



Study on Clothing Industry Present Condition and Structure Adjustment

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Abstract

With the financial crisis, the textile and garment industry is under multiple pressures both at home and abroad. To speed up the adjustment of product structure has become the most urgent problem in clothing industry. This paper points out the problems of structure in clothing industry through the analysis of profit and the development trend of production. Clothing industry is entering a critical period of structural adjustment. Therefore, the paper points out some adapt measures to adjust the structure of clothing industry in different angles.

Keywords: Clothing industry, Structure adjustment, Present condition, Textile

With the occurrence of financial crisis, be subjected to the pressure of RMB appreciation and American time loan crisis influence, the spinning clothing industry is bearing much domestic and international heavy pressure. The adjustment of domestic policies make a lot of clothing exports to reduce tax rebates which included in the processing trade restricted or prohibited categories. Thus make the clothing industry more and more uncomfortable for days. While with the United States meeting the growing credit crisis, the international market is weak, together with the plus of RMB appreciation step to speed, spinning and weaving the clothing business enterprise is also snow to up add frost. The face of disadvantageous situation, to speed up the adjustment of product structure has become the most urgent problem in clothing industry. So the Chinese spinning clothing business enterprise should actively carry out the adjustment of product structure, stabilize a low level market and expand the mid-market, qualified enterprises should move towards into the high level market and develop own-brand.

1. Analysis of the present clothing industry

1.1 Industry profits down bottom

Affected by the global financial crisis, Chinese clothing industry obviously slowed down in profit growth from the beginning of 2008. From January to November in 2008, the sales income and profits total amount increase by 14.95% and 10.51%, respectively compares to reduce 7.95 and 20.27 percentage points. From January to May in 2009, the sales income and profits total amount increase 6.83% and 4.64% respectively compares to reduce 11.38 and 11.20 percentage points. Descend 8.12 with 5.86 percentage points compared in 2008 years from January to November. From January to May in 2009, the gross profit rate together compares to enhance 0.47 percentage points, which enhanced 0.02 percentage points compared with 2008 from January to November. Profit margins descend 0.02 percentage points in 2009; descend 0.47 percentage points compared with 2008. Both inside and outside market overcast, especially in the overseas market shrinks as a result of declining sales growth significantly. While with the drop quickly in income

growth, profit growth rate of decline narrowed, mainly due to the increased demand pressures, as well as the costs descends and the increase in gross margin. Entered in 2009, gross margins have stabilized, the overall profitability gradually at zero growth appearances in the state, the industry gradually running into the bottom.

Insert Figure 1 Here

1.2 Industry production has stabilized

Entered in 2009, the growth fluctuation of industry main products such as yarn, cloth and apparel production become increasing. These are mainly due to the sluggish demand for the downstream effects and take turns of stocks supplement and digestion. These lead to the frequency of fluctuations in capacity. On January in 2009, the production of yarn and cloth touch bottom. The output slides to 10.29% and 22.77% respectively. They start rallying in February and become more and steadier. Because of the Chinese New Year, the production of clothing increase 6.35 percent in January. After the production declining in February, it gradually tends to steady. From January to May, the production of yarn, cloth and apparel rose accumulative to 9.0% -0.9%, 3.4% respectively. Compared with the production in 2008, expect the 0.62 percentage points to upgrade yarn, the cloth and clothing slid down 9.42 and 2.53 percentage points respectively. Because the downstream demand decides the whole output, so we think that the terminating consumes of textile and clothing have touched bottom already, the probability of significant slid in last time is not big. While it hard to turn warm in a short run, the whole industry will enter in a bottom choppy stage.

Insert Figure 2 Here

2. Problems in the clothing industry

With the quick develop of production and operation in globalization; developed countries will transfer the labor-intensive, low technology content and relatively large quantities of clothing production to mainland. These make the domestic clothing industry faces tremendous pressure in the capital, technology, human resources and information. Although Chinese textile and clothing industry has made remarkable achievements in recent years, the development of this industry still can not shake off the extensive model which is characteristic with quantity growth pattern. With the amplification of domain scale and the variance of market demand, the international competition is getting more vigorous; the restraint of resource and atmosphere turn worse further; the accumulation of deep-seated structural problems in a long term have stand out increasingly.

2.1 Transversal industrial structure irrational

At present, the textile and clothing industry expresses a structural contradiction of market demand and supply in a certain extent, the situation of imbalanced industrial structure, high input, high consumption, high emission and low efficiency has not been fundamentally changed which affects the ability of sustainable development of enterprises.

First, sub-sectors from the textile industry structure manifested the relatively over growth of early processing capacity in the textile and chemical fiber industry, which has led to the risk of excessive competition. Some areas and enterprises pursuit unilateral of high growth of scale output value blindly spreads booth, isomorphism of development. From the investment structure, investments of early processing industries such as cotton, chemical fiber and other upper reaches of the textile industry chain accounted for more than 75% of the total, so that the capacity of cotton and chemical fiber production enlarge quickly in the same period.

Second, low level of dyeing and finishing industry affected the supply of high-grade fabrics. Although Chinese textile and apparel production output ranks the first in the world, in many key areas of the textile processing are still at a disadvantage. Some top grade products still need to be imported, such as high-grade fabrics, carpets, non-woven textile manufactured product and so on. At present, 60% fabrics of the Chinese exports of high-grade apparel depend on imports. Meanwhile, the average unit price of imports fabrics is higher than the overall average unit price of exports. The appearance of fabric depends primarily on the dyeing and finishing segments, which is always been the part of the bottlenecks of Chinese textile industry. There are some problems of obsolescence equipment, backward technology, low level of finishing, which resulting in the appearance of fabric lack of material characteristics, low-grade, and feature poor.

Third, three categories of final textile structure can not meet the demand of changes in the structure. Textiles can be divided into clothing, industrial and domestic from the perspective of use. In the long term, with the increasing of industrialization, the demand of industrial and decorative textiles is accelerating. There exist a large gaps between Chinese current products supply structure and developed countries'. About three quarters of the products are used into clothing production and less than a quarter products are the latter two uses. The supplying of industrial and decorative textiles products have a relative shortage.

2.2 Vertical structure of the industry chain is not conducive to industrial efficiency

From the point of vertical industrial chain, the developing of our country's clothing in each part turns imbalance. The whole frame structure presents pattern as an olives. That is, the production and processing in the middle link turns the

more obvious advantages, while at both ends of the design and brand marketing ability is relatively weak. In the international division system of labor in present stage, the developed countries increasingly focus on the two ends of textile industry chain day by day. That contains the front-end production of raw materials and product R & D as well as the deep-end processing and marketing channels. While the developing countries, including ourselves, who are subjected to the double squeeze by developed countries have been placed into the central where express value-added profits and low technological content. From the development path of world famous products, in order to achieve industrial upgrading, we should carry out the original design manufacturing (ODM) and own-brand manufacturing (OBM) approach.

2.3 Competitive pressures of foreign clothing

To enter the Chinese market of foreign brand, most of them sustain trade in several decades or a century. The brand image and brand culture thorough public and earn the favor of customers. In contrast, Chinese clothing brand not only exist an obvious weakness of the price in the culture of branded, but also has no obvious superiority in the cost of brand clothing. Many international brand-name commodity prices are usually below the thousand dollars, while the price of domestic brand obviously higher than the international brand that is because of the relative single of the sales channels and the retail operating costs are higher. The design of international brand link with the market closely. The brand design of our country generally diversified in the work room of the whole country. There are some distance between the designer and the production line, which resulting in the slower update of products.

3. Clothing industry is entering a critical period of structural adjustment

According to the general trend of development of textile industry in the globalization and the objective need of building a well-off society in our country, textile and clothing industry has entered a crucial period of industrial restructuring.

First of all, in the international market, the global textile market is undergoing significant changes. Low-end manufacturing countries of multinational industry chain become more competitive. In the industry value chain, the "smiling curve" continuously downward, which means the move of profit from manufacturing to R & D design and brand marketing chain or upstream and downstream chains will continue. At the same time, a number of emerging developing countries are more advantages in low labor costs, crowding out the overseas markets Chinese textile products. Middle East Europe, Southeast Asian and other countries and regions with cheaper labors and geographic advantage in closer to the main consumer market, have been constituted a strong competitive pressures on Chinese textile and clothing exports. Chinese textile products such as labor and land which have international comparative advantage are gradually lost. In the domestic market, textile and clothing industry is also facing a test. The contradiction of relative excess supply of low-end products is always existing, increased exports pressure will force enterprises to shift to domestic market, thus to further aggravate the competition in domestic market.

Secondly, the constraint of resources and the environment strengthens day by day. At the international level, environmental protection, green and circular economy has already started in the leading developed countries. In China, the conflict of textile and clothing industrial structure resources, energy and environment have becoming prominent. The requirement of energy-saving emission reduction, environmental protection and social responsibility is increasingly day by day, which is in order to carry out the scientific development in textile and clothing industry. All of these take the larger restriction to the extensive development. The trend of raising the costs of raw materials and elements becomes irreversible. In recent years, with a relative shortage of labor supply and the upward pressure on wage costs, the clothing industry which is characteristic by the labor-intensive is facing great pressures on cost. The use of foreign traders to Chinese cheap labor and resources has brought a large number of negative "externalities" to our energy consumption and pollution; the foreign companies can not undertake these costs.

4. The measures of structure adjustment in clothing industry

First, it is necessary to follow the market trend to adjust product structure. Response to the changes in international and domestic demand, the domestic textile and clothing enterprises should be based on "multi-channel and diversity" as a response to market demand, ensure that there are both domestic sales and changes in the international market. And actively nurture and develop domestic market in the situation of changes in the international market. Ensure that clothing can keep up with fashion and continuously adjust the product mix according to color, pop style and popular fabric. Focus on upgrading cultural content ,scientific and technological content of clothing products; pursuit of more superior, brand of clothing taste; and of fashion, personal style; use of novel and a variety of clothing fabrics to achieve high security, high environmental protection clothing quality. Use more of new clothing materials, new techniques and new technologies, strive to develop and produce new varieties of clothing. Develop new production of clothing by using more of colored cotton, nano-materials and new fiber fabrics of better feel, more comfort, wrinkle resistant, easy-care and better moisture absorption, silk fabrics, as well as high-grade coating, foam flower, flocking, sanding, embroidery, rolling light fabrics.

Second, increase the supply of technology and the level of talent. Focus on improving the technical and human

resources capacity and the level of supply, establish a stable science and technology team with professional layout, education level, age level and reasonable title structure, and distribute and keep people by reforming distribution. For the industry itself, the entrepreneurs must improve their own quality and invested a large amount of money for operators and technical personnel training, so that they have more opportunity to charge themselves and so as to change the company into a truly learning-oriented enterprise. Speed up the establishment of enterprises as the master of technological innovation system to enable enterprises to become the truly main decision-making of technological innovation.

Third, the clothing industry has a trend of polarization to very large or ultra-small. Therefore, we must encourage the enterprise with deep foundation and a certain scale to attract foreign investment, prompt the foreign talent, accelerate the introduction of technology and technological transformation; to encourage the reorganization of assets, joint ventures internationally of renowned brands, take the united way to expand the enterprise scale, enhance its strength. Set up large, cross-regional, transnational clothing enterprises gradually. Encourage small and medium enterprises through technological innovation, with rapid response capabilities, achieve more flexible varieties of small batch production mode and ongoing market segmentation to improve the professionalism, the capacity of supporting large enterprises of small and medium enterprises and promote the upgrade of competitiveness. Enterprises should also determine their own business model according to its own characteristics and advantages.

Fourth, change the development of competing methods and the relationship between enterprises. Textile and clothing enterprises must change production-expansion-based development into development based on core competitiveness enhancement. Products trade growth should depend on from the past too much reliance on price competition to quality, brand, design occupation of the world textile and clothing market share, relying on the technology and brand to enhance the added value of products, but also to speed up the innovation of operation and management, to achieve the changes of textile and clothing industry from quantity to quality.

Fifth, the government should make great efforts to create a fair and efficient market environment. Make efforts to improve the situation of unfair competition between different regions and enterprises which caused by the imbalance of Labor and Social Security, environmental protection and other laws and regulations to implement, to avoid low-level inter-regional competition and non-standard market. By strengthening management and reasonable divert, guide, planning and fostering the growth of textile and clothing market.

Sixth, accelerate the brand building with Olympic Games, World Expo and other international activities. Li Yining, a well-known economist, recently pointed out that the margin between Chinese clothing industry and other countries' is that there are no major brands in China, which is base on the technical.

Nowadays, clothing has been used not only for the lives of consumption, but also a cultural and fashion product. After the majority of consumers have said goodbye to the food and clothing consumption level, China should speed up the transformation of the concept to the clothing industry. The clothing manufacturing industry should be "upgraded" to a new field such as "cultural fashion industry" from the simple ideology. It is a real breakthrough of structure adjustment of clothing industry under this base in China. To sum up, the problem of structure adjustment in clothing industry has to be solved during process of industrial development. The financial crisis is a new chance of us to realize the adjustment and transformation.

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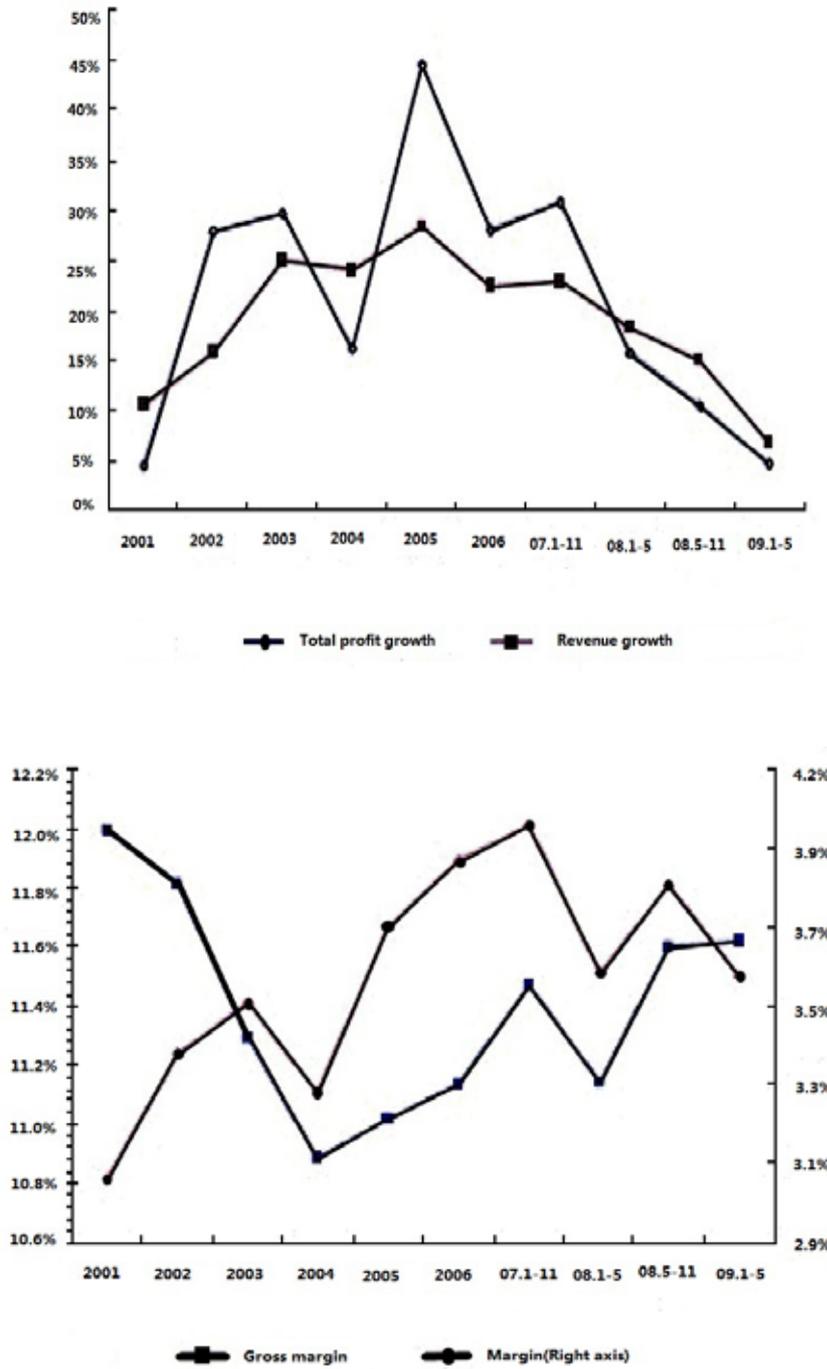


Figure 1. The situation of industry revenue, profit and gross profit margin, profit margin

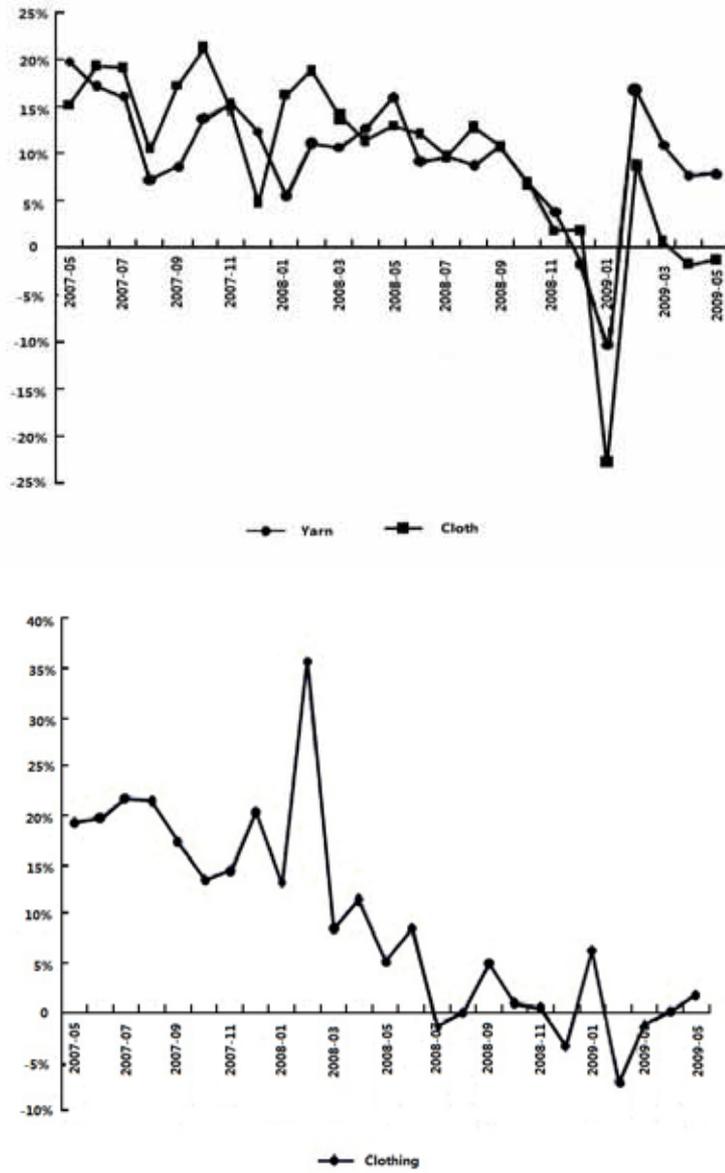


Figure 2. The main products growth in a single month