard or undifferentiated, given that the large retail chain stores, which dominate the retail sector in the US, UK, and Ireland, usually operate retailer labels it would be most difficult for a relatively small clothing manufacturer to differentiate the product for the final customer.

Buyers who operate on low profit margins, as chain stores tend to do, also create a potential threat as it creates a strong incentive for the buyer to pressurise the supplier to keep prices low. Also the buyers power is enhanced if they have full information about demand, actual market prices, and supplier costs, in such circumstances the buyer can insure that they receive the most favourable prices and they can counter suppliers' claims that their viability is threatened. If the buyer has wholly or partially intergrated backwards, as a number of chain stores have, they will obviously have full knowledge of manufacturing costs.

Kurt Salmon Associates (KSA. Nov 1990), predict that tasks traditionally performed by clothing manufacturers in the EC. will be increasingly taken over by the retailers, further, they estimate that approximately 66% of retailers plan to increase their sales of own label garments through out the 90's, thus giving an industry specific validity to Porters more general hypothesis. The KSA. study also claims that the majority of clothing manufacturers in the EC. have experienced increasing difficulties in their

relationships with the trade. Adding that the balance of economic power leans towards the retail sector, who in turn tends to use this power, a similar position to that highlighted in the UK. by the TMS.

3.10.3 Supplier's Bargaining Power.

As with buyers, suppliers can also effect the profitability of manufacturers in the distribution channel, by exerting bargaining power and threatening to raise prices or reduce the quality of purchased goods and services. The conditions making suppliers powerful tend to mirror those that make buyers powerful, particularly if the supply side is more concentrated than the industry it is selling to, as is the case in the clothing industry. The TMS. argue that size of the clothing manufacturer is very important in negotiating the cooperation of fabric suppliers. They suggest that the large manufacturers get first pick of weavers' ranges, sometimes negotiating exclusivity and often tying up production for weeks, resulting in late and restricted fabric deliveries for medium and small sized manufacturers. It could be argued that although small manufacturers may have greater production flexibility, than the larger manufacturers, in exploiting the competitive advantages associated with quick response, they have little or no power in negotiating the essential cooperation of the fabric suppliers to even begin efficiently exploiting the concept.

3.11 Summary

The general economic trends in the international clothing industry do not favour the majority of clothing manufacturers in the industrialised countries. This is mainly due to their relatively high labour costs and inability to develop sustainable competitive cost advantages. However potential exists for the better managed producers of the industrialised countries to exploit competitive advantages in relation to their proximity to market. This exploitation may necessitate a differentiated strategy based on providing a quick response service to the retailer in high value added fashion garments.

Cooperation throughout the chain is fundamental to the efficient and effective implementation of the quick response concept, however, in practice this cooperation appears to be lacking. The onus has been placed on the manufacturer, who in the UK, and Ireland tend to have little bargaining power, to absorb the inefficiencies of the retailer.

Not surprisingly, if a manufacturer is to profitably pursue such a strategy, management of the highest professional calibre and creativity is a prerequisite, unfortunately this is a requirement in which the industry is found wanting.

A high value added, quick response, differentiated strategy is not a panacea for all clothing producers in industrialised countries, however, it does offer significant potential for those market driven manufacturers to defend their market share against

the relentless competition of the low cost producers in the less developed countries.

It must be emphasised that such a strategy will have little effect on the general southward shift of the production function or the consequent decline in employment levels in the clothing industry of the more developed countries.

CHAPTER 4 IRISH CLOTHING: A FRAGMENTED INDUSTRY

4.1 Introduction.

The structure of the clothing industry in industrialised countries, is characterised by a predominant number of small firms with a fiercely independent style of management, and as such the structure of the industry is a major obstacle to its development. (de la Torre 1986:pp 86-88). This chapter examines the underlying reasons as to why the Irish clothing industry is fragmented and how fragmentation effects other variables, such as; profitability, calibre of management, skill of workforce, and export potential. It also examines the self perpetuating aspect of fragmentation and how a small firm might best defend its position.

4.2 Average Size of Clothing Producers.

According to the Panorama Report (EC Commission 1990: sect. 16.12), nearly 75% of clothing firms in the EC employed less than 100 people, a figure consistent with the Eurostat data as shown in Table 4.1

TABLE 4.1

AVERAGE EMPLOYMENT PER CLOTHING MANUFACTURING UNIT, EC.5
(firms employing over 20 staff, using NACE CODE 453-454)

1980	1981	1982	1983	1984	1985	1986	1987
94	93	91	87	85	87	85	84

(EC 5 = Germany, France, Italy, Denmark, United Kingdom. Continuous data for other member states is not available. Average = arithmetic mean, ie. no. employed / no. mnf. units . NACE Code see Glossary).

Source: Eurostat, Structure and Activity of Industry, Annual Inquiry, 1980 - 87.

Based on company size, categorised by numbers employed, the structure of the clothing industry in Ireland throughout the 1980's showed even greater fragmentation, (see Table 4.2). In 1987 the Irish clothing industry consisted of approximately 330 companies, 90% of these employed less than 100 people, over 76% employed less than 50 people, and 47% employed fewer than 15 people, as indicated by Table 4.2.

TABLE 4.2
NUMBER OF NACE 453/54 MANUFACTURING ESTABLISHMENTS CLASSIFIED
BY NUMBER OF PERSONS ENGAGED. (IRELAND)

No. Employed	1980	1981	1982	1983	1984	1985	1986	1987
under 15	153	162	161	159	139	124	120	152
16 - 50	161	154	143	135	116	111	104	99
51 - 99	66	67	60	43	48	45	54	41
100 - 200	30	32	33	37	34	39	33	28
over 200	4	*	*	*	*	*	*	7
Total	414	415	397	374	337	319	311	327

- Re.companies employing 3 or more people, data not separated over 200 employed.-

Source: CSO , Census of Industrial Production , from 1980 to 1987.

It has been argued that the cost inefficiencies created by such a fragmented structure aggravates the vulnerability of an industry to foreign competition (de la Torre 1986:p 87). In its 1989 report, NESC postulated that the structure of the Irish clothing industry was very important in relation to intra industry trade. It argued that the increased level of intra industry trade in the 1970's and 1980's could have been seen as a positive sign for the industry if it had reflected specialisation, consolidation, or exploitation of economies of scale. They added however that this

was not the case in Ireland, where conditions which increased, rather than reduced, exposure to international competition were created, due in part to the structure of the industry.

4.3 Structural Background

In 1958 employment in Ireland's clothing and footwear industries tended to be concentrated in large firms. However the job losses of the late 60's and 70's occurred most frequently in the large establishments and consequently the structure of the industry became less concentrated, (NESC 1989:p 164). Thus the Irish clothing industry had a predominant number of small firms, The disproportionate failure of the large firms and the survival of the small firm sector gives rise to the inevitable question, if the large firm sector was unable to compete effectively on the home market how then did the numerous small units in the small firm sector survive. ?

It should be noted that the survival of the small firm sector does not mean that the individual firms in that sector consolidated their position but rather that the sector continued to dominate the industry. Few small firms made the transition to the larger firm sector. It would appear that the majority remained small operations with little growth potential, or ceased trading.

The overall position of the industry in terms of the numbers of firms understates its volatility. The industry is well known for the large number of firms which fail and the large number of

small 'new' start up operations, many of which are derived from a recently failed business, with the same management and customers. FAS (1991:p 67), argue that the volatile nature of the Irish clothing industry is due to the ease with which firms may enter and exit the sector. A measure of the rate of change in the industry is best illustrated by the fact that 51% of firms are in operation for less than five years (see Table 4.3.).

TABLE 4 3

LONGEVITY OF IRISH CLOTHING FIRMS

No. Years Established	% of Total
less than 2	16
2 to 5	35
6 to 10	18
11 to 20	13
over 20	18

SOURCE: Clothing Industry Sectoral Study Report 1991., FAS.

4.4 Small Firm

It would appear that the survival of the small clothing firm, as a type of business unit, had little to do with their efficiency or effectiveness. Many industry analysts argue that small firm

size is one of the major impediments to industry growth, particularly in relation to the Irish clothing industry, (Fitzpatrick Associates 1991: sect 2.2). This argument is supported by the fact that increasing the scale of Irish clothing enterprises has been a central part of Irish clothing industry policy during the 1980's. It is also supported by De la Torre's earlier reference, 1980, firm size restricted the vast majority of small firms in the OECD from making even the most basic investment in technology, product development, or administrative support systems.

4.4.1 Description

Before proceeding it must be noted that 'small' is a relative term, and therefore its' meaning should be placed in context. Generally, small or large companies are described in relation to the prevailing norm of company size, and measured by the number of people employed. However, a difficulty arises in that the norm for company size tends to vary from economy to economy, and over time.

It can be stated that although the clothing industry has experienced productivity increases, over time, due to improved technology, they have been relatively weak, when compared with other manufacturing industries. The clothing industry is essentially a labour intensive industry, therefore estimating clothing company size by numbers employed is probably more relevant than for capital intensive industries,(see Chapter 3 section 3.5). The Bolton Committee On Small Firms (1971), suggest that a small firm

is one that employs less than 200 people. This 'small' size is also the prevailing norm in the EC community, whereas, The Small Business Association in the US, considers that a small firm is one that employs less than 500 people. The Small And Medium Sized Enterprise Agency in Japan, considers a firm that employs less than 300 people as being small, and also has a special category for 'very small' firms, i.e. employing less than 20 people,(SFA. 1980).

The situation in Ireland does nothing to lessen the confusion. The Small Firms Association (SFA), the Industrial Credit Corporation (ICC), and the Irish Productivity Centre (IPC), all consider firms employing less than 100 people as small, FAS consider firms employing less than 80 people as small, while the IDA consider firms employing fewer than 50 people as being small,(SFA.1980).

A commonly used definition of a small business, taken from the US Small Business Act 1934, states that 'a small business is independently owned and operated and not dominant in its field'. However, small business' are often easier to describe than define. Burns and Dewhurst (1990:p 2), suggest that a small business is one which has a relatively small share of its market, and is managed by its owners in a personalised way and not through the medium of a formalised management structure. They also state that it is independent in the sense that it does not form part of a larger enterprise and that the owner / manager should be free from outside control in taking principal decisions.

Obviously there are other characteristics such as a limitation of resources, especially in terms of management, manpower and finance. The Small Firms Association go some way towards addressing these other characteristics when it describes a small firm as having most or all of the following characteristics; personalised management; common identity of management and ownership; personal relationship between owner, employees and customers; lack of specialisation in production, marketing and finance; difficulty in raising finance from financial institutions; and a small share of its market.

It is now common for the terms 'small business' and 'enterprise' to be used interchangeably, although strictly speaking a small business is not necessarily entrepreneurial, nor is entrepreneurship limited to small business. However, within the context of small business, the entrepreneur is often seen in the limited role of business initiator, or early company developer, as opposed to a dynamic entrepreneurial force continuously seeking growth and improved profitability.

4.4.2 Growth

The following section discusses the influence of the owner/manager on the growth of small firms, it draws on and develops the arguments of Chapter 2 section 2.9. Chisnall (1985:pp 210-221), suggests that, basically, there are two types of company; reactive and proactive. The former takes a relatively passive posture vis-a-vis the competitive forces and has a

low level of entrepreneurial energy, and a 'trustee' type management style. The latter takes a more aggressive posture, actively seeking and pursuing likely business opportunities, has a high level of entrepreneurial energy, and an entrepreneurial type management style. Similarly, many owners of small businesses are torn on the one hand, by a desire to remain small and so retain their independence and its accompanying personal satisfactions. On the other hand, they are torn by a need as 'entrepreneurs' to conform to the idea of growth, almost as a moral imperative.

It can be argued, regardless of all other small firm characteristics, that these contrasting and highly personalised business styles will have a profound effect on the objectives and mission set down by such firms, and will fundamentally influence their trading performance. Further, it is the limitations of the 'trustee' type manager that restricts the medium and long term development of small business, as suggested earlier by, De la Torre

Cannon (1985:pp 387-401), concurs with this view when he argues that a business cannot grow beyond a certain point without professional management, control systems, and development strategies, and that the business initiator, of a small business, is seldom equipped to offer such management. Further the owner/manager is usually very reluctant to lessen his/her control of the business by 'buying in' the required calibre of professional management necessary.

The Fitzpatrick Associates Report (1991: sect 7.4), on the Irish clothing industry, further supports this argument when it states that interviews with informants emphasised the modest ambitions of many managers in small clothing firms. They saw growth as a risky endeavour, involving increased marketing, better management skills, and greater financial risks. The owner/manager of many of these firms view the general clothing industry and their specific business as part of their 'lifestyle' rather than as an attempt to maximise profits. In many ways it is this aspect of 'trustee'-type business management with its greatly diluted profit motivation, and fierce sense of independence, that has hindered the growth of the industry and ironically, enhanced the survival of the small firm sector.

Given that the owner/manager does not necessarily view the profit making or wealth creating process as the primary underlying reasons for his/her occupation, but rather views the business as an intrinsic part of his/her 'lifestyle'. It can be argued that survival and viability of the small firm, including the bulk of small firms in the Irish women's and girls' outer wear sector, is not necessarily dependent on normal business criteria.

4.4.3 Workforce.

Given that company size is usually equated with the number of people employed and that the labour intensity of the industry is a significant factor in its international competitiveness, (as discussed in Chapter 3 sections 3.2, and 3.5), it is appropriate

to examine the nature and quality of the Irish clothing industry's workforce. It should be noted that profitability rather than numbers employed is the prerequisite for continued investment, however, in the absence of a more available figure, number employed is commonly used as a measure of company size and level of development.

It is generally accepted that the international clothing industry has one of the lowest ratios of capital to output, or capital per worker, of any manufacturing industry, (De la Torre 1985:p 79). It is also reputed to have a very low level of human capital per worker i.e. the average worker has a relatively low standard of education when compared with other industrial sectors. In relation to the Irish clothing industry, McMahon (1991), argues that there is considerable evidence of sex segregation by job types, with females concentrated in poorer paying jobs. Adding that the machine operators, which make up the vast bulk of the workforce, are mainly young unmarried females, with a low level of formal education and with little scope to advance their careers inside the sector.

A recent report on the Irish clothing and textile industry by the Department of the Taoiseach (1989:p 31) highlighted the development of operator skills as being 'vitally' important, particularly for firms operating in a quick response environment. It suggested that firms must increasingly develop not only a flexible, but also a highly skilled workforce. O'Farrell and Hitchens (1989:pp 37-72), concur with this view when they argue that skill

levels among operatives in the Irish clothing workforce, is a major competitive weakness. Their study revealed that the Irish industry relied to a greater extent on trainees than did their UK counterparts. Fitzpatrick Associates (1991: sect. 2.4) suggest that this may be a reflection of the different demographics and training grants. However, O'Farrell and Hitchens (1989) emphasise that the level of skills among the trainees was regarded as low. Perhaps even more significantly, few firms perceived training as an investment but rather as an overhead cost to be minimised.

Fitzpatrick Associates (1991), suggest that the labour intensive nature of the industry, and the low level of value added, are strong contributory factors to the low wages which the industry pays. This in turn results in difficulties for the industry in attracting and retaining a skilled reliable workforce. In an earlier report on the industry, the Sectoral Development Committee (1983: sect.31 p 11) stated that the development of the Irish clothing industry has been constrained by low levels of investment and by a shortage of qualified management and personnel. In relation to capital investment, the Apparel Industries Federation (AIF 1990:p 18) suggested that higher rates of investment per capita were needed to compensate for the industries structural deficiencies, such as, company size.

4.4.4 Marketing

Marketing management is vital to the success of any business.

Chisnall (1985: pp 11-12), argues that the successful management of a small business calls for entrepreneurial qualities. Further, the function of marketing is to assume the role and responsibilities of the entrepreneur, whose traditional role has been to interpret requirements and relate these to the resources available to him/her. This entrepreneurial role is compatible with the commonly used definition of marketing by the British Chartered Institute of Marketing, i.e. 'marketing is the management process responsible for identifying, anticipating, and satisfying customer requirements profitably'

The Irish clothing industry, dominated by small firms, has been found particularly wanting in marketing skills. In their concluding Report, the Sectoral Consultative Committee (1983 sect.6.32 p 80), while trying to explain the increasing levels of import penetration in the clothing market wrote; 'it must also be due to organisational deficiencies by Irish manufacturers in selling to and servicing the home market. Many Irish clothing producers sell to and service the domestic market using methods which have not changed for a generation, despite totally changed circumstances in the market place' They add that all the difficulties associated with product, styling, transport costs, personal contact, currency exchange rates, language, and customs entry, should work to the advantage of Irish manufacturers in selling to and servicing the domestic market, but that these domestic competitive advantages seemed to be ineffective or unexploited in improving the domestic competitiveness of Irish manufacturers. It should be noted that if these difficulties operated, in any way, as entry

barriers to the Irish market, they will be greatly reduced with the advent of the single market, thus eliminating a potential, albeit unused, domestic competitive advantage.

In keeping with the recommendations of the Sectoral Development Committee, the Sectoral Consultative Committee, argued that the basic question surrounding the marketing of clothing products by small Irish firms is whether they can reasonably expect to develop export markets for their products if they are unable to effectively compete in their home market. The current situation in the Irish clothing industry is that Irish manufacturers are perceived, by Irish trade buyers, to be weaker in the areas of marketing and marketing management than the foreign manufacturers who dominate the domestic market.

4.4.5 Exports

In 1985 the Irish Clothing Study Report (McIver Associates:p 14), estimated that over 40% of Irish clothing producers were totally dependent on the Irish market. In 1989 NESCC (:p 269) estimated that approximately 50% of all Irish clothing producers were totally dependent on the Irish market. In the most recent comprehensive study of the industry, the Clothing Industry Sectoral Study Report (FAS 1991:p 81-82), emphasised that although more companies were exporting in 1991 than in 1985, the dependence on the domestic market still greatly exceeded the industry's dependence on the export market, with approximately 57% of all Irish producers dependent on the Irish market for at least 80% of their

output.

In 1983, 73% of Irish owned companies had turnovers of less than £ 1/2 million Punts, (Mc Ivers^s 1985·p 16), and between 1980 and 1987, approximately 40% of all Irish clothing producers employed fewer than 15 people, (see Table 4.4) , and that between 40% and 50% of firms relied exclusively on the home market.

In an analysis of the export potential of these small clothing manufacturers, the Sectoral Consultative Committee in 1983, suggested that despite their predominance these small firms with their associated poor product development, lack of experience, poor organisation and management, and poor cash resources were not viable exporters. It would appear that such a suggestion holds true for 1991, when FAS (1991: p 111), state that most indigenous firms in the industry lack the necessary scale or critical mass required to be competitive in export markets.

TABLE 4.4

NUMBER OF FOREIGN AND IRISH OWNED CLOTHING COMPANIES EXPORTING

	Irish Owned		Foreign Owned		Total	
Exporting	182	54%	44	94%	226	59%
Not Exporting	152	46%	3	6%	155	41%
Total	334	100%	47	100%	381	100%

Source: McIver Associates, Irish Goods Council, Title 'Irish Clothing Study' 1985.

Adding, that in many business areas and markets the minimum size required is about 2 million punts in sales terms and that firms would want to aim for sales of approximately 5 million punts. In 1991 only 13% of Irish clothing producers had sales in excess of 2 million punts. The implication being that any benefits derived by success in the export market would be limited to a minority of firms in the industry and most likely to firms in the foreign owned sector of the industry, given that in 1985 only 6% of foreign owned producers did not export, as indicated by Table 4.4. A situation which also holds in 1991, McIver Associates state, exports are of paramount importance for non Irish companies; the great majority of which export in excess of 70% of their output.

4.5 Subnormal Returns

While taking account of the non commercial motives, and desire for independence, of the 'trustee' type owner/managers, it is inevitable that their companies will fail if the manager is unable to generate profits or at least a break even position. Porter (1980:pp 191-214) in his analysis of industries and competitors, identifies a situation where owner operators of small manufacturing firms, similar to those in the Irish clothing industry, may be willing to accept subnormal rates of return on their capital investment. This acceptance of subnormal returns by small and often family owned firms may be due to low transfer earnings of unskilled owner managers, family pressures and

responsibilities, and social commitments towards employees, thus creating substantial exit barriers. Such low returns tend to be unacceptable to large companies, at least in the long run. He argues that in circumstances of subnormal returns the posture of small firms may actually limit the profitability of larger firms in the industry. A very significant hypothesis given the small size of the majority of firms in the Irish clothing industry, approximately 40% of Irish clothing firms employed less than 15 people, between 1980 and 1987, (see Table 4.5).

TABLE 4.5

MANUFACTURING ESTABLISHMENTS, NACE 453/4 (IRL.)
(employing over three and less than fifty people)

No. Employed	1980	1981	1982	1983	1984	1985	1986	1987
under 15	37%	39%	40%	43%	41%	39%	39%	47%
under 50	76%	76%	77%	79%	76%	74%	72%	77%

Source : As for Table 4.2

4.5.1 Profitability

The profitability of many Irish clothing firms has been questionable throughout the 1980's, in its 1989 report the Apparel Industry Federation (AIF'p 16) highlighted the IDA's findings of the financial performance of the Irish clothing industry in 1986 and 1987. The result of their analysis indicated that by 1987 the

average profitability of clothing and footwear firms supported by the IDA had fallen to 0%. It would appear that these circumstances were not unique to 1987. In an earlier report the Sectoral Development Committee (1983: sect.2 p 2) found that the Irish clothing industry was characterised by low productivity, little investment, and a general lack of competitiveness. They postulated that the short term financial state of many firms in the industry was precarious

In pursuing Porter's (1980:p 5), hypothesis of subnormal returns, he argues that competition in an industry continually works to drive down the rate of return on invested capital towards the competitive floor rate of return. This competitive floor rate of return is approximated by the yield on long term Government securities adjusted upwards by the risk of capital loss. Investors will not tolerate returns below this rate for very long before switching their investments to other vehicles, and firms habitually earning less than this return will eventually go out of business.

Larger firms tend to have investors whose primary motivation for investment is monetary return, whereas the smaller firm is often family owned with the proprietor having more than a financial investment in the business. Therefore their commitment to the business is not solely influenced by return on capital. Given the structure, profitability, and nature of ownership of the Irish clothing industry, Porter's hypothesis is very applicable in explaining the apparent resilience of the small business unit

and the vulnerability of the larger unit in the industry . It is not inconceivable that many of the small clothing firms are accepting subnormal profits, at the expense of more efficient firms

Economically this is not a laudable position, as it implies that those business people who are profit driven will exit from the Irish clothing industry - ^{thus} leaving a greater proportion of owner/management who are least influenced by the profit motivations of business, and so reinforcing an existing situation of weak management.

4.5.2 Survival Firms

Kotler (1988:p 497) in his analysis of pricing strategies identified companies whose main business objective is survival. He suggests that these companies will keep the plant going at all costs and prioritise profits as being less important than survival. He adds that 'as long as they can cover their variable costs and some portion of their fixed costs they will continue in business'.

However survival can only be a shortrun objective and in the longrun the firm must find a way of adding value in the market place or face extinction American journals often euphemistically refer to this survival category of business unit as the 'living dead' Dillon (1990:p 17), in describing the frustration of the Irish state development agencies in relation to the performance

of the Irish clothing sector argues, that the problem with the Irish clothing industry is that many of its companies are incapable of development. Perhaps this apparent inability to develop can be partly explained by the predominant number of small firms for whom Porters 'subnormal returns' and Kotliers 'survival' theories may apply.

4.6 Fragmentation of Industry.

Porter (1980:pp 191 200), argues that although there are a wide variety of reasons why an industry may be fragmented, in many industries there are a number of principal underlying economic causes. The following causes would appear to be specifically relevant to the clothing industry in Ireland.

Firstly, poor economies of scale, which exist in the clothing industry due to its labour intensive nature, means that declines in unit cost of a garment, as the absolute volume of output increases, are insignificant, thus weakening a possible entry barrier and giving easier industry access to new small startup businesses.

Secondly, product differentiation, which is often seen as a strong entry barrier, has only a minor role in protecting existing clothing producers, as there are very few dominant brands in relation to market share held, and therefore new entrants do not have to spend heavily to overcome existing customer loyalties in order to gain a foothold in the market.

Thirdly, capital requirements for company startup are not onerous, as capital equipment is relatively inexpensive and is widely available. There is also ready availability of second hand machines due to frequent closures.

Fourthly, and with specific reference to the womens clothing sector, Porter adds that rapid product changes or style changes, such as exist in the clothing industry, demand a quick response from manufacturers and an intense coordination of their various functions. When frequent 'new' product introductions and style changes are essential to competition, allowing the manufacturer only short lead times, a large firm may be less efficient than a smaller one in responding to frequent changes.

Fifthly, he adds that diverse market needs, (such as different fittings, lengths, colours, fabrics, qualities, styles, designs, occasions, and seasons), can also result in a fragmented industry, with different buyers desiring special varieties of a product. Consequently, demand for any particular product variety is small and adequate volume may not be present to support production, distribution and marketing strategies, that might yield advantages to the large firm. This variety aspect of the clothing industry is very apt in relation to the cottage industry/craft type product, the high fashion 'designer' product and the home industry 'dress maker' product.

Also significant is the willingness of owner/managers to leave the industry. Porter (1980:p 199)in discussing exit and entry barriers in fragmented industries suggests that if exit barriers

exist, marginally profitable firms, who would normally be expected to leave the industry tend to stay, thus hindering industry consolidation. Aside from economic exit barriers, personal or managerial exit barrier may also exist. These managerial barriers appear to be a factor in the clothing industry, as is evident from the discussion in section. 4.4.2 which looks at those goals of owner/managers that are not necessarily motivated by profit. On the basis of the above underlying causes it can be stated that the clothing industry is prone to fragmentation, indicating that the size of firms may have a significant influence on the performance of the industry.

De la Torre (1986:p 87) argues that while simply increasing the size of a firm (for which he uses a general measure of number employed), is not the panacea to competitive problems, the general fragmented state of the clothing industrys structure in the OECD countries during the 1980's was such that, it restricted the vast majority of firms from making even the most basic investment in technology, product development, or administrative support systems.

4.7 Strategy and Fragmentation

The following section discusses Porter's (1980:p 191-214), approach to strategy in a fragmented industry, such as the Irish clothing industry. He suggests that a fragmented industry does not have to be unprofitable for its constituent firms, as profitability will depend on their position vis a vis the

industry's competitive forces. The rewards of overcoming fragmentation can be high because the costs of entry into the industry are by definition low and competitors are relatively weak, offering little threat of retaliation

He argues that if an industry can develop an experience curve, it is in fact creating an entry barrier for new comers who may fragment the industry further. The German clothing industry has created such a situation in relation to the international clothing industry, and has generated a strong comparative advantage in the process. The German industry has consistently invested heavily in producing highly skilled, qualified, and certified employees, who are able to supply highly priced, high detail, high quality, high value added garments, to the upper end of their home and export market. This investment and skill level has created an entry barrier for many firms wishing to enter the apparently lucrative market segment. However, even if the Irish clothing industry was prepared to make the required investment in training, it would take at least three years before German employee skill levels could be met. This is not to say that Irish producers cannot learn from the German strategy. By investing in training, among other things, individual Irish producers could increasingly defend against German 'type' quality imports while attacking the position of other, less skilled, Irish producers.

Not surprisingly the causes of industry fragmentation can influence how a company deals with its environment. If the causes center ^{pl} on the production function the industry may need to decouple production from the rest of the business. Many firms in

the German and French clothing industries have pursued such a strategy with the extensive use of outward processing, (see Chapter 3, section 3.2) However, given Irelands geographic location, its poor (non ^eenglish) language skills, its limited cultural and trade connections with low cost countries, the poor economic state of the Irish clothing industry, and the small size of the majority of firms, it is unlikely that outward processing could be a realistic economic choice for the vast majority of Irish clothing producers.

Porter argues that in many industries fragmentation is not due to fundamental economic reasons but because they are 'stuck' in a fragmented state' Often firms lack the managerial and financial resources to make the necessary strategic investment to overcome the negative aspects of fragmentation. Given the apparant ^edearth of managerial talent and the poor levels of profitability, in the Irish clothing industry, such an argument could be easily applied to the Irish situation.

In the case where existing firms, in a frag mented industry, are complacent they may, unwittingly, support the fragmented state of the industry. These firms are often emotionally tied to traditional industry practices and unable to perceive opportunities for change. Producers may have a strong production orientation and make little effort to develop brand recognition Given the severe and widespread criticism of the marketing function in the Irish clothing industry it can be argued that such a senario is very relevant to the Irish industry.

In marginally profitable, fragmented industries, such as the Irish clothing industry, Porter argues that strategic positioning is of crucial significance. The strategic challenge is to cope with fragmentation by becoming one of the most successful firms, even though the firm is unable to gain more than a modest market share. He suggests that the three generic strategies are directed either at better matching the firm's strategic posture to the particular nature of the competition or to neutralizing the competitive forces. The essential notion of this type of strategy is to reorganise and cater to the causes of fragmentation but to add a degree of professionalism to the manner in which managers operate.

If industry fragmentation is accompanied by numerous items in the product line, such as the numerous subsector women's outerwear garments, an effective strategy for achieving above average results may be to specialise on a tightly constrained group of products. Evidence suggests that a number of relatively successful Irish producers have specialised in one garment area. Porter argues that such a strategy may allow the enhancement of product differentiation with the customer as a result of specialist's perceived expertise and image in the particular product area.

If fragmentation results in intense competition a firm may benefit by specialising in a particular category of customer, perhaps those with the least buying leverage or who are least price sensitive, (see Chapter 2 sections 2.5, 2.8, and Chapter 3

sections 3.8, 3.10.2). The important factor in such an approach is for the firm to concentrate on the ^Ucustomer category that complements its own strengths. Like product specialisation customer specialisation may limit growth prospects for the firm in return for offering higher profitability. However the majority of Irish producers in the women's and girls' outerwear sector seem unable or unwilling to pursue such a strategy and appear intent on supplying more than one customer category. It is possible that a significant factor contributing to this situation is the limited size of the Irish market. Simply, there may be an insufficient number of buyers, per category, in which to specialise.

Porter also suggests that a simple but powerful strategic alternative can be to pay detailed attention to maintaining a 'bare bones/no frills competitive posture'. That is, low overheads, low skilled employees, tight cost control, and an attention to detail. This policy may place the firm in the best position to compete on price and still make above average profits. However, as previously stated, the underlying assumption in such a strategy must be that all competing firms are operating within the same general cost structure, and that price is the dominant competitive factor. This approach does not take account of competition from external foreign producers operating within radically different cost structures. It could be argued that the Irish clothing industry has been pursuing such a strategy, although without the attention to detail. Further, this strategy has proven shortsighted, with the industry confined to the lower, price sensitive end of the market, within which it has few, if

any, comparative advantages, and is severely threatened by producers in low cost countries.

Porter (1980, pp 210-213) highlights a number of 'potential strategic traps' which must be guarded against. The most significant in the context of this study is the 'lack of strategic discipline'. He argues that extreme strategic discipline is nearly always required for effective competition in fragmented industries. Unless the cause of fragmentation can be overcome, the competitive structure of the fragmented industry generally requires focus or specialisation on some tight strategic concept. Implementing these may well require the courage to turn away some business as well as to go against the conventional wisdom of how things are done in the business generally. An undisciplined or opportunistic strategy may work in the short run, but it usually maximises the exposure of the firm to the intense competitive forces common in fragmented industries in the longer term. Such has been the [✓]scenario for many manufacturers in the women's and girls' sector of the Irish clothing industry, particularly those supplying own brand and retail brands to the multiples and independent specialist stores

4.8 Conclusion

The Irish clothing industry is prone to fragmentation, due in no small way to its low entry barriers and apparent reluctance of management to exit from the industry, even after company failure. Small business strategy, whether implicit or explicit, is

inextricably linked to the persona of the owner/manager, with all its contingent idiosyncrasies. Consequently, it lacks the clarity of strategic planning associated with large business, and is inherently dependent on the personal characteristics and motivations of the owner/manager, who is not always profit driven.

It can be argued that the survival and expansion of the small clothing manufacturing sector is due to many small firms accepting subnormal profits. Without normal profits firms will find it exceedingly difficult to pay adequate remuneration in attracting talented management, capital investment, or capital to invest in improving employee skills. Further, even if the capital was available it is questionable if the owner/managers in the Irish clothing industry would invest in training, as many of them view training as an overhead cost rather than an investment. Consequently operative skill levels are low.

The scenario of subnormal returns can result in a self perpetuating process where the absence of talented management leads to poor returns on investment, which in turn results in an inability to employ talented management. The Irish clothing industry is characterised by weak management, in particular, weak marketing management. It can be argued that small clothing manufacturers, accepting subnormal returns on low value added products, by their very existence reinforce the imbalance of the small manufacturer over the large manufacturer. The result is increasingly adverse trading conditions, in the middle to lower end of the domestic market, targeted by the majority of Irish producers. These small

firms can inhibit the profitability of the larger firm, or more efficient smaller firm, by uneconomically keeping down 'market' prices, or simply by occupying market share.

By implication this imbalance of the small manufacturer over the larger manufacturer reinforces the fragmentation of the whole industry, leaving it increasingly less competitive and more vulnerable to import penetration. In order to overcome the problems associated with fragmentation a small firm may need to pursue a focus strategy based on non price factors. However, in general, small Irish clothing producers do not possess sufficiently talented management to pursue a focused differentiated strategy. Further, in pursuing an alternative cost centered strategy, the only competitive advantage small firms can exploit is the cost competitiveness of accepting subnormal returns, based on current market positioning

CHAPTER 5. PERFORMANCE OF WOMEN'S & GIRLS'
OUTER WEAR SECTOR

5.1 Introduction.

This Chapter looks at the competitive performance of Irish clothing producers, supplying the domestic market, over an 8 year period, i.e. 1980 to 1987. It identifies the various sectors that exist in the industry before concentrating a detailed analysis on the performance of the women's and girls' outer wear sector, including an analysis of individual garment subsectors. Performance is measured by domestic market share held by Irish producers as compared to domestic market share held by foreign producers. The analysis attempts to identify patterns or trends that may exist in the women's and girls' outer wear market sector, and the individual garment market subsectors.

The period 1980 to 1987 was chosen for analysis for two reasons, firstly, at the time of research, 1987 was the most recent year of the Industrial Census, and secondly, in 1987, the CSO. amalgamated a number of subsector categories in their trade statistics, thus making it impossible to continue the trend patterns. However it should be noted that the situation and trend analysis, of the stated period, is further discussed, in Chapter 8, and related to the Irish clothing industry's current position (1991). It should also be noted that all values given in this chapter are at

constant prices, using the Wholesale Price Index (CSO 1991)

Before proceeding, it is important to place this Chapter's trade analysis in context. Much of the world's trade is trade in manufactured goods between industrial countries with similar endowments of labour and capital and which therefore cannot be easily explained on the basis of traditional comparative advantage. Indeed much of this trade involves a two way exchange of very similar goods. Such trade is known as 'intra industry' trade because it occurs within a given industry and involves specialization within industries rather than between them (NESC 1989:p 164). Intra industry trade is of particular importance to this study, as it is within the global clothing industry that Irish clothing manufacturers must compete.

5.2 Market Share

The competitiveness of Irish producers, determined by market share, can be influenced by the structure of the industry, (see Chapter 4). However, the reverse can also be argued, that market share influences producers' profitability, which in turn greatly influences the structure of the industry. Nevertheless, market share is usually viewed as a meaningful benchmark of success and refers to a firm's, or sector's, sales in relation to total industry sales. Its meaningfulness is derived from the fact that its calculation automatically takes account of competitors' performance, the general environment, and the firm's own marketing

↑

effectiveness and efficiency. It therefore provides an instant indicator of a firm's or sector's comparative performance

The importance of market share as a general measure of economic performance, for an individual firm, is perhaps best explained by the findings of a study undertaken some years ago by the Strategic Planning Institute in the US, the study was called 'Profit Impact of Marketing Strategies' now commonly referred to as PIMS, (Kotler 1988:pp 327-330). It sought to identify the most important variables which had an impact on profits, one of the key variables which the study identified was market share. It found that companies could increase their profitability by increasing their market share, and that profitability measured by pretax return on investment rises curvilinearly with relative market share. However, given the small size of the majority of Irish clothing manufacturers, it is improbable that any one firm could hold more than a marginal share of the market. This is not to suggest that a small firm cannot be profitable, the relationship between the size of Irish clothing firms and profitability is discussed in some detail in Chapter 4.

5.3 Irish Clothing Market

In common with most industries the Irish clothing industry may compete with rival international competitors in the domestic or the export market. However, it is generally accepted that the dependence of Irish clothing producers, particularly those producing women's and girls' outer wear, on the domestic market

greatly outweigh the industry's dependence on the export market. Approximately 57% of all Irish producers are dependent on the Irish market for at least 80% of their output, (see Chapter 4 section 4.4.5). Given this market dependence the following analysis concentrates on the domestic market.

TABLE 5.1

DOMESTIC MARKET: ALL CLOTHING AND ACCESSORIES (000's PUNTS)

	1980	1981	1982	1983	1984	1985	1986	1987
MRK.	340.7	353.9	337.3	327.7	323.5	337.2	368.4	355.3
IMP.	207.5	214.9	209.8	213.1	219.9	227.5	252.0	251.0
HME.	133.2	139.0	127.4	114.6	103.6	109.7	116.3	104.4

(MRK = Market Size, ie. Output-Exports+Imports, IMP.= Market Share held by imports, Hme. = Home Share, ie. Output - Exports.)

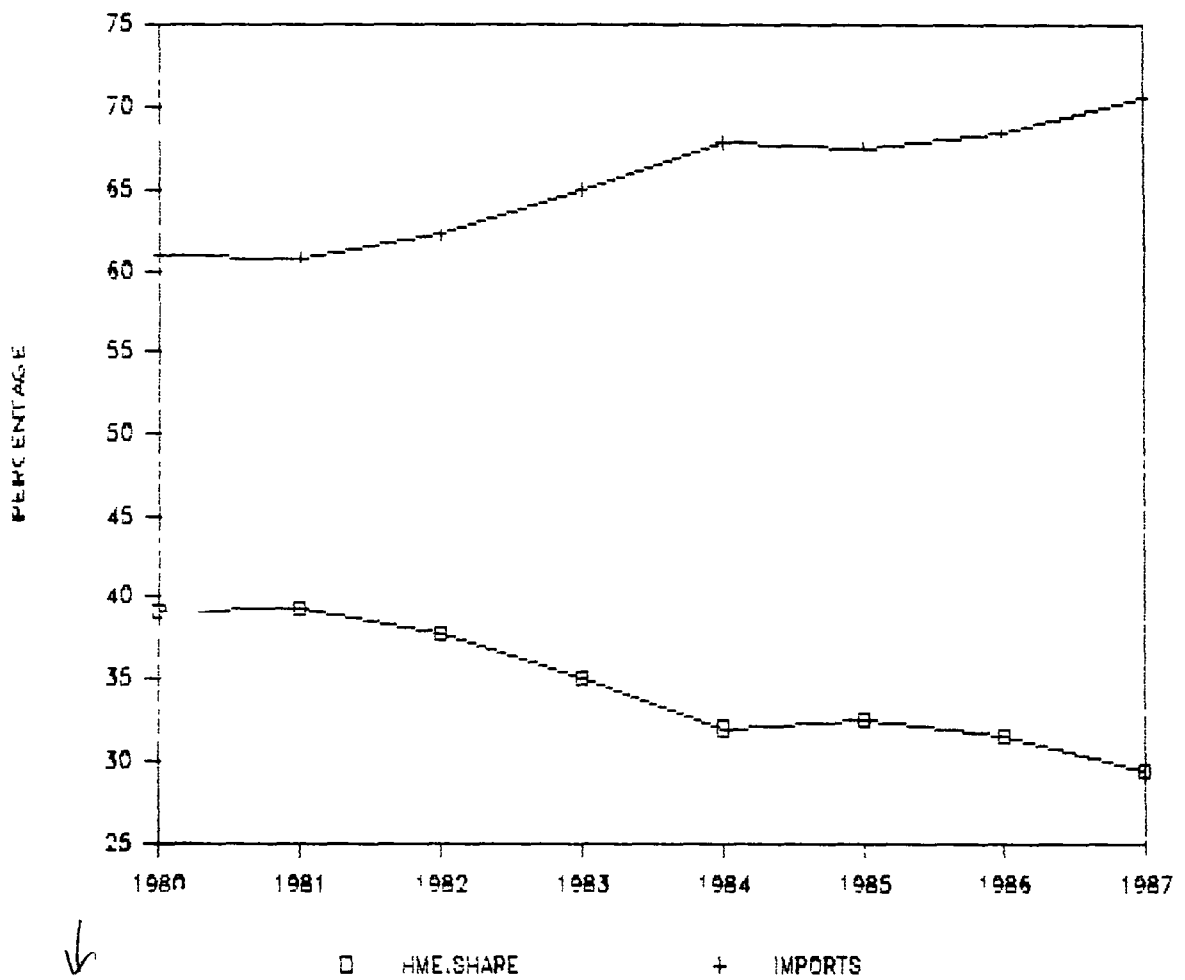
Source : Annual Census of Industrial Production, 1980-1987, and Annual Trade Data, 1980-1987.

Constant Values 1985 = 100, Whole-Sale Price Index, CSO 1990.

When the measure of market share is applied to the performance of the entire Irish clothing industry in the domestic market, it can be stated that market share declined throughout the 1980's, as indicated by Table 5.1. The Irish manufacturers' share of the domestic clothing market fell from 39% in 1980 to 29% in 1987, (see Fig. 5.1).

FIGURE 5.1

% SHARE OF CLOTHING/ACCESSORIES MARKET



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SOURCE: TABLE 5.1

In 1983 the report of the Sectoral Development Committee on the clothing and textile industry highlighted the importance of domestic market share and emphasised the poor performance of the Irish clothing producers in this market. They argued that the domestic market is not only relevant to profitability in the home market but is also an essential base to support export trade, and as such, it must be a priority marketing objective to regain a greater share of the domestic market. Unfortunately, this was not achieved. The report adds that while many factors go towards explaining the loss of market share in the domestic market, poor performance of the marketing function by many clothing firms was an important contributory factor, (see Chapter 2 section 2.8, Chapter 3 section 3.7, Chapter 4 section 4.4.4).

The Irish clothing industry can be divided into a number of sectors, segmented along lines of product type, such as, under apparel and outer apparel; consumer characteristics, such as, age and sex; and product use, such as, casual wear, occasional wear, career wear and intimate wear. McIver (1991:p 75), identifies the following ten separate categories, Ladies Outerwear, referred to in this study as women's and girls' outer wear, in keeping with the CSO's category titles; Intimate Apparel, Fashion Knitwear, Childrenswear, Menswear, Underwear, Shirts, Careerwear, Leisurewear, and Jeans/Hosiery. This study is principally concerned with the women's and girls' outer wear sector.

5.4. Women's & Girls' Outer Wear Sector

The women's and girl's outer wear sector is the largest in the Irish clothing industry. It includes the following garments or subsectors; skirts, dresses, blouses, suits and costumes, and coats and jackets, (see Glossary for CSO. and NACE Code classification). The sector uses various fabrics ranging from cotton and linens to synthetic materials and blends, manufacturers can vary widely in terms of size, product quality, styles, and levels of garment detail. FAS (1991: Appendix C p 18), state that most companies manufacture a range of garments, although, some of the leading companies have specialised in the manufacture of just one type of garment. The following analysis focuses on the competitive performance of Irish producers, of womens and girls outer apparel, in the domestic market

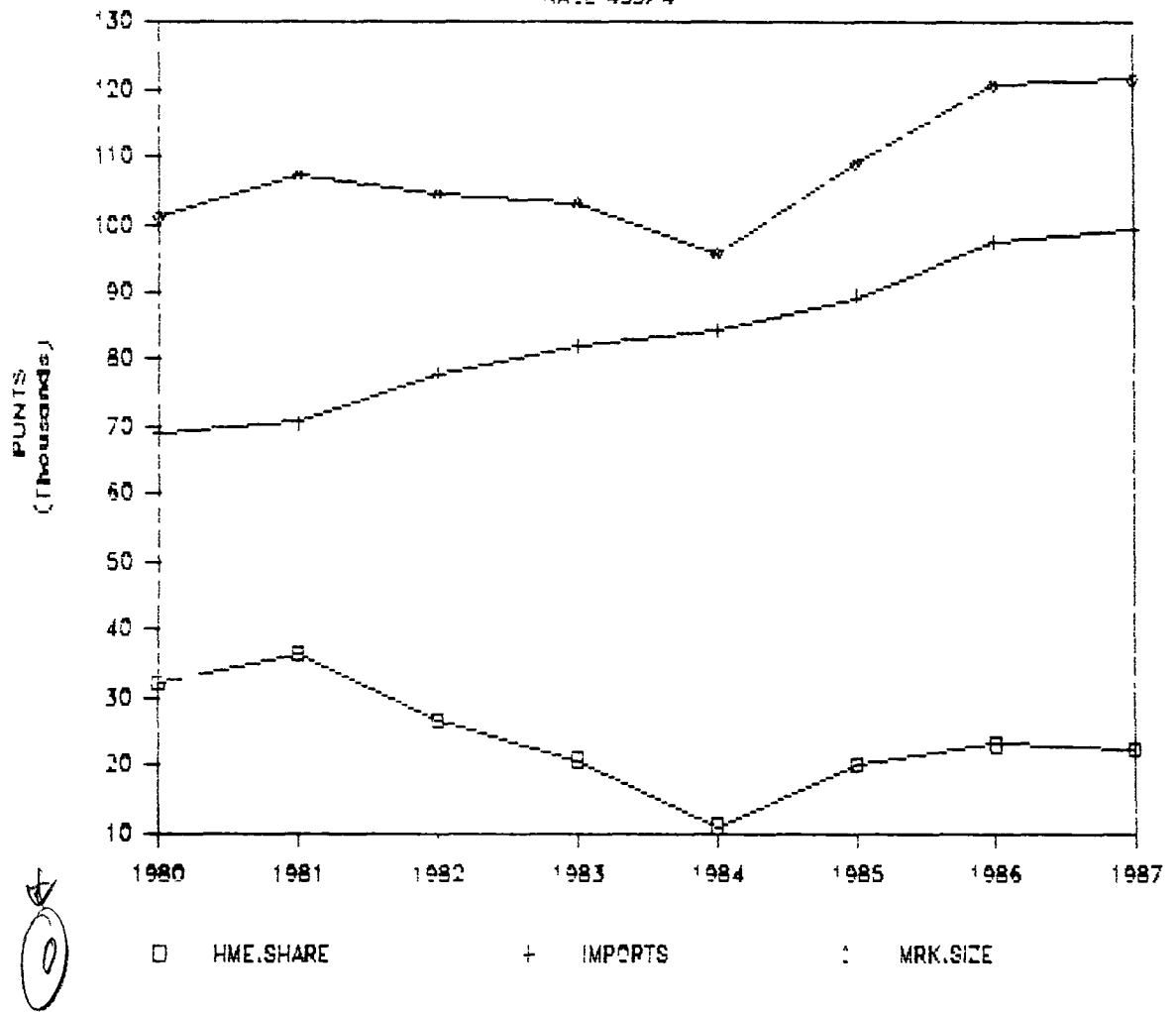
The value of the total sector, which includes all 5 subsectors, grew by 21% from £101m punts in 1980, to £122m punts in 1987. However this did not represent a constant growth and for three consecutive years the market experienced contraction, from a value of £107m punts in 1981, to £396m punts in 1984, (see Fig 5.2). After 1984 the market recovered, growing by 26% in a two year period, from £96m punts in 1984, to £121m punts in 1987.

In relation to the levels of import penetration the performance of Irish manufacturers in this sector was actually worse than the already poor performance of manufacturers in the overall clothing industry In 1980 Irish manufacturers held a 32% market share of the total women's clothing market, by 1987 this market share had

FIGURE 5.2

MARKET SHARE : WOMENS OUTER APPAREL

NOTE 453/4



SOURCE: TABLE 5.2

fallen to 18%, after reaching a remarkably low market share of 11% in 1984 (see Table 5.2). The worsening ratio of imported to home produced women's and girls' outer wear can be clearly seen in Fig. 5.3, in 1980 the ratio was 2.26 : 1 and in 1987 this had deteriorated to a 4.55 : 1 ratio.

TABLE 5.2

MARKET SHARE · WOMENS & GIRLS OUTER WEAR (£m PUNTS)								
	1980	1981	1982	1983	1984	1985	1986	1987
MRK.	101.1	107.3	104.6	103.0	95.6	109.3	120.7	121.6
HME.	32.2	36.5	26.7	20.8	10.9	20.0	23.2	22.3
IMP	68.9	70.8	77.9	82.2	84.7	89.4	97.5	99.2
HME%	32%	34%	26%	20%	11%	18%	19%	18%
IMP%	68%	66%	74%	80%	89%	82%	81%	82%

(MRK.= Market Size, ie. Output-Exports+Imports, HME.= Home Share, ie. Output-Exports, IMP.= Market Share held by imports)

Constant Values, 1985 = 100, Whole Sale Price Index. (CSO, 1991)

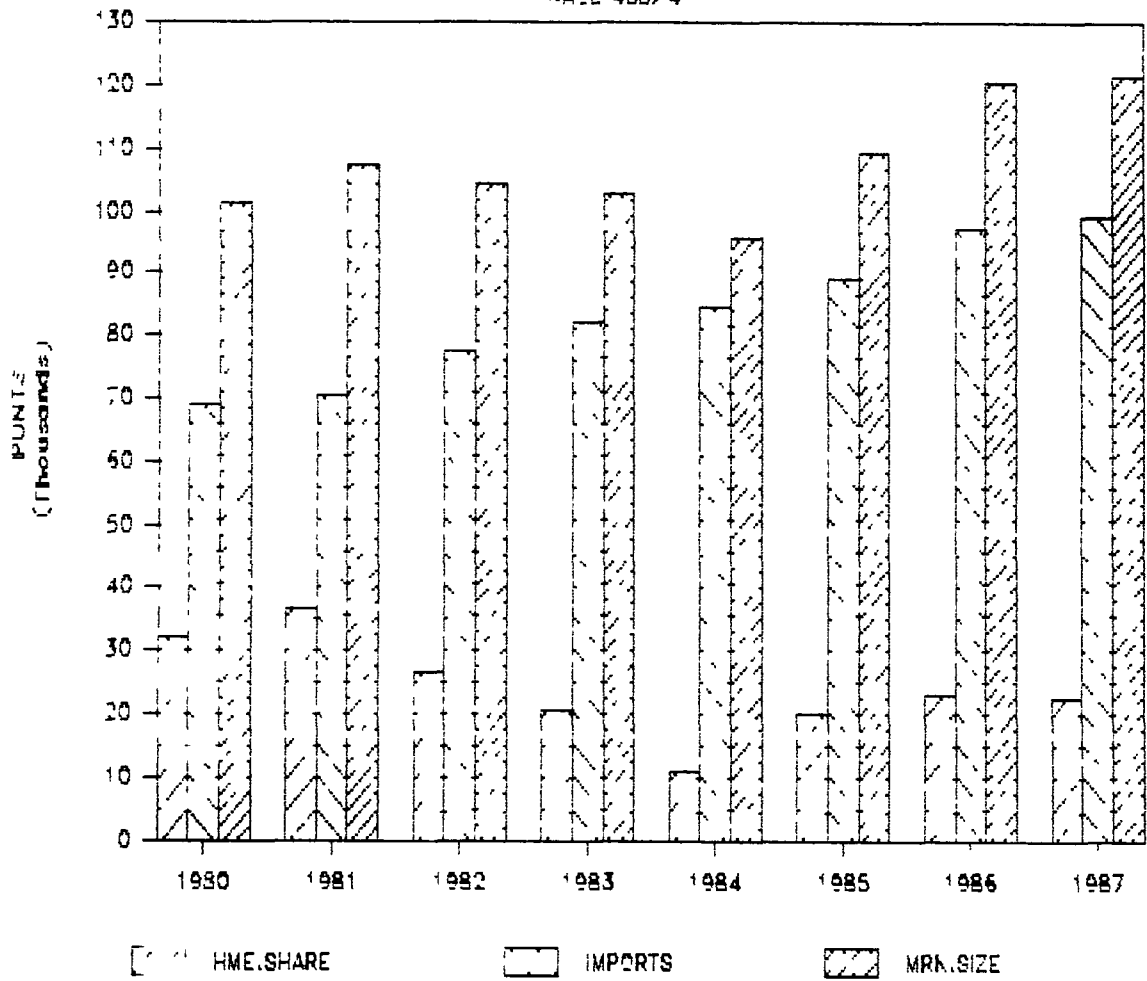
SOURCE : Annual Census of Industrial Production, 1980-1987, and Annual Trade Data, 1980-1987.

The market trends indicate that the Irish manufacturers are far more vulnerable to market changes than are their foreign competitors, the trends in the home produced share tend to mirror the trends in the total market, as shown in Fig. 5.2. However the decline of the Irish produced market share was steeper and the

FIGURE 5.3

MARKET SHARE: WOMENS OUTER WEAR

TABLE 453/4



SOURCE: TABLE 5.2

recovery slower than comparative trends in the total market. On the other hand the trends in import penetration appear to be ever increasing and impervious to increases or decreases in market size

The value of the imported share of the market grew by 44% from £69m punts in 1980 to £99m punts in 1987. The growth in the value of imports was constant over the seven year period, regardless of the period of contraction in market size, the result of this strong performance was that imports took a growing portion of the market, in 1980 imports held 68% of the total market sector and in 1987 they held an overwhelming 82% market share.

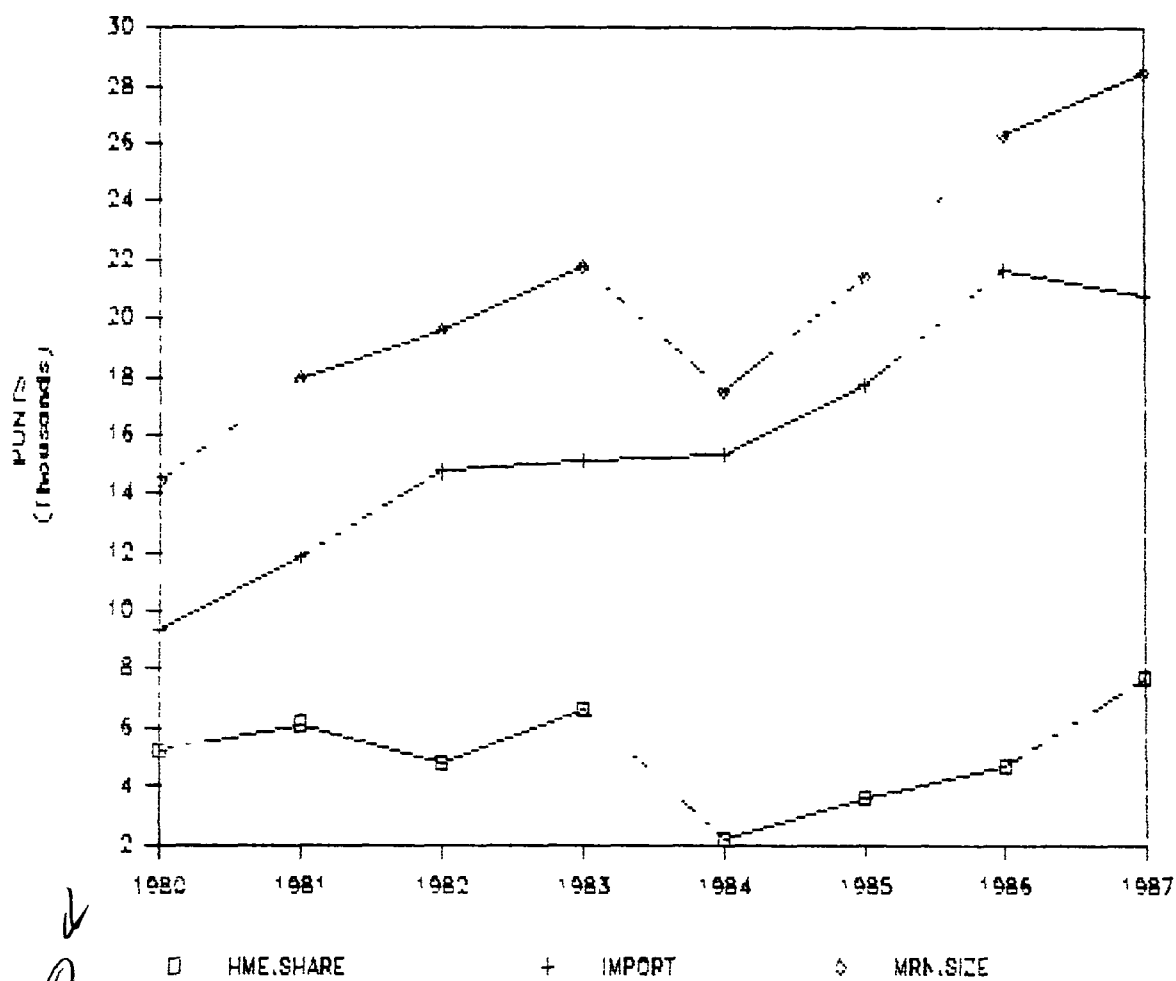
5.5 Blouse Market Subsector

The Blouse Market increased in importance as a sub sector of the total women's and girls' outer wear market sector, accounting for 14% of total market sector in 1980 and 23% of total market sector in 1987. With the exception of the 1983/84 period the sector experienced growth, see Fig.5.4, the actual value of the sector increased by 93% between 1980 and 1987.

While the actual value of the home produced share increased by 36% , in absolute terms this only meant an increase from £8m Punts in 1980, to £11m Punts in 1987. This increase was not represented by steady growth, the gains made in 1980/81 were lost in 1981/82 and then recovered in 1982/83 and subsequently lost again 1983/84. The extent of the slump in the overall market

FIGURE 5.4

MARKET SHARE : BLOUSES



SOURCE: TABLE 5.3

sector after 1983 was closely paralleled by a slump in the home produced market share, however as Fig. 5.4 shows, the rate of recovery of the home produced share is much slower than that of the overall sector

It was not until 1986/87 that the home share recovered its position vis a vis its 1980 value, however during this time the blouse market had expanded by 93%. The stagnant or slow growth of most clothing markets in industrialised countries, (see Chapter 3), did not apply in this market sector and hence cannot be proffered as an explanation for the relatively static value of Irish manufactured blouses. In 1980 Irish blouse manufacturers held 36% of the overall sector, in 1987 they held 27%, after reaching a market share low of 13% in 1984, (see Table 5.3). In 1982, 1985, and 1986 the level of import penetration in the blouse market exceeded that of the overall womens and girls outer apparel market.

The value of the imported market share grew by a remarkable 133% from £9m Punts in 1980 to £21m Punts in 1987, with the exception of 1986/87 the growth was constant over the period. The 1986/87 decline in imports is noteworthy as it occurred at a time when the market was expanding as was the home produced share, indicating at least one instance when Irish manufactured garments increased their share at the expense of imported garments. However this one instance was insufficient to influence the seven year trend. The poor performance of Irish blouse manufacturers resulted in increasing import penetration, in 1980 imported blouses held a 64%

share of the market in 1987 this had increased to a 73% share.

TABLE 5.3

MARKET SHARE : BLOUSE MARKET SUBSECTOR (£m PUNTS)

	1980	1981	1982	1983	1984	1985	1986	1987
MRK.	14.5	18.0	19.6	21.8	17.5	21.4	26.4	28.5
IMP.	9.3	11.8	14.8	15.1	15.3	17.8	21.7	20.8
HME.	5.2	6.1	4.8	6.6	2.2	3.6	4.7	7.7
IMP%	64%	66%	75%	69%	87%	83%	82%	73%
HME%	36%	34%	25%	31%	13%	17%	18%	27%

(MRK.= Market Size, i.e. Output-Exports+Imports, HME.= Home Share, i.e. Output-Exports, IMP.= Market Share held by imports)

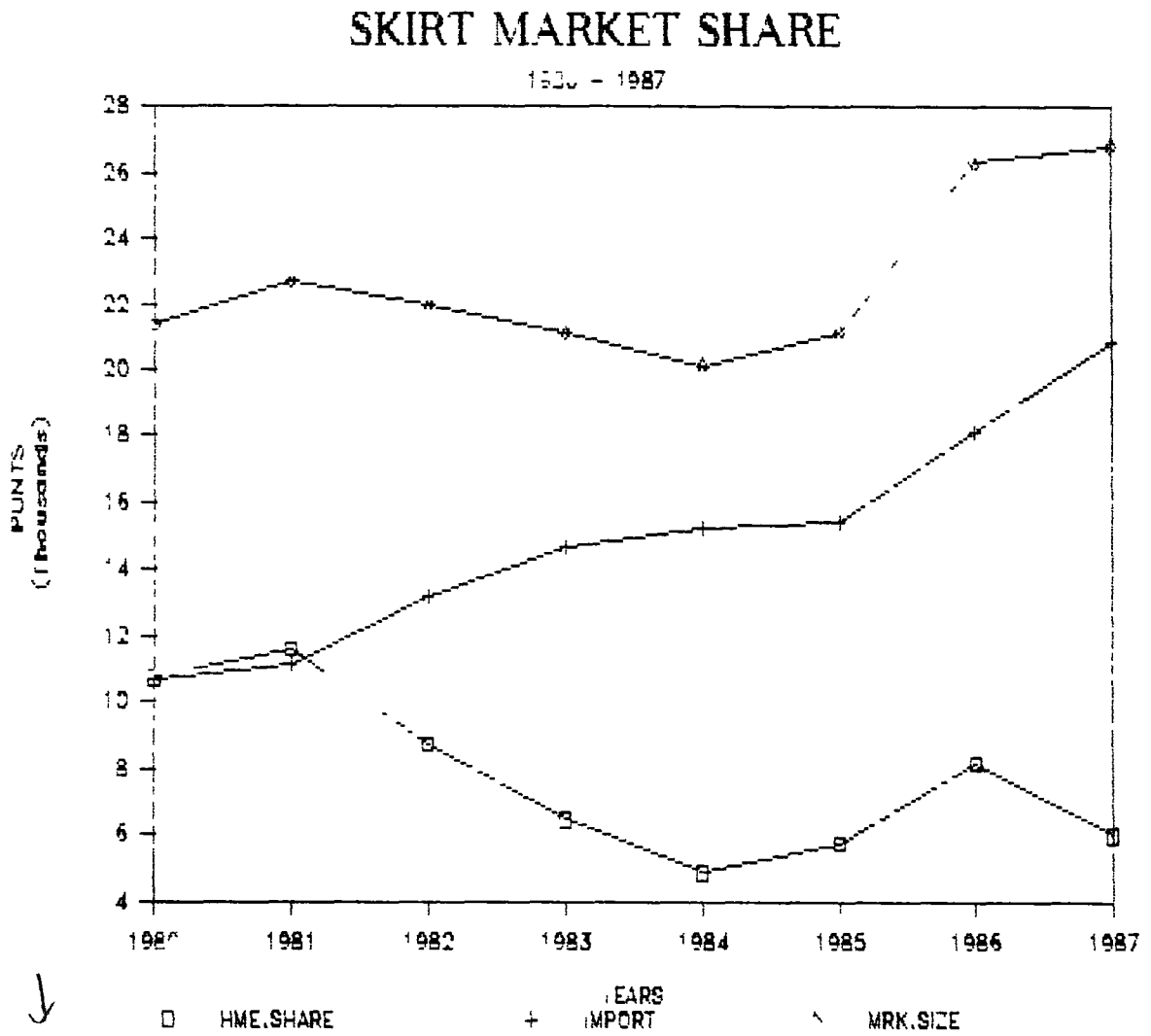
Constant Values, 1985 = 100, Whole Sale Price Index. (CSO, 1991)

SOURCE Annual Census of Industrial Production, 1980-1987, and Annual Trade Data, 1980-1987.

5.6 Skirt Market Subsector

The importance of the skirt market as a sub sector of the total women's and girls' outer wear market remained relatively static between 1980 and 1987, accounting for 21% and 22% of total market share respectively. The actual value of the market sector increased slightly from £21m Punts in 1980 to £27m Punts in 1987, however these figures conceal a contraction of the market between 1981 and 1984, (see Fig.5.5), it was not until the growth in

FIGURE 5.5



SOURCE: TABLE 5.4

1985/86 that the market recovered vis a vis its 1980 value.

The downturn in the market sector in 1981 had a severe and accelerated impact on the performance of Irish skirt manufacturers, once again showing the catalytic influence of changes in the market sector on the market share held by Irish producers. As is evident from Fig. 5.5, the rate of decline was steeper and the rate of recovery slower in the home produced market share and in 1986/87 when the rate of growth in the overall market sector levelled off the value of the Irish manufacturers market share actually went into decline. Between 1980 and 1987 the value of the home produced market declined by 45% from £11m Punts to £6m Punts.

While the home produced skirt market share seemed highly sensitive to variances in the overall market sector, the market share held by imported skirts seemed independent of trends in the overall skirt market. Between 1980 and 1987 the value of the imported skirt market share grew by 91% , from £11m Punts to £21m Punts. This growth was constant despite a contraction of the market between 1981 and 1985. The result of this strong performance of imported skirts, was a greater market share in 1980 imported skirts held a 50% share of the market and in 1987 this had risen to a high of 78%, (see Table 5.4.)

TABLE 5 4

MARKET SHARE · SKIRT MARKET SUBSECTOR (£m PUNTS)

	1980	1981	1982	1983	1984	1985	1986	1987
MRK	21.4	22.7	21.9	21.1	20.1	21.2	26.3	26.9
IMP.	10.6	11.1	13.2	14.7	15.3	15.4	18.1	21.0
HME.	10.7	11.6	8.8	6.4	4.9	5.8	8.2	6.0
IMP%	50%	49%	60%	70%	76%	73%	69%	78%
HME%	50%	51%	40%	30%	24%	27%	31%	22%

(MRK.= Market Size, i.e. Output-Exports+Imports, HME.= Home Share,

i.e. Output-Exports, IMP.= Market Share held by imports)

Constant Values, 1985 = 100, Whole-Sale Price Index. (CSO, 1991)

SOURCE · Annual Census of Industrial Production, 1980-1987, and Annual Trade Data, 1980-1987

5.7. Suit & Costume Market Subsector

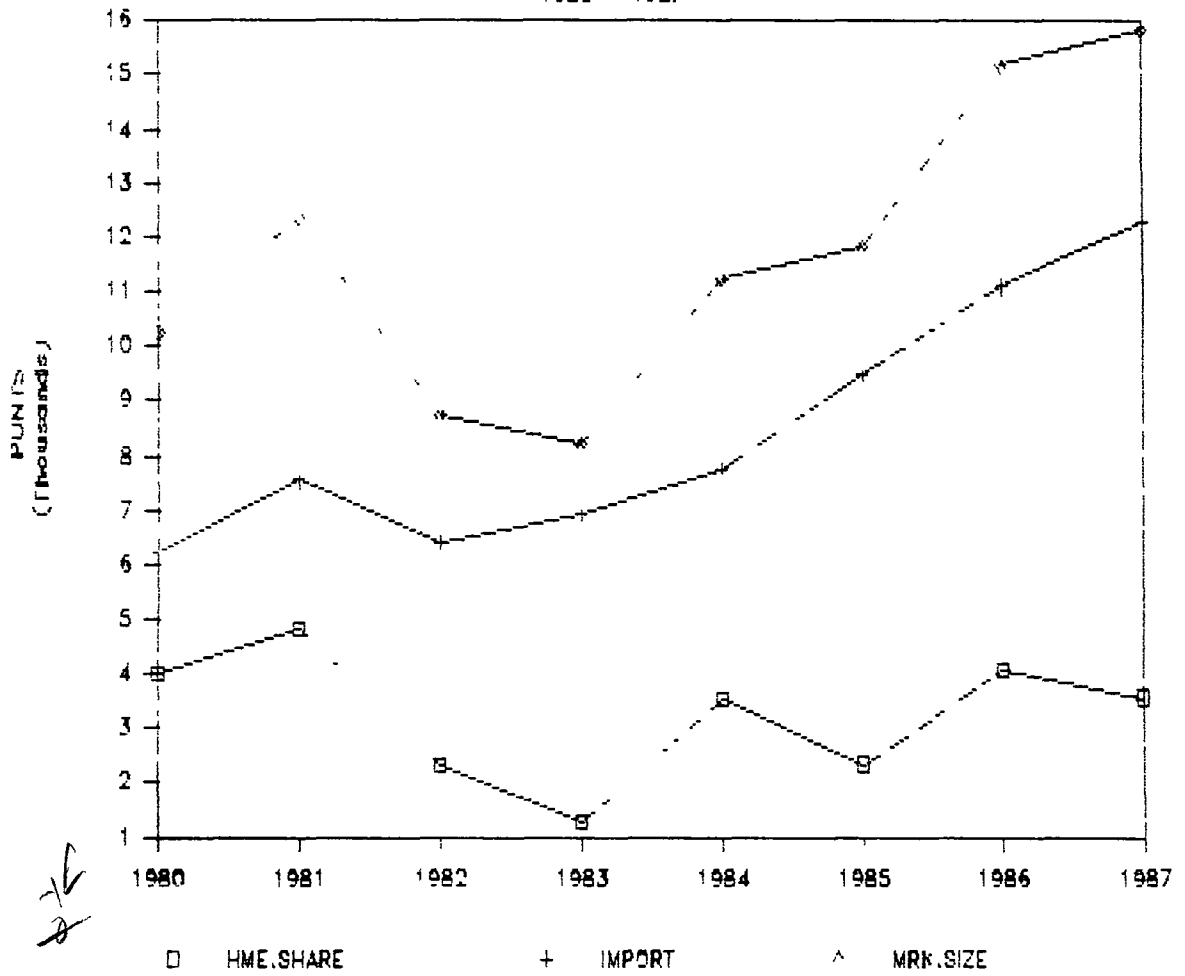
Similar to the skirt market subsector, the relative importance of the suit and costume market did not vary a great deal. In 1980 this subsector accounted for 10% of the total womens apparel market and in 1987 it accounted for 13%. With the exception of 1982 and 1983 the value of this sector remained between 10% and 13%, of the overall market sector, in 1982/3 it fell to 8%.

The actual value of the suit and costume market increased by 50%, from £10m Punts in 1980 to £15m Punts in 1987. However this was not a constant growth and between 1981 and 1983 the sector was in decline, (see Fig.4.6) Despite the growth in the value of the

FIGURE 5.6

SUIT/COSTUME MARKET SHARE

1980 - 1987



SOURCE: TABLE 5.5

overall market sector, the value of the home produced market share remained static, at approximately four million Punts and therefore this market share declined as a percentage of the overall sector. As with other sub sectors the trend of the home manufactured suit and costume market share was greatly influenced by variances in the overall market sector.

In 1980/81 the home produced market share increased but at a slower pace than the overall market, between 1981 and 1984 the home market share decreased and then increased in line with the overall market. However when the rate of recovery slowed in 1984 the home produced share declined, it recovered in 1985/86 but again at a slower pace than the overall market. In 1986/87 when the overall recovery again slowed, the home produced market share again went into decline. This performance by Irish manufacturers of suits and costumes resulted in a decrease in their market share from 39% of the overall market in 1980 to 23% in 1987.

At the same time the value of imported suits and costumes grew by 100% from £6m Punts to £12m Punts in 1987. With the exception of 1981/82, the imported market share experienced continuous growth and appeared less vulnerable than the home produced sector to changes in the overall market. In 1980 imported suits and costumes held 61% of the market, in 1987 they held 77% of the market, after reaching a remarkably high market share of 85% in 1983, (see Table 5.5)

TABLE 5.5

MARKET SHARE . SUIT & COSTUME MARKET SUBSECTOR (£m PUNTS)

	1980	1981	1982	1983	1984	1985	1986	1987
MRK	10.3	12.4	8.7	8.2	11.3	11.8	15.2	15.9
IMP.	6.2	7.5	6.4	6.9	7.7	9.5	11.1	12.3
HME.	4.2	4.8	2.3	1.2	3.5	2.3	4.9	3.6
IMP%	61%	61%	74%	85%	69%	80%	73%	77%
HME%	39%	39%	26%	15%	31%	20%	27%	23%

(MRK.= Market Size, i.e. Output-Exports+Imports, HME.= Home Share, i.e. Output-Exports, IMP.= Market Share held by imports)

Constant Values, 1985 = 100, Whole Sale Price Index. (CSO, 1991)

SOURCE : Annual Census of Industrial Production, 1980-1987, and Annual Trade Data, 1980-1987

5.8. Dress Market Subsector

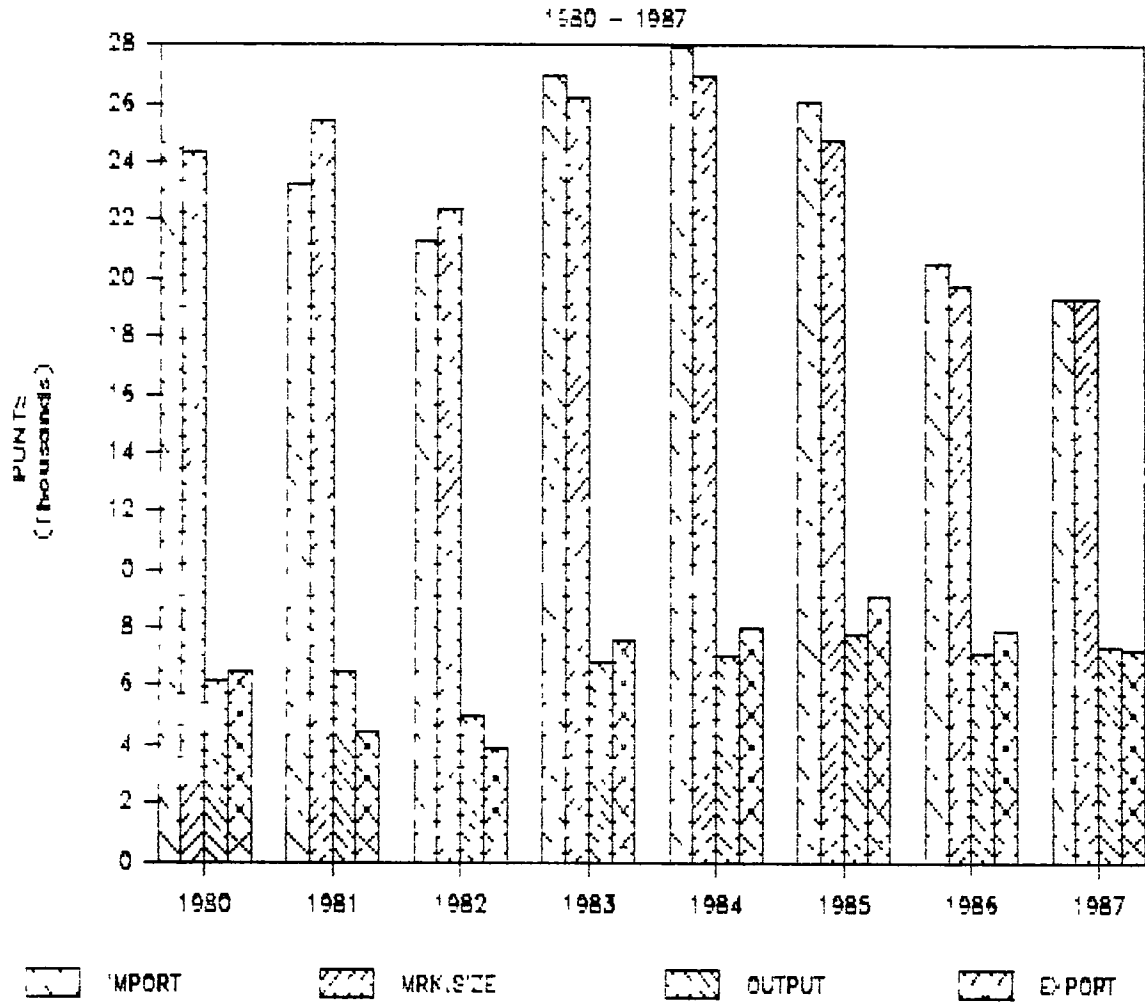
For the first six years of the period under analysis the value of the dress market subsector accounted for approximately 25% of the value of the overall market sector for women's and girls' outer wear. During the remaining two years this portion fell to approximately 16% of overall value. The actual value of the dress market sector fell by 26% from £24m Punts in 1980 to £19m Punts in 1987

It is difficult to calculate the share of the market held by imported or home produced dresses as it appears that a significant number of dresses were imported and then exported. In the following years 1980 , 1983 , 1984 , 1985 , 1986 , the value of imported dresses actually exceeded the value of the overall market sector, (see Fig. 5.7) During the same period the value of exported dresses exceeded the value of all domestically produced dresses. The CSO believe, it is most unlikely that this ^{is} statistical behaviour was caused by statistical error .

In trying to calculate the performance of the Irish dress manufacturer in the domestic market, it could be argued that few Irish produced dresses were exported, thus boosting their share of the domestic market. However even if this were the case, on the basis of the data in Table 5.6, the maximum share that could be attributed to Irish manufactured dresses would be a 25% market share in 1980 and a 37% market share in 1987. Given that during the 1980 - 1987 period 43% of all blouse output was exported , 40% of all skirt output was exported , 47% of all suit and costume output was exported , and 67% of all coat and jacket output was exported. Assuming that Irish dress manufacturers exported a relatively low 40% of their output , it would allow a home produced market share of between 13% and 23% , indicating once again a weak performance by Irish manufacturers in relation to foreign competition on the domestic market.

FIGURE 5.7

DRESS MARKET SHARE



SOURCE: TABLE 5.6

TABLE 5 6

MARKET SHARE · DRESS MARKET SUBSECTOR (£m PUNTS)

	1980	1981	1982	1983	1984	1985	1986	1987
MRK.	24.3	25.4	22.4	26.2	27.0	24.8	19.8	19.4
OUT.	6.1	6.5	5.0	6.8	7.1	7.8	7.2	7.3
EXP.	6.5	4.4	3.9	7.5	8.1	9.1	7.9	7.3
IMP.	24.7	23.3	21.3	27.0	28.0	26.1	20.5	19.4

(MRK.= Market Size, i.e. Output-Exports+Imports, HME.= Home Share, i.e. Output-Exports, IMP = Market Share held by imports)

Constant Values, 1985 = 100, Whole Sale Price Index. (CSO, 1991)

SOURCE · Annual Census of Industrial Production, 1980-1987, and Annual Trade Data, 1980-1987.

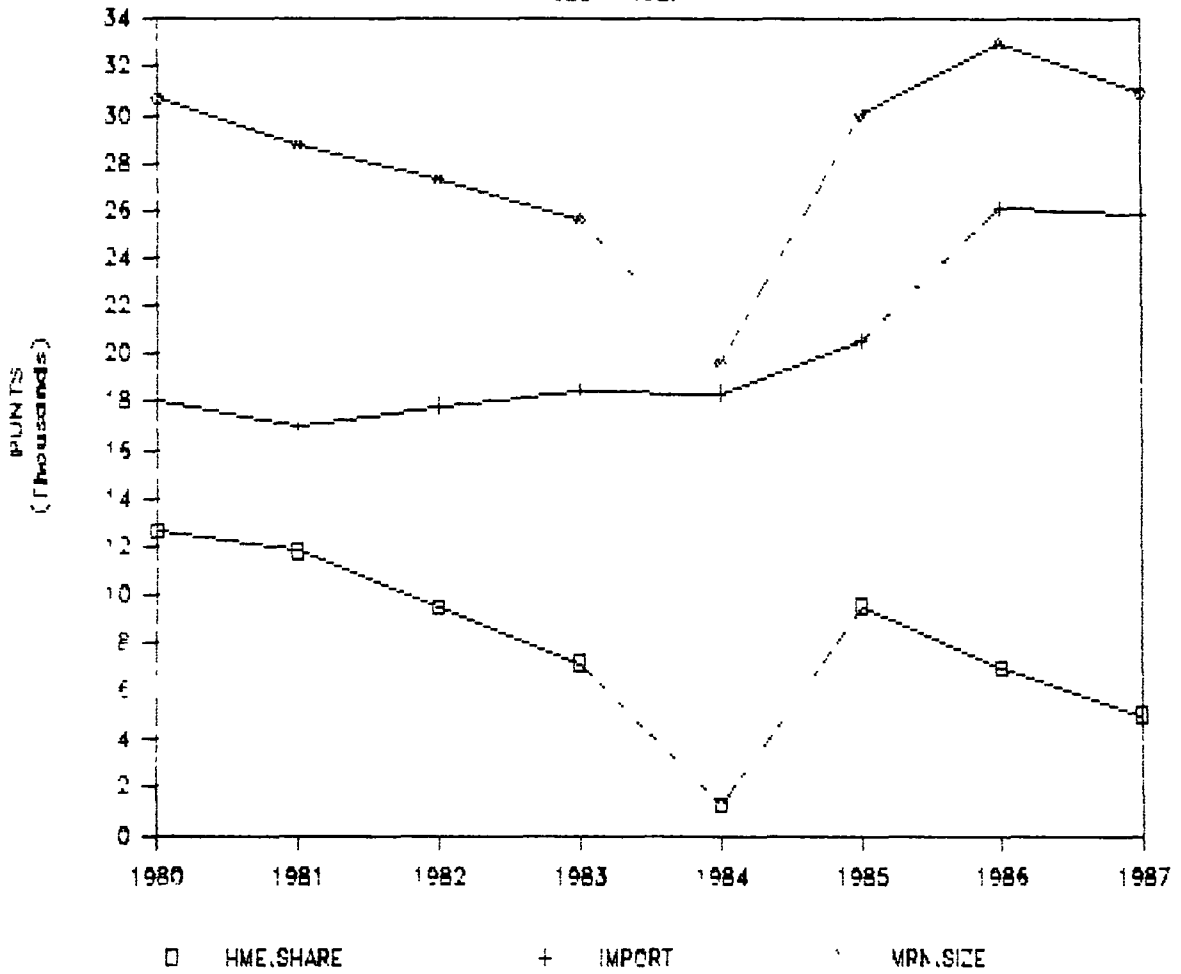
5.9. Jacket and Coat Market

The jacket and coat market subsector was the most important of all sub-sectors, accounting for 30% of overall market value in 1980 and 25% of overall market value in 1987. In 1980 and 1987 the value of this market sector remained unchanged at approximately 31 million. However these figures conceal a situation of both market contraction and growth. Between 1980 and 1984, the market sector experienced four consecutive years of decline, followed by two years of strong recovery, before declining again, (see Fig. 5.8).

FIGURE 5.8

JACKET/COAT MARKET SHARE

1980 - 1987



SOURCE: TABLE 5.7

In 1980 Irish manufacturers of coats and jackets made slight gains on imported coats and jackets, and for the following three years retained a relatively constant market share, as is evident by the near paralleling of the overall market decline by the trend in the home produced market share. It was only after 1984/85 that imported garments began to make substantial inroads into Irish produced market share and although the overall market declined in 1986/87, the value of imported coats and jackets remained relatively stable whereas the value of the home produced market share continued to decline.

Between 1980 and 1987 the value of the market share held by Irish manufacturers of coats and jackets decreased by 61% from £13m Punt's to £5m Punt's. At the same time the value of the imported market share increased by 44% from £18m Punt's in 1980 to £26m Punt's in 1987. This performance by Irish manufacturers resulted in their market share falling from 42% of overall market value in 1980 to 16% of market value in 1987, having reached a notable low of 7% in 1984, (see Table 5 7).

TABLE 5 7

MARKET SHARE : COAT & JACKET MARKET SUBSECTOR (£m PUNTS)

	1980	1981	1982	1983	1984	1985	1986	1987
MRK.	30.7	28.8	27.3	25.6	19.6	30.1	33.0	30.9
IMP.	18.0	17.0	17.9	18.4	18.4	20.6	26.1	26.0
HME	12.6	11.8	9.5	7.1	1.3	9.5	6.9	5.0
IMP%	59%	59%	65%	72%	93%	68%	79%	84%
HME%	41%	41%	35%	28%	7%	32%	21%	16%

(MRK.= Market Size, i.e. Output-Exports+Imports, HME.= Home Share, i.e. Output-Exports, IMP.= Market Share held by imports)

Constant Values, 1985 = 100, Whole Sale Price Index. (CSO, 1991)

SOURCE : Annual Census of Industrial Production, 1980-1987, and Annual Trade Data, 1980-1987.

5.10. Market Sector Summary

It is evident from the above analysis that definite submarkets exist, in the women's and girls' outer wear sector, each with separate market variables, as indicated by the behaviour variables in the different subsector markets

Also apparent is the consistency in the relative importance of each subsector to the overall market, indicating some potential for forward planning, based on overall market sector forecasting.

The coat and jacket submarket was by far the most important, annually accounting for the largest or second largest market share. The suit and costume submarket was the least important. The dress subsector was consistent in sharing first or second place, until 1986 and 1987, when it declined to third and fourth place. The skirt submarket was fairly stable sharing second or third place, while the blouse submarket increased in importance from fourth to second place over the eight year period, (see Table 5.8).

TABLE 5.8
MARKET SHARE: BY VALUE of SUBSECTOR MARKET (%)

	1980	1981	1982	1983	1984	1985	1986	1987
BLS	14	17	19	21	18	20	22	23
DKS	24	24	26	25	28	23	16	16
SKT.	21	21	21	21	21	19	22	22
SUIT/COS.	10	12	8	8	12	11	13	13
COAT/JCK.	30	27	26	25	21	28	27	25
TOTAL.	100	100	100	100	100	100	100	100

SOURCE : Annual Census of Industrial Production, 1980-1987, and Annual Trade Data, 1980-1987

The preceding sections show that the subsectors consistently lost market share to foreign competitors and consequently the overall market sector shows increasing import penetration at a level

greater than was experienced by the Irish clothing industry as a whole.

Also evident, and perhaps very significant, is the disproportionate sensitivity of the Irish produced market share to downturns in the overall market sector. This could be due to a disproportionate number of Irish firms accepting subnormal returns, thus leaving them more vulnerable to market fluctuations, a point which is further developed in Chapter 4, section 4.5.

The most striking feature of each market subsector is the constant trend toward greater import penetration irrespective of overall market trends. It can be stated that the Irish firms proved ineffective and uncompetitive in each of the sub-sector markets and consequently in the total market sector. Further, the segmented nature of the market sector, the apparent potential for subsector forecasting, and the fact that some of the more successful firms specialise in only one product, indicates that considerable potential exists for Irish producers of women's and girls' outer wear to pursue a focus strategy, (see Chapter 2 section 2.6.3).

6.1 Introduction

This Chapter identifies other EC. member states as the principal source of imported women's and girls' outer wear, between 1980 and 1987. It analyses the intra industry import patterns between Ireland and selected member states. The UK. was selected as Ireland's main trading partner, Germany was selected as representative of high cost EC. states, while Portugal and Greece were selected as representative of low cost EC. member states. The analysis attempts to establish comparative intra industry advantages that may exist between Ireland and the various trading countries.

Trade patterns in each individual submarket, are analysed in an attempt to highlight possible trends which might help explain the greater competitiveness of foreign producers, and to help find a more defensible position in the market, for Irish producers. It should be noted that all values given are at constant prices, using the Wholesale Price Index (CSO.1991).

6.2 Intra Community Trade.

A number of reports have suggested that, unlike the situation in

other 'developed' countries, the Irish clothing industry is not being subjected to fierce international low cost competition, (for a discussion on low cost competition see Chapter 3, sections 3.2 and 3.5) According to the 1989 European Report, (Dept. of the Taoiseach:p 8), the vast bulk of clothing imports came from industrialised countries i.e., 80% of imports came from fellow EC countries, with 44% of these being imported from the UK. Leading Asian countries including China, Hong Kong, Indonesia, Japan, South Korea, and Taiwan, supplied a total of only 6.6% of clothing imports.

In its 1989 Report, The Apparel Industry Federation, (AIF:p 9), highlighted the fact that despite the high import penetration of the overall domestic clothing market, the portion of these imports accounted for by the less developed countries remained remarkably low, at about 10% of the total clothing imports. The Report added, that in the context of the EC, this situation is noteworthy as it runs counter to the trend which is being experienced by other member states. It also notes that a marked feature of the European industry in recent years has been a rapid increase in competition from the less developed countries. The AIF surmised that Ireland's relatively low rate of import penetration, from low cost countries can be explained by reference to the way in which trade in clothing products is regulated under the Multi Fibre Arrangement, (see Appendix E). However, it should be noted that the MFA offers little protection against the imports from other EC member states, and it is within this intra community trade that the Irish clothing manufacturer

appears unable to develop sustainable competitive advantages.

A body of opinion exists within the Irish clothing industry which holds that significant quantities of clothing imports, labelled as originating in EC countries, are actually redirected imports from low cost countries. Further, they argue that these garments are imported into member States, using the State's own low cost import quota. The garments are then 'relabelled' and redirected to other member states of the EC., such as Ireland. In reply to this argument the Sectoral Consultative Committee (Report 1983:PP 80-90) stated, that it would be unrealistic to suggest or assume that abuses of trading agreements do not take place. However assumptions about wide spread abuse in this aspect of trade would appear prima facie to be unlikely, apart altogether from the fact that no hard evidence has been produced in support of the argument

The Report adds that, firstly, documentation requirements for intra community trading are stringent. Secondly, the more pertinent consideration affecting the alleged abuses of indirect imports, is that these imports are permissible under EC law within the constraints of Articles 9 and 10 of the Treaty of Rome. Thus it is not necessary for producers or traders in other EC member states to relabel low cost goods validly imported into those states in order to gain access for these goods to the Irish market, unless Ireland had been granted permission to refuse such indirect imports, under the Multi Fibre Arrangement, (MFA, see Appendix E).

The Sectoral Consultative Committee concluded; it is notable that the clothing industry while complaining of abuses has taken no initiatives to restrain the alleged low cost indirect imports from MFA countries under the terms of Article 15 of the Rome Treaty. Any initiative on this front has been taken by Government Departments with no input from the manufacturing sector.

6.3 Women's & Girls' Outer Wear Imports

Between 1980 and 1987 the overwhelming bulk of imports of women's and girls' outer wear came from fellow EC member states. In 1980 the EC accounted for 81% of all imported women's and girls' outer apparel, by 1987 following a slowly decreasing trend it accounted for 75% , (see Table. 6.1) .These figures are in keeping with the situation in the whole clothing industry where approx. 80% of imports originated in other EC member states, (European Report 1989:pp 7-9). This is not to suggest that the remaining imports originated in low cost countries, the AIF (1989:p 9) estimated that only 10% approx. of clothing imports came from non EC low cost countries, and by implication the remaining 10% must have originated in non EC industrialised countries. A distinction should be made between non EC low cost countries and those EC member states which are generally considered to be low cost countries such as, Portugal and Greece. Further, it should be noted that 'low' cost and 'high' cost countries are relative terms and as such Chapter 7 examines these terms in the context of the EC .

TABLE 6 1

ORIGINS OF IMPORTED WOMENS & GIRLS OUTERWEAR (%)

	1980	1981	1982	1983	1984	1985	1986	1987	Total
EC	81	78	78	77	76	78	77	75	77
UK	66	58	57	57	56	58	54	54	57
OTHER	19	22	22	23	24	22	23	25	23
EC-UK	15	20	21	20	20	20	23	21	21

(OTHER = Total imports less imports from EC.)

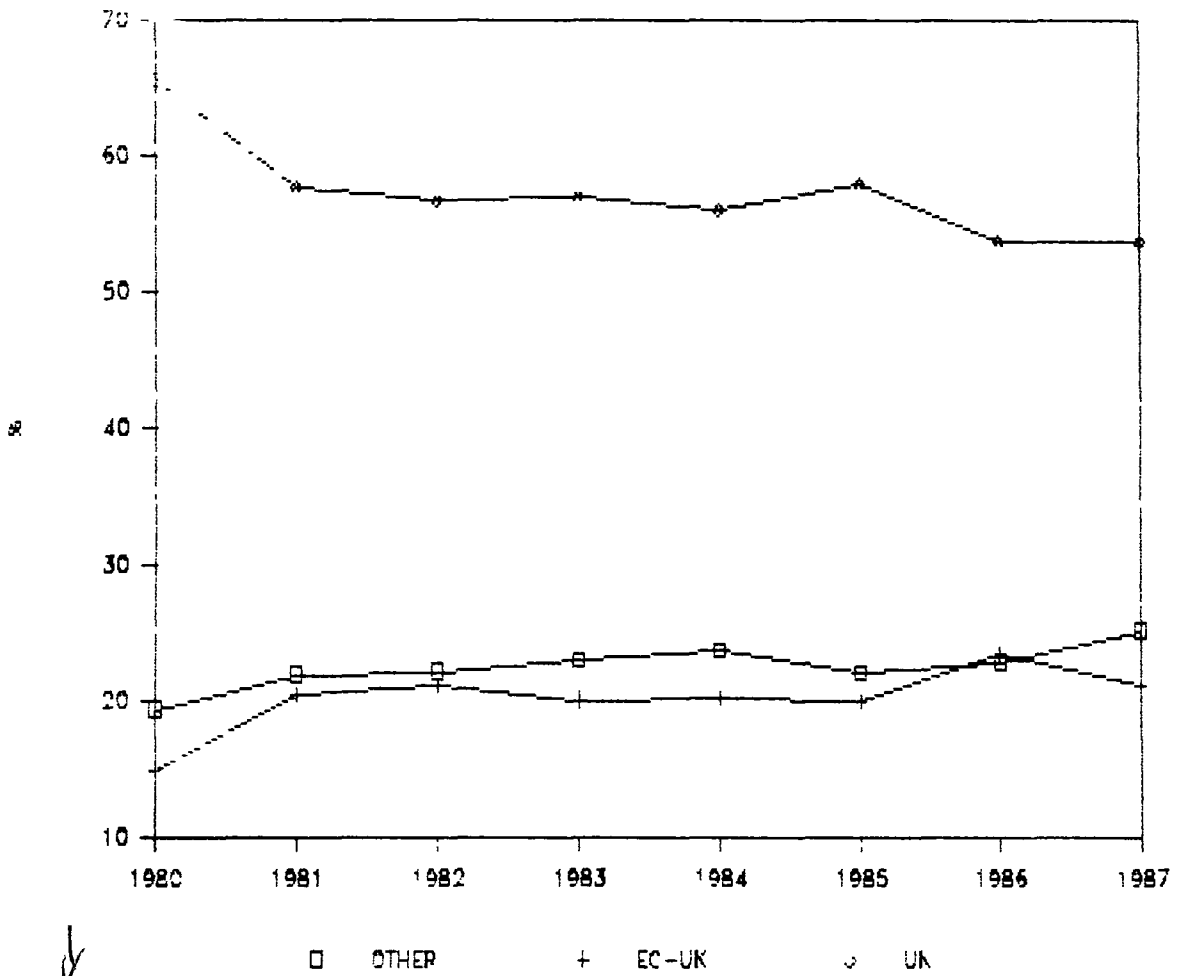
Source. CSO, Annual Census of Industrial Production 1980-1987, and Annual Trade statistics 1980-1987.

If imports of womens and girls outer wear from the UK are extracted from the EC figures it can be seen that the majority of the EC imports originated in the UK, (see Fig. 6.1). In 1980 the UK accounted for 66% of all women's and girls' outer wear, which was 22% higher than the level of imports for all clothing from the UK. While the EC minus the UK, accounted for 15% with the rest of the world accounting for 19%.

By 1987 the UK share of the imported market had decreased to 54% with the EC minus the UK, and the rest of the world, accounting for 21% and 25% respectively. As can be seen from Fig. 6.1 the principal decline in imports from the UK can primarily be accounted for in the performance of two separate years i.e. 1981 and 1986 where the UK share of the import market declined by 8% and 4% respectively.

FIGURE 6.1

IMPORTS: WOMENS & GIRLS OUTER APPAREL %



SOURCE: TABLE 6.1

The trend in imports from the EC minus the UK and from the rest of the world was increasing slightly with the rest of the world maintaining a larger share of the import market. However, throughout the entire period the UK remained totally dominant and actually accounted for 57% of all imported women's and girls' outer wear, between 1980 and 1987. Given the concern expressed by Irish clothing manufacturers regarding relabelled and redirected low cost imports from outside the EC and the virtual dismissal of such concerns by the Sectoral Development, (see section 6.2), it is necessary to examine the possibility that a significant level of import penetration originated in the 'lower' cost member states of the EC, (for cost comparisons of EC member states see Chapter 7)

The following examination of imports from lower and higher cost EC member states is not intended to be a definitive analysis of intra community trade within the clothing market of the EC. Such an analysis, though no doubt worthwhile, lies outside the framework of this study. The examination is intended to give no more than an indication as to whether the higher cost member states and lower cost member states found that their relative cost positions impeded or enhanced their performance on Ireland's domestic market for women's and girls' outer wear. Consistent with the intention of this examination, i.e. to give an indication rather than a definitive conclusion, the following countries were selected, Germany, which is the EC's leading economy, and representative of the higher cost member states, and Greece and Portugal, which are two of the least developed of the EC's

economies and representative of the lower cost member states. It should be noted that Greece joined the EC in 1981 and Portugal joined the EC in 1986.

In 1980 Germany accounted for 4% of all imports of womens and girls outer apparel, this market share increased consistently to reach 12% in 1986, falling back to 10% in 1987, (see Fig 6.2). Portugal accounted for 0.3% of imported market share in 1980 and less than 2% in 1987, while Greece accounted for 0.07% in 1980 and 0.75% in 1987

TABLE 6.2

TOTAL IMPORTS SHOWING VARIOUS COUNTRIES % SHARE								
1980	1981	1982	1983	1984	1985	1986	1987	
GER	4.05	6.63	8.19	9.43	10.59	11.13	12.05	9.97
GRE	0.07	0.19	0.29	0.19	0.49	0.66	0.58	0.75
POR	0.30	0.28	0.54	1.11	1.22	1.12	1.37	1.77

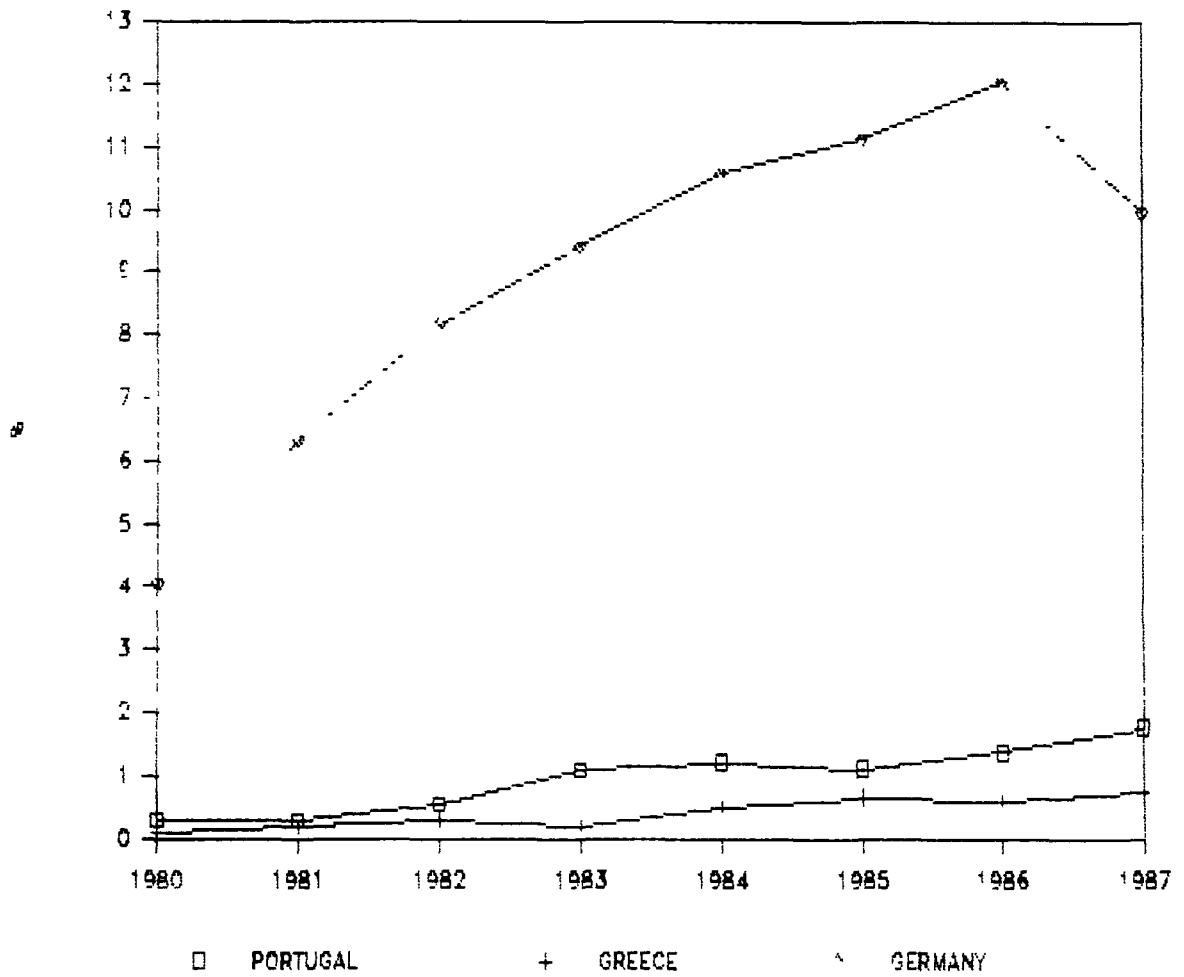
(GER = Germany, GRE = Greece, POR = Portugal)

Source: CSO, Annual Census of Industrial Production 1980-1987, and Annual Trade statistics 1980-1987.

The strong performance of Germany would seem to indicate that higher cost was not a significant competitive cost disadvantage in the Irish market for womens and girls outer apparel, while the performance of Portugal and Greece does not appear to indicate that lower costs were a significant competitive advantage

FIGURE 6.2

% SHARE OF TOTAL IMPORTS



SOURCE: TABLE 6.2

6.4 SKIRT MARKET IMPORTS

Between 1980 and 1987 the imported skirt market increased in importance, i.e. as a percentage of the overall market for imported women's and girls' outer wear, in 1980 it accounted for 13% of the women's and girls' outer apparel market, by 1987 this had increased to 18%, (see Table 6.3).

TABLE 6.3

ALL IMPORTS OF WOMEN'S AND GIRLS' OUTER WEAR: SHOWING
% SHARE HELD BY GARMENT TYPE.

	1980	1981	1982	1983	1984	1985	1986	1987	TOTAL
JCK	22.8	20.9	19.8	19.3	18.6	19.8	22.8	21.9	20.7
SUT	7.9	9.3	7.2	7.3	7.8	9.1	9.7	10.4	8.7
DRS	31.2	28.7	28.4	28.2	26.3	25.2	17.9	16.3	24.4
SKT	13.4	13.7	14.6	15.4	15.6	14.9	15.8	17.6	15.4
BLS	24.7	27.4	30.0	29.8	29.7	31.0	33.8	33.8	30.8
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(TOTAL= % of total imports for period, JCK = Coat & Jackets,
SUT = Suit & Costumes, DRS = Dresses, SKT = Skirts, BLS = Blouses)

Source: CSO, Annual Census of Industrial Production 1980-1987,
and Annual Trade statistics 1980-1987.

The value of skirts imported from outside of the EC was minimal,

in 1980 the EC accounted for 96% of all imported skirts by 1987 this share had declined slightly to 93%. When the imports from the UK are extracted from the EC figures it can be seen that the bulk of the EC skirts actually came from the UK, (see Table 6.4). In 1980 the UK alone accounted for 77% of all imported skirts, and consistent with a slow but steady decline, the UK held a 60% share of the imported skirt market in 1986, recovering somewhat in 1987 to a 63% share, (see Fig. 6.3).

TABLE 6.4

ORIGIN OF SKIRT IMPORTS (%)

	1980	1981	1982	1983	1984	1985	1986	1987
EC	95.9	94.2	93.4	90.7	90.8	93.0	93.8	92.6
UK	76.7	69.5	67.3	66.9	66.2	64.4	60.3	63.1
OTHER	4.1	5.8	6.6	9.3	9.2	7.0	6.2	7.4
EC-UK	19.2	24.7	26.1	23.8	24.6	28.6	33.5	29.5

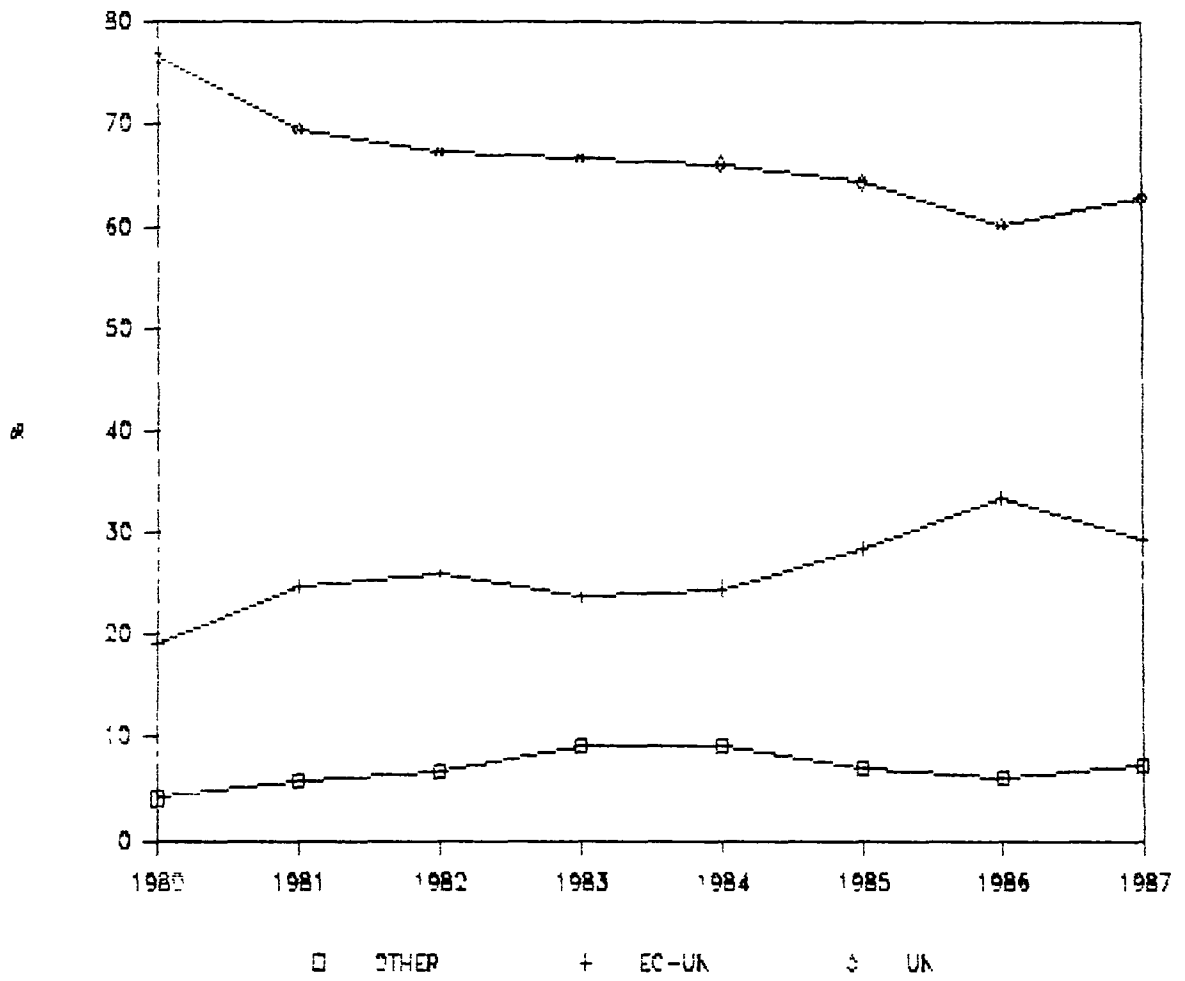
(OTHER = Total imports less imports from EC.)

Source: CSO, Annual Census of Industrial Production 1980-1987, and Annual Trade statistics 1980-1987.

The share held by the EC minus the UK showed a trend of slow increase between 1980 and 1986 rising from 19% to 34% respectively, then falling back to a 30% share of the imported skirt market. The import rates for skirts from the EC minus the UK, and the UK,

FIGURE 6.3

ORIGIN OF SKIRT IMPORTS %



SOURCE: TABLE 6.4

itself were consistently higher than the comparable overall rate of imports for all womens and girls outer apparel, (see section 6.3). Imported skirts from the rest of the world which includes, non EC industrialised countries and low cost countries, only accounted for 7% of imported skirts, for the entire period. This indicates that the rate of low cost imported skirts from non EC countries, was below the overall rate of low cost imported clothing from non EC countries, estimated by the AIF to be 10%, of all clothing imports (see section 6.2).

If the EC figures are broken down further it can be seen that the higher cost countries, represented by Germany's strong performance showed no indication of being at a competitive disadvantage (see Fig 6.4). In 1980 Germany accounted for 10% of all imported skirts, by 1986 this market share had risen to 19%, then falling back to a 16% share of the imported skirt market in 1987, (see table 6.5).

TABLE 6.5

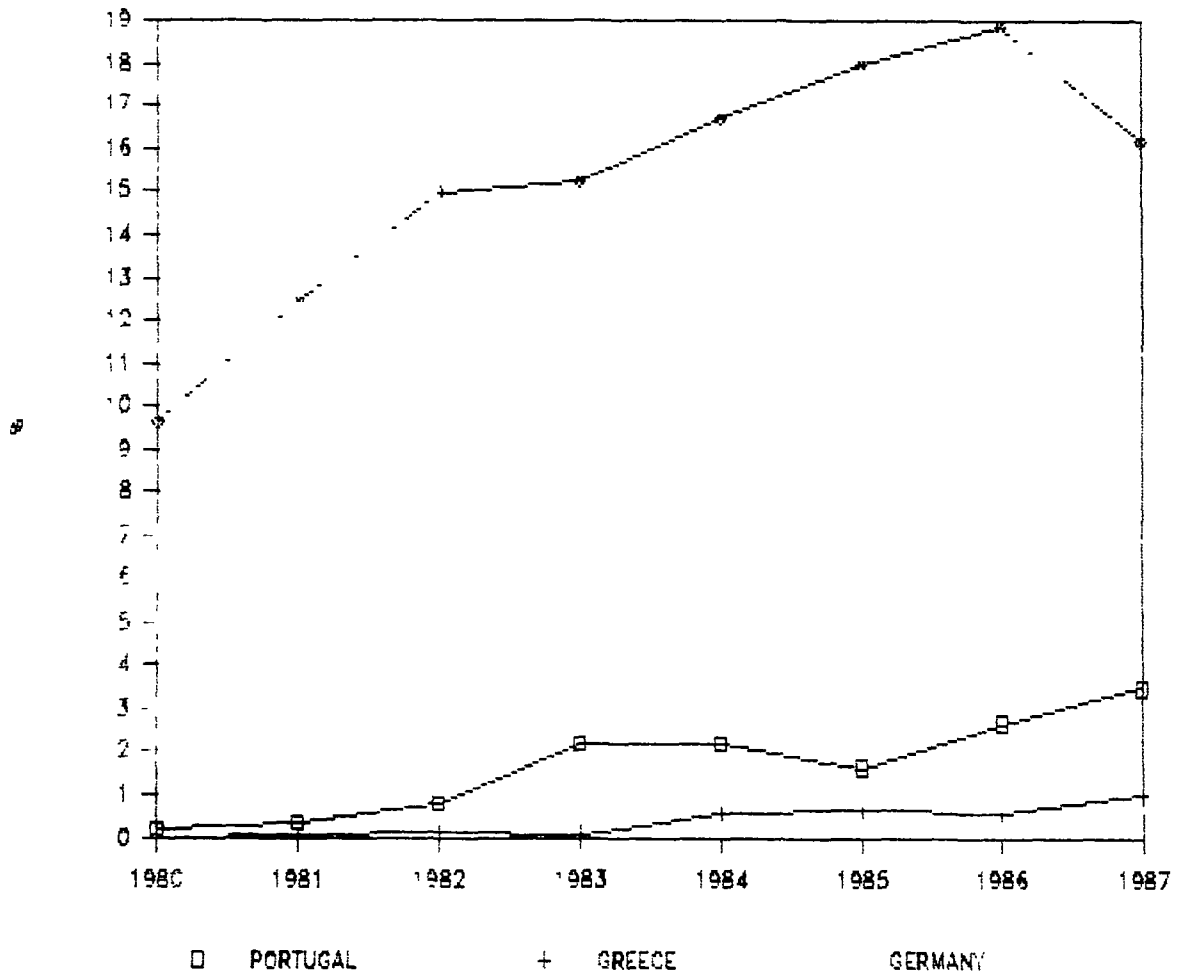
	SKIRT IMPORTS			SHOWING VARIOUS COUNTRIES % SHARE				
	1980	1981	1982	1983	1984	1985	1986	1987
GER	9.64	12.48	15.00	15.24	16.76	18.02	18.88	16.23
GRE	0.00	0.05	0.11	0.08	0.58	0.62	0.55	0.99
POR	0.18	0.32	0.80	2.20	2.19	1.63	2.67	3.49

(GER = Germany, GRE = Greece, POR = Portugal)

Source: CSO, Annual Census of Industrial Production 1980-1987, and Annual Trade statistics 1980-1987.

FIGURE 6.4

% SHARE SKIRT IMPORTS



SOURCE: TABLE 6.5

On the other hand, although Portugal substantially increased its market share in 1983 to 2% , rising to over 3% in 1987 there is no clear indication from market share that the lower cost countries of the EC, represented by Greece and Portugal had a significant competitive advantage in the Irish skirt market. At no stage did the Greek share of the imported skirt market reach 1% .

6.5 BLOUSE MARKET IMPORTS

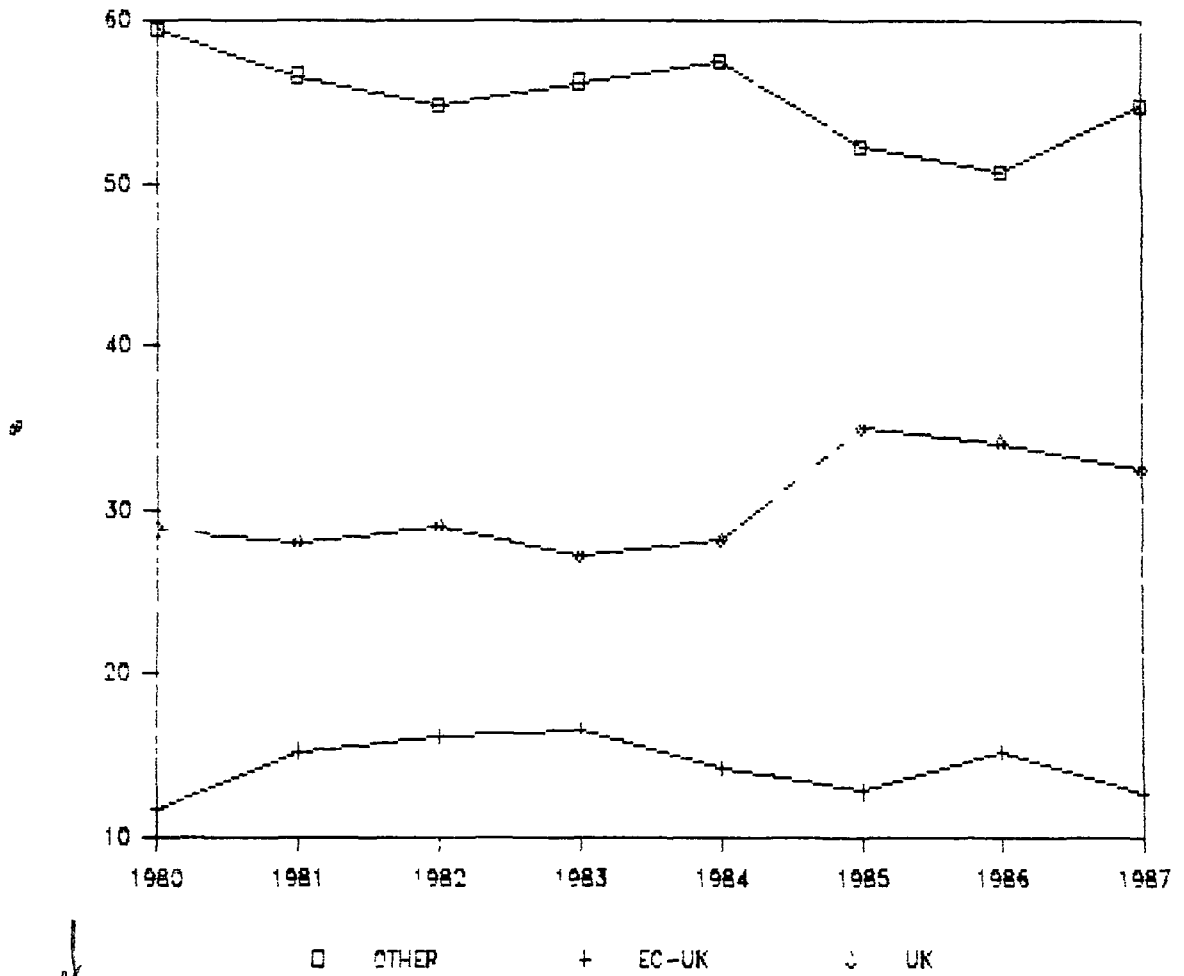
Between 1980 and 1987 blouse imports were substantially higher than the imports of the other four garments under analysis, for the overall period imported blouses accounted for 31% of all imported womens and girls outer apparel. In 1980 blouses accounted for 25% of imported garments by 1987 this had risen to 34% (see Table 6.3)

Blouse imports can also be differentiated from the other four garment types by the fact that the bulk of blouse imports came from non EC states. In 1980 the rest of the world, accounted for 60% of all blouse imports, this declined to a low of 51% in 1986 before recovering to 55% of all imported blouses in the following year, (see Fig.6.5). Such a large market share gives considerable leeway for a sizable portion of imported blouses to come from non EC low cost countries. Such low cost blouse imports could well exceed the overall AIF estimate of 10% of all clothing imports coming from non EC low cost countries.

The UK however still had the largest share of the import market , in that it accounted for the greatest value of imported blouses

FIGURE 6.5

ORIGIN OF BLOUSE IMPORTS %



SOURCE: TABLE 6.6

from an individual country of origin. In 1980 the UK accounted for 29% of all imported blouses, this import level remained relatively stable hovering just below the 30% rate, until 1985 when it increased to a 35% import market share, falling back to 33% by 1987. The EC minus the UK, took the smallest share of the imported blouse market. In 1980 it accounted for 12% of all imported blouses, by 1987 this had risen slightly to 13%, having reached a high of 17% in 1983, (see Table 6.6).

TABLE 6.6

ORIGIN OF BLOUSE IMPORTS (%)

	1980	1981	1982	1983	1984	1985	1986	1987
EC	40.5	43.3	45.2	43.7	42.4	47.8	49.2	45.2
UK	28.9	28.1	29.1	27.2	28.2	35.0	34.1	32.5
OTHER	59.5	56.7	54.8	56.3	57.6	52.2	50.8	54.8
EC-UK	11.6	15.3	16.1	16.5	14.2	12.8	15.1	12.7

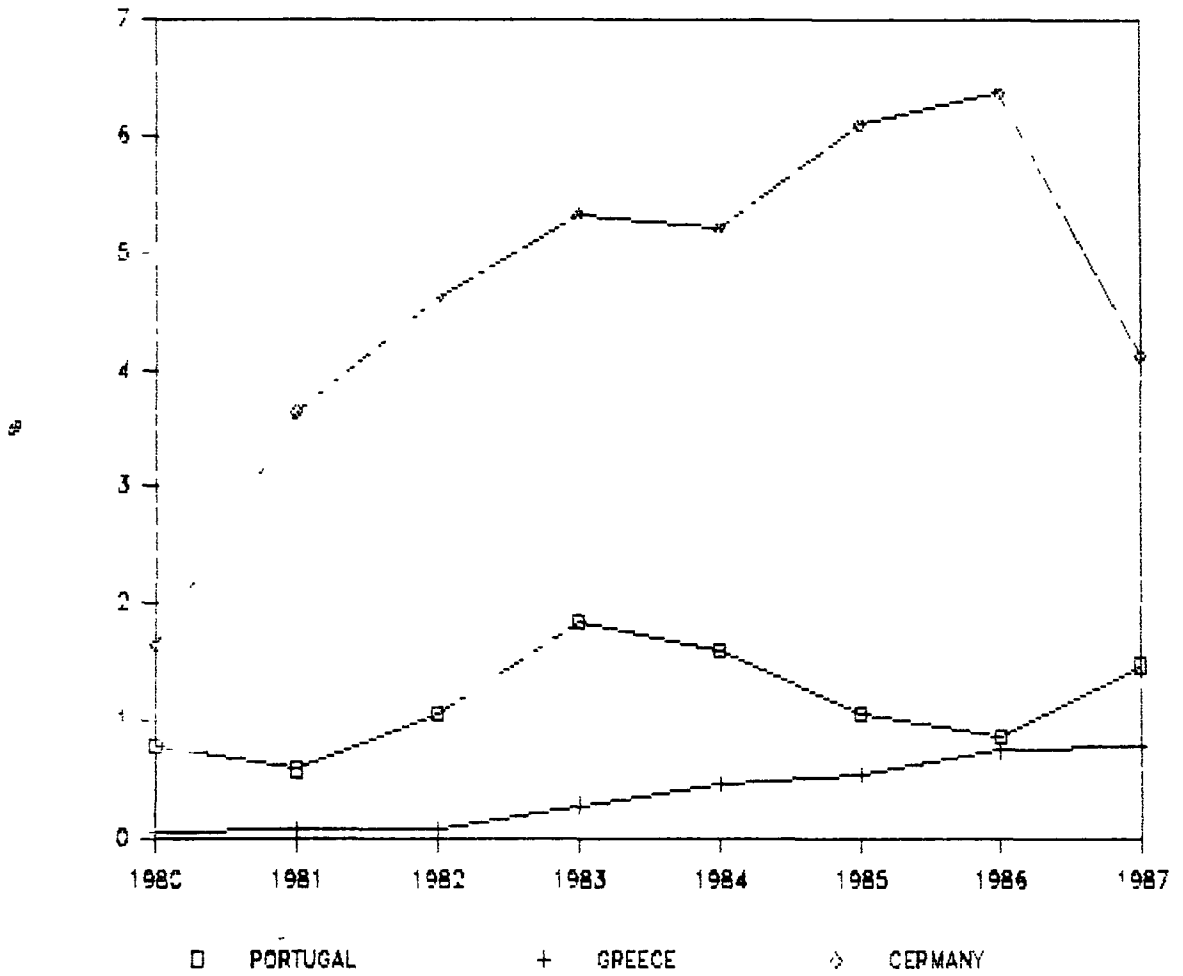
(OTHER = Total imports less imports from the EC.)

Source: CSO, Annual Census of Industrial Production 1980-1987, and Annual Trade statistics 1980-1987

Of the higher cost and lower member states, the former being represented by Germany and the latter by Portugal and Greece, it can be seen from Fig. 6.6 that Germany took the lions share of imports from the EC minus the UK. Therefore it can be argued that

FIGURE 6.6

% SHARE BLOUSE IMPORTS



SOURCE: TABLE 6.7

higher costs did not operate as a significant competitive disadvantage to intra community trade on the Irish blouse market. However due to the limitations and objectives of this study such an argument cannot be substantiated in relation to the considerable import of blouses from non EC countries.

In 1980 Germany accounted for 2% of all imported blouses rising to over 6% in 1986 before falling back to 4% in 1987, (see Table 6.7). While this import market share is not particularly large it is still considerably larger than the market share held by Portugal and Greece.

TABLE 6.7

	BLOUSE IMPORTS SHOWING VARIOUS COUNTRIES % SHARE								
	1980	1981	1982	1983	1984	1985	1986	1987	
GER	1.65	3.65	4.63	5.32	5.21	6.10	6.37	4.12	
GRE	0.03	0.07	0.07	0.27	0.46	0.53	0.74	0.78	
POR	0.78	0.58	1.05	1.84	1.59	1.05	0.86	1.47	

(GER = Germany, GRE = Greece, POR = Portugal)

Source: CSO, Annual Census of Industrial Production 1980-1987, and Annual Trade statistics 1980-1987

In 1980 Portugal's share of Ireland's imported blouse market was less than 1%. It increased to a high of just less than 2% in 1983, before falling back to less than 1% in 1986 and 1987. At

no stage did blouse imports from Greece reach 1% of the imported market.

6.6 DRESS MARKET IMPORTS

In 1980 dress imports accounted for 31% of all imports of women's and girl's outer wear. This market share declined steadily to 25% in 1985, before dropping to 18% and then 16% in 1986 and 1987 respectively, (see Table 6.3).

Similar to the situation in the imported skirt market, the EC accounted for the overwhelming portion of dress imports. In 1980 the EC held a 94% share of Ireland's imported dress market and by 1987 this share had only marginally declined to 93%. During the seven year period the EC accounted for 94% of all dresses imported into Ireland.

Following the trend in all imports of women's and girls' outer apparel, the UK accounted for the majority of EC dress imports, (see Table 6.8). In 1980 the UK held a 79% share of the imported dress market which was thirteen percentage points above the comparative rate for all imports of women's and girls' outer apparel. By 1987 the UK's market share had declined to 69% of the imported dress market but still remained thirteen percentage points above the comparative rate for all imports.

TABLE 6 8

ORIGINS OF DRESS IMPORTS (%)

	1980	1981	1982	1983	1984	1985	1986	1987
EC	94.4	92.3	93.3	94.1	94.6	94.4	95.0	92.9
UK	78.9	69.2	70.9	74.0	73.5	73.4	70.7	69.3
OTHER	5.6	7.7	6.7	5.9	5.4	5.6	5.0	7.1
EC-UK	15.5	23.0	22.5	20.1	21.2	20.9	24.3	23.6

(OTHER = Total imports less imports from the EC)

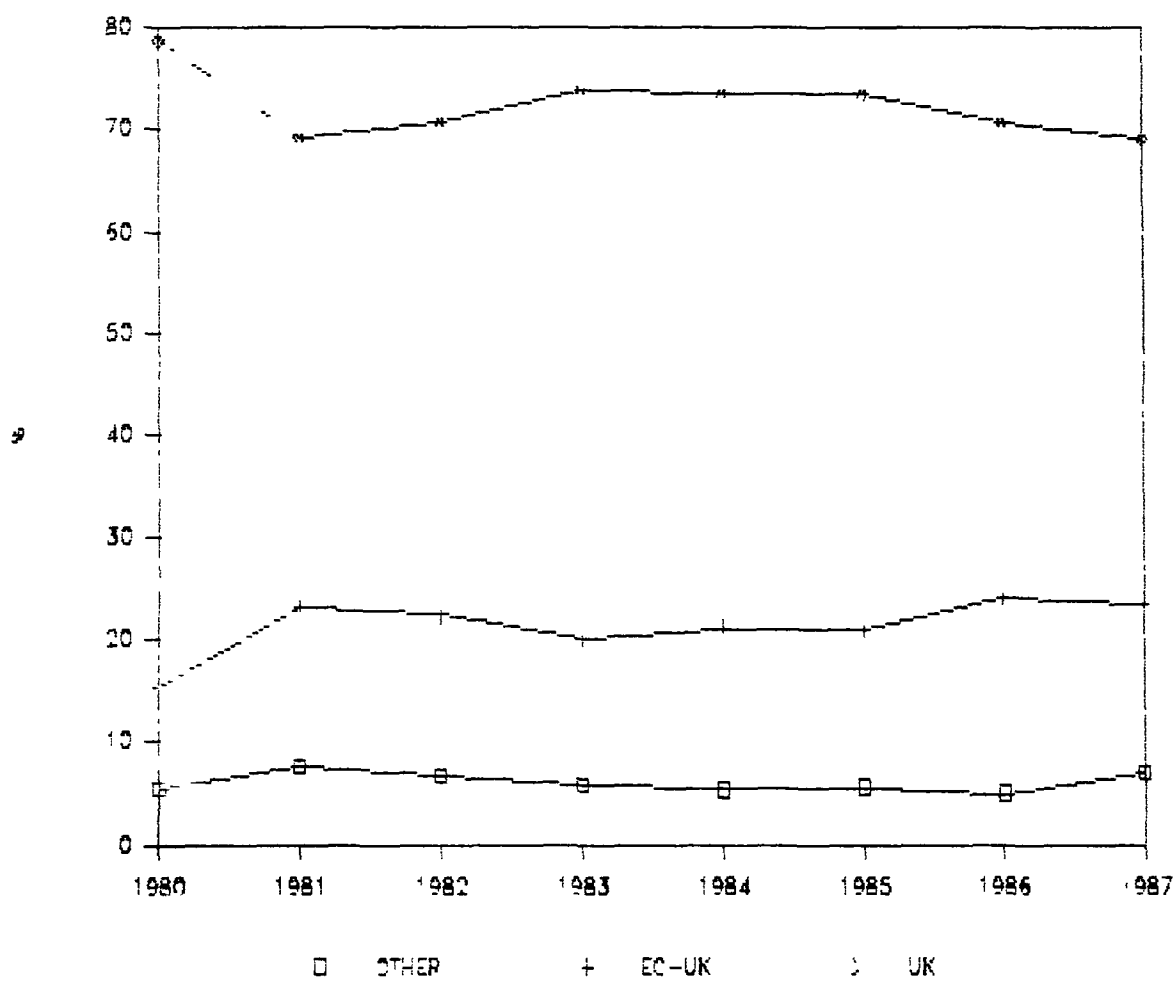
Source: CSO, Annual Census of Industrial Production 1980-1987, and Annual Trade statistics 1980-1987

The most significant decline in the UK share of the imported dress market occurred in 1982 when it lost 10% market share, primarily to fellow EC member states, who increased their market share from 16% in 1980 to 23% in 1982. However following this gain the EC minus the UK market share remained fairly stable, and in 1987 it accounted for 24% of all imported dresses (see Fig.6.7).

The share of the imported dress market held by non EC countries remained between 5% and 8%. In 1980 they accounted for 6% of all imported dresses, rising to a high of 8% in 1981, before declining very slowly to a 5% market share in 1986, and then recovering a little to a 7% market share in 1987. This would appear to indicate that the AIF (1989) estimate that 10% of clothing

FIGURE 6.7

ORIGIN OF DRESS IMPORTS %



SOURCE: TABLE 6.8

imports come from low cost non EC countries is not applicable to dress imports, Between 1980 and 1987 the rest of the world accounted for 6% of all imported dresses, this figure also includes imports from non EC industrialised countries

In further analysis of the market share held by the EC minus the UK, it can be deduced that the lower cost member states represented by Portugal and Greece had little or no impact on Irelands dress market, (see Fig. 6.8), the exception being 1987, when Portugal accounted for a little over 1% of all imported dresses. Neither country exceeded a 1% market share, (see Table 6.9).

TABLE 6.9

DRESS IMPORTS : SHOWING VARIOUS COUNTRIES % SHARE

	1980	1981	1982	1983	1984	1985	1986	1987
GER	2.12	5.41	6.84	9.60	12.26	12.22	13.56	12.75
GRE	0.14	0.48	0.78	0.22	0.25	0.49	0.39	0.40
POR	0.10	0.09	0.20	0.70	0.59	0.25	0.86	1.06

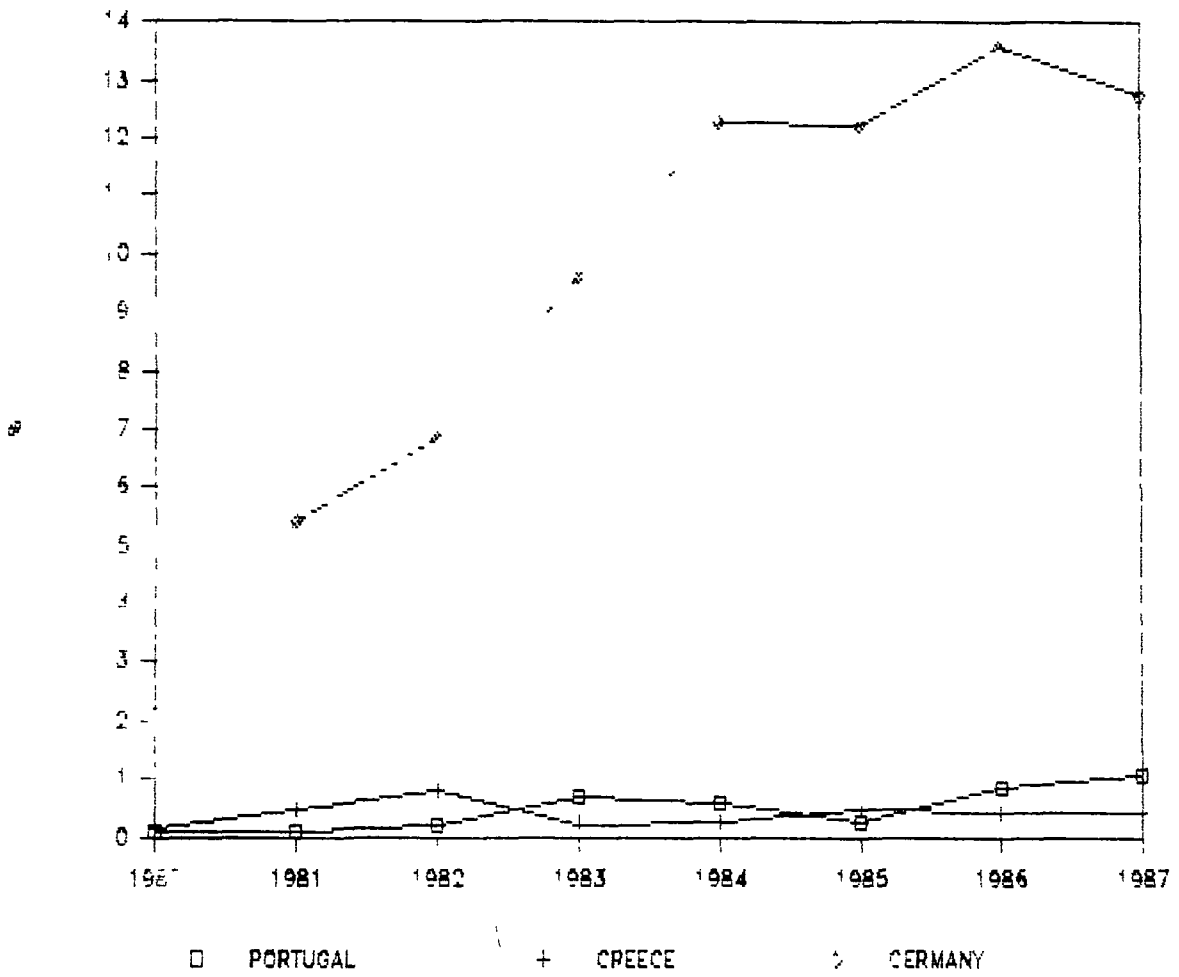
(GER = Germany, GRE = Greece, POR = Portugal)

Source: CSO, Annual Census of Industrial Production 1980-1987, and Annual Trade statistics 1980-1987.

The same is not true of Germany which accounted for 2% of all imported dresses in 1980, rising to a high of 14% in 1986 before following the overall trend of imports from the EC and falling back to 13% in 1987.

FIGURE 6.8

% SHARE DRESS IMPORTS



SOURCE: TABLE 6.9

The deduction can be made that Germany's higher costs were not a significant enough competitive disadvantage to impede its strong performance in the Irish dress market, and that the cost advantage held by Portugal and Greece was not sufficient to improve their performance on the Irish dress market.

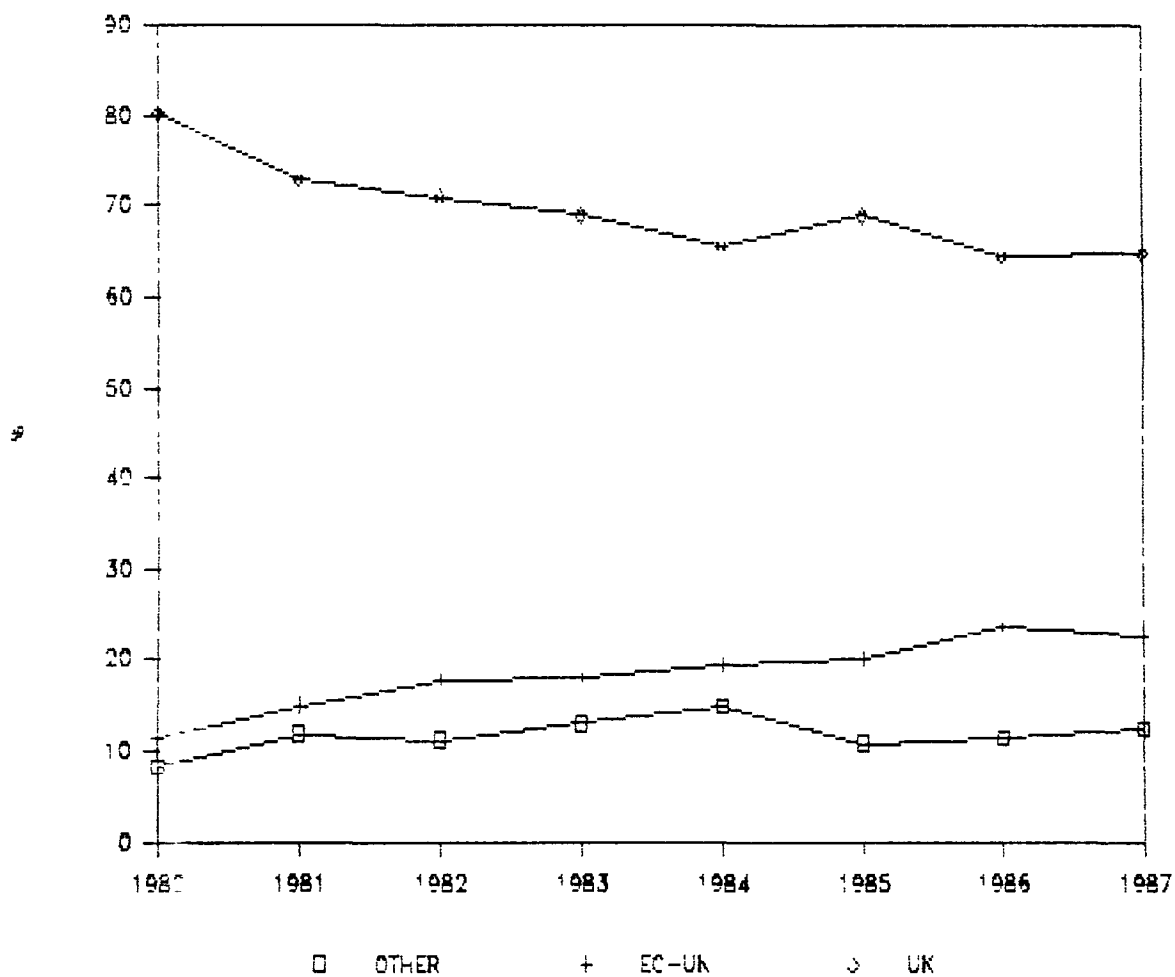
6.7 COAT AND JACKET MARKET IMPORTS

During the period 1980 to 1987 imports of coats and jackets accounted for 21% of all imports of women's and girls' outer wear. In 1980, 23% of imported women's and girls' outer apparel were attributable to coats and jackets, this share fell to a low of 19% in 1984 and then recovered to 22% in 1987, (see Table 6.3). During the period of analysis the EC accounted for 88% of all coat and jacket imports. In 1980, 92% of all imported coat and jackets originated in the EC, by 1987 this share of imported coat and jackets had declined to 88%, (see Table 6.10).

Not surprisingly the UK accounted for the bulk of EC coat and jacket imports, however the UK share of the market declined considerably between 1980 and 1987, losing 15% of the market primarily to fellow EC member states, (see Fig. 6.9). In 1980 the UK held 80% of all coat and jacket imports, this share declined yearly, with the exception of 1985, to a 65% import market share. Overall the UK accounted for 69% of all imports of coats and jackets into Ireland between 1980 and 1987.

FIGURE 6.9

ORIGINS OF COAT & JACKET IMPORTS %



SOURCE: TABLE 6.10

TABLE 6.10

ORIGINS OF COAT & JACKET IMPORTS (%)

	1980	1981	1982	1983	1984	1985	1986	1987
EU	91.7	88.0	88.8	86.9	85.2	89.1	88.5	87.6
UK	80.4	73.0	71.0	68.9	65.8	69.0	64.7	65.0
OTHER	8.3	12.0	11.2	13.1	14.8	10.9	11.5	12.4
EC-UK	11.3	15.1	17.7	18.0	19.4	20.1	23.8	22.6

(OTHER = Total imports less imports from the EC)

Source: CSO, Annual Census of Industrial Production 1980-1987, and Annual Trade statistics 1980-1987

The EC minus the UK, share of the imported market sector gradually increased from 11% in 1980 to 24% in 1986, before declining slightly to 23% in 1987. Imports of coats and jackets from the rest of the world also increased between 1980 and 1987, although at a slower and more uneven rate. In 1980 the rest of the world accounted for 8% of the imported market sector, this share rose to a high of 15% in 1984, declined to 11% the following year before gradually increasing to 12% in 1987. During the 8 year period imports of coats and jackets from the rest of the world accounted for 12% of all coat and jacket imports.

It would appear, on the evidence of Germany's performance, that within the imports from the EC minus the UK, higher cost did not operate as a significant competitive disadvantage for higher cost

member states, (see Fig. 6 10).

TABLE 6.11

COAT & JACKET : IMPORTS SHOWING VARIOUS COUNTRIES % SHARE

	1980	1981	1982	1983	1984	1985	1986	1987
GER	4.89	6.49	8.65	8.28	8.77	10.38	12.68	10.98
GRE	0.05	0.09	0.13	0.16	0.72	1.01	0.63	0.95
POR	0.20	0.11	0.20	0.06	0.43	1.08	1.18	1.72

(GER = Germany, GRE = Greece, POR = Portugal)

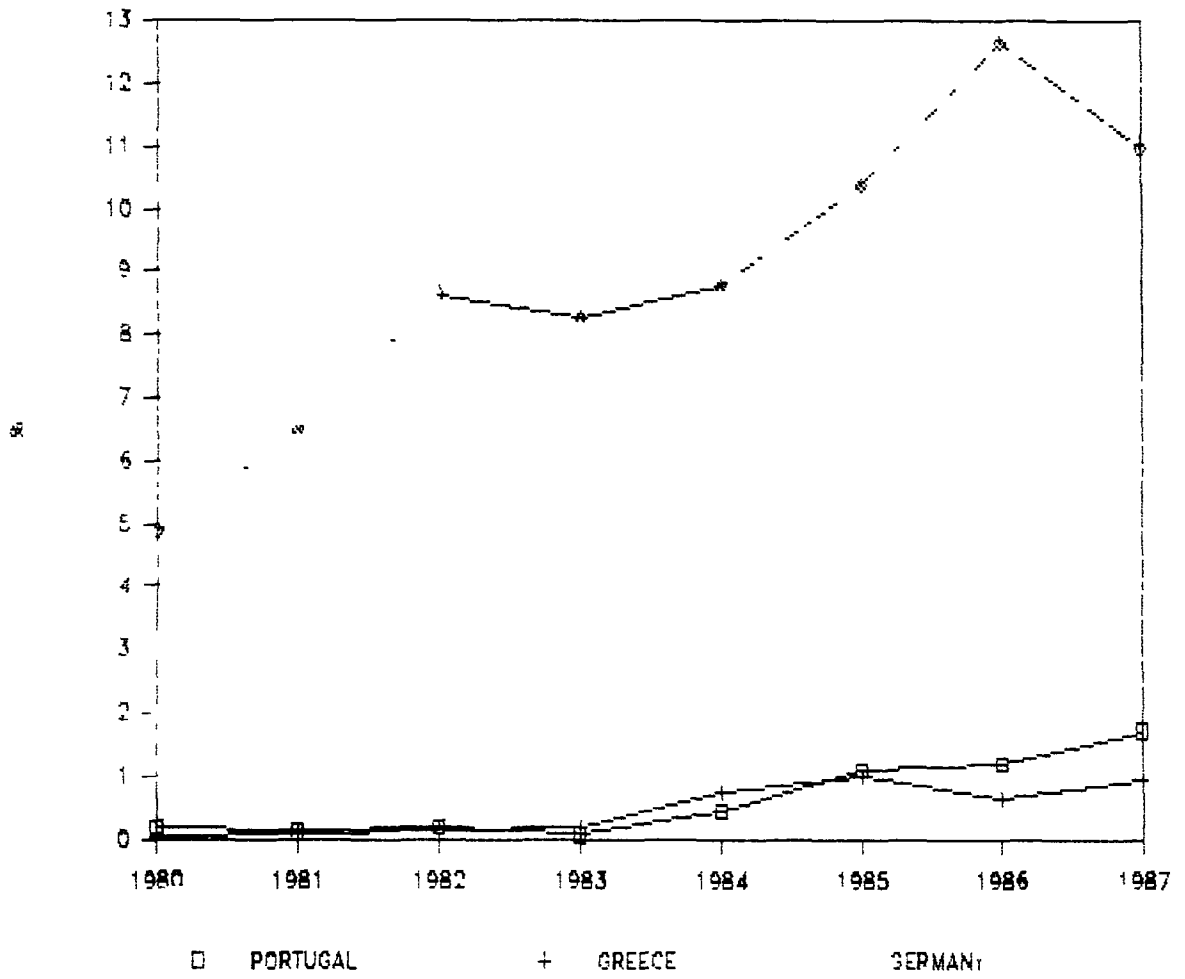
Source CSO, Annual Census of Industrial Production 1980-1987, and Annual Trade statistics 1980-1987.

In 1980 Germany accounted for 5% of all imports of coats and jackets into Ireland, by 1986 this share had increased to 13% before falling back to 11% in 1987, (see Table 6.11). It was not until 1984 that either Greece or Portugal showed any significance as countries of origin for imported coat and jackets. Following a high in 1985, the Greek share declined in 1986, before recovering a little to hold a 1% share of the imported coat and jacket market in 1987. Although Portugal experienced steady growth between 1983 and 1987, its final share of the market in 1987 was less than 2%.

Once again there is no evidence from the market share held by Greece and Portugal to indicate that lower cost was a significant

FIGURE 6.10

% SHARE COAT & JACKET IMPORTS



SOURCE: TABLE 6.11

factor in intra community competitiveness on the Irish coat and jacket market.

6.8 SUIT AND COSTUME MARKET IMPORTS

Suit and costume imports were the least significant, of the 5 garment types under analysis, accounting for a 9% share, ie. the smallest portion of all imports of womens and girls outer apparel between 1980 and 1987. In 1980 suit and costumes accounted for an 8% share, in 1987 this had increased to a 10% share of all imported womens and girls outer apparel, (see Table 6.3)

Once again the EC accounted for the greatest portion of imported suits and costumes, accounting for 89% of all suits and costumes imported between 1980 and 1987. In 1980 94% of all imported suits and costumes originated in the EC, by 1987 this share had declined to 86% of the imported market, (see Table 6.12).

TABLE 6.12

ORIGINS OF SUIT & COSTUME IMPORTS (%)

	1980	1981	1982	1983	1984	1985	1986	1987
EC	93.6	90.9	91.3	91.3	89.1	85.8	88.4	86.0
UK	67.8	58.3	56.5	59.8	56.3	58.0	54.9	59.0
OTHER	6.4	9.1	8.7	8.7	10.9	14.2	11.6	14.0
EC-UK	25.8	32.7	34.8	31.6	32.8	27.8	33.4	27.0

(OTHER = Total imports less imports from the EC)

Source CSO, Annual Census of Industrial Production 1980-1987, and Annual Trade statistics 1980-1987.

Although the UK held the largest share of imported suit and costumes it was not as overwhelmingly dominant as in the other garment sectors, excluding the blouse sector. In 1980 the UK accounted for 68% of all imported suit and costumes, this share declined unevenly to 59% in 1987, (see Fig. 6.11). The largest decline was in 1981 when the UK share dropped by ten percentage points.

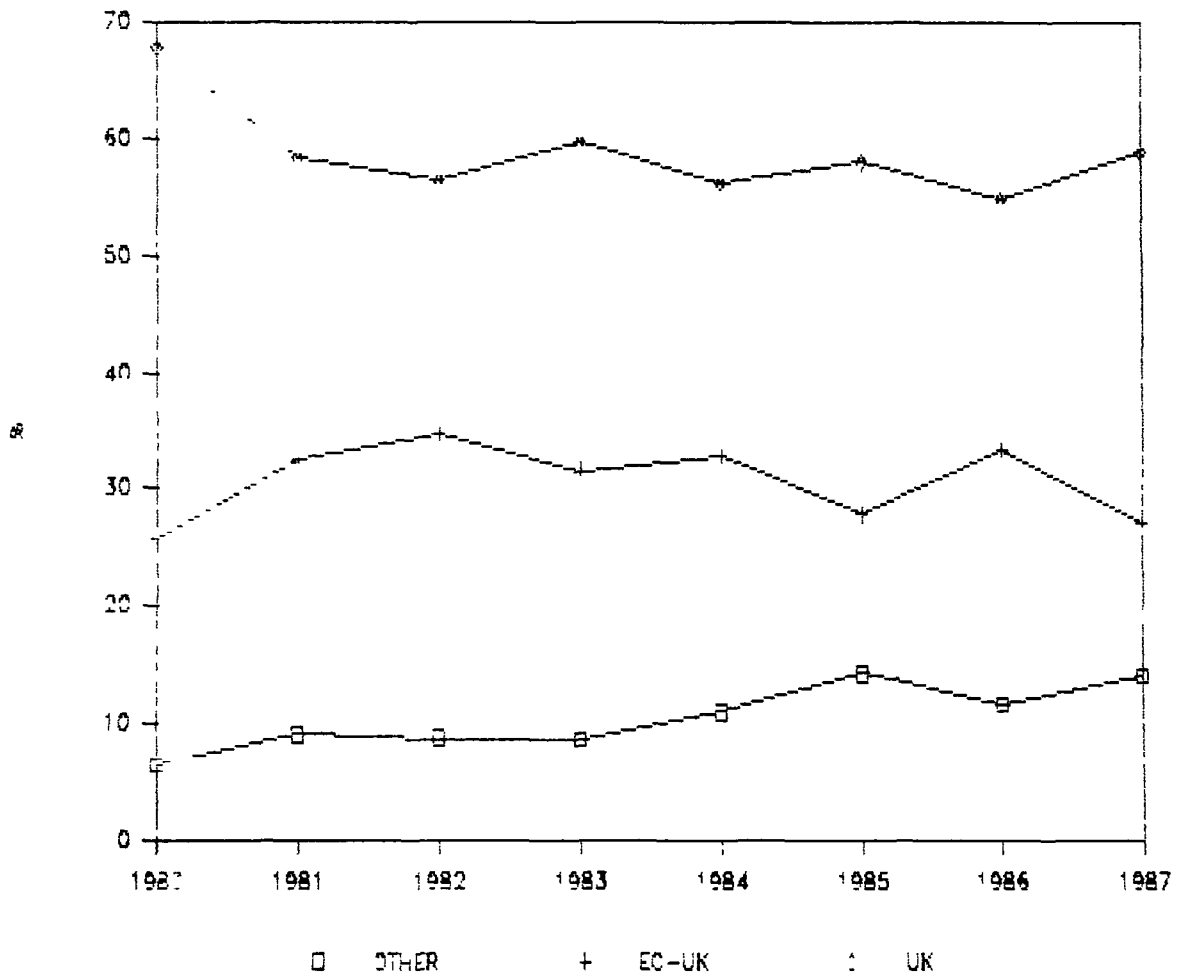
To some extent the imported market share held by the EC minus the UK, ^R mirrored the fortunes of the UK. In that, this sector appeared to make gains at the expense of the UK and also appeared to lose market share to the benefit of the UK, indicating a certain degree of direct competition or substitution [✓] in the market sector. In 1980 the EC minus the UK, accounted for 26% of all imported suit and costumes, and after some undulating this market share increased slightly to 27% in 1987. During the overall period the EC minus the UK, accounted for 31% of all imported suit and costumes.

Imports of suits and costumes from the rest of the world, showed a relatively steady and more gradual increase in the share of the imported market, from 6% in 1980 to 14% in 1987

In relation to the performance of the higher and lower cost EC member states it can be seen from Fig. 6.12 that Germany took a substantially greater portion of the imported suit and costume market than Greece or Portugal. In 1980 Germany accounted for 5% of all imported suit and costumes, in 1987 it accounted for 11%, having reached a high of 17% in 1984. The decline in market share

FIGURE 6.11

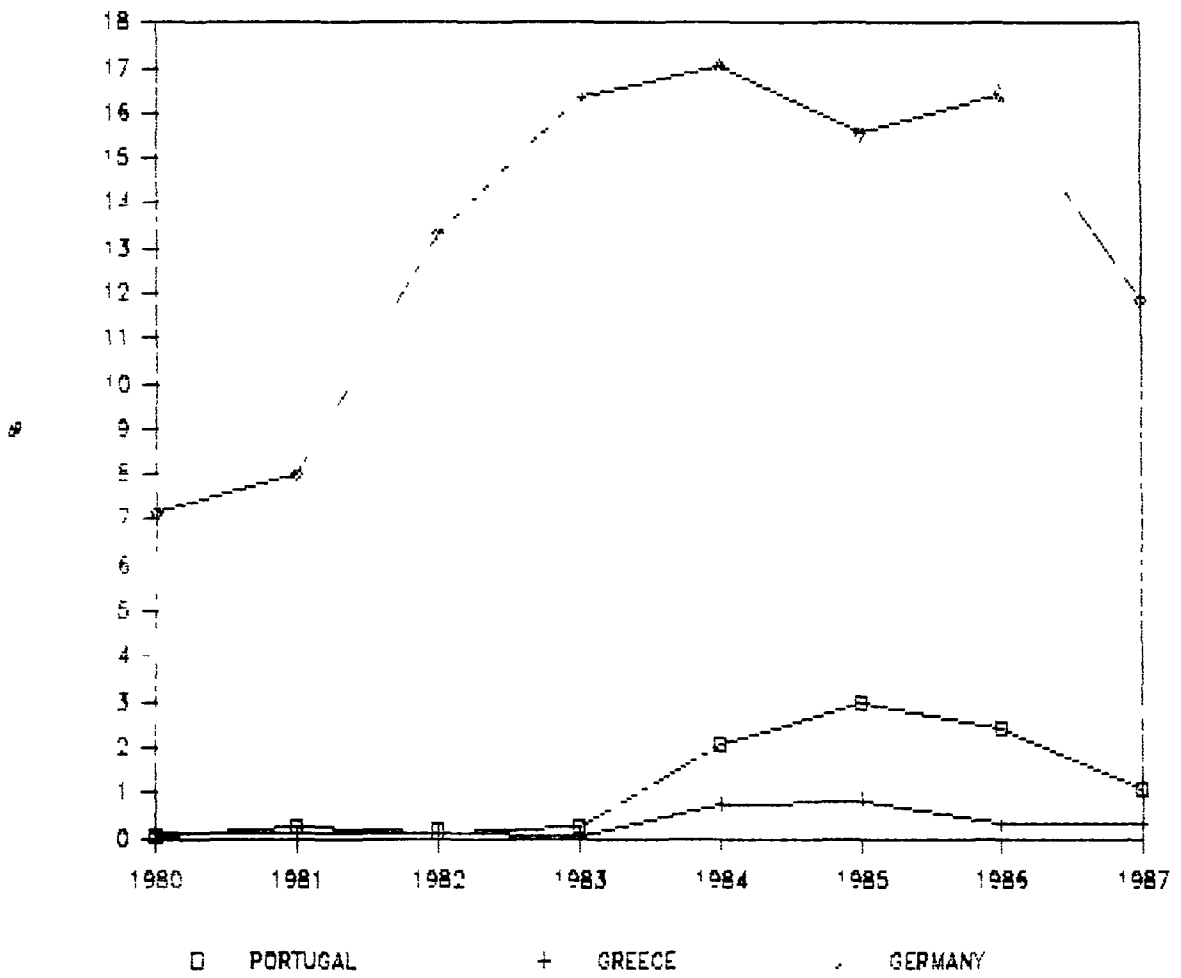
ORIGIN OF SUIT & COSTUME IMPORTS %



SOURCE: TABLE 6.12

FIGURE 6.12

% SHARE SUIT & COSTUME IMPORTS



SOURCE: TABLE 6.13

a

was the result of two separate years, 1985 when it lost over a 1% share, and 1987 when it lost over 3% of the import market share, (see Table 6.13).

Table 6.13

SUIT & COSTUME · SHOWING VARIOUS COUNTRIES % SHARE

	1980	1981	1982	1983	1984	1985	1986	1987
GER	7.19	8.04	13.31	16.37	17.04	15.54	16.44	11.85
GRE	0.11	0.09	0.14	0.04	0.74	0.84	0.29	0.34
POR	0.03	0.25	0.14	0.23	2.08	2.99	2.41	1.08

(GER = Germany, GRE = Greece, POR = Portugal)

Source CSO, Annual Census of Industrial Production 1980-1987, and Annual Trade statistics 1980-1987.

It was not until 1984 that either Greece or Portugal made any impact on the import suit and costume market. At no stage did Greece account for even a 1% share of imported suit and costumes. In 1984 Portugal held 2% of all imported suit and costumes, this rose to a high of 3% the following year and then declined to 1% in 1987.

Once again there is no evidence to indicate that lower costs enhanced the performance of Greece and Portugal on the Irish suit and costume market, or that higher costs impeded the performance

of Germany. Therefore it can be said that cost did not seem to be a significant competitive factor in intra community trade on the Irish suit and costume market.

6.9 Summary

The preceding analysis shows that a greater portion of imports, in the women's and girls' outer wear sector, originated in the EC, as compared with the imports in the clothing industry in general. Within this sector the UK accounted for approximately 5% of women's and girls' outer wear imports, and the rest of the EC accounted for approximately 21%. However the UK share was declining, albeit slowly, while the share held by the rest of the EC was increasing. It would appear that, the vast bulk of the 21% held by the EC, less the UK, originated in the higher cost member states, and Germany accounted for an increasing portion of this share. The comparative level of import penetration from the low cost and high cost EC member states, both with equal access to the Irish market, would appear to indicate that cost factors were not a dominant influence on intra community competition in the domestic market, for women's and girls' outer wear.

The analysis also shows that the country of origin for the subsector imports did not necessarily follow the import pattern for all women's and girls' outer wear. The degree of import penetration from the various countries of origin showed considerable variation in each of the subsectors. Thus implying that different competitive influences may have operated to varying degrees in

the different subsectors. Nor were the subsectors of equal importance or value , each subsectors imports accounted for considerably different shares of the import market for all womens and girls outer apparel.

Given that, between 1980 and 1987, different competitive influences operated to varying degrees in each subsector, and the value of each subsectors imports differed considerably, potential for a focus strategy is indicated. It could be argued that by pursuing such a strategy Irish manufacturers of women's and girls' outer wear may have been able to find a more defensible position in their home market vis. a vis. foreign competitors, than was the case

7.1 Introduction.

This Chapter attempts to identify underlying influences on the competitive situation which existed between the Irish clothing industry and the clothing industry of selected EC member states, during the period 1980 to 1987

The analytical approach taken, is that of a comparative study between Ireland's clothing sector and that of the UK, Germany, France, Italy, Denmark and Portugal. The reasons for this member state selection are as follows, the UK, Germany and Portugal were selected for analysis in order to maintain consistency with the analysis of the previous chapters. France and Italy were selected for analysis on the basis of their overall economic significance as industrialised member states. Denmark was selected because like Ireland it has a small open economy, and as such, comparative analysis between the two countries' clothing sectors may highlight competitive influences relative to economic size. Continuity of data on member states was also an important factor in determining country selection.

It should be noted that the data used in this chapter were extracted from Eurostat publications, and are based on enterprise establishments employing over twenty people. Given that

approximately half of all Irish clothing firms employed less than 15 people, (see Chapter 4, Table 4.6), it could be argued on the basis of the discussion in Chapter 4, that this chapter is an analysis of the more competitive half of the Irish clothing sector

Although Greece was part of the analysis in the preceding chapter, it has been excluded from the following analysis because its data were not continuous and secondly, because Greece accounted for a small and relatively static share of the women's and girls' outer wear market in Ireland, between 1980 and 1987, (see Chapter 6, Fig. 6.2) .

7.2 Employment

As may be expected the importance of the clothing industry to the different economies of the member states varied considerably. One indication of this variance is the level of employment in each clothing sector relative to the countries total manufacturing workforce .

In 1980 the Irish clothing sector employed approx. 13,000 people by 1987 this figure had declined by 16% to approx. 11,000, having showed some signs of recovery in 1984 and 1985, (see Table 7.1). However despite this absolute decline in employment the industry increased its share of the total manufacturing workforce, indicating a contraction in the countries total manufacturing workforce, at a faster rate than the contraction in the clothing

manufacturing workforce.

TABLE 7.1

EMPLOYMENT IN CLOTHING MANUFACTURING INDUSTRY :

NACE CODE 453-54. (00,000's)

	1980	1981	1982	1983	1984	1985	1986	1987	%Change
UK.	2 38	1.96	1 86	1.77	1.83	1.92	1.92	1.92	-19
GER.	2.25	2.05	1.86	1.74	1.75	1.71	1.66	1.57	-30
FRA	1 86	1.65	1.67	1 64	1 58	1.52	1.47	1.40	-25
ITA	1.55	1 48	1.40	1.77	1.65	1.55	1.37	1.51	-03
EC3	1.90	1.73	1.64	1 72	1.66	1.59	1 50	1.49	-21
DEN.	0 09	0.08	0.08	0 08	0.09	0.10	0.09	0.08	-11
POR.	0.42	0 41	0.41	0.44	0.46	0.41	0.47	0.51	23
IRL.	0.13	0 12	0 12	0.11	0.11	0.11	0.11	0.11	-16

(% Change = % difference between 1980 & 1987. UK.= United Kingdom, GER.= Germany, FRA = France, ITA.= Italy, EC3 = average Germany, France, Italy, DEN.= Denmark, POR.= Portugal, IRL = Ireland)

SOURCE · Eurostat. Structure and Activity of Industry, Annual Inquiry. 1980 -1987

In 1980 the Irish clothing sector accounted for 5.6% of all manufacturing employment, by 1987 this figure had increased to 6.7% having reached a high of 7% in the preceding year. By

comparison with other member states this share of total manufacturing employment was quite large, and second only to the percentage share of total manufacturing employment held by the Portugese clothing sector, (see Table 7.2).

Between 1980 and 1987 the UK sector consisted of the largest clothing manufacturing units in the EC , ie. using the average number of people employed as a measure of size. 1982, was the exception when the UK sector took second place to Germany. In 1980 the UK clothing sector employed approx. 237,000, by 1987 this figure had declined by 19% to 192,000, approx. (see Table 7.1). While this rate of decline was below the EC.3 rate, (ie. the average of Germany France and Italy), it was above the 16% decline experienced by the Irish clothing sector.

Although the absolute number of people employed in the UK's clothing sector decreased , it accounted for a larger share of the total manufacturing workforce in 1987 than in 1980 . In 1980 this sector employed 3.1% of the manufacturing workforce, by 1987 its share had increased to a high of 4.4% , (see Table 7.2), indicating a contraction of the total manufacturing workforce .

Employment in the EC 3 member states decreased by 21% , from 189,000 approx. in 1980, to 149,000 approx. in 1987, (see Table 7.1) While the comparative Irish decline of 16% appears favourable against the rate of decline in the EC.3, these figures conceal a low 3% decline in Italys clothing sector employment.

TABLE 7.2

CLOTHING MANUFACTURING EMPLOYMENT, NACE 453-54,
% OF TOTAL MANUFACTURE EMPLOYMENT.

	1980	1981	1982	1983	1984	1985	1986	1987
UK	3.1	3.0	3.9	4.0	4.1	4.3	4.4	4.4
GER.	2.5	2.3	2.7	2.6	2.6	2.5	2.4	2.3
FRA	3.2	3.0	3.9	3.9	3.9	3.9	3.9	3.8
ITA.	4.0	4.0	4.5	5.3	5.0	5.1	4.7	5.1
EC 3	3.7	4.3	3.4	3.6	3.6	3.5	3.3	3.3
DEN	2.2	2.1	2.5	2.7	2.8	2.7	2.6	2.3
POR	6.0	5.9	6.0	6.5	7.0	6.5	7.5	8.2
IRL.	5.6	6.2	6.4	6.2	6.5	6.9	7.0	6.7

(UK = United Kingdom, GER.= Germany, FRA.= France, ITA = Italy,
EC3 = average Germany, France, Italy, DEN.= Denmark, POR.=
Portugal, IRL.= Ireland)

SOURCE . Eurostat. Structure and Activity of Industry, Annual
Inquiry. 1980 -1987.

The degree of importance of the clothing sector in the EC.3, as a source of employment, decreased slightly between 1980 and 1987. In 1980 it accounted for 3.7% of the entire manufacturing workforce by 1987 this share stood at 3.3%, having reached a high of 4.5% in 1982, (see Table 7.2). However it is worth noting that this decrease was dominated by the performance of the German

sector, the French and Italian clothing sector actually increased their share of total manufacturing employment, (see Table 7.1) .

The Danish clothing sector performed relatively well showing a comparatively small decrease of 10.6% in its level of employment between 1980 and 1987, second only to Italy, which experienced the smallest decrease of 3% , (see Table 7.1). In 1980 the Danish clothing industry employed 9000 people , approx. in 1987 this had declined to 8000, approx.

The relative importance of the Danish clothing sector remained fairly constant, in 1980 it accounted for 2.2% of all manufacturing employment , in 1987 it accounted for 2.3% , having reached a high of 2.8% in 1984, (see Table 7.2). The performance of the clothing manufacture industry in Portugal between 1980 and 1987 ran counter to that of the other member states under analysis. In 1980 the industry employed 41,500 , and by 1987 this figure had increased by 23% to 51,000, approx. (see Table 7.1) Thus producing the only increase in absolute employment among the various clothing sectors and also indicating an expanding clothing industry .

The Portugese clothing sector accounted for a greater share of the total manufacturing workforce than any of the other clothing sectors, relative to their total manufacturing work force. In 1980 the Portugese sector accounted for 6% of total manufacturing by 1987 this portion had increased to 8.2%, (see Table 7.2).

7.2.1 Employment Overview

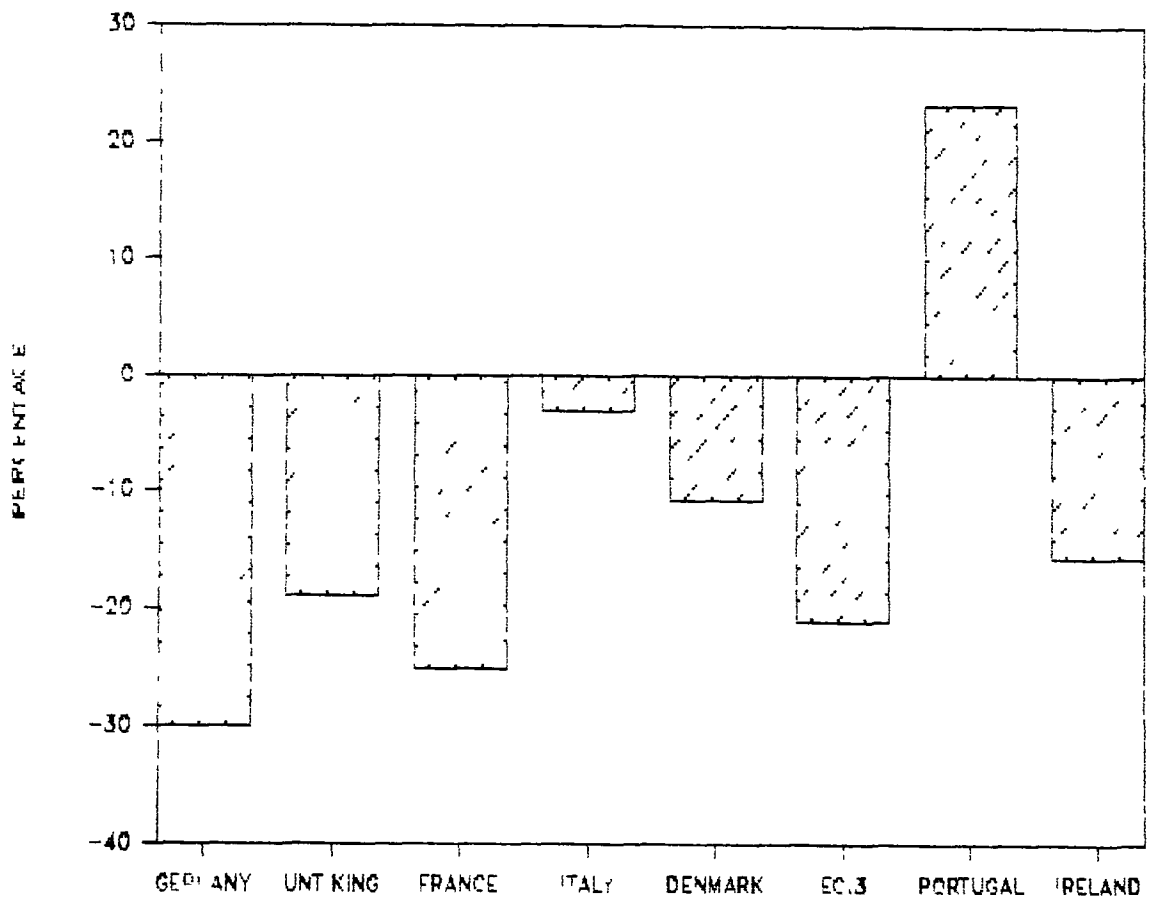
As can be seen from Fig. 7.1, the decrease in Ireland's clothing sectors workforce placed the sector in the declining employment trend of the clothing sectors in the higher cost EC countries. Within this group of high cost countries Ireland's employment performance would appear to have been relatively strong, with only Italy and Denmark experiencing a smaller employment decline in their clothing sectors.

However, the importance of Ireland's clothing industry to the domestic economy, measured by its share of the overall manufacturing workforce, indicates a closer similarity with Portugal's industrial structure than with that of the higher cost member states, (see Fig. 7.2). Therefore it could be argued that although the decline in the number of people employed in Ireland's clothing sector was moderate, when compared to the high cost member states, this is not a wholly appropriate basis for a measure of the industry's comparative performance. It could be further argued that a 16% decline in Ireland's clothing workforce had a greater influence on the domestic economy, due to its industrial structure, than larger declines in the high cost countries had on their domestic economies, due to the relatively lower importance of their clothing sectors.

The reduction of the clothing sector workforce in the industrialised countries is compatible with the arguments of Chapter 3, which indicated an overall shift in the clothing manufacturing

FIGURE 7.1

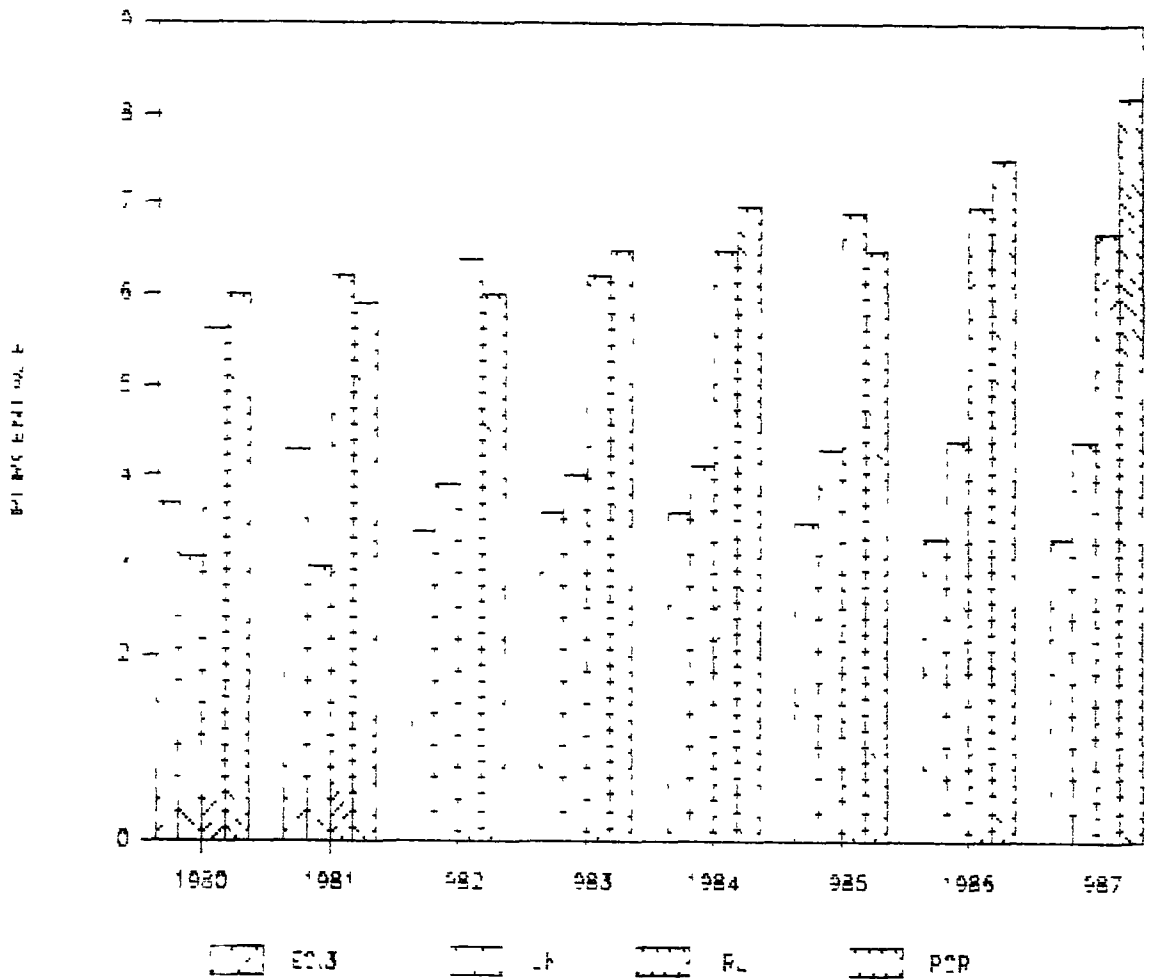
NACE 453-54 : % CHANGE EMPLOY. 1980-87



SOURCE: TABLE 7.1

FIGURE 7.2

CLOTH.MNF.EMPLOY. % TOT.MNF.EMPLOY



SOURCE: TABLE 7.2

industry away from the more industrialised countries and towards the less industrialised countries, The stark contrast in the employment performance of the low cost Portuguese clothing sector, reinforces the 'shift' argument . It also indicates that such a shift could, at least, be partially facilitated within the EC.

7.3 Industry Structure

In an attempt to summarise the available data on the underlying competitive influences, in the different clothing sectors , the following data, has been averaged to enable an easier comparative analysis of these influences. Due to the statistical constraints of the data available, the average is taken to be the arithmetic mean , where the denominator is the size of the workforce, i.e. the average per person employed. The limitations on the use of the arithmetic mean must be, although a mean figure may be representative, it is not necessarily 'typical' of the situation pertaining. However, it is not the intention of the following analysis to draw precise mathematical comparisons, but rather to indicate possible competitive advantages or disadvantages to the Irish clothing sector , and as such the arithmetic mean is an acceptable comparative measure.

Given the significance placed on company size in Chapter 4, it is important to compare the average company size in the clothing sectors of the various countries, in order to ascertain if economies of scale were a significant influence on the industries competitiveness.

Between 1980 and 1987 the UK had the largest clothing industry in the EC, i.e. if measured by total employment, (see section 7.2), and also the largest manufacturing units, if measured by average employment per unit (see Table 7.3) . In 1980 the UK clothing sector consisted of 2077 manufacturing units, with an average employment per unit of 114 people, (see Table 7.4). By 1987, the UK clothing sector had decreased in size to 1466 units, however the average employment per unit had increased to 137 people, perhaps indicating a consolidation of the industry

TABLE 7.3

	NUMBER OF CLOTHING MANUFACTURING UNITS (NACE 453-54)							
	1980	1981	1982	1983	1984	1985	1986	1987
UK	2077	1681	1666	1475	1589	1534	1592	1466
GER	2104	1984	1869	1791	1763	1695	1645	1588
ITA	1514	1473	1478	2740	2582	2340	2046	2553
DEN	170	143	131	137	147	157	166	150
IRL	170	168	167	152	154	155	148	132
POR	458	464	475	500	516	492	474	518

(UK = United Kingdom, GER.= Germany, FRA.= France, ITA.= Italy, EC3 = average Germany, France, Italy, DEN.= Denmark, POR.= Portugal, IRL.= Ireland)

SOURCE : Eurostat Structure and Activity of Industry, Annual Inquiry 1980 -1987.

In comparison with the UK , the German clothing sector had a smaller workforce divided among a larger number of units, obviously indicating smaller manufacturing units. In 1980 this sector consisted of 2104 manufacturing units, employing an average of 107 people per unit, (see Table 7.4).

TABLE 7.4

AVERAGE EMPLOYMENT PER CLOTHING MANUFACTURER
(NACE 453-54)

	1980	1981	1982	1983	1984	1985	1986	1987
UK	114	117	112	120	115	125	120	134
GER	107	103	100	97	99	101	101	99
FRA	94	90	90	89	86	83	80	77
ITA	103	100	95	65	64	66	67	59
DEN	53	55	61	62	63	62	56	54
IRL	74	71	70	72	71	73	76	80
POR.	91	88	87	88	88	83	99	99

(UK.= United Kingdom, GER.= Germany, FRA.= France, ITA.= Italy, EC3 = average Germany, France, Italy, DEN.= Denmark, POR.= Portugal, IRL = Ireland)

SOURCE : Eurostat. Structure and Activity of Industry, Annual Inquiry. 1980 -1987.

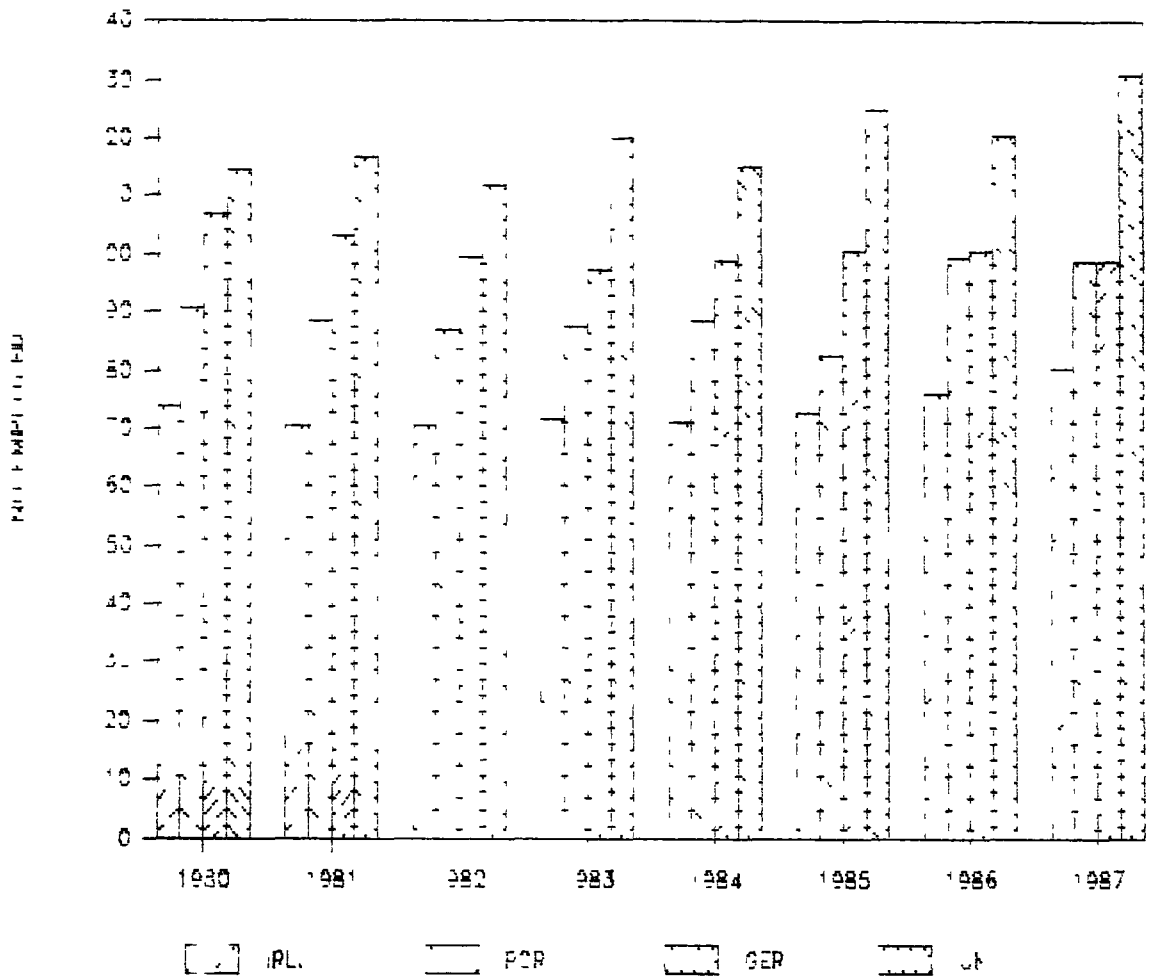
By 1987 the number of clothing manufacturing units in Germany had decreased to 1466, however because the total number of people employed decreased at a faster rate, the result was a lower average employment per unit, i.e. 99 people employed per unit, (see Table 7.4). This decrease in size and greater fragmentation of the industry could be seen as an indication that there was a shift in resources away from the German clothing sector, or at least away from the home based manufacturing units, (see Chapter 3, section 3.2).

With reference to the outward processing point, made in Chapter 3, Steedman and Wagner (1989:pp 137-138), argue that there is a notable difference between the clothing industry in Germany and in the UK., in that clothing sourced from low cost countries for the German market tends to be produced under contract to the German manufacturers and often under their technical supervision whereas clothing sourced from the low cost countries for the UK market is produced under contract to UK retailers. They add that the typical length of a production run, in womens and girls outerwear, in Germany is 150 to 300 garments, in the UK. it is in the region of 15,000 garments. This fundamental difference in production schedules and product planning will obviously influence the flexibility and quick response of the producers in the respective industries.

Despite the declining trend in factory size the German sector still remained the second least fragmented clothing industry in the EC, although this position was strongly rivaled by Portugals clothing sector in 1986 and 1987, (see Fig. 7.3).

FIGURE 7.3

AVG.EMPLOYMENT PER MNF.UNIT :NACE 453/4



SOURCE: TABLE 7.4

The size of the manufacturing units in Portugals clothing sector, if measured by average employment per unit, remained fairly stable between 1980 and 1984 , and then rose strongly in 1986, the year it entered the EC, (see Fig 7 3). In 1980, the Portugese sector consisted of 458 manufacturing units employing 41,551 people, averaging 91 people per unit. By 1987 the number of units actually increased to 518, employing an average of 99 people per unit, (see Table 7.4), thus indicating that the Portugese clothing industry was not only expanding but also consolidating its structure, by way of larger manufacturing units.

7.3.1 Industrial Structure Overview

The clothing industry in the UK, Irelands main rival on the domestic market, was the least fragmented in the EC, ie. if measured by average employment per unit. The average employment differential between the Irish sector and the UK sector was approximately 40 to 50 employees. Although this must be seen in the context of a highly labour intensive industry it still appears to be a considerable difference, given the average size of the Irish clothing units, see Table 7 4. An unfavourable employment differential also existed in relation to Germany, France, and Portugal, however this was not as large as that which existed between Ireland and the UK, (see Fig 7.3). While Irelands clothing sector was not the most fragmented in the EC, both Italy and Denmark showed lower average employment per unit, however, it

must be remembered that these statistics relate to enterprise establishments employing over twenty people, and as such only account for approximately half of the Irish industry. Comparative figures for the other member states were not available from Eurostat publications and therefore it was not possible to draw comparisons based on frequency distributions, of employment levels for the various industries

Given that the general clothing industry does not traditionally enjoy large economies of scale, (Begg 1987:pp 141-145), it would appear, with the possible exception of the UK, that the comparative industrial structures of the various clothing industries in the EC, based on average employment, should not have a significant influence on the competitiveness of the Irish clothing sector, on the domestic market. However it could be argued, in relation to the UK clothing industry, that economies of scale may have exerted a significant influence in increasing this sectors competitiveness on the domestic Irish market.

7.4 Gross Value Added

The following comparative measure is that of gross value added at market prices, (see Glossary for method of calculation). The use of gross value added at factor costs may be a more pertinent measure, however, the required data for such a calculation were not available, from a sufficient number of member states, to draw meaningful comparisons.

Although the UK had the largest clothing industry in the EC, qualified by numbers employed and number of manufacturing units, (see section 7.2 and 7.3), its performance in relation to gross value added was far weaker than the other highly industrialised countries of the EC. The gross value added per person employed in the UK clothing sector increased by 49% , between 1980 and 1987 from 8,600 ECU's, to 12,800 ECU's , having reached a high of 14,000 ECU's, per person in 1985, (see Table 7.5). However this rate of increase was considerably lower than comparable rates in all the other EC member states under study, and left the absolute level of gross value added per person employed in the UK sector, below that of the other industrialised member states.

The level of gross value added per person employed in the German clothing sector was broadly representative of the more industrialised continental member states, and vied with Denmark and Italy for the position of highest gross value added, (see Table 7.5).

In 1980, Germany recorded a 12,500 ECU's gross value added per person employed in its clothing industry, a figure considerably higher than the UK measure. By 1987 the German gross value added had increased by 73%, to 21,500 ECU's, which was marginally above the Italian level and marginally below the Danish level. The degree of increase in the German gross value added was equal to that in Denmark and only fractionally above that in Portugal's clothing sector, thus retaining the relative gross value added differential between these member states.

TABLE 7.5

AVERAGE GROSS VALUE ADDED AT MARKET PRICES,

(000's ECU's Per person employed, for NACE CODE 453-54)

	1980	1981	1982	1983	1984	1985	1986	1987	Change
UK	8.6	10.6	11.6	11.8	13.3	14.0	12.7	12.8	49%
GER.	12.5	13.3	14.8	16.9	17.6	18.0	19.2	21.5	73%
FRA	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
ITA.	10.8	12.0	13.8	15.0	16.8	19.4	20.3	21.4	98%
DEN.	12.5	13.6	15.1	16.7	16.4	18.0	20.4	21.6	73%
IRL.	5.5	6.7	7.8	8.9	9.7	11.0	11.3	11.1	101%
POR.	3.2	4.0	4.6	4.4	4.7	5.9	5.5	5.6	72%

(Change = % difference between 1980 & 1987. UK.= United Kingdom, GER.= Germany, FRA.= France, ITA.= Italy, EC3 = average Germany, France, Italy, DEN = Denmark, POR.= Portugal, IRL.= Ireland)

SOURCE . Eurostat Structure and Activity of Industry, Annual Inquiry. 1980 -1987.

Throughout the period of study, Portugal's clothing sector consistently recorded the lowest gross value added per person employed, in 1980 it was 3,200 ECU's, this reached a high of 5,900 ECU's in 1985 before falling back to 5,600 ECU's in 1987, (see Table 7.5)

Ireland's clothing sector, had the second lowest gross value added per person employed, throughout the period, however, it

also had the highest percentage increase at 101%, from a gross value added per person employed of 5,500 ECU's in 1980 to 11,000 ECU's in 1987. This rate of growth narrowed the relative differential, in gross value added per person employed in the clothing industry, between Ireland and all the industrialised EC member states, and most significantly with the UK, (see Fig. 7.4), which was of particular importance given their intra industry trade situation.

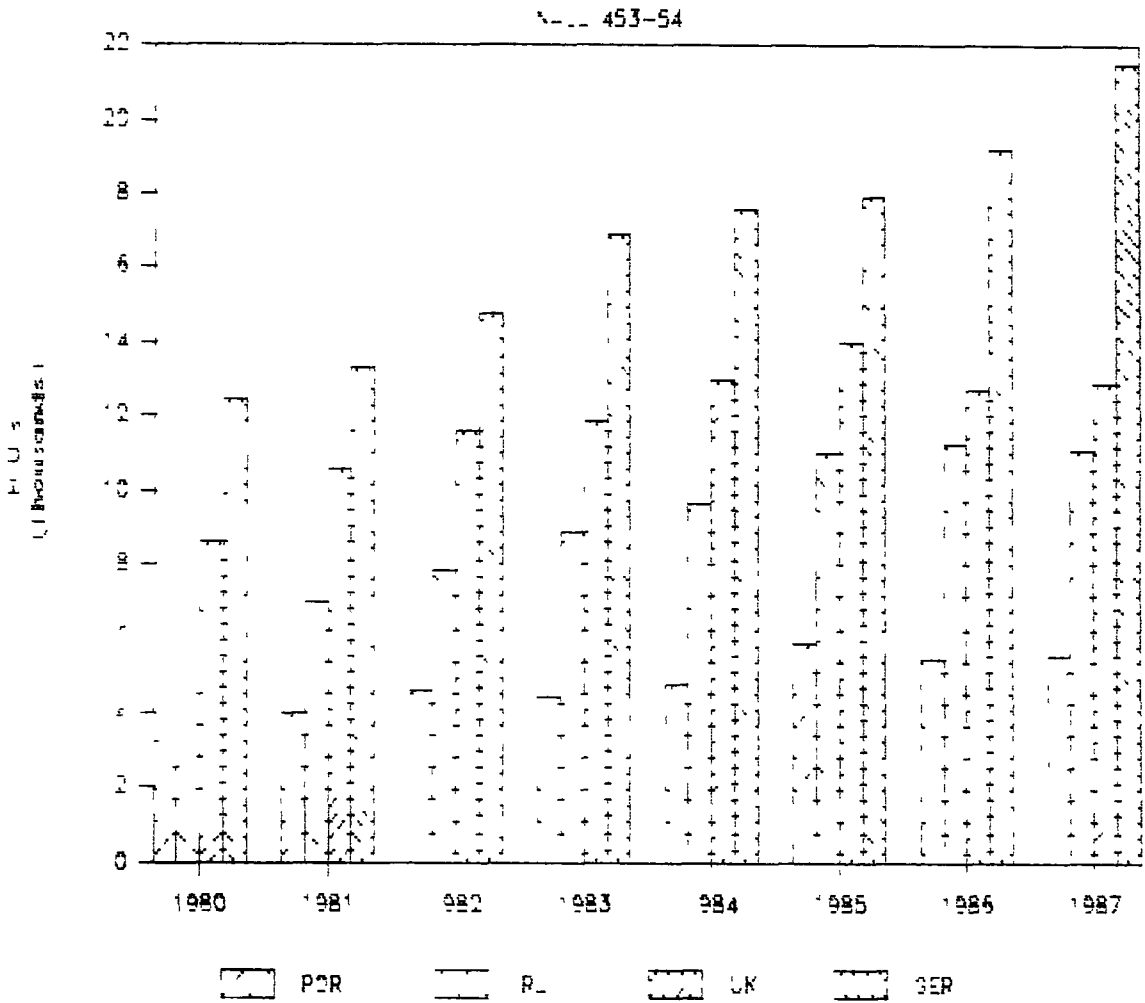
7.5 Labour Cost

The most striking feature of the UK's average labour cost per person employed, in the clothing industry, (see Glossary for method of calculation), was the fact that it was by far the lowest of all industrialised member states. The UK clothing sector also experienced the lowest rate of increase in its cost of labour between 1980 and 1987. In 1980, the average cost of employing a person in the UK clothing sector was 6,000 ECU's, in 1987 this had risen by 40% to 8,400 ECU's, it is worth that the average labour cost actually decreased in 1986 from a high of 9,000 ECU's in 1985, (see Table 7.6). 2

Once again the German clothing industry was broadly representative of the other high cost member states. In 1980 the average labour cost per person employed in the German clothing industry was 9,700 ECU's, 38% higher than in the UK, and 42% higher than in Ireland's clothing industry. In 1987 the average labour cost in Germany had risen by 65% to 16,100 ECU's, per person employed,

FIGURE 7.4

GROSS VAL ADDED per PERSON EMPLOYED



SOURCE: TABLE 7.5

this was 48% higher than comparable cost in the UK, and 43% higher than in Ireland, (see Table 7.6).

TABLE 7.6
AVERAGE LABOUR COST

(000's ECU's Per person employed, for NACE CODE 453-54)

	1980	1981	1982	1983	1984	1985	1986	1987	Change
UK	6.0	7.3	7.8	8.0	8.5	9.0	8.4	8.4	40%
GER.	9.8	10.2	11.4	12.5	13.2	13.8	15.0	16.1	65%
FRA	9.7	10.5	11.3	12.3	13.1	14.6	15.6	16.3	68%
ITA.	8.0	8.8	10.2	10.9	12.3	13.0	13.9	14.5	82%
DEN.	10.0	10.8	12.0	12.4	14.0	14.3	16.0	16.7	67%
IRL.	5.6	6.3	7.2	7.8	8.1	9.0	9.3	9.2	64%
POR	2.2	2.7	2.9	2.8	2.7	3.5	3.3	3.4	53%

(Change = % difference between 1980 & 1987. UK.= United Kingdom, GER = Germany, FRA.= France, ITA.= Italy, EC3 = average Germany, France, Italy, DEN.= Denmark, POR.= Portugal, IRL.= Ireland)

SOURCE : Eurostat Structure and Activity of Industry, Annual Inquiry. 1980 -1987.

The Portuguese clothing sector experienced exceptionally low labour costs per person employed, together with a relatively low percentage increase between 1980 and 1987. In 1980, the average cost of employing a person in Portugal's clothing sector was 2,200 ECU's, i.e. 77% below the comparable German cost and 61% below the

Irish cost. In 1987 the Portuguese average labour cost had increased by 53% to 3,400 ECU's, which was 79% below the comparable cost in Germany and 63% below the average cost in Ireland, (see Table 7.6), allowing considerable leeway for an industry shift, as mentioned in section 7.2.1.

The most striking feature of the average labour cost per person employed in Ireland's clothing sector was its differential with comparable costs in the UK, (see Fig 7.5) In 1980 the average cost of employing a person in the Irish clothing industry was 5,600 ECU's, approx. 6% below the average cost in the UK. In 1987, the Irish costs had increased by 64%, to 9,200 ECU's, which was approx. 10% above the comparable UK cost, (see Table 7.6) Given the intra industry trading position which existed between the two countries, during this period, (see Chapter 6). It could be argued that the reversing of the labour cost differential may have been of considerable significance to the Irish sectors competitiveness, indeed this is a view which is commonly held within the Irish clothing trade, (AIF 1989:pp 20-23). In relation to labour cost influencing intra industry trade, it is worth noting, given the increased level of import penetration of women's and girls' outer wear from Germany, that the average labour cost differential between Ireland and Germany remained relatively constant, at 42% higher in 1980 and 43% higher in 1987.

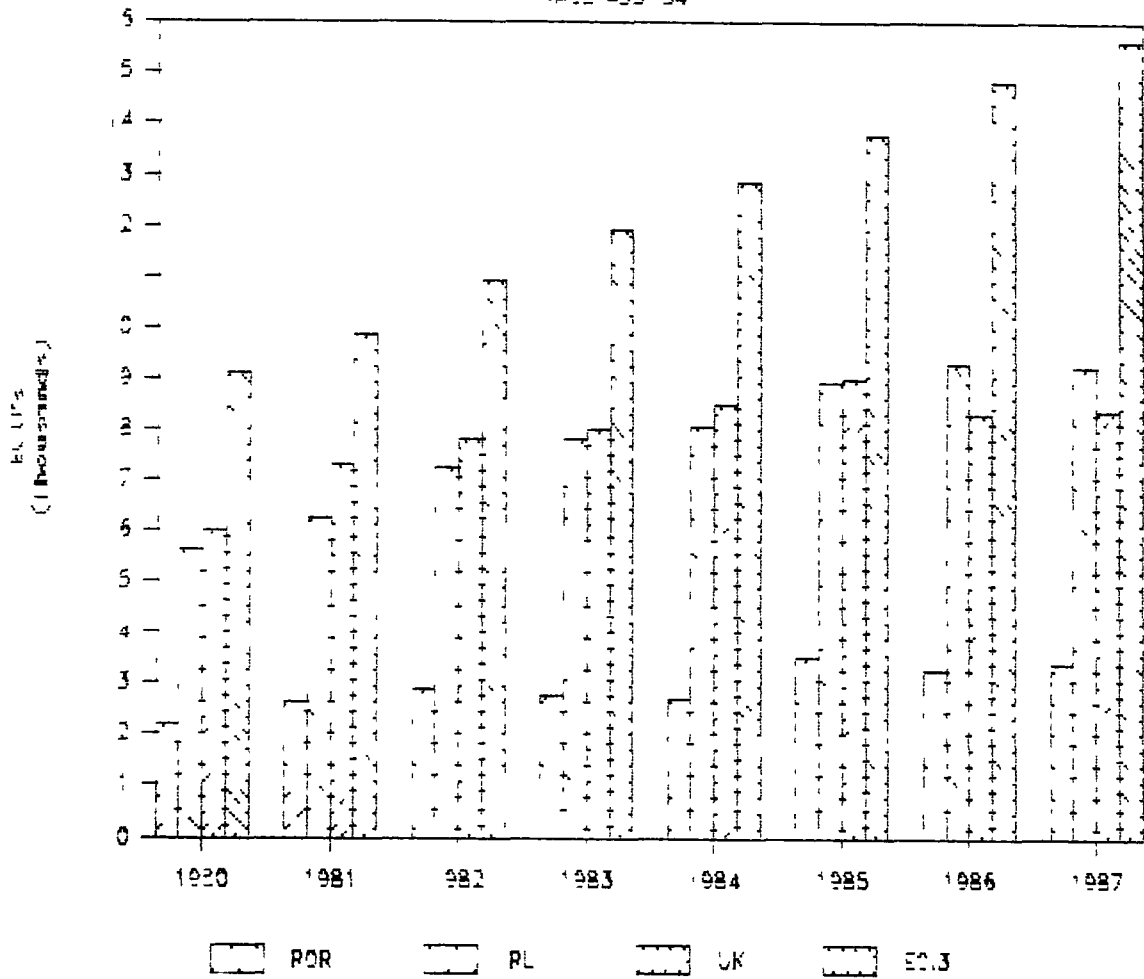
7.5.1 Labour Cost Overview

As can be seen from Fig 7.5, three general positions existed, in

FIGURE 7.5

AVG LAB. COST per PERSON EMPLOYED

BASE 453-54



SOURCE: TABLE 7.6

relation to average labour cost per person employed in the clothing industries of the EC member states. Firstly, the high labour cost industries, represented by Germany, secondly, the middle labour cost industries, represented by the UK, and thirdly the low labour cost industries represented by Portugal. Ireland's clothing industry was firmly placed in the middle cost position along with the UK. The average labour cost in Ireland remained marginally lower than in the UK, until 1985 when both were equal, before marginally exceeding the UK average labour cost in 1986 and 1987.

7.6 Investment

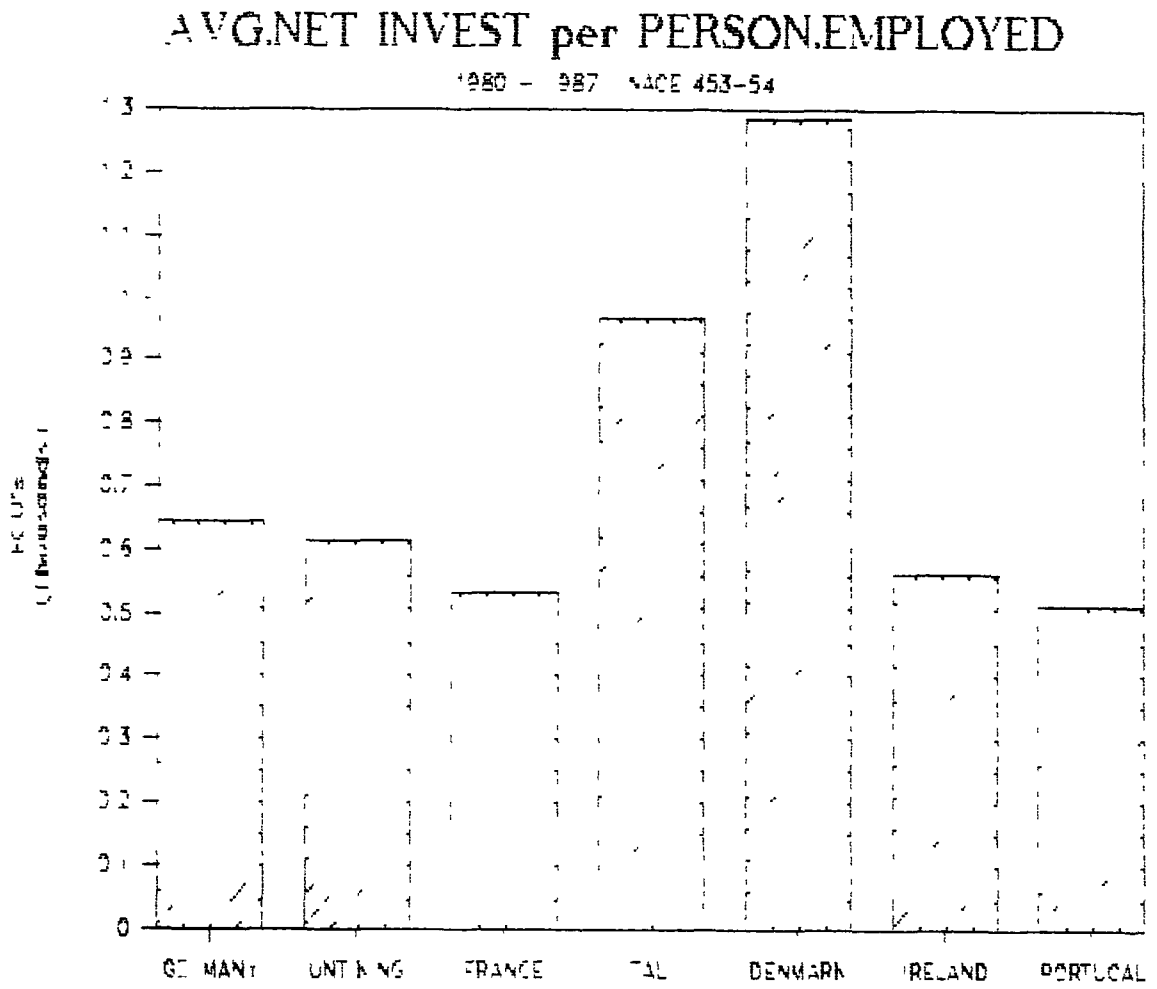
This section examines the absolute levels of net investment, per person employed, in the various clothing industries. Net investment is taken to mean gross investment less disposals of capital assets, it does not take account of asset depreciation. It should be noted that clothing sector investment in the various member states, between 1980 and 1987, would have been strongly influenced by domestic interest rates, cost of capital goods, and confidence in projected returns on investment. However, it is outside the limitations of this study to calculate the degree of influence of these variables on the investment levels which pertained. Therefore these variables are identified as, unmeasured underlying influences on the competitive advantages (or disadvantages) the various industries may have gained, from their respective investment levels.

Due to the nature of investment, where costs are incurred immediately and ~~benefits~~ only occur in the future, it is questionable if investment levels can be adequately compared on an annual basis. Therefore the following comparison is on the basis of, average investment per person employed for the eight year period. 8

As can be seen from Fig. 7 6, three groups emerge from among the various clothing sectors, each with different levels of investment, the first group is made up of Portugal, France, and Ireland, where differences in the various average annual investment per person employed was marginal. It should however be noted that Portugal was the only member state with an expanding clothing sector workforce. The implication being that the level of investment per employee in the other member states, was boosted by a declining workforce.

The second group was made up of Germany and the UK, the German sector showed an average investment per person employed which was 15% above the comparative level in the Irish sector, while the UK sector showed an average investment which was 9% above the level pertaining in the Irish sector, (see Table 7 7.). The third group posed the most striking comparison and consisted of Denmark, which showed an average annual investment per employee of 1,300 ECU's, or 129% above the comparative Irish level of investment, and Italy which showed an average annual investment per employee of 1,000 ECU's, or 72% above the comparative Irish level of investment.

FIGURE 7.6



SOURCE: TABLE 7.7

TABLE 7 7

AVERAGE NET INVESTMENT

(ECU's Per person employed in NACE CODE 453-54)

	1980	1981	1982	1983	1984	1985	1986	1987	AVG
UK	360	410	480	690	770	850	660	710	610
GER	400	390	510	560	720	710	830	1100	650
FRA	410	400	540	690	450	540	560	660	530
ITA	570	600	740	850	1050	1060	1300	1620	970
DNK	510	760	810	1180	1440	1410	1760	2420	1290
IRL	370	530	200	580	470	840	720	780	560
POR	450	390	480	510	460	680	520	610	510

(NET INVEST = Gross invest. less disposal of capital assets, AVG = Average annual investment, UK.= United Kingdom, GER.= Germany, FRA.= France, ITA.= Italy, EC3 = average Germany, France, Italy, DNK = Denmark, POR.= Portugal, IRL.= Ireland)

SOURCE . Eurostat. Structure and Activity of Industry, Annual Inquiry. 1980 -1987.

7.7 Labour Cost as % of Gross Value Added

An analysis of the relationship between labour cost per person employed, and gross value added at market prices per person employed, shows that although Irelands clothing sector had a relatively low labour cost, particularly in relation to the high cost continental member states, (see Table 7.6), it accounted for

the highest portion of gross value added as compared with all other member states, including Portugal, (see Fig 7.7).

However the Irish sector also showed the greatest improvement in its ratio of labour cost to gross value added. Nevertheless, despite the overall decline in Irelands labour cost as a portion of gross value added, the Irish clothing sector consistently experienced the highest ratio of labour cost to gross value added of all member states, with the exception of 1984 when it shared this position with Denmark.

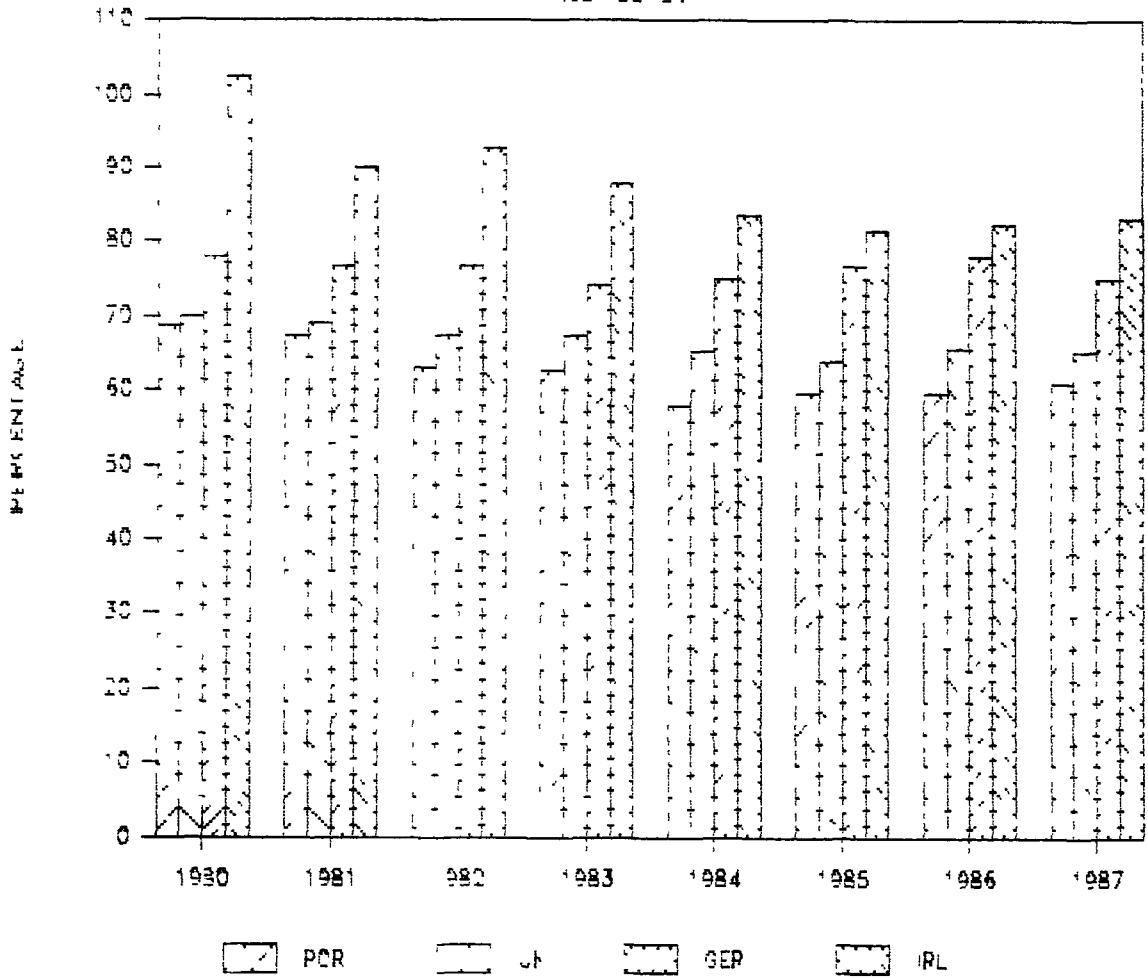
In relation to the UK, Table 7.8, shows that throughout the period, Ireland's clothing sector labour costs, as a percentage of gross value added, remained approximately twenty percentage points above the comparable UK labour costs. Given that the UK clothing sector was Irelands main rival on the domestic market, (see Chapter 6), it could be argued that this labour cost, gross value added relationship, was a considerable underlying weakness in the competitiveness of the Irish clothing sector, between 1980 and 1987.

To a lesser extent the same weakness existed when comparing the Irish sector in relation to all other clothing sectors in both high cost and low cost member states. This may have been of particular significance in relation to the German clothing sector given its increasing import penetration of the Irish domestic market for womens and girls outer apparel.

FIGURE 7.7

LAB.COST % GROSS VAL.ADDED

NOTE 453-54



SOURCE: TABLE 7.8

TABLE 7.8

LABOUR COST AS % OF GROSS VALUE ADDED
 (Per person employed in NACE CODE 453-54)

	1980	1981	1982	1983	1984	1985	1986	1987
UK	70%	69%	67%	68%	65%	64%	66%	65%
GER	78%	77%	77%	74%	75%	77%	78%	75%
ITA	74%	74%	75%	73%	73%	67%	69%	68%
DEN	80%	79%	77%	74%	84%	80%	78%	78%
IRL	103%	90%	93%	88%	84%	81%	82%	83%
POR	69%	67%	63%	63%	58%	60%	60%	61%

(UK = United Kingdom, GER.= Germany, FRA.= France, ITA.= Italy,
 EC3 = average Germany, France, Italy, DEN.= Denmark, POR.=
 Portugal, IRL = Ireland)

SOURCE Eurostat Structure and Activity of Industry, Annual
 Inquiry. 1980 -1987.

In order to expand on this very significant finding it must be said that all ratios are influenced by the relative size of their component parts, i.e. how large or small the labour cost and gross value added components are. However, Irish clothing sector labour costs were not exceptionally high when compared with the rival clothing sectors of the other EC member states (see Fig 7.5). Nevertheless, labour costs were exceptionally high in relation to the Irish sectors own gross value added. Further, it was not the case that the Irish clothing sector's gross value added was

exceptionally low when compared with rival clothing sectors, (see Fig. 7.4), but rather that gross value added was exceptionally low in relation to the sectors own labour costs.

7.8 Summary

It can be stated from the preceding analysis that between 1980 and 1987, the performance of the Irish clothing sector was of far greater importance to the Irish economy than its rival clothing sectors were to their respective economies, with the exception of Portugal's clothing industry.

Further, the average size of Irish clothing units, between 1980 and 1987, may have positively influenced the UK clothing sectors competitiveness on the Irish market. However, given the average size of the continental clothing units this argument cannot be extended to explain the increased levels of import penetration from other EC countries, and in particular from Germany, thus weakening the economies of scale argument.

The labour cost situation in relation to the industrialised member states, other than the UK, was that the Irish industry experienced a strong labour cost advantage. However despite this considerable cost advantage, imports of womens and girls outer apparel, from EC countries other than the UK, accounted for an increasing share of the Irish market, (see Chapter 6).

In relation to the UK clothing industry the labour cost position

was not so clear cut. Between 1980 and 1984 the Irish clothing sector had a marginal labour cost advantage, and in 1985 both the UK and the Irish industry had equal labour costs, in 1986 and 1987 the UK industry had a marginal labour cost advantage. However, it is worth noting that the level of imports of women's and girls' outer wear from the UK was in decline from 1980, and that the increasing level of import penetration did not originate in the UK but in the industrialised continental member states, with whom the Irish sector had a strong labour cost advantage. It is also important to note that the largest annual decline in imports, of women's and girls' outer wear from the UK, between 1981 and 1987, occurred in 1986, which was the first year that Ireland's clothing sector experienced a marginal labour cost disadvantage, in relation to the UK. Further, there is no indication in the analysis that Portugal's clothing sector, with its large labour cost advantages showed any signs of becoming a major player on the Irish domestic market, not even after its membership of the EC in 1986

The above summary of the intra community trade situation, must weaken the argument that high Irish labour costs were a major factor in influencing the uncompetitiveness of the Irish sector, between 1980 and 1987.

The gross value added analysis, shows that the Irish clothing sector experienced the second lowest gross value added, with only Portugal showing a lower level, (see Fig. 7.4). However the significance of the value added data cannot be fully appreciated

until the analysis is extended to the portions of value added which were consumed by the cost of the factor inputs, labour, capital, and enterprise.

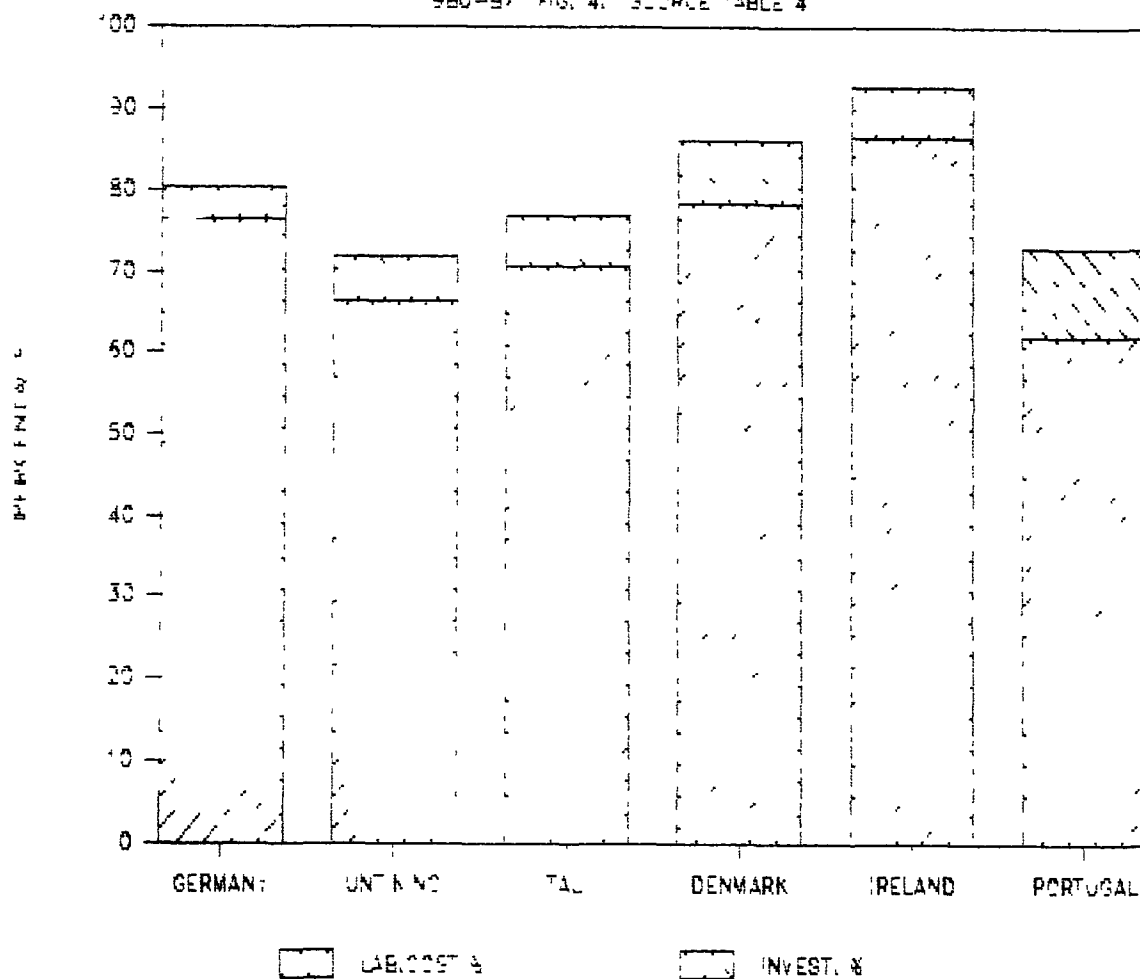
It can be stated that compared with the other clothing sectors, the Irish sectors labour costs consistently accounted for the highest portion of value added, and that this situation was due to low value added rather than high labour costs.

Assuming that the Irish clothing sectors level of investment, between 1980 and 1987, came from retained profits rather than borrowings, the combined total of average annual labour cost and average annual investment accounted for approximately 93% of all gross value added, (see Fig 7.8). Therefore, the numerous normal running costs of a business, such as insurance, interest payments, bad debts, security, rent & rates, light, heat, power, and so on, had to be accounted for from the remaining 7% of gross value added. This implies that the level of remuneration for the factor enterprise, must have been at best minimal, thus reinforcing the argument in Chapter 4 which states that the Irish clothing sector was most probably accepting sub normal returns.

FIGURE 7.8

LAB.COST & INVEST. % of GROSS VAL.ADD.

1980-87 FIG. 4. SOURCE TABLE 4



SOURCE: TABLE 7.9

TABLE 7.9

LABOUR COST & INVESTMENT AS A % OF GROSS VALUE ADDED
(for the period 1980 to 1987, in NACE CODE 453-54)

	UK.	GER.	FRA.	ITA.	DEN.	IRL.	POR.
LAB.	67%	76%	n/a	71%	79%	87%	62%
INV.	5%	4%	n/a	6%	8%	6%	11%

(LAB.= Labour, INV.= Investment, UK.= United Kingdom, GER.= Germany, FRA.= France, ITA.= Italy, EC3 = average Germany, France, Italy, DEN.= Denmark, POR.= Portugal, IRL.= Ireland)

SOURCE : Eurostat. Structure and Activity of Industry, Annual Inquiry. 1980 -1987.

7.9. Conclusion

It can be stated that between 1980 and 1987, the trading environment for Irish manufacturers of women's and girls outer' apparel, was increasingly hostile. While this environment was influenced to varying degrees by; average factory size, labour costs, and levels of investment. There is no obvious indication that these influences, either combined or individually, were strong enough or universal enough to account for the ever increasing dominance of the Irish market by imported garments.

However it would appear that the low levels of value added

recorded by the Irish sector had a detrimental influence on the sectors competitiveness, if only by negating the potential opportunities that were afforded by the sectors relatively low labour costs. In other words the Irish clothing industry was not utilising its relatively low labour cost advantage by selling into differentiated higher value added market segments. It was in fact doing the reverse, that is, selling into low value added market segments where its relative labour cost advantage became a high labour cost disadvantage, thus forcing the industry to accept low margins and subnormal returns.

It can be argued that the Irish sectors inability to achieve adequate levels of value added was a most significant weakness, and that, as in all industries, this weakness is directly traceable to the marketing function. The conclusion being that either a lack of marketing management or ineffective marketing management was a major influence on the Irish clothing industrys strikingly poor competitive performance, between 1980 and 1987, as indicated in Chapter 5.

8.1 Introduction

The following Chapter attempts to give an overview of the current situation in the Irish clothing industry as a whole, and particularly in the women's and girls' outer wear sector. The analysis is primarily based on 'raw' secondary data (see Chapter 1, section 4.2), obtained from the data banks of FAS, An Bord Trachtála, and the Central Statistics Office, together with a detailed study of the two most recent and comprehensive reports on the industry, (FAS 1991, Fitzpatrick Associates 1991)

8.2 Industry Structure.

FAS estimate that there are 344 companies currently engaged in the manufacture of ready made apparel (excluding knitwear), and that 47% of these companies are specifically concerned with the manufacture of women's and girls' outer wear (see Table 8.1). While accepting that these data are not directly comparable with the CSO data (see Chapter 4, Table 4.2), and that the industry did show some signs of improvement, particularly in relation to output, between 1988 and 1990 (see Table 8.2), there is still a questionably large variance between both statistical estimates.

TABLE 8.1
SECTORS OF THE IRISH CLOTHING INDUSTRY

	No of Companies	Output (millions)	No of Employees
Women's & Girls' Outer Wear.	162	108.0	4051 .LS2
Intimate Wear	12	13.6	832
Childrens Wear.	44	35.7	1486
Mens Wear.	27	35.9	1344
Under Wear.	10	16.7	795
Shirts.	9	10.3	548
Career Wear.	32	26.6	1038
Leisure Wear.	19	77.0	2500
Other	29	51.0	1630

TOTAL	344	374.8	14,224

SOURCE; Clothing Industry Sectoral Study Report 1991., FAS,.

TABLE 8.2
CLOTHING INDUSTRY PERFORMANCE
OUTPUT AND EMPLOYMENT 1980 - 1990.

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
EMP	18.2	17.3	16.4	16.2	16.1	16.1	15.7	15.1	15.1	15.7
OUT.	83.0	78.3	74.8	76.0	78.1	72.1	72.2	72.5	76.1	83.5

(EMP = 000's employed, OUT.= output, Output is at constant 1979 prices, expressed in millions of Punts, .)

SOURCE, CSO, 1992.

By way of explaining this variance, FAS obtained the population list for their survey from the Irish Goods Council (now An Bord Trachtala). Mr W Hill, the clothing trade advisor, for An Bord Trachtala, suggests that the size of the variance is caused by the fact that their records include all types of business endeavours in the clothing industry, including one person operations, such as freelance designers. Whereas the CSO data only refers to establishments employing three or more people. An Bord Trachtala estimate that there are approximately 90 clothing operations, including knitwear, employing less than 3 people, and that although there had been an improvement in output performance, it is unlikely that this lead to a significant increase in the overall number of clothing operations.

TABLE 8.3

NUMBER OF CLOTHING MANUFACTURING ESTABLISHMENTS

(Classified by number of persons employed 1991: excluding knits)

Employment Level.	Number of Companies
0 - 9	157
10 - 24	68
25 - 49	46
50 - 99	40
100 - 249	22
over 250	11
TOTAL	344

SOURCE; FAS 1991.

There is no indication from the data in Table 8.3, that the industry is any less fragmented in 1991 than in the period 1980 to 1987, taking into account the different statistical base. Indeed the opposite may be the case, with 65% of all clothing firms employing less than 25 people, 80% employing less than 50 people, approximately, and only 10% of firms employing 100 or more people.

TABLE 8.4

NUMBER OF WOMEN'S WEAR MANUFACTURING ESTABLISHMENTS

(Classified by numbers employed and % of Total sector employment)

Employment Level.	Number of Companies	Sector Employment.
0 - 9	77	6.7%
10 - 24	38	12.3%
25 - 49	17	11.1%
50 - 99	22	29.2%
100 - 249	4	12.7%
over 250	4	28.0%
Total	162	100%

SOURCE; FAS 1991.

The women's and girls, outer wear sector shows an even greater degree of fragmentation with approximately 71% of all firms

employing less than 25 people, approximately 81% employing less than 50 people, and only 5% of firms employing 100 or more people (see Table 8.4). However the 81% of firms in this sector account for only 30% of the sectors total employment. Whereas the 18% of firms which employ over 50 people account for approximately 70% of the sectors total employment.

The significance of the women's and girls' outer wear sector to the clothing industry can be judged from Table 8.5, which indicates that the sector dominates the industry, accounting for 37% of all clothing firms, 26% of employment and 26% of output.

TABLE 8.5

IMPORTANCE OF CLOTHING SECTORS

(Classified by % of companies, employment, output)

	% of Companies	% of Employment	% of Output
Womens Outerwear	37	26	26
Leisurewear	4	16	19
Knitwear	22	10	9
Childrenswear	10	9	9
Menswear	6	9	9

SOURCE, As for Table 8.1

As indicated by Table 8.6, approximately 67% of firms in the women's and girls' clothing sector have both a sales and production function. Approximately 30% of firms are production operations, divided between production only units (usually foreign owned and operated on the outward processing principle), (see Chapter 3, section 3.2) and CMT units (see Glossary).

Table 8.6

WOMEN'S AND GIRLS' MANUFACTURING SECTOR

(Classified by enterprise type, 1991)

Sales & Production	Production Only	CMT.	Other
67%	16%	15%	2%

SOURCE; As for Table 8.1.

The sales and production firms account for 75% of employment and 80% of output in the women's and girls' outerwear sector. It could be assumed that the majority of these firms are concerned with producing and selling their own branded garments, however, this is not the case. Table 8.7 shows that approximately 56% of output for the domestic market, which accounts for 70% of all output, is on a contract basis, while 40% is branded. With regard to the export market, over 40% of output is sold on a contract basis.

TABLE 8.7

TYPE OF WOMEN'S AND GIRLS' OUTPUT. 1991.

	Home Market	Export Market
Branded	40%	58%
Contract	56%	41%
Other	4%	1%

SOURCE; As for Table 8.1.

This means that a significant part of the contract work must be undertaken by firms with sales and production functions. By extension it could be argued that many firms may be attempting to supply both the retail label, low value, volume end of the market and the higher value branded end of the market. Further, it could be inferred that there is 'over capacity' and or bad management in the sales and production units, because they are unable to fully utilise capacity without relying on contract or retail label work.

In such a situation it is likely that the volume, low value portion of output is based on marginal costings, where the contribution to the firms fixed costs is the order of the day. This is a position of significant weakness, and has major long term strategic implications, together with tactical short term implications, particularly in relation to buyers bargaining power.

However such a scenario is very much in keeping with the subnormal returns argument in Chapter 4, section 4.5, given the predominant number of small firms in the sector.

It should be noted that although FAS data does not differentiate between the manufacturers brand and the retailers own label brand, this study, on the basis of discussions with industry personnel and informant interviews, assumes 'contract work' to include retailers own label for the chain store sector.

8.3 Market Structure.

The domestic market is of major importance to Irish producers, FAS estimate that it accounts for approximately 48% of output (including knitwear). Its importance to womens and girls outerwear producers is even greater and more fundamental to their survival, as it accounts for approximately 70% of their total output (see Table 8.8).

TABLE 8.8

	SHARE OF TOTAL OUTPUT. 1990.			
	(Supplied to various markets)			
	Home	UK.	EC.	Other
Womens Outerwear Sector.	69%	21%	1%	9%
Clothing Industry.	48%	27%	17%	8%

SOURCE; As for Table 6.1

Not surprisingly the UK. is the principal export market for both the industry in general and the womens and girls outer wear sector in particular, accounting for approximately a quarter and a fifth of their respective outputs. However, Irish producers in the womens and girls sector export a remarkably low 1% of their total output to the combined markets of all other EC member states, excluding the UK

8.3.1 Distribution Channel

There is an important difference, based on intermediary bargaining power, between the distribution channels in the UK., and those in continental EC states. It is generally agreed that the clothing retailers in continental EC states are less concentrated than their counterparts in the UK. The importance of this difference is discussed in Chapter 3, section 3.10.2.

A recent FAS study (1991 p 24) suggests that retailing in the UK is dominated by the multiples and department stores which when combined account for 60% of clothing sales. Marks and Spencers alone account for 16% of sales. In Germany (data only available for West Germany) the multiple and department stores account for approximately 30% of sales. In France the comparable figure is less than 25% of sales, while in Italy it is less than 20% of sales

In Ireland it is estimated (AIF, Feb.1990:pp 3-4), that the multiples and department stores account for approximately 40% of the clothing market, with Dunnes Stores and Pennys the

principal chain stores, taking a combined share of 30%. It should be noted that the stated figures for the Irish market are widely used in various reports. However, this study has been unable to find a sound research origin for these data and will therefore treat them as best estimates, if for no other reason than the fact that Dunnes Stores, by far the largest multiple, do not make their sales figures available. The balance of the market share is made up by a range of specialist and independent stores of which the FAS study (1991 p 22), estimate there are some 2000, many of them very small outlets.

8.3.2 Market Position

With regard to market positioning the chain stores are typically placed at the middle to lower end of the market. The department stores are positioned at the middle to upper end, while the specialist and independent stores are positioned at the bottom, middle, and top ends of the market.

FAS (1991:pp 28-29), estimate that Irish exporters of womens and girls outerwear are typically positioned at the middle to lower end of the UK. market, with over 40% of their sales being accounted for by contract work. Industry sources suggest that this is a conservative estimate and may not take full account of retailers own 'fashion' labels, other than the chain stores generic own labels. Chain stores often pursue a policy of having a number of fashion labels/brands in the store, however, these 'fashion' labels are controlled by the retailer and are in effect

own label/contract work.

As a crude indicator of Irelands position in export clothing markets, compared to the position of Irelands import competitors in the same markets, Fitzpatrick Associates (1991: sect.2 5), suggest that a trade price ratio can be used. That is, the export price of Irish garments as a portion of the import price of competing garments, can give a general indication of whether or not Ireland is competing in international markets at the same price levels as other EC. member states.

It is argued that the trade price ratio generally indicates that Irelands exports of clothing are priced at a lower level than similar imports, indicating that Irish producers are operating in lower priced and probably lower quality markets than the majority of other EC. states (see Table 8.9).

TABLE 8.9

IRISH CLOTHING INDUSTRY TRADE PRICE RATIO

	1982	1985	1987	1989
Export Unit Value	11.2	14.4	14.6	12.1
Import Unit Value	12.9	15.2	14.0	14.3

SOURCE: Clothing & Textiles in the Republic of Ireland,
Fitzpatrick Associates, 1991.

The price ratio argument is also used to highlight the vulnerability of many Irish exporters to increased low cost competition in foreign markets. Fitzpatrick Associates (1991: sect.6 2), suggest that Irish exports may be especially vulnerable to competition from newly industrialised countries who are already moving up market in terms of quality and design as a result of cost pressures in their own economies. A recent article in Apparel International (Vol.17 No.2 Feb. 1990:p 15) on the Portex Garment Exhibition suggests that such a situation exists in Portugal. It states that in the past the main emphasis of the Portuguese producers was on the less expensive end of the outer wear mass market. However the exhibition indicated that the producers were now moving up market in price, styling, quality, and design.

The converse implication of the price ratio argument is that many of the higher priced, higher quality segments of the domestic market have been appropriated by imports from other EC member states, (as previously indicated in Chapter 6, section 6 2). Fitzpatrick Associates (1991: sect.6 1), suggest that any further import penetration, precipitated by reduced trade barriers and changes in the European market, will leave those domestic producers currently supplying the middle and lower end of the Irish market most exposed.

This study accepts the conclusions drawn by Fitzpatrick Associates, as they are amply supported by the preceding arguments and material cited. However, it must be stated that the trade price ratio is far too crude a method for assessing market position,

and therefore weakens the validity of its generally accepted conclusions. No account is taken of exchange rates, which have a fundamental impact on import prices when expressed in Punts rather than in the currency of origin. Nor are the exchange rates of an export market country taken into account in relation to Irish prices or prices of another exporting country supplying the same 'Irish' export market. Therefore, if comparative prices cannot be ascertained in the respective markets, without taking account of the strength of the respective currencies, it seems very unlikely that market position could be estimated with a reasonable degree of accuracy

The reason for arguing this point of validity, is that if the trade price argument was accepted, it would imply that domestically produced women's and girls' outer wear were competing in higher priced segments than their foreign competition, given that their export prices are higher than their import prices (see Table 8.10). Based on market and retail information, plus the bulk of resource material used in this study, it can be stated that Irish producers of women's and girls' outer wear predominantly supply the middle to bottom end of the domestic and export market.

IAI (1991 p 29), supports this statement when it argues that although Irish producers of women's and girls' outer wear export a comparatively low 30% of their output, they have not found positions of strength in international markets. Adding that this is particularly true in relation to the UK. market, which

accounts for the vast bulk of exports, where Irish producers are most often positioned in the lower priced segments and frequently competing with products from Multi Fibre Arrangement countries

TABLE 8.10
WOMENS & GIRLS OUTERWEAR TRADE PRICE RATIO

	1988	1989	1990
Unit Value	11.6	11.4	12.0
Import Unit Value	9.6	9.0	7.8

SOURCE: CSO, Trade Section.

In relation to the domestic market, the vast bulk of Irish clothing imports originate in high cost EC countries and compete in the middle to upper end of the domestic market. Therefore it is not unreasonable to suggest that Irish firms supplying the lower priced segment of the domestic market may have been 'protected' from the competitive disciplines of international competition. Thus they may be ill prepared and in a weak position to defend against increased import competition in this market segment

8.4 Management

The primary component for the growth and development of any firm

15 the calibre of its management FAS (1991·p 122), state that for the Irish clothing industry to respond to the challenge of all many weaknesses the first and most critical step must be taken by senior management within the industry Adding that the absolute priority is to ensure that owner/managers have the appropriate managerial skills The relationship between the owner/manager and the small firm is fully discussed in Chapter 2, section 2.9.

The FAS study (1991·p 122) indicates that senior management in the industry while indentifying general management as a weakness do not consider it a serious weakness. However the study goes on to forceably state that 'it is imposible to anticipate any development in the Irish clothing sector if this weakness is not identified as a priority to be rectified '

With specific reference to small firms, which constitute the vast bulk of the women's and girls' outer wear sector, Fitzpatrick Associates (1991 sect 7 2), suggest that managers are promoted to their present positions from the shop floor, on the basis of longevity of service, rather than because they possess specialist management skills or training They are thus ill equipped to meet the shortfalls in the industry. Further, they state that the major constraint on the growth of the small firm sector of the Irish clothing industry is that many owner/managers simply have no desire to expand their businesses. They lack strategic awareness and are more concerned with short^rterm matters such as meeting production targets, than preparing for long term dangers such as

trade liberalisation

8.4.1 Strategic Management.

With specific reference to the single European market FAS (1991, pp 37-39), suggest that the majority of senior managers believe that the single market will have little or no impact on their companies. Consequently they have no plans to offset any possible impact. Nor is the MFA seen as a threat. Managements' view is that they are already fully exposed to competition from the MFA countries and that import penetration of the Irish market is unlikely to increase much beyond its present level.

However despite the views of management the evidence suggests that the clothing market will experience a heightened level of competition. This increased competition will derive from one or all of the following. Firstly, it could come from an increased level of competition from foreign firms currently supplying the Irish market, due to improved access. Secondly, it could come from Eastern Europe, spurred on by outward processing. Thirdly, it could come from MFA countries as a result of the relaxation in the quotas for garments allowed into the EC., and the fact that the quotas will be for the EC. as a whole rather than individual country quotas, (see MFA, Appendix E)

In conjunction with the complacency of Irish clothing management, McMahon (1991, p 20), found that over 50% of clothing firms surveyed believed that they were operating in a contracting and

volatile product market and admitted that they had no corporate strategy or plan devised to ensure their growth or even survival in the future. If such a situation held true for the industry it would obviously have major implications for the levels of investment in each functional area

There is general agreement among industry analysts that the development of strategic planning in the industry is urgently needed. However the very nature of the industry tends to militate against management developing such a position. A CTT report (1987 p 1), raised an important point when it argued that the seasonal nature of the clothing industry produces a sense of urgency that forces companies to concentrate on short term survival as opposed to strategic long term planning.

FAS (1991.p 58) concur with this view and suggest the situation may actually be deteriorating. They argue that with the increased emphasis on quick response, there is an ever growing demand for an increased number of product ranges each year, particularly in the women's and girls' outer wear sector. Such a situation inevitably heightens the pressure in the short term day to day management of the business.

However, it cannot be said that Irish clothing management is performing well in the tactical, and more short term, area of competitiveness. Fitzpatrick Associates (1991. sect.7.2), argue that management have failed to appreciate the extent to which significant competitive weaknesses flow from such basic areas as poor attention to design, quality control, marketing, and

supervisory deficiencies FAS (1991 p 111), support this argument when they highlight production and supervisory management systems as an area of major weakness. Adding that there is an immediate need to improve internal controls in areas such as product costing, production control, stock control, cashflow management, financial planning and budgeting. It can be argued that not only is management deficient in long term strategic planning, but also in the application of basic day to day management principles.

8.5 Trade Buyers Perception.

It is insufficient to be subjective in assessing how good or bad Irish clothing products/ producers are, it is necessary to obtain a comparative overview from the buyers' perspective. Based on the marketing concept, the generally accepted belief is that buyers view products as competing bundles of benefits, from which they want to obtain maximum satisfaction in return for a portion of their purchasing power. Accepting that the vast majority of clothing products are pushed rather than pulled through the channel of distribution, (see Chapter 3, section 3.10), it is true to say that, the views of Irish trade buyers are paramount in determining the extent to which foreign products are imported.

The FAS survey (1991.p 23), asked a panel of 30 Irish buyers, including those from the multiple and department stores, to assess the performance of their principal suppliers, categorised

by nationality. The areas of assessment were; design, quality, fabric, marketing, and price. The countries selected were Ireland, the UK., Germany, and Italy. In such a comparative study it is the relative performance of the Irish clothing producers that is most significant rather than their absolute performance. In a competitive market it is common sense to suggest that producers must give the buyer a reason to purchase their product rather than the competing product. Porter (1980 pp 34-47), argues that firms must pursue competitive leadership in some aspect of their business, presumably in an area of competitive advantage, if they are to increase their market share.

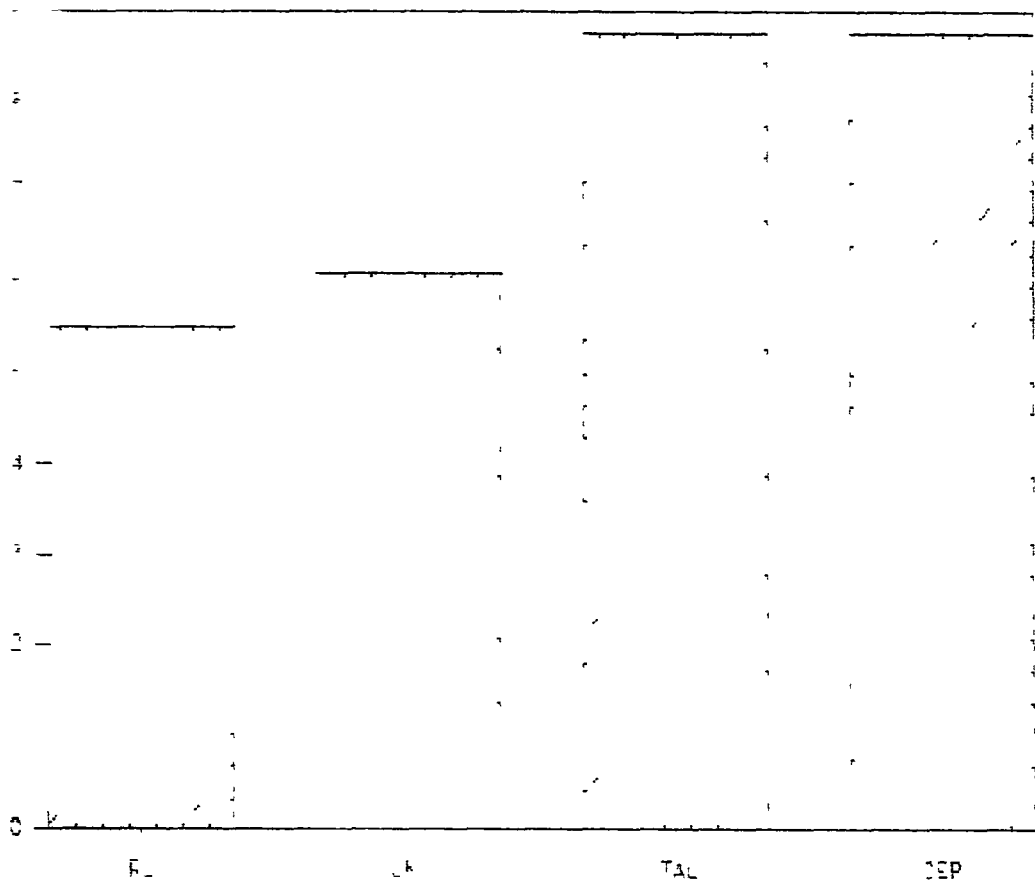
Design Buyers perceived that the quality of design in Irish products was the poorest in relation to each of the other 3 countries (see Fig. 8.1). UK design was only marginally superior while German and Italian design was viewed as superior and at an equally high standard.

Quality The quality of Irish products was perceived to be only marginally ahead of UK clothing product (see Fig. 8.2). The quality of Italian products was viewed to be closer to excellent than average, while German clothing products were seen to have the highest quality and far superior to the quality of Irish products.

Fabric The fabrics used in Irish products were perceived to be of the poorest standard in relation to the other 3 countries (see Fig. 8.3). The fabric used in the UK. and Italian products were perceived to be of a similar standard, while the fabrics in the

FIGURE 8.1

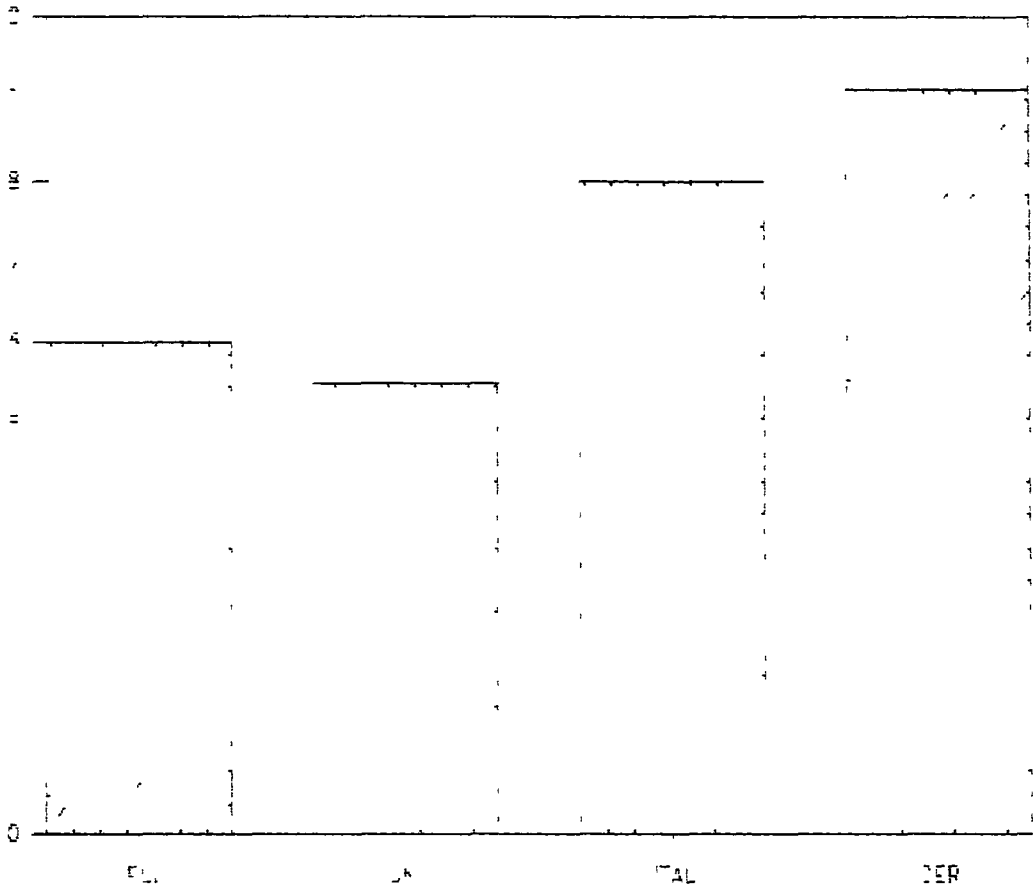
DESIGN ASSESSMENT



SOURCE: FAS (1991) CLOTHING INDUSTRY SECTORAL STUDY REPORT
DUBLIN.

FIGURE 8.2

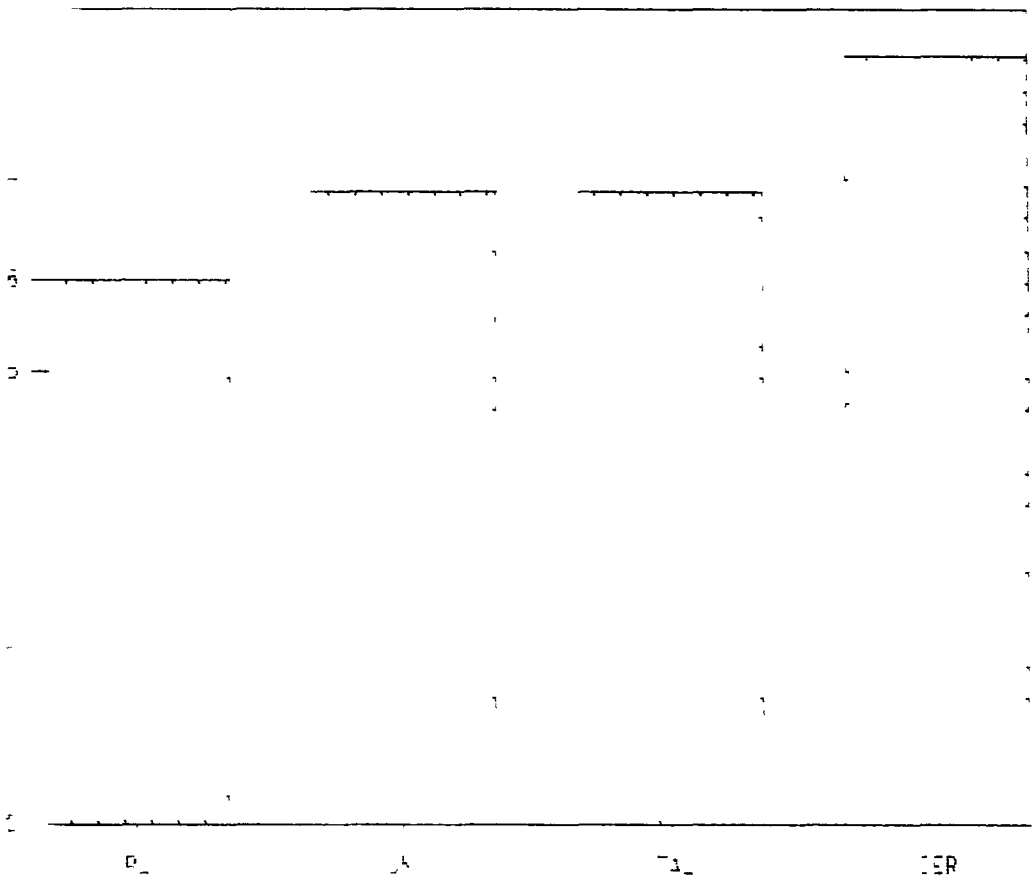
QUALITY ASSESSMENT



SOURCE: FAS (1991) CLOTHING INDUSTRY SECTORAL STUDY REPORT
DUBLIN.

FIGURE 8.3

FABRIC ASSESSMENT



SOURCE: FAS (1991) CLOTHING INDUSTRY SECTORAL STUDY REPORT
DUBLIN.

German products were seen as being far superior.

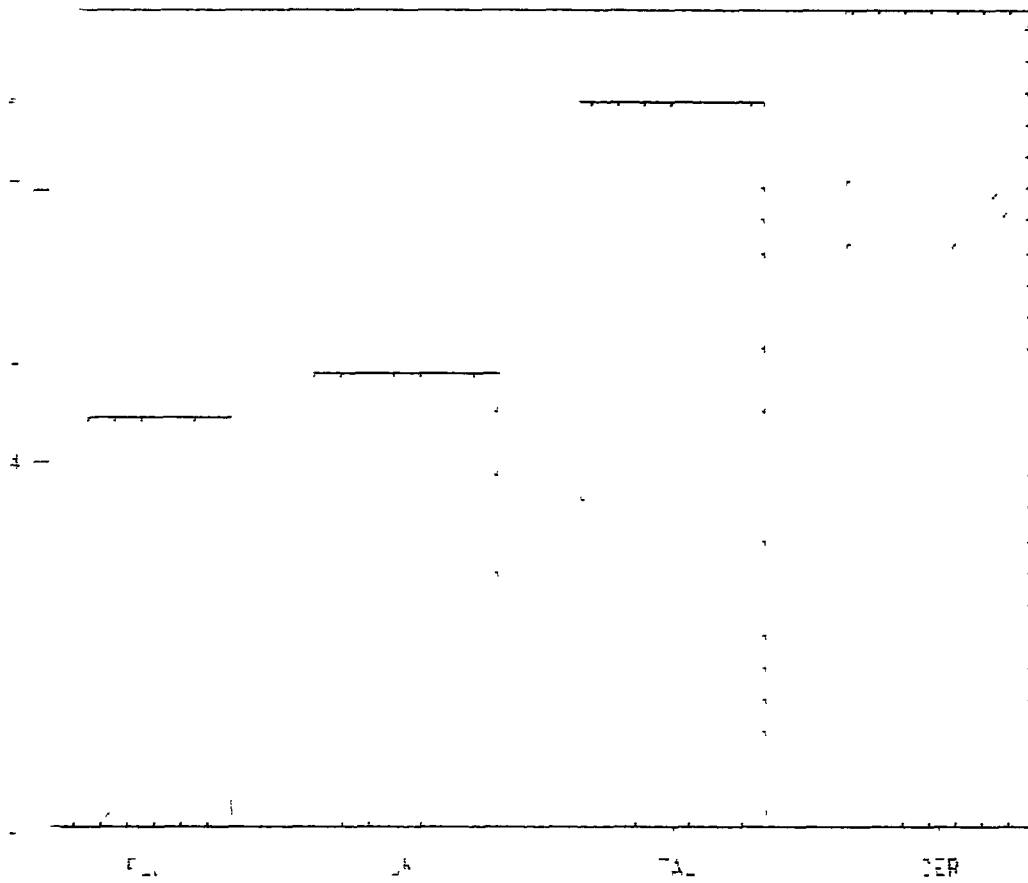
Marketing The marketing of Irish clothing products was perceived to be the poorest in relation to the other 3 countries (see Fig 8.4) The marketing of UK garments scored only slightly better, while the marketing of Italian products was well received by buyers. However, the top score for marketing was reserved for the German producers. The poor standing of Irish producers is in keeping with their performance between 1980 and 1987, see Chapter 4, section 4.4.4.

Price Surprisingly the buyers perceived the pricing of Irish products on par with those from Italy and only marginally better than German pricing, despite the higher wage costs in these countries. The UK was viewed as having the most competitive prices (see Fig 8.5) It should be noted that the survey does not distinguish between absolute price ratings and price rating in relation to perceived value. Further, the importance of price in the marketing mix is discussed in Chapter 2, section 2.8 and Chapter 3, section 3.8

Given the above assessment there is no area in which the Irish producer can offer leadership. In fact the Irish producer scored lowest in all areas with the exception of quality, where it scored second lowest. The Irish producer can offer no advantage in these areas and therefore is greatly restricted in offering the trade buyer a reason to purchase Irish products in place of products from other EC member states. It should be noted that the FAS study (1991), does not explain what it means by the term

FIGURE 8.4

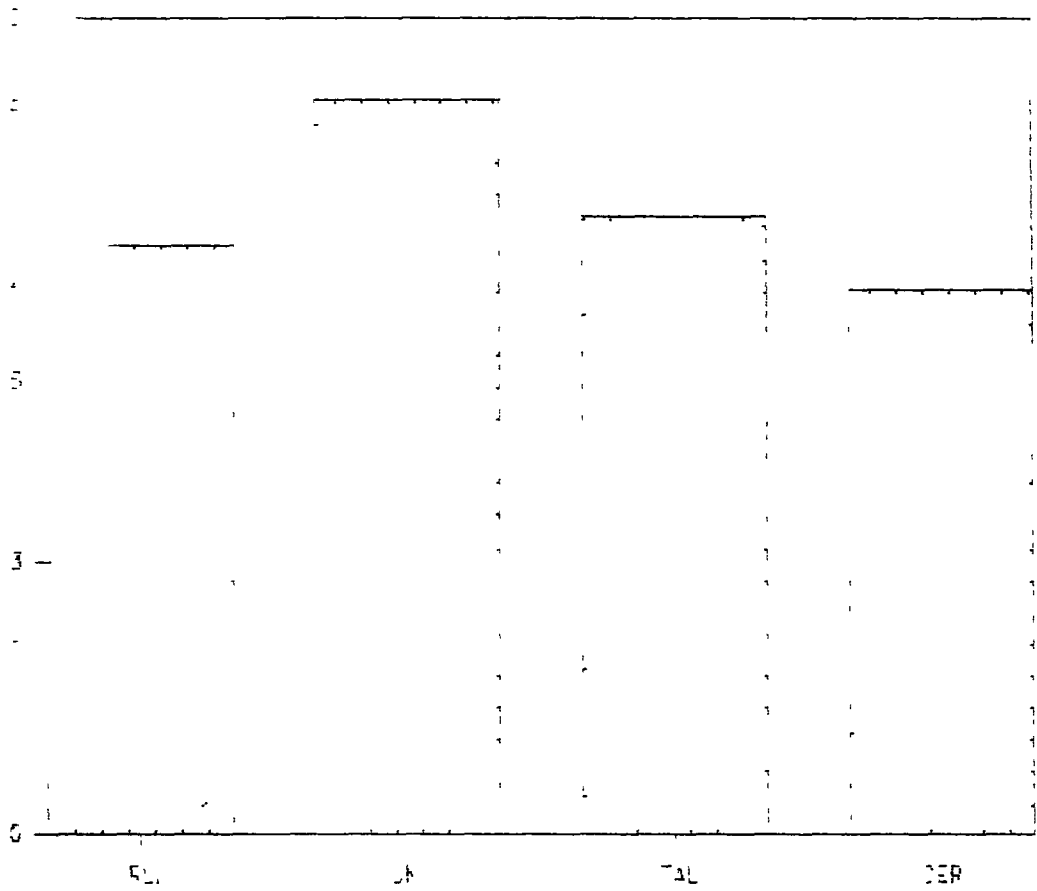
MARKETING ASSESSMENT



SOURCE: FAS (1991) CLOTHING INDUSTRY SECTORAL STUDY REPORT
DUBLIN.

FIGURE 8.5

PRICE ASSESSMENT



SOURCE: FAS (1991) CLOTHING INDUSTRY SECTORAL STUDY REPORT
DUBLIN.

marketing, however, given the other headings used this study has taken it to mean promotional and distribution activities

8.6 Producers Perception.

O'Farrell and Hitchens (1989), highlight the cost orientation of management in the Irish clothing industry, particularly in relation to the small firm sector. They state that when senior management were asked to pick 3 out of ten choices, including one of a choice of main competitive disadvantages facing the industry 76% choose labour costs while only 8% choose product design. They argue that management perceive design as a cost, which needs to be controlled rather than a source of value added.

The FAS study (1991 p 44), shows that when senior management were asked to list the three most important threats to the future of the Irish clothing industry, the overwhelming majority listed in order of priority, firstly, high wage rates, secondly, shortage of skilled operatives, and thirdly, high interest rates.

When senior management in the industry and in the womens and girls outerwear sector were asked to list in order of priority what they perceived to be the current and future skill weaknesses in the industry and sector respectively, they listed the following points, see Tables 8.11 and 8.12.

TABLE 8.11
SIGNIFICANT SKILL WEAKNESSES
IN THE IRISH CLOTHING INDUSTRY.

	Current	Future
Marketing	1	2
Machinist	2	1
Production	3	3
Sales	4	7
Language	5	4
Design	6	6
Finance	7	10
Technical	8	5
Computer	9	9
Gen Management	10	8

(Listed in order of importance by industry management)

SOURCE; As for Table 8 1

TABLE 8.12

SIGNIFICANT SKILL WEAKNESSES
IN THE WOMEN'S & GIRLS' OUTERWEAR SECTOR

	Current	Future
Machinist	1	1
Marketing	2	4
Production	3	2
Technical	4	5
Sales	5	7
Language	5	8
Gen Management	5	9
Finance	8	10
Computer	8	5
Design	8	3

(Listed in order of importance by the sector's management)

SOURCE: As for Table 8.1.

Although the perceived weaknesses are obviously very subjective, the producers' view of the industry is not inconsistent with the trade buyers perceptions, given that marketing, production and machinist skills, the first three areas of significant skill weakness, would have a direct impact on the areas of competitive weakness highlighted by the buyers. Nor are they inconsistent

with an industry which is responding to its current skill deficiencies while expecting improved profitability particularly in foreign markets, as indicated by the realignment of finance, language and general management. However the low priority given to design is questionable, given the poor perception buyers had of design in Irish products.

The realignment of the perceived skill weaknesses in the women's & 'girls' outer wear sector has a number of apparent inconsistencies. Given that only 1% of output is exported to continental Europe with approximately 90% of output accounted for by sales in the UK and Irish market, it is difficult to understand how language skills could be seen as a more significant weakness than design and finance. It is equally confusing how management could then lessen the significance of language skills in the future, - unless non english speaking countries are excluded from future plans.

There also appears to be a major inconsistency in the priority given to design. Irish producers of women's and girls' outer wear currently perceive design to be one of their least significant skill weaknesses, despite the trade buyers perception of Irish design, thus indicating poor market awareness. Yet for some reason management believe that design will become the third most significant skill weakness in the future. The fact that the sectors management believe that skill weaknesses in marketing, technology, sales, language, general management and finance will improve in the future, would tend to suggest that considerable

importance is currently being placed on training, to rectify these weaknesses.

8.7 Training.

Despite the need for improved skills highlighted by senior management, the FAS study (1991 p 94), indicates that the overall level of formal training in 1990 was very low, see Table 8 11. Although the report (FAS,1991 p 95), does not give a breakdown by sector, it states that the vast majority of training is undertaken by large firms, thus indicating a below average level of training for the women's and girls' outer wear sector.

The figures show (Table 8 13), that 27% of companies carried out 'some' management training. However after post survey discussions and feedback from informants, FAS felt obliged to revise this figure downwards to approximately 20%. It could be argued that the need for such a revision is indicative of a lack of managerial confidence, and excess concern at portraying a professional image, possibly at the expense of [✓]acquiring professional management skills. The revised estimate of one in five clothing managers attending some type of formal training is considerably lower than the comparable figure of one in three managers in Irish industry overall (Culliton Report 1992)

As indicated throughout this study the skill level of Irish operatives is low, and by extension this must imply that Irish garments in general are not of a high quality. This implication

is supported by the perceptions of the Irish trade buyers, as shown in section 8.5

TABLE 8.13

IRISH CLOTHING INDUSTRY'S COMMITMENT TO TRAINING 1990

	% On Job	% Off Job	% Both	% Total	Avg. Days per Person
Management	8	11	8	27	11
Technical	7	4	5	16	17
Operatives	32	1	2	35	40

SOURCE As for Table 8.1

On the basis of the quality assessment of German garments, their increasing share of the domestic market, their generally accepted best international operative standards (FAS 1991 p 133), and the fact that no published comparative analysis of the two industries has taken place. This study considers it appropriate to indirectly ascertain the skill differential, between Irish and German operatives.

Due to the closeness in the perceived quality levels of Irish and UK garments it could be generally assumed that the operative skill levels in the two countries are broadly similar. If a difference does exist, O'Farrell and Hitchens (1989.p 64), suggest that it is in favour of the UK's operatives skills. However, it should be noted that any implications derived from such a

comparison can only be used in a general sense given the indirect nature of the comparisons and the broad assumptions made.

Steedman and Wagner (1989), compared samples of matched plants in Britain and Germany engaged in the manufacture of women's and girls' outer wear. The study examined the contribution of machinery, new technology, and operative skills to the differences in clothing quality and productivity in the two countries.

Specifically in relation to training Steedman and Wagner (1989:p 140) highlighted the fact that operative training in Germany is divided into three one year stages which are normally undertaken by people between the ages of 15 and 18 years. At the end of each stage a practical and written examination (externally marked) must be passed before the apprentice can move on to the next stage, while payment is based on the certified level of training attained. About 2/3 of trainees follow a two year course and the remaining 1/3 complete a third year. All trainees in the various German plants spend the first two years of their training in a separate apprentice section.

It is suggested that the three year British City and Guilds Clothing Craft examinations, correspond closely to the three stages of the German examination. However, in 1986, 6000 German trainees passed stage one of their examinations compared to only 540 in Britain, 5000 German trainees passed stage two compared to only 400 trainees in Britain and in stage three 1600 German trainees passed compared to only 120 in Britain. Given that both industries were comparable in size at the time of the study with the

UK employing approximately 230,000 and Germany employing, approximately 220,000 it is a clear indication of the commitment and priority which the German manufacturers give to operative training.

Britain also used an assessment called the Clothing Skills Award which conforms with the National Council for Vocational Qualifications, and was part of the Youth Training Scheme (YTS). However quite remarkably, skills which the British trainee were expected to take two years to master, had to be mastered by the German trainees within the first two months of their training. Further, the remaining 1/3 of the skills required for the Clothing Skills Award were acquired by the German trainees by the end of their first six months. In 1986, 5000 YTS trainees were recruited to the British clothing industry and took part in the first year of the Clothing Skills Award, the same number that completed the first stage examinations in Germany. Therefore it can be said that the difference between the two industries was not in the number of trainees but rather in the quality of the training.

Steedman and Wagner (1989:p 49), state that the average German machinist was able to match British productivity levels while producing higher quality while working on a greater variety of styles. German machinists had mastered the whole range of operations required for garment making; consequently when a new style had to be made they needed only a short time (an average of two days) to reach 100% speeds. In many cases their training had also enabled them to work directly from technical sketches when

tackling new operations

Given that in 1986 the German industry employed 220,000 people and of these 12,600 were operative trainees it can be said that approximately 6% of all employees were trainee operatives. The EAS study (1991.p 75), estimates that the Irish clothing industry, including knitwear, employed 15,800 people and of these 14% were operative trainees, a very high ratio compared to the German industry (see Table 8.14)

TABLE 8.14

IRISH CLOTHING· TRAINEE OPERATIVES 1990

	Total Employ	No. Trainees
Cutter	588	42
Grader	56	1
Machinist	10239	2018
Presser	781	70
Quality	356	13
Other	1087	57
Total	13107	2201

(includes Knitwear)

SOURCE. As for Table 8.1

Because of the much shorter training time given to the Irish operative, the much larger number of Irish trainees, and the comparative skill levels between the British and German operatives, it can be said that the potential for an overall comparative skill differential between the German and Irish clothing operatives is huge

8.8 Summary.

The current economic position of Irish clothing producers is less than favourable. They hold a 20% share, approximately, of the domestic market and are predominantly positioned in the middle to lower segments of the market. However few core strengths exist to justify this positioning. Total output is fairly evenly divided between the home market and export market, accounting^X for 48% and 52% respectively. The UK. takes the lions share of exported output which is also positioned in the middle to bottom end of the market and is typically distributed through low value added, volume orientated, store outlets.

The women's and girls' outer wear producers constitute the most important sector of the industry, accounting for 37% of all firms, 26% of all employment, and 26% of all output. The sector has a fragmented structure similar to the overall industry, with over 80% of its firms employing less than 50 people, and less than 20% of firms employing over 50 people. However, it is the 20% of larger firms that account for 70% of employment, supporting the current argument for targeted state assistance.

There is evidence to suggest that producers, particularly in the women's and girls' outer wear sector, are selling their own brand while also supplying the retail label, volume end of the market, both at home and abroad. Thus indicating a divided and dissipated strategy. These producers are supplying the middle to bottom segments in the home market, which accounts for 70% of output. Given that the overwhelming bulk of imports originate in other EC member states it can be argued that the middle to bottom end of the domestic market has not felt the full rigour of low cost international competition. Should this low cost competition increase, a situation which seems most probable, it is likely that many Irish producers would be unable to weather the heightened competition. However, it should be added that Irish producers do not view the recent changes in EC access trade regulations, nor the pending changes in access trade regulations, as a threat of increased competition on the domestic market.

Senior management in the industry and in the women's and girls' outer wear sector are particularly weak. They have a low level of strategic, tactical, and day to day management skills. Further, they perceive the industry's relatively low labour costs as excessive and the most significant threat to the future of the industry. They identify the second most significant threat to the industry as the lack of skilled machinists. Yet they see no link between the industry's relatively low industrial wages, poor investment in training, and the relatively low level of operative skills. The thrust of management is orientated towards cost reduction, particularly labour cost, rather than adding value.

Strategically, there is little justification for the market position in which management has placed the industry and sector. From a tactical point management seems unable to offer the buyer a reason to purchase Irish produce, as they lack leadership in all aspects of the marketing mix. Management also have serious weaknesses in day to day areas, such as cashflow, and general control systems. It is perhaps indicative of such deficiencies that the majority of clothing firms are less than 5 years old.

There is a distinct lack of market awareness particularly in the women's and girls' sector, where senior management feel that, as producers, they are not significantly weak in design skills. This is despite the fact that senior trade buyers perceive Irish garments as being poorly designed. Perhaps poignantly, senior management do not view general management skills as a significant weakness.

Given the weaknesses identified by senior management, it could be assumed that a major emphasis would be placed on training to overcome these weaknesses. However, this is not the case and therefore it seems most likely that operative skill levels will lag behind the best international standards of intra industry competition. Overall it can be said that the industry is in a poor condition, competitively weak both in the domestic and export markets, and with few strengths to allow it capitalise on potential opportunities.

CHAPTER 9 CONCLUSIONS AND RECOMMENDATIONS

9.1 Introduction

This chapter summarises the findings and arguments of previous chapters, and broadly discusses strategic planning options in the clothing industry. It also highlights and discusses significant strengths, weaknesses, opportunities, and threats, that exist in the women's and girls' outer wear sector of the Irish clothing industry. Finally, the Chapter concludes by recommending a detailed strategic option for Irish manufacturers, of women's and girls' outer wear, supplying the domestic market.

9.2 Global Clothing Industry

The general economic trends in the global clothing industry do not favour the majority of clothing manufacturers in industrialised countries. This is primarily due to the labour intensive nature of the industry and the fact that manufacturers in less developed countries have a definite labour cost advantage. Consequently, if clothing producers in the developed countries are unable to exploit a salient competitive advantage they will find it exceedingly difficult to survive low cost competition, from the less developed countries. During the 1970's and 1980's there was a significant shift, of the industry's productive

capacity, to lower labour cost countries, and not surprisingly low labour cost manufacturers took an increasing share of the markets in the developed countries.

9.2.1 Quick Response

In certain segments of the clothing market, in the developed countries, particularly fashion related clothing, buyers are increasingly demanding a greater variety and a faster turn around of styles and fabrics. This situation gives the manufacturers in the developed countries a strong geographic advantage of market proximity, over manufacturers in less developed countries. Further, it favours 'flexible' manufacturers who can respond quickly to buyers demands. Logically, this should disproportionately favour small local manufacturers, based on their shorter production runs, and greater flexibility. However, the advent of 'quick response' methods, which basically involves the reorganisation of mass production systems into much smaller 'stand alone' production units, greatly reduces the advantage of the small over the large local manufacturer. Also, if 'quick response' is to be efficient and effective, cooperation in the entire chain is essential. Practically, this means that the manufacturer must be able to exert a certain degree of bargaining power, if only to ensure the cooperation of the stores and the suppliers. By virtue of size, the small manufacturer does not possess this bargaining power.

9.3 Irish Clothing Industry

The Irish clothing manufacturing industry can be divided into a number of sectors, the most important of which is the women's and girls' outerwear sector. The domestic market dominates this sector, accounting for approximately 70% of output, in 1990. The sector's export market is dominated by the UK., which accounted for over 20% of output, in 1990. Output tends to be positioned in the middle to lower end of both the domestic and UK. markets and is typically distributed through low value added volume orientated store outlets.

The women's and girls' sector can be further divided into definite subsectors, delineated along the lines of garment type, including, dresses, skirts, blouses, coats & jackets, and suits & costumes. These subsectors showed a certain consistency of behaviour, separate to overall market trends, such as different rates of decline or incline in response to overall market sector changes. Thus indicating that separate competitive forces were at work in each subsector.

9.3.1 Fragmentation

Between 1980 and 1987, approximately 40% of all firms in the Irish clothing industry employed less than 15 people. While comparative statistical data do not exist for the women's and girls' sector, descriptive reviews of the sector at that time indicate that it was more fragmented than the industry as a

whole. In 1990, although using a different statistical base, evidence suggests that the women's and girl's sector was, at least, as fragmented as the industry, with approximately 46% of firms employing less than 10 people

The clothing industry, by its very nature, is prone to fragmentation, principally due to its relatively low entry and exit barriers. However, the Irish clothing industry is more fragmented than its rivals in continental EC states and considerably more fragmented than the UK clothing industry, its main competitor.

It is generally accepted that, in small firms, an implicit strategic plan may be more beneficial than a formalised and explicit written plan. However, this makes an objective analysis of small clothing firm strategy exceptionally difficult as it becomes intertwined with a psycho analysis of the owner/manager. The problem is compounded by the fact that although the owner/manager must be an expert in all functional areas, s/he usually lacks even basic managerial training.

9.3.2 Import Penetration

Throughout the 1980's, Irish producers' of women's and girls' outer wear were ineffective and uncompetitive in each subsector of the domestic market, consistently losing market share to imported garments. Consequently, the women's and girls' outer wear sector lost domestic market share at a rate faster than the clothing industry as a whole. In 1980 Irish producers of women's

and girls' outerwear held a 32% share of the domestic market, by 1987 this had declined to an 18% market share. Significantly, the market share held by Irish manufacturers in each subsector showed a greater sensitivity, than the market share held by foreign manufacturers, to downturns in the overall sector. Irish producers, supplying the domestic market, were more vulnerable than their foreign competitors, to difficult trading conditions on the home market, indicating a poor strategic fit.

Between 1980 and 1987 the EC. accounted for 77% of all imported women's and girls' outerwear. The dominant country of origin was the UK which accounted for 57% of imports while the other EC. member states accounted for 21% of imports. The 8 year trend shows a slight decline in imports from the UK., and a slight increase in imports from continental EC. member states and from non EC countries.

Imports of clothing from the less developed low cost countries accounted for approximately 10% of all imports, in 1990. Significantly, the Irish clothing market was out of line with the general trend among other EC states, where indigenous clothing producers were losing greater market share to low cost producers. The vast bulk of the Irish market share held by the EC, less the UK originated in the higher cost member states, with Germany accounting for an increasing portion of this share. The subsectors showed considerable variation in the level of imports from the various countries of origin (see Table 9.1), once again indicating that different competitive influences are operating to

varying degrees in the different subsectors

TABLE 9 1

ORIGINS OF SUBSECTOR IMPORTS 1980 - 1987

	UK.	EC -UK.	OTHER
SKIRTS	67%	26%	7%
BLOUSES	30%	14%	56%
DRESSES	73%	21%	6%
SUITS & COSTUMES	59%	31%	10%
COATS & JACKETS	70%	18%	12%
(ENTIRE SECTOR)	(57%)	(21%)	(22%)

SOURCE, Various Tables, Chapter 5.

Given the market position of Irish produced women's and girls' outer wear and the fact that the vast majority of imports originate in relatively high cost EC states. It can be argued that Irish manufacturers have not yet felt the full rigour of low cost competition, and that the low margins which prevail in the sector suggest that many firms will be unable to withstand intense low cost competition. Further, and contrary to the generally held views of management, evidence suggests that the domestic clothing market will experience a heightened level of competition, in the 1990's Firstly, from foreign firms currently supplying the market, due to improved access to the single EC.

market. Secondly, from low cost east European producers spurred by EC. outward processing. Thirdly, from Multi Fibre Arrangement countries encouraged by the relaxation and reorganisation of the EC quota system.

9.3.3 Labour Cost

Irish producers of women's and girls' outer wear have/had a significant labour cost advantage over their main rivals in continental EC. member states, and yet consistently conceded domestic market share to them. The sector also had an approximate labour cost parity with the UK clothing industry. It is significant that UK producers, held the largest share of the Irish market sector, approximately 37%, between 1980 and 1987, as opposed to an Irish market share of approximately 35%. The UK. held this dominant market position when Irish producers had both a labour cost advantage and a labour cost disadvantage. Thus weakening the argument that labour cost is the overriding factor determining the competitiveness of Irish producers.

9.3.4 Value Added

Despite relatively low labour costs in the Irish clothing industry, these costs consistently accounted for the highest portion of gross value added, among all the rival industries studied. Further, the combined total of average annual labour cost and average annual investment, accounted for over 90% of all gross

value added, in the Irish clothing industry, thus indicating, that there was a very low return for the factor input enterprise. The Irish clothing industry's response to this situation was/is to emphasise cost control, particularly labour cost, rather than increasing value added. It can be argued, that Irish producers' of women's and girls' outerwear were either unable or unwilling to sell into high value added markets where they have/had a significant labour cost advantage.

9.3.5 Management

The Irish clothing industry has a weak management resource, particularly in relation to marketing management. Throughout the 1970's there was a lack of sufficiently talented management to pursue a differentiated strategy. Further, in pursuing the alternative cost centred strategy, the acceptance of subnormal returns was exploited as the principal competitive tool. Resulting in the strikingly poor competitive performance, on the domestic market, of the Irish clothing industry and its women's and girls' outer wear sector. Further, Irish buyers perceive Irish manufacturers as lacking competitive advantage in all areas of product benefits.

It is generally accepted that the future development of the industry, and the women's and girls' sector, depends on the initiative, creativity and professionalism of its management. Significantly, the majority of senior management in the sector do not view poor management skills as an important threat to the

future development of the industry

Sufficient evidence exists to hypothesize that a self-perpetuating downward momentum exists in the Irish clothing industry, the genesis of which lies in a weak management resource. In most highly competitive industries with low profit margins, only the strongest companies will survive. However in the Irish clothing industry a strong managerial exit barrier acts as an impediment to this commercial process. This is not to suggest that weak clothing companies do not fail but rather that weak management is slow to exit from the industry, following the failure.

This can be partially explained by the fact that a substantial number of owner/managers in the Irish clothing industry, view the trade as a 'way of life', and therefore are not necessarily governed by a strict commercial rationale. These managers are unlikely to generate high returns on investment or indeed high transfer earnings. Therefore it is most probable that the least talented managers, have the lowest transfer earnings, and are the slowest to leave the industry.

It follows that the lower the transfer earnings of owner/managers the greater their acceptance will be of low remuneration in the clothing industry, and that this low reward for entrepreneurial talent creates difficulties in attracting new talented management. It can be argued that the result of such a hypothesis is a progressive depletion of talent from the existing management stock. Further as the depletion of talent worsens, management becomes less creative and frequent firm failure becomes a

characteristic of the industry

Because, these managers have few income opportunities other than continued self employment in the clothing industry, it is inevitable that the clothing industry becomes a 'way of life'. The lower their transfer earnings the higher their exit barriers. Consequently, the industry is renowned for firms failing and the owner/manager restarting, usually in a smaller business, with the same core workforce, and the same target market. Unfortunately these uneconomic clothing firms, often accepting subnormal returns, do not fail overnight. They may 'haemorrhage' for a number of years before failing, this crucial time span will depend on their financial resources and management's income expectations. During this time they are placing, an uneconomically driven, downward pressure on the prices of more profit orientated clothing firms, consequently the survival of both is threatened.

While accepting the combined persona of the small business, and the owner/manager, the small clothing firm must still operate in the commercial market place and must interact with the competitive forces. Therefore, commercial criteria for success and survival must be applied, firms must find the most defensible position against the most threatening competitive forces

9.4 Strategy and the Clothing Industry

It is widely acknowledged that clothing manufacturers in the more

developed countries, when considering their position vis-a-vis the competitive forces, must take account of the relative success of those firms who shifted their resources to lines of clothing where they enjoy some international competitive advantage. One of the most successful strategic options, utilised by firms in developed countries, is to move up market and incorporate better product design, higher quality, more elaborate materials, and improve the distribution network and services provided to retailers.

It should be noted that the bulk of literature dealing with strategy in the international clothing industry, concentrates on finding defensible positions against relatively inexpensive imports from low cost countries. The Irish clothing industry echoes this concern, despite the fact that only 10% , approximately, of Irish clothing imports come from low cost countries.

Given the Irish industry's concern, (which may have some substance in relation to 'redirected' imports), and the possibility of much greater low cost competition in the future, it is appropriate to consider a relevant strategic defence, against low cost producers. Nevertheless, it should be remembered that the overwhelming bulk of Irish clothing imports come from other EC member states, principally the UK., and that Germany, one of the highest labour cost countries in the world, increased its share of the Irish market, throughout the 1980's.

It is generally accepted that manufacturers in high wage countries can do little to meet the price competition of manufacturers in low labour cost countries. Further, given the wage rate differential no amount of investment and automation can close the gap in the short to medium term. Therefore, it can be stated that there is no economic basis on which producers in developed countries can expect to successfully pursue an overall low cost strategy in the clothing industry. De la Torre (1985 p 239), suggests that the only real long term solution to low cost competition 'lies in shifting the competitive struggle to non price factors where advanced country producers have a comparative advantage'. However, it can be argued that the only real sustainable comparative advantage, held by producers in developed countries, is their proximity to a wealthy and discerning market. All other non price factors can be incorporated, in the long term, into the marketing mix offered by clothing producers in low cost countries.

It is an assumption in much of the literature dealing with the quick response concept, that market proximity alone can satisfy the markets desire for shorter lead times, greater flexibility and improved service. However, a 'badly' managed firm in close market proximity, may be less effective in influencing the trade buyers from developed countries, than a 'progressively' managed firm located farther a field. Further, and most significantly distance, time, and price level, are all relative factors and their weighting of importance will vary in relation to different market segments. Suffice to add that the quick response concept

is not a panacea for the entire clothing industry in the developed countries. It will be of most benefit to efficiently and progressively managed firms, supplying the differentiated, fashion-conscious, segments of the market.

9.5 Strategy Recommendation

Manufacturers in the women's and girls' outer wear sector of the Irish clothing industry have few comparative advantages in their battle with foreign manufacturers for market share. This situation is compounded by the market positioning of Irish output on the domestic and export market. The competitive performance of a firm is governed by the requirements of its market, and the extent to which it can outperform its rivals in satisfying these requirements. Therefore a company must find a market position that best exploits its strengths, and minimises its weaknesses, hopefully developing sustainable competitive advantages in the process. A company's strengths, weaknesses, opportunities, and threats, are relative to the market environment in which that company operates. What one company views as a threat another may view as an opportunity, depending on its internal strengths and weaknesses, which in turn are only significant in relation to the strengths and weaknesses of rival companies. Before recommending a particular strategy for Irish producer's of women's and girls' outer wear it is necessary to highlight the circumstances in which they find themselves.

The vast majority of firms are very small, with the owner/manager

playing a pivotal role, encompassing all aspects of management and usually without any formal training. There is a low operative skill base in the industry as a whole, compounded by a perception of training as an overhead cost. The return on capital is very low, as is gross value added, when compared to other clothing industries. The sector is also particularly weak in the areas of design and marketing. The Irish clothing industry's wage rate is relatively high when compared with the less industrialised, low cost countries, and relatively low when compared with the majority of continental EC member states. The situation, with regard to the UK, is that comparative wage rates have been broadly similar in the past, although the gap is expected to widen, in favour of the UK.

Irish producers of women's and girls' outer wear are dependent on the domestic market for the vast bulk of their output, and yet they have been most uncompetitive in maintaining their domestic market share. Output is predominantly positioned in the middle to lower end of the domestic and UK markets, (their only notable export market). The traditional requirement of buyers in this market position was low cost, compensated by large orders and volume production. However, buyers are now increasingly demanding greater manufacturing flexibility, shorter production runs, faster response, and improved design, while still maintaining a strong cost consideration.

Due to the low levels of imports which come from low cost countries rivalry in the middle to lower end of the domestic market

is primarily between Irish and UK producers. However, with the expected changes in the MFA, improved access to EC markets from other European countries, and the advent of the single EC market, this situation is likely to change. With regard to rivalry on the UK market it can be assumed that Irish producers must compete with UK producers and producers from low cost countries. In order to justify their market positioning, Irish producers need the competitive strengths which will allow them to out perform their rivals in satisfying the target market requirements.

With regard to low cost competition, there is no economic basis on which Irish producers can be cost competitive, given the large wage cost advantage of the less developed countries. Further, it is improbable that the vast majority of Irish producers could successfully compete with their UK rivals, on the basis of scale economies, given the greater fragmentation of the Irish sector. Nor can they exert the same bargaining power, as their UK counterparts, when dealing with the multiple stores, who dominate this market segment, both in the Irish and UK market. It is also likely that when competing with UK producers, Irish producers will in future be at an increasing labour cost disadvantage, given Ireland's compliance with the EC's Social Charter.

In relation to the market requirements of flexibility, and 'quick response', Irish producers, on the basis of market proximity, have the potential to create a sustainable competitive advantage over low cost producers, in both the domestic and UK.

market.

However, for the 'quick response' concept to be effective it requires a highly skilled labour force, and total cooperation from fabric suppliers, Irish producers are significantly weak in both of these areas. To improve the situation in the first area takes time and involves a considerable investment, one which Irish producers may have difficulty financing, given the tight profit margins demanded by the market segment. Further, the very small size of the majority of Irish producers dictates their poor bargaining power with fabric suppliers. It can be argued that the larger UK rival, who adopts quick response methods, is better placed to exploit the advantages of market proximity over low cost competitors, supplying the middle to lower end of the Irish and UK markets.

Legislation and inter industry pressure dictates that Irish producers have little control over the 'floor' level of wages in the Irish clothing industry. Therefore, no amount of management can alter the fundamental basis of cost competition in intra industry trade, however, the competitive disadvantage of high labour costs is determined by market position. Irish producers of women's and girls' outer wear are competing in a market segment where cost is a major consideration against rivals who have a fundamental cost advantage.

It can be stated that Irish producers, of women's and girls' outer wear, who wish to consolidate, or develop, their businesses, must minimise their competitive weaknesses and avoid

positioning their output in the middle to lower end of both the domestic and export market. Further, the future environment in these market segments is likely to become increasingly hostile with the advent of quick response methods being adopted by large manufacturers, and increased low cost competition from the free-
ing of intra and inter EC trade. Therefore, a retargeting of markets is required accompanied by a different marketing mix

The primary constraints, on the future development of Irish firms in the women's and girls' sector, is their low levels of profitability. Further, improvements in this area cannot be achieved, given the market sectors price sensitivities and the industry's rock bottom labour costs. This implies that Irish firms may need to move up market into higher cost, differentiated products in order to increase revenue and profitability. However, as in the middle to lower end of the market, competitive performance in the middle to higher end of the market is governed by the requirements of the market, and the extent to which a firm can outperform its rivals in satisfying these requirements. The traditional requirements of this discerning market segment have been superior quality and design, in both fabric and garment, together with astute fashion awareness, good customer service, and a relative degree of exclusivity. The higher costs involved in meeting these requirements are usually compensated by a lower price sensitivity, however, this does not mean that price is irrelevant.

It is within this middle to upper end of the market that the

successful firms of the higher cost EC. clothing industries are positioned. The most salient, and perhaps the only, competitive advantage that Irish producer's of women' and girls' outer wear have, is their relatively low labour costs when compared with the more developed EC. member states. Although price is not the principal purchasing consideration it is nonetheless an important component in the marketing mix, and one in which Irish producers can be the most competitive. It is important to note that this is the only area and only market segment in which Irish producer's of women's and girls' outer wear can offer the buyer a sustainable competitive advantage. It is therefore a core component in developing a defensible strategic plan. If a company is to outperform its rivals it must be as good as them in most areas of the marketing mix and better in at least one significant variable.

This implies that to successfully compete in the middle to upper end of the market, Irish producers will have to improve operative skill levels including quality supervision, develop management skills, particularly in marketing and distribution, create a commercial design input, and respond quickly to market needs, while at the same time maintaining a relative cost advantage.

The women's and girls' sector is fortunate in that it incorporates a sizeable, fashion conscious, differentiated, market segment where price sensitivities are relatively low. However, given the very small size of the vast majority of Irish firms in this sector, a highly focused differentiated strategy may be required to best exploit their strengths and minimise their

weaknesses. Considerable potential exists in the area of garment specialisation, at least in the domestic market, and this focus may be narrowed further by also specialising in a particular customer type. However, the size of the total Irish market means that focused customer groups may be small and quickly saturated, therefore, they must also be identifiable and accessible in export markets. Initially, the UK is the most likely export market, due to its proximity, cultural similarities, and common language.

Obviously, the implementation of such a strategic option cannot be achieved over night and there are many time constraints particularly in the area of training and improving skill levels. However, in the short run, an individual firm may overcome these constraints, by aggressively recruiting the highest skilled operatives in the industry, offering them above average wages and work conditions. Further, the shortfall in management skills can be lessened by the selective use of consultants from the private and state sector, ie assuming management has the ability to recognise such a shortfall and the motivation to overcome it. An inadequate in-house commercial design capability can often be reduced by employing a good cutter/pattern maker to work with an inexperienced, inexpensive, graduate designer. However, the designer must be aware of the company's exact target market and the designs of the most successful firms in that target market. Finally, the immediate difficulties in entering the export market can be greatly reduced by using the extensive market research resources and expertise of An Bord Trachtála.

If an Irish producer of women's and girls' outer wear is to achieve long term success, pursuing a highly focused differentiated strategy, s/he must continually build on developing comparative strengths and minimising comparative weaknesses, while aggressively seeking competitive advantage in at least one significant area. The paramount condition of success is that a strict strategic discipline is vigorously maintained.

APPENDIX A.

RESEARCH DESIGN

OUTLINE. =====	Techniques. =====	SOURCE. =====
Domestic Market. -----		
Annual & trends in, size structure market share by domestic produce imports garment type	documentary analysis	Central Stat. Office. Irish Goods Council. Data Eurostat Publications
Sub markets by domestic produce imports size structure market share		CTT, Trade Library Commercial Library, Ilac
Irish Manufacturers -----		
Annual & trends in, size ownership product range market dependency profitability management ability labour force labour costs value added.	documentary analysis & questionnaires & interviews.	Central Stat Office. IDA. Irish Goods Council. FAS Apparel Ind. Federation Irish Fash Group Contd/....

<u>OUTLINE.</u>	<u>Techniques.</u>	<u>SOURCE.</u>
<u>Women's & Girls' Outer Apparel</u>		
design	documentary	Central Stat Office.
garment type	analysis &	
label meaning		
statistical coding.	interviews.	EC Commission
		Irish Goods Council. Apparel Ind. Federation.
<u>Foreign Manufacturers</u>		
country of origin	documentary	EC Commission.
by size of units	analysis	
labour costs		Central Stat. Office
value added		
garment type		DCU, Library.
import price.		TCD, Library
		UCD, Library
<u>Competitive Strategy</u>		
marketing	documentary	DCU, Library.
industrial analysis	analysis	
world		TCD, Library.
EC		
Ireland		IDA.
dependent variables		
import rivalry		
buyer power		
supplier power		
entrants		
differentiation		
cost leadership		
focused		
<u>Successfully Compete</u>		
determined by	documentary	DCU, Library.
market share	analysis.	
profitability		TCD, Library
		Contd/...

OUTLINE. =====	Techniques. =====	SOURCE. =====
employment output investment survival		
Appropriate. -----		
fragmented structure market dependency management ability long term development financial resources entrepreneurial motives position & dependency in chain technical proficiency labour force skill comparative 'SWOT'.	documentary analysis & interview.	Research findings IDA Irish Goods Council. Apparel Ind. Federation. Irish Fash. Group.
		DCU, Library.
		TCD, Library.

(For details of the specific source material used see Bibliography)

APPENDIX B.

CLOTHING INDUSTRY RESEARCH

FRANK FITZPATRICK · DUBLIN CITY UNIVERSITY

PILOT QUESTIONNAIRE · RELATING TO THE FAS DATA BASE ON THE IRISH CLOTHING INDUSTRY, AND SPECIFICALLY THAT SECTOR WHICH MANUFACTURES WOMENS AND GIRLS OUTER APPAREL.

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SECTION .A.

* IN RELATION TO THE SIZE OF COMPANIES IN THE IRISH CLOTHING INDUSTRY, AND IN THE SPECIFIC CLOTHING SECTOR.

1) Does FAS have information on the number of manufacturing units currently operating in the

IND. YES___ NO___ SECT. YES___ NO___

2) Does FAS have information on the total numbers currently employed in the

IND YES___ NO___ SECT. YES___ NO___

3) Does FAS have information on the size of companies, measured by the frequency distribution of employment, eg. number of companies employing.... .. < 15 >15 . .<30 >30 . .<60 etc.

IND. YES___ NO___ SECT. YES___ NO___

4) Does FAS have information on the size of companies, measured by the frequency distribution of turnover, eg. number of companies with turnovers..... < 100,000 > 100 ...< 200,000 > 200 .. < 400,000 etc.

IND YES___ NO___ SECT YES___ NO___

5) Does FAS have information on the size of companies, using other measurers.

IND. YES___ NO___ SECT. YES___ NO___

(if answer to question number 5. is NO go to Section .B.)

- 6) If answer is YES to question number 5), what other measurers of company size are used.
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SECTION .B.

* IN RELATION TO THE OWNERSHIP OF COMPANIES IN THE IRISH CLOTHING INDUSTRY, AND IN THE SPECIFIC CLOTHING SECTOR.

- 7) Does FAS have information on the number of foreign owned companies.

IND. YES___ NO___ SECT. YES___ NO___

categorized by frequency distribution of employment,

IND. YES___ NO___ SECT. YES___ NO___

categorized by frequency distribution of turnover,

IND. YES___ NO___ SECT. YES___ NO___

- 8) Does FAS have information on the number of Public & Private companies.

IND. YES___ NO___ SECT. YES___ NO___

categorized by frequency distribution of employment,

IND. YES___ NO___ SECT. YES___ NO___

categorized by frequency distribution of turnover,

IND. YES___ NO___ SECT. YES___ NO___

categorized by nationality of ownership,

IND. YES___ NO___ SECT. YES___ NO___

- 9) Does FAS have information on , company executives/management, who are also company share holders, ie. owners or part owners

Public CO.

IND. YES ___ NO ___ SECT. YES ___ NO ___

Private CO.

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

Public Co.

IND. YES ___ NO ___ SECT. YES ___ NO ___

Private CO.

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

Public Co.

IND. YES ___ NO ___ SECT. YES ___ NO ___

Private Co

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

Public Co.

IND. YES ___ NO ___ SECT. ___ NO ___

Private Co.

IND. YES ___ NO ___ SECT. ___ NO ___

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SECTION .C.

* IN RELATION TO THE MARKET DEPENDENCY OF COMPANIES IN THE IRISH CLOTHING INDUSTRY, AND IN THE SPECIFIC CLOTHING SECTOR.

10) Does FAS have information on the number of companies that are totally dependent on the Domestic Market.

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

- 11) Does FAS have information on the number of companies that are totally dependent on the Export Market.

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

- 12) Does FAS have information on the number of companies that supply both the Export & Domestic Market.

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

- 13) Of the companies that supply both markets does FAS have information on the % of their output that is exported.

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES___ NO___ SECT. YES___ NO___

categorized by frequency distribution of turnover,

IND. YES___ NO___ SECT. YES___ NO___

categorized by nationality of ownership,

IND. YES___ NO___ SECT. YES___ NO___

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SECTION .D.

* IN RELATION TO THE FINANCIAL POSITION OF COMPANIES IN THE
IRISH CLOTHING INDUSTRY, AND IN THE SPECIFIC CLOTHING SECTOR.

14) Does FAS have information on the average levels of investment, in the.....

IND. YES___ NO___ SECT. YES___ NO___

categorized by frequency distribution of employment,

IND. YES___ NO___ SECT. YES___ NO___

categorized by frequency distribution of turnover,

IND. YES___ NO___ SECT. YES___ NO___

categorized by nationality of ownership,

IND. YES___ NO___ SECT. YES___ NO___

15) Does FAS have information on the average Return on Investment, in the..

IND. YES___ NO___ SECT. YES___ NO___

categorized by frequency distribution of employment,

IND. YES___ NO___ SECT. YES___ NO___

categorized by frequency distribution of turnover,

IND. YES___ NO___ SECT. YES___ NO___

categorized by nationality of ownership,

IND. YES___ NO___ SECT. YES___ NO___

16) Does FAS have information on the borrowing capacity, ie. debt : equity ratio, in the....

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

17) Does FAS have other information regarding the financial situation of companies, in the...

IND. YES ___ NO ___ SECT. YES ___ NO ___

(if answer to question 17. is NO go to Section .E.)

18) If the answer to question 17. is yes please state the type of 'other' information.

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SECTION .E.

* IN RELATION TO THE MARKETING FUNCTION OF COMPANIES IN THE IRISH CLOTHING INDUSTRY, AND IN THE SPECIFIC CLOTHING SECTOR.

19) Does FAS have information on the % of output attributed to . CMT, Own Brand, and Retailers Label,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

20) Does FAS have information on the Gross Value Added of output attributed to ... CMT, Own Brand, and Retailers Label,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

21) Does FAS have information on Design capabilities, in the....

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

22) Does FAS have information on the use of formal Market Research, in the....

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

- 23) Does FAS have information on selling procedures, ie. agent, company representative, wholesaler, sales manager, managing director, etc, in the....

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

- 24) Does FAS have information on remuneration policy in relation to sales and marketing staff, in the...

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

- 25) Does FAS have information on the existence of an implicit or explicit 'mission statement', ie. a clarity of purpose, in the....

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

26) Does FAS have information on the methods used by companies to support their products in the market place.

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

=====

SECTION .F.

* IN RELATION TO THE PRODUCTION FUNCTION OF COMPANIES IN THE IRISH CLOTHING INDUSTRY AND IN THE SPECIFIC CLOTHING SECTOR.

27) Does FAS have information on plant capacity , in the...

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

28) Does FAS have information on the current levels of excess plant capacity , in the...

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

29) Does FAS have information on the level of machine and plant sophistication, in the....

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

30) Does FAS have information on quality control systems, in the ...

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

31) Does FAS have information on average labour costs, in the....

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

32) Does FAS have information on the sex and average age of employees, (delete age or sex if appropriate), in the....

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

33) Does FAS have information on whether or not the workforce is unionised, in the....

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

=====

SECTION .G.

* IN RELATION TO THE MANAGEMENT FUNCTION OF COMPANIES IN THE IRISH CLOTHING INDUSTRY, AND THE SPECIFIC CLOTHING SECTOR.

34) Does FAS have information on the average age of management, in the

IND. YES___ NO___ SECT. YES___ NO___

categorized by management function, ie.

Chief Executive YES___ NO___

Marketing, YES___ NO___

Production, YES___ NO___

Financial, YES___ NO___

categorized by frequency distribution of employment,

IND. YES___ NO___ SECT. YES___ NO___

categorized by frequency distribution of turnover,

IND. YES___ NO___ SECT. YES___ NO___

categorized by nationality of ownership,

IND. YES___ NO___ SECT. YES___ NO___

35) Does FAS have information on the career background of management, in the

IND. YES___ NO___ SECT. YES___ NO___

categorized by management function, ie.

Chief Executive YES___ NO___

Marketing, YES___ NO___

Production, YES___ NO___

Financial, YES___ NO___

categorized by frequency distribution of employment,

IND. YES___ NO___ SECT. YES___ NO___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

36) Does FAS have information on the training of management,
in the

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by management function, ie.

Chief Executive YES ___ NO ___

Marketing, YES ___ NO ___

Production, YES ___ NO ___

Financial, YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

37) Does FAS have information on the policy of remuneration for
management, in the

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by management function, ie.

Chief Executive YES ___ NO ___

Marketing, YES ___ NO ___

Production, YES ___ NO ___

Financial, YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

=====

SECTION .H.

* IN RELATION TO THE COMPANIES, BUYERS AND SUPPLIERS, IN THE
IRISH CLOTHING INDUSTRY AND IN THE SPECIFIC CLOTHING SECTOR

38) Does FAS have information on the type of Buyers, ie.
Chain Stores, Department Stores, Other, by percentage of
output attributed to each type, in the....

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

39) Does FAS have information on the... location,..and relative
importance of fabric Suppliers,(delete location or impor
tance if appropriate), in the....

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

40) Does FAS have information on how Buyers perceive Irish manufacturers, in the....

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

41) Does FAS have information on how Suppliers perceive Irish manufacturers, in the....

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of employment,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

IND. YES ___ NO ___ SECT. YES ___ NO ___

categorized by nationality of ownership,

IND. YES ___ NO ___ SECT. YES ___ NO ___

=====

SECTION .I.

* SPECIFICALLY IN RELATION TO MANUFACTURING COMPANIES IN THE WOMENS AND GIRLS OUTER APPAREL SECTOR.

42) Does FAS have information on their product range, ie. percentage of output attributed to . blouses, dresses, skirts, coats & jackets, suits & costumes.

SECT. YES ___ NO ___

categorized by frequency distribution of employment,

SECT. YES ___ NO ___

categorized by frequency distribution of turnover,

SECT. YES ___ NO ___

categorized by nationality of ownership,

SECT. YES ___ NO ___

- 43) Does FAS have information on the domestic market niches for the individual products, ie. blouses, skirts, dresses, coats & jackets, suit & costumes.

SECT. YES ___ NO ___

- 44) Does FAS have 'other' information that you feel may be pertinent to the objectives of this research, as outlined in the correspondence dated 9th. August. If YES, please indicate type of other information.

Completed By... _____

Job Description... _____

Many thanks for your assistance,

Frank Fitzpatrick

APPENDIX C.

DUBLIN CITY UNIVERSITY
CLOTHING INDUSTRY STUDY

Please note that 'subsector' refers to the women's and girl's outer wear subsector, and that for the purpose of this questionnaire, it includes all manufacturers where at least 75% of their output can be attributed to any one, or combination of, the following (non knitted) garments, skirts, blouses, dresses, coats, jackets, suits, costumes. If An Bord Trachtala does not have sufficient data for precise answers, please give estimations, making sure to indicate this by writing 'est.' after your answer.

-
- 1) How many manufacturing companies are currently operating in the

Industry _____ Subsector _____

- 2) How many companies supply both the domestic and export markets, in the

Industry _____ Subsector _____

- 3) How many subsector companies, employ.....

less than 15 people, Subsector _____

15 to 50 people, Subsector _____

51 to 100 people, Subsector _____

101 to 200 people, Subsector _____

over 200 people, Subsector _____

4) Of the subsector companies, that employ less than 51 people
how many

do NOT export,

Subsector _____

export up to 25% of their output,

Subsector _____

export between 25% & 50% of their output,

Subsector _____

export between 50% & 75% of their output,

Subsector _____

export over 75% of their output,

Subsector _____

export ALL of their output,

Subsector _____

5) Of the subsector companies, that employ 51 to 100 people,
how many

do NOT export,

Subsector _____

export up to 25% of their output,

Subsector _____

export between 25% & 50% of their output,

Subsector _____

export between 50% & 75% of their output,

Subsector _____

exports over 75% of their output,

Subsector _____

export ALL of their output,

Subsector _____

6) Of the subsector companies, that employ 101 to 200 people,
how many

do NOT export,

Subsector _____

export up to 25% of their output,

Subsector _____

export between 25% & 50% of their output,

Subsector _____

export between 50% & 75% of their output,

Subsector _____

exports over 75% of their output,

Subsector _____

export All of their output,

Subsector _____

7) Of the subsector companies, that employ over 200 people how
many

do NOT export,

Subsector _____

export up to 25% of their output,

Subsector _____

export between 25% & 50% of their output,

Subsector _____

export between 50% & 75% of their output,

Subsector _____

exports over 75% of their output,

Subsector _____

export ALL of their output,

Subsector _____

Questionnaire completed by _____

Job description _____

Sincere thanks for your help,

FRANK FITZPATRICK.

APPENDIX D.

(COPYLETTER, ADJUSTED FOR EACH AGENCY, ORIGINAL ON DCU HEADED PAPER).

MR WALLY HILL
CLOTHING INDUSTRY ADVISOR
IRISH GOODS COUNCIL
MERRION HALL
STRAND ROAD
DUBLIN 4.

DATE 2/8/91

DEAR MR HILL

FURTHER TO OUR PHONE CONVERSATION ON 31/7/91, AND CONFIRMING OUR APPOINTMENT FOR 8/8/91 AT 10'O CLOCK.

AS MENTIONED, I AM CURRENTLY PURSUING A MASTERS DEGREE IN BUSINESS STUDIES AT DUBLIN CITY UNIVERSITY, HAVING PREVIOUSLY WORKED FOR A NUMBER OF YEARS IN THE CLOTHING INDUSTRY, NOT SURPRISINGLY MY AREA OF RESEARCH IS THE IRISH CLOTHING INDUSTRY AND SPECIFICALLY INDIGENOUS MANUFACTURERS OF WOMEN'S AND GIRL'S OUTER APPAREL.

THE BROAD OBJECTIVE OF THIS STUDY IS TO FORMULATE A NUMBER OF STRATEGIC OPTIONS FOR INDIGENOUS MANUFACTURERS WHO ARE CURRENTLY DEPENDENT ON THE DOMESTIC MARKET. NEEDLESS TO REMARK, THIS REQUIRES DETAILED MARKET AND INDUSTRIAL ANALYSIS, AND IS DEPENDENT ON QUALITY INFORMATION. MY CURRENT PROBLEM IS THAT RECENT QUALITY INFORMATION IS IN SHORT SUPPLY, HOWEVER I WAS HOPING TO OVERCOME THIS BY GAINING ACCESS TO RECENT DATA FROM THE RELEVANT STATE AGENCIES.

IN ORDER TO FOCUS ON SPECIFIC EXPERTISE IT IS FIRST NECESSARY TO ASCERTAIN THE TYPE AND EXTENT OF THE DATA HELD BY THE VARIOUS STATE AGENCIES. AS I ALSO MENTIONED, I AM EQUALLY INTERESTED IN YOUR OWN EXPERTISE AND OPINIONS ON THE INDUSTRY'S STRENGTHS AND WEAKNESSES.

SHOULD YOU OR THE IGC BE INTERESTED IN MY FINDINGS AND RECOMMENDATIONS I WOULD BE MORE THAN HAPPY TO LET YOU HAVE A COPY OF SAME.

LOOKING FORWARD TO MEETING WITH YOU.

YOURS SINCERELY

FRANK FITZPATRICK

(SIMILAR TYPE 'FOLLOW UP' LETTER SENT TO ALL AGENCIES, ON DCU
HEADED PAPER)

MR MICHAEL MCGUIRE
BUSINESS DEVELOPMENT MANAGER
IDA
WILTON PLACE
DUBLIN 2.

DATE 11/8/91

DEAR MICHAEL

JUST A QUICK NOTE TO THANK YOU FOR YOUR TIME AND ASSISTANCE ON
FRI.9TH AUGUST, AND TO ENCLOSE THE 'FOCUSED' QUESTIONNAIRE AS
DISCUSSED.

I HAVE WRITTEN TO EUGENE GILLIGAN OF FAS, AND HOPE TO MEET WITH
HIM SHORTLY. I WAS DELIGHTED TO LEARN THAT YOU ARE CURRENTLY
INVOLVED IN A STRATEGIC STUDY OF THE INDUSTRY AND I AM LOOKING
FORWARD TO OUR LESS STRUCTURED INTERVIEW. I AM SURE THAT YOUR
EXPERTISE, EVALUATIONS, AND OBJECTIVITY ON THE INDUSTRY WILL BE
INVALUABLE TO MY RESEARCH CONCLUSIONS.

AS I EXPLAINED AT THE MEETING I WISH TO GAIN INFORMATION FROM THE
IDA IN THREE STAGES, FIRSTLY, BY A PRELIMINARY QUESTIONNAIRE
SEEKING THE TYPE OF DATA HELD BY THE AGENCIES, SECONDLY, BY A
MORE FOCUSED QUESTIONNAIRE (ENCLOSED) BASED ON THE INFORMATION
OF THE PRELIMINARY QUESTIONNAIRE, AND THIRDLY, BY CONDUCTING
DEPTH INTERVIEWS WITH YOURSELF AND GRACE.

I WILL PHONE YOU SHORTLY JUST IN CASE YOU HAVE ANY QUERIES
REGARDING THE QUESTIONNAIRE.

ONCE AGAIN MANY THANKS FOR ALL YOUR HELP.

YOURS SINCERELY

FRANK FITZPATRICK.

(SIMILAR TYPE 'FOLLOW UP' LETTER SENT TO ALL AGENCIES, ON
DCU HEADED PAPER)

MR. EUGENE GILLIGAN,
INDUSTRY SPECIALIST,
TEXTILES, CLOTHING, AND FOOTWEAR,
FAS,
27 - 33 BAGGOT STREET,
DUBLIN 4.

NOVEMBER 7TH, 1991.

DEAR EUGENE,

FIRSTLY, MANY THANKS FOR THE COMPLETION AND RETURN OF THE
QUESTIONNAIRE, REGARDING THE TYPE OF CLOTHING INDUSTRY
INFORMATION ON THE FAS DATA BASE.

AS DISCUSSED, I ENCLOSE A SHORT FOCUSED FOLLOW-UP
QUESTIONNAIRE, WHICH I HOPE YOU WILL COMPLETE AND RETURN
TO ME, AT YOUR EARLIEST CONVENIENCE.

ONCE AGAIN, MANY THANKS FOR ALL YOUR HELP.

YOURS SINCERELY,

FRANK FITZPATRICK.

APPENDIX E

MULTI FIBRE ARRANGEMENT

The Multi-Fibre Arrangement (MFA) is an international agreement which regulates imports of clothing and textiles, from low cost countries into western industrialised countries including the EC. It was originally signed in 1973 and operates under (but a derogation from) the General Agreement on Tariffs and Trade (GATT), (Dept. of the Taoiseach 1989:p 22).

The MFA is an umbrella agreement, it allows for the negotiation of one-to-one trade agreements between pairs of importing (developed) and exporting (developing) countries. Most imports of textiles and clothing into developed countries are subject to detailed annual quantitative limits, implemented through a combination of import and export licences. It should be noted that the MFA is 'unique in international regulation of trade in industrial products in that it is a formal departure or derogation from the free-trade principles enshrined in the GATT' (Dept. of the Taoiseach 1989:p 22). It should also be noted that the MFA does not deal with trade between developed countries, further, it only deals with quantitative regulations, tariffs are outside its frame of reference.

Under the bilateral agreements which the EC negotiates with low cost countries, imports from these countries are subject to overall "Community" quotas. This overall quota is then subdivided

into regional or national quotas, based on a complex 'burden sharing formula'. The quota for the Rep. of Ireland is less than 1% of the total EC quota, and is less than its share of total EC consumption of textiles and clothing.

In addition, individual Member States which feel threatened by imports of an MFA textile or clothing product not already subject to a quota, can apply to the Commission for a special national quota to be negotiated with the low cost exporter. Traditionally, Ireland has been a frequent user of this mechanism, especially in relation to clothing, although its use is now becoming more infrequent.

The main barrier to the transfer of textiles and clothing between EC member states is the use of Article 115. Under this article a country may seek to exclude goods subject to a quota when those goods are being 'deflected' i.e. redirected, via another member state, and when such imports impose a threat of serious market disruption. While Ireland has made considerable use of Article 115 in the past, there has been a recent hardening of the Commission's attitude towards intra community trade and the use of Article 115. For the EC as a whole the likely abolition of national quotas will lead to an increase in overall quota utilisation. 'Abolition will allow exporters to the EC much greater flexibility in their marketing of goods. However, the possible impact at member state level is much less clear', (Fitzpatrick Ass. 1991: sect.6.2)

To conclude, Steele (1990:p 53), argues that the EC is attempting, in its GATT negotiations, to reconcile objectives i.e., on the one hand, to liberalise trade, and on the other, to ensure that textiles and clothing industries continue to enjoy adequate protection against imports from low cost countries. 'The EC envisages that these ends would be achieved by a lengthy transition period after the end of the MFA, during which time it would be gradually phased out and parallel moves made to strengthen GATT rules in the interests of 'fair trade'.

APPENDIX F.

The following is a general guideline to the topics I hope to discuss with you at our forthcoming meeting.

The structure of the Irish clothing industry, and its labour costs, and the influence these have on the level of imports from other EC member states and from less developed countries.

The importance of 'quick response' methods to clothing manufacturers in the developed countries, in particular the small Irish manufacturer and his/her ability to obtain the cooperation of trade buyers and suppliers.

The possibility of increased competition, with the advent of the single EC market and the liberalising of the MFA, for Irish clothing manufacturers supplying the domestic market.

Irish manufacturer's predominant positioning of women's and girls' outer wear in the middle to lower end of both the domestic and export markets, and the influence this has on profit margins.

The low levels of market penetration in continental EC states by Irish manufacturers of women's and girls' outer wear.

The high levels of domestic market penetration by high cost EC manufacturers of women's and girls' outer wear.

Ireland's comparative standing with 'best' international practice in the clothing industry, particularly in relation to; general management, marketing, design, operative skills, training, quality control

The desire among Irish owner/managers of clothing firms for growth and development.

Significant constraints and opportunities for the future development of Irish manufacturers in the women's and girls' outer wear sector

GLOSSARY

CMT refers to subcontract work, where the manufacturing subcontractor 'cuts - makes - trims' (and often presses) a garment using the contractor's fabric and specifications.

NACE CODE 453-54, ready made clothing and accessories, excluding knitwear. (Eurostat 1991)

NACE CODE 453-56, ready made clothing and accessories, excluding Knitwear, plus household and other textiles, and fur and fur goods. (Eurostat 1991)

Outer apparel and outer wear are used interchangeably in this study and refers to non knitted garments.

Women's and girls' outer wear refers to that part of NACE CODE 453-54 which includes; coats and overcoats, jackets, costumes and two piece suits, skirts, blouses, dresses, all of woollen, cotton, worsted, or other material, except knitwear.

Gross Value Added at market prices, = production value (excl. vat) less purchases of raw and ancillary materials (excl. vat), minus cost of non industrial services, plus or minus differences in stocks of raw material, plus vat invoiced to clients, minus vat on purchase of raw and ancillary materials. (Eurostat 1991)

Average Labour Cost, = all contractual, statutory, and voluntary payments, or benefits in kind, to all regular and temporary

employees as remuneration for work done by them, including remuneration paid to home workers on the payroll; including employers social charges., all divided by the number of persons employed, excluding home workers. (Eurostat 1991)

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