



Analysis of Research and Survey for Pakistan Apparel Exporters and Buyers

March 2017

PPP Task Force for Marketing Strategy

**Project for Skills Development and Market Diversification (PSDMD)
of Garment Industry in Pakistan**

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1. Research Objective

The Research and Survey on Apparel Exporters & Buyers was conducted in order to understand the current situation, needs and issues faced by Pakistan apparel industry regarding market expansion and diversification through their export. It aims that the result of the survey will be reflected into the activities of our PPP Task Force for Marketing Strategy and the project implementation to promote Pakistan apparel export in the global market by enhancing public and private collaborations.

The research objectives are as follows:

【For Pakistan Apparel Exporters】

- To find out basic company information of apparel exporters on size, activities , strength , etc.
- To find out export performance in the apparel exporters' business.
- To find out issues on their export and export promotion.
- To find out their thoughts and performance in the international comparison.
- To find out their needs and requests in respect of marketing, product development, production & quality control, tax relief, etc.

【For buyers】

- To find out import activities of Pakistan apparel products by buyers.
- To find out issues to be improved and demands on Pakistan apparel products considered by buyers.

2. Methodology and Samples

The survey has two aspects. One is to understand the current situation, issues, and needs of Pakistan apparel exporter which are mainly members of PHMA and PRGMEA respectively. The other is to understand current situation, issues to be improved and demands on Pakistan apparel industry considered by buyers.

The survey was conducted through questionnaires to 40 Pakistan apparel exporters under PHMA and PRGMEA as well as 10 buyers in Pakistan. The breakdown of Exporters is as shown below;

Breakdown by Turnover

Size of Turnover	\$1 million or less	\$ 2-5 million	\$ 5-10 million	\$ 10 to 50 million	\$50 to 100 million and above	Unknown	Total
PHMA	1	2	3	6	4	0	16
PRGMEA	2	4	5	8	2	3	24
Total	3	6	8	14	6	3	40

Breakdown by Cities

Cities	Lahore	Sialkot	Faisalabad	Karachi	Total
PHMA	11	2	3	0	16
PRGMEA	17	6	0	1	24
Total	28	8	3	1	40

Since the similar research results from Japanese apparel exporters are available, comparison between Pakistani and Japanese apparel exporters is made in 3-1 of “3. Finding Summary” as long as Japanese results are available. The Japanese results (from 175 Japanese companies) are quoted from the research report made by SME Support, Japan in 2010.

3. Finding Summary

3-1 Findings from Pakistan Apparel Exporters

Q1. About Your company

Q2. About Your Export

Q3. Issues in Your Export

Q4. Export Promotion

Q5. International Competition

Q6. Requests for Supports

3-2 Findings from Apparel Buyers

Q1. Comparison with Other Competitor Countries

Q2. Issues to be Improved and Demands

3-1 Findings from Pakistan Apparel Exporters

Q1. About Your Company

【Summary】

Questions

Q1-1. Purchase of Textile Materials :

Q1-2. Types of Transaction :

Q1-3. Scales of Your Turnover :

Q1-4. Trend of Your Turnover (Recent 3 Years):

Q1-5. Trend of Your Profit (Recent 3 Years):

The most popular answer

Purchase from the supplier (65%)

Selling Out (65%)

\$ 10 to 50 million (38%)

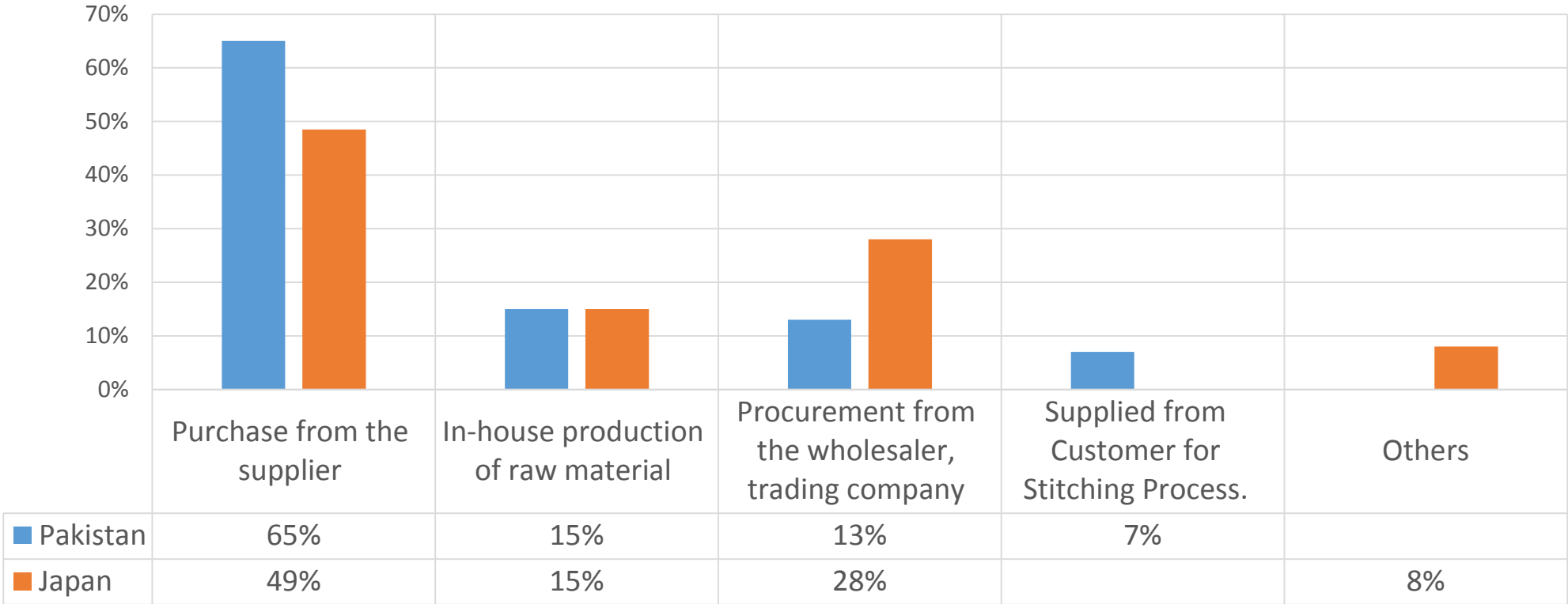
has increased more than 10% (56%)

is slightly increasing 20 (51%)

【Comment】

Out of 40 exporters, 38% of them are in medium large scale companies with annual turnover of USD10-50 mil. Most of them purchase the material from suppliers and have selling out type transaction. More than half of them have more than 10% growth of turnover and slight profit increase.

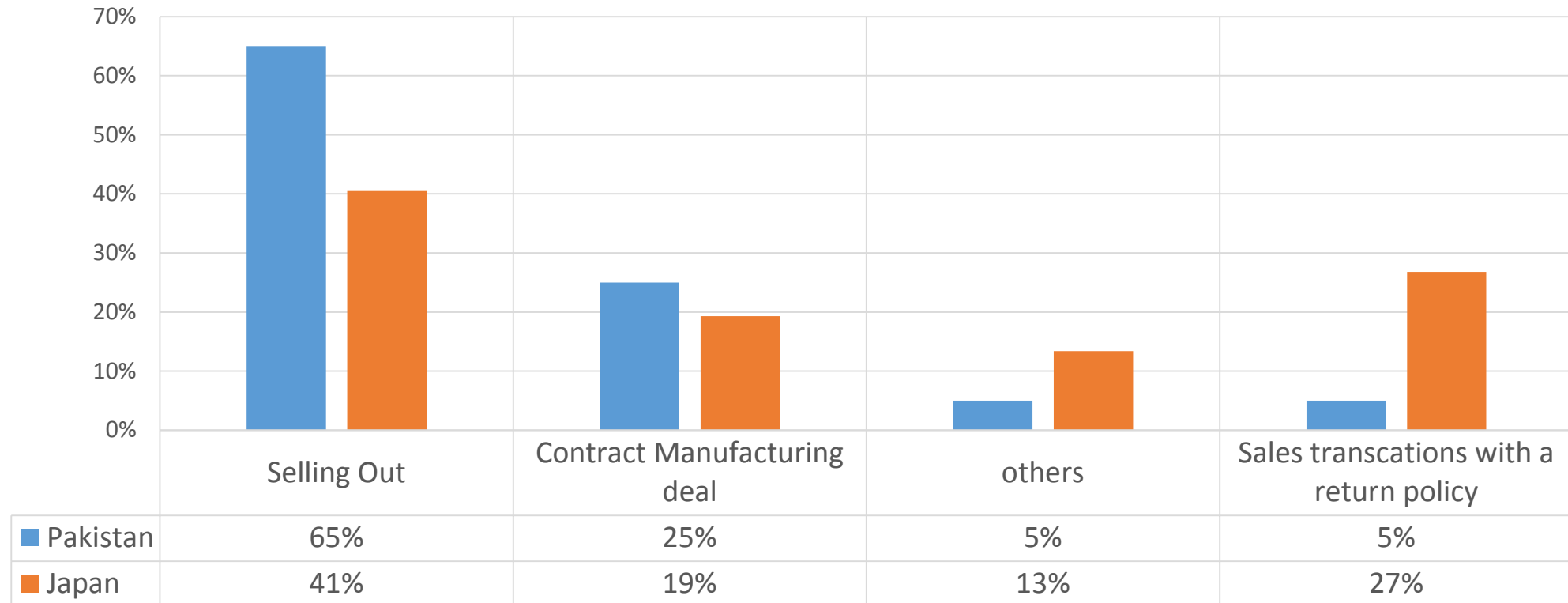
Q1-1. Purchase of Textile Materials



【Comment】

- The majority of Pakistani companies are purchasing materials from suppliers, while some of them use in-house raw materials.

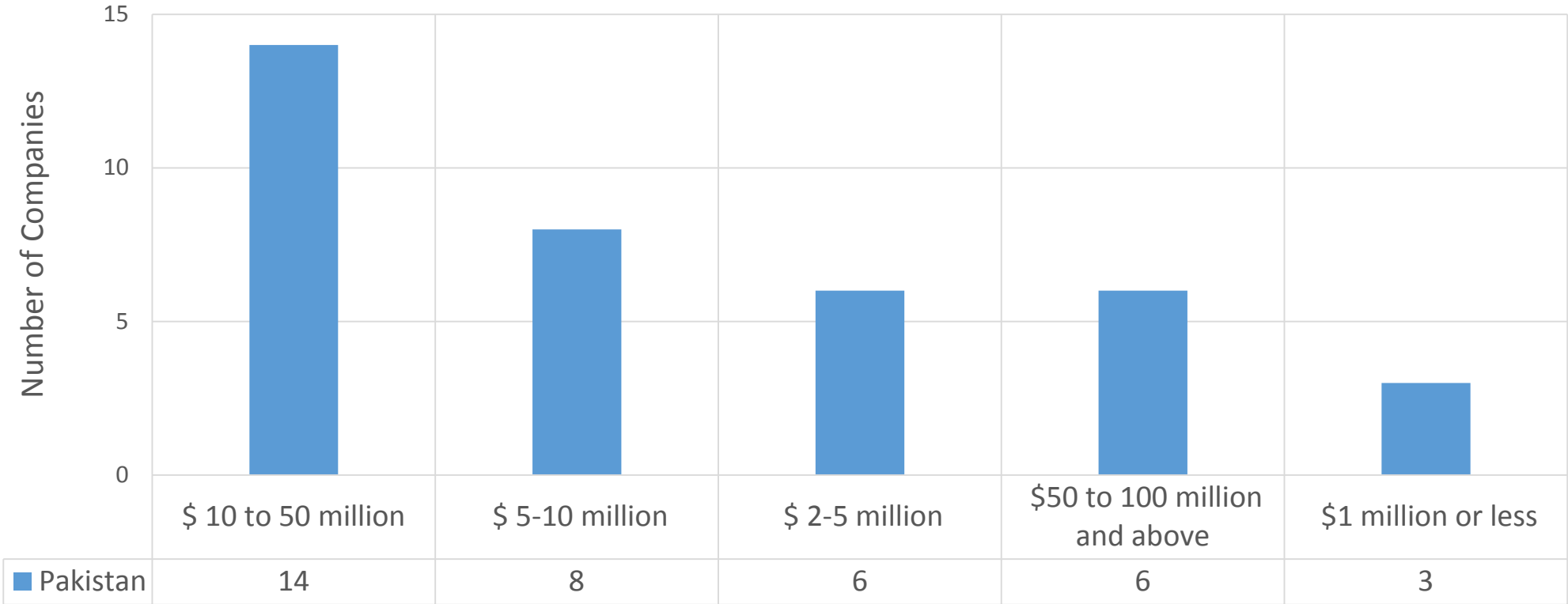
Q1-2. Types of Transaction



【Comment】

- “Selling-out” transaction is the largest in both Pakistan and Japan.
- There is a difference on “sales transaction with a return policy” between Pakistan and Japan. Japanese companies use this type transaction more than Pakistan.

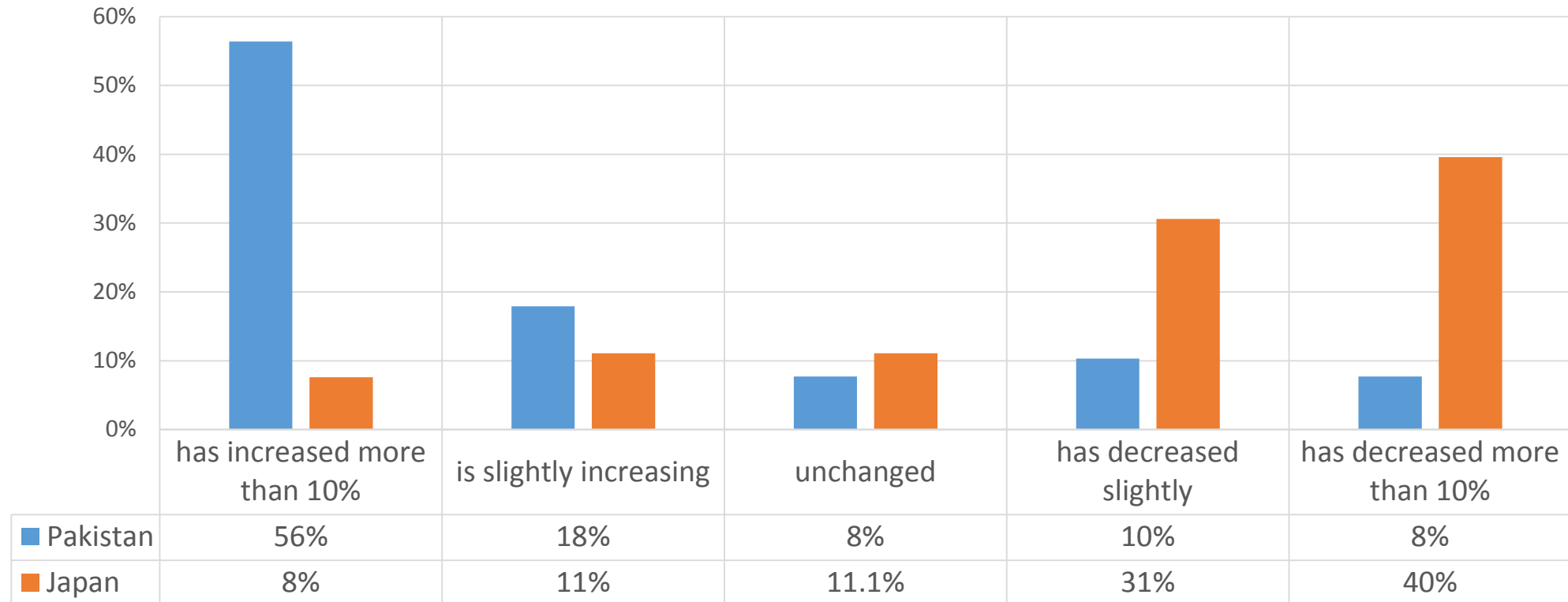
Q1-3. Scales of Annual Turnover



【Comment】

- The largest group in Pakistani respondents is medium large-sized companies with annual turnover of USD10-50million. It is about 38% of the total respondents.

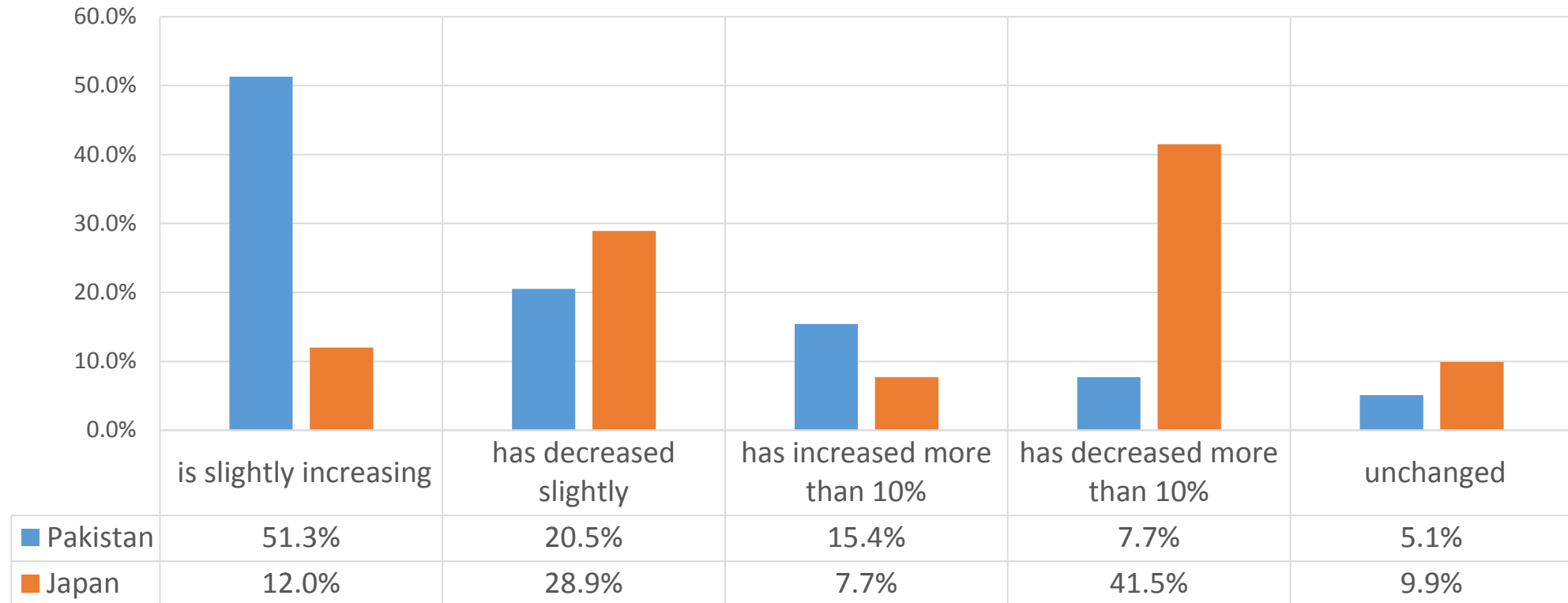
Q1-4. Trend of Annual Turnover (Recent 3 Years)



【Comment】

- The trend shape of annual turnover between Pakistan and Japan is totally reversed. Generally speaking, most of Pakistani companies have increase in turnover, while most of Japanese companies have decrease.

Q1-5. Trend of Annual Profit



【Comment】

- Most of Pakistani companies have slight increase of annual profit, while many Japanese companies have more than 10% decrease.
- Generally speaking, there is no big change of profitability in Pakistani companies.

Q2. About Your Export

【Summary】

Questions

- Q2-1. Measures of Export:
- Q2-2. Regions or Countries for Export:
- Q2-3. Items of Exported Products:
- Q2-4. Brands for Export:
- Q2-5. Chance of Successful Transaction:
- Q2-6. Information Sources for Export:
- Q2-7. Important Things to Continue Export:
- Q2-8. Regions to focus on for further export:

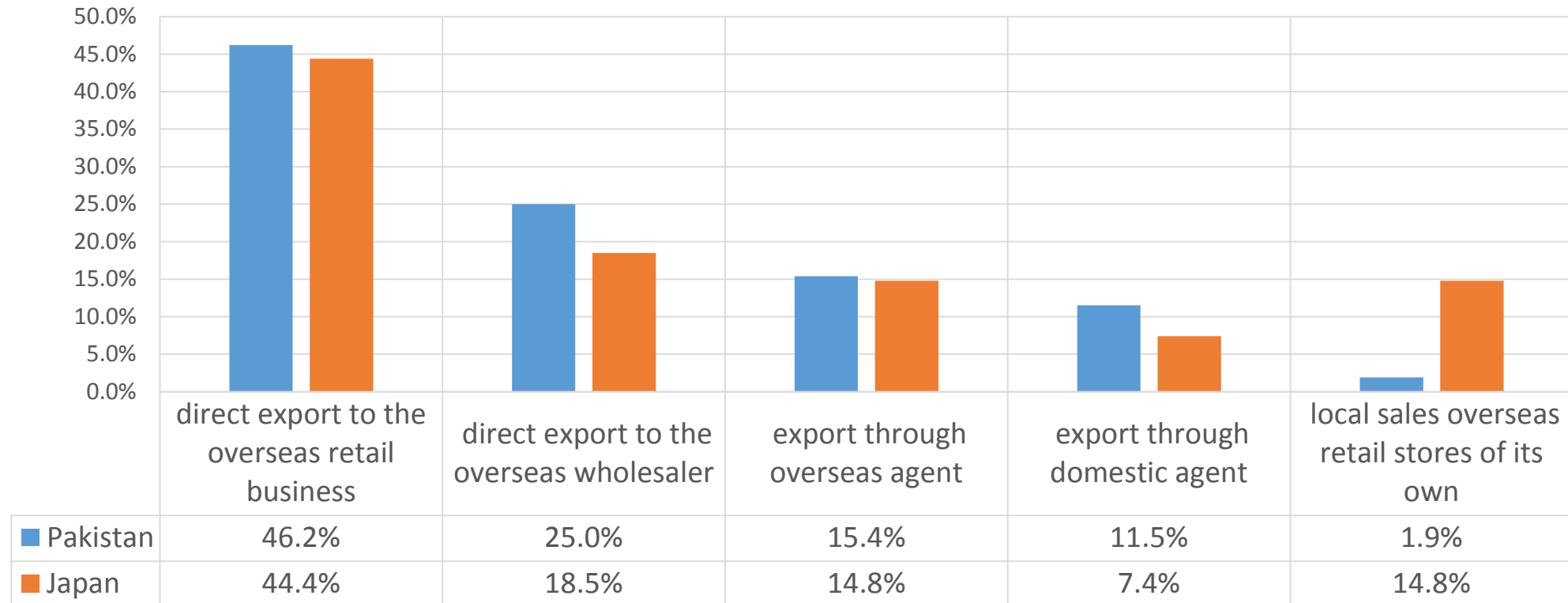
The most popular answer

- Direct export to the overseas retail business (46%)
- Europe (44%)
- Men's (26%)
- International Brands (70%)
- Marketing by overseas business Trip (37%)
- Info exchange with customers abroad (47%)
- Suitable product development (29%)
- Europe (37%)

【Comment】

Looking at export performance, it is remarkable that they still heavily reply on Europe market. Men's items with international brands are popular for export. Marketing by overseas business trip is most popular chance of successful transaction.

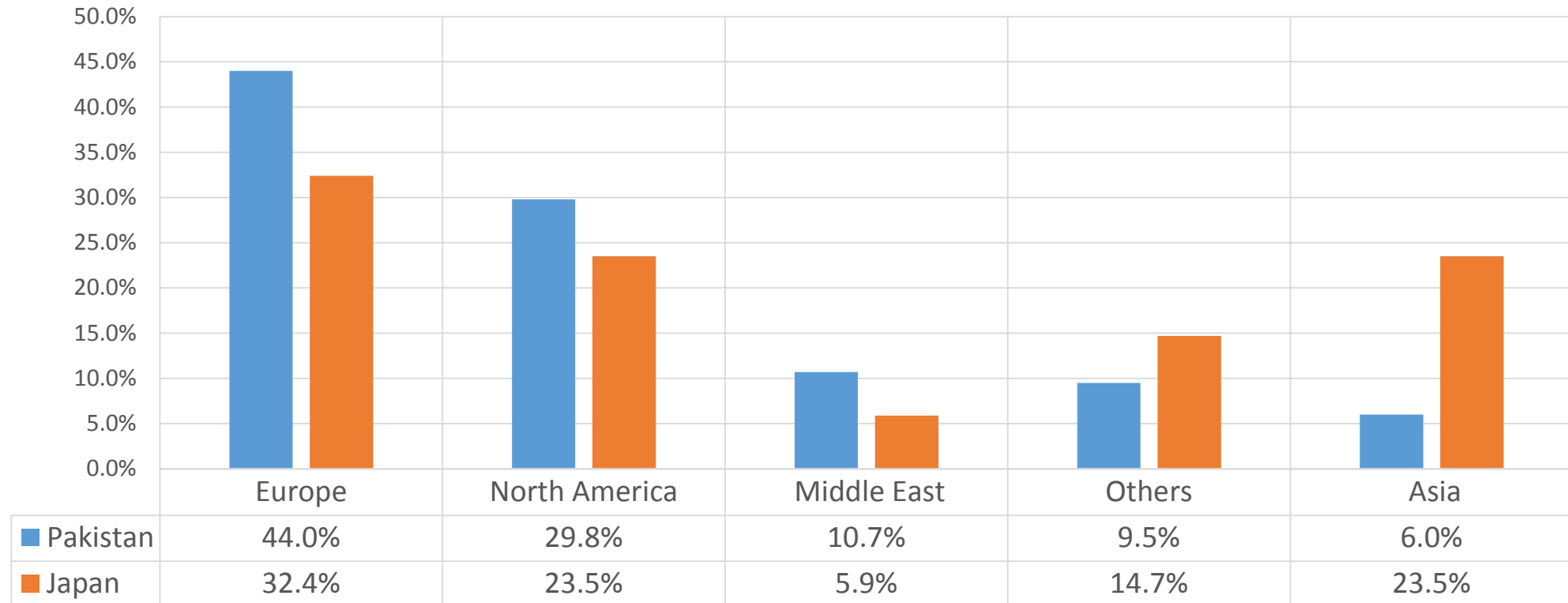
Q2-1. Measures of Export



【Comment】

- “Direct export to the overseas retail business” is the largest in measures of export in both Pakistan and Japan. The trend is almost same in two countries.
- Some Japanese companies have its own outlets in overseas countries.

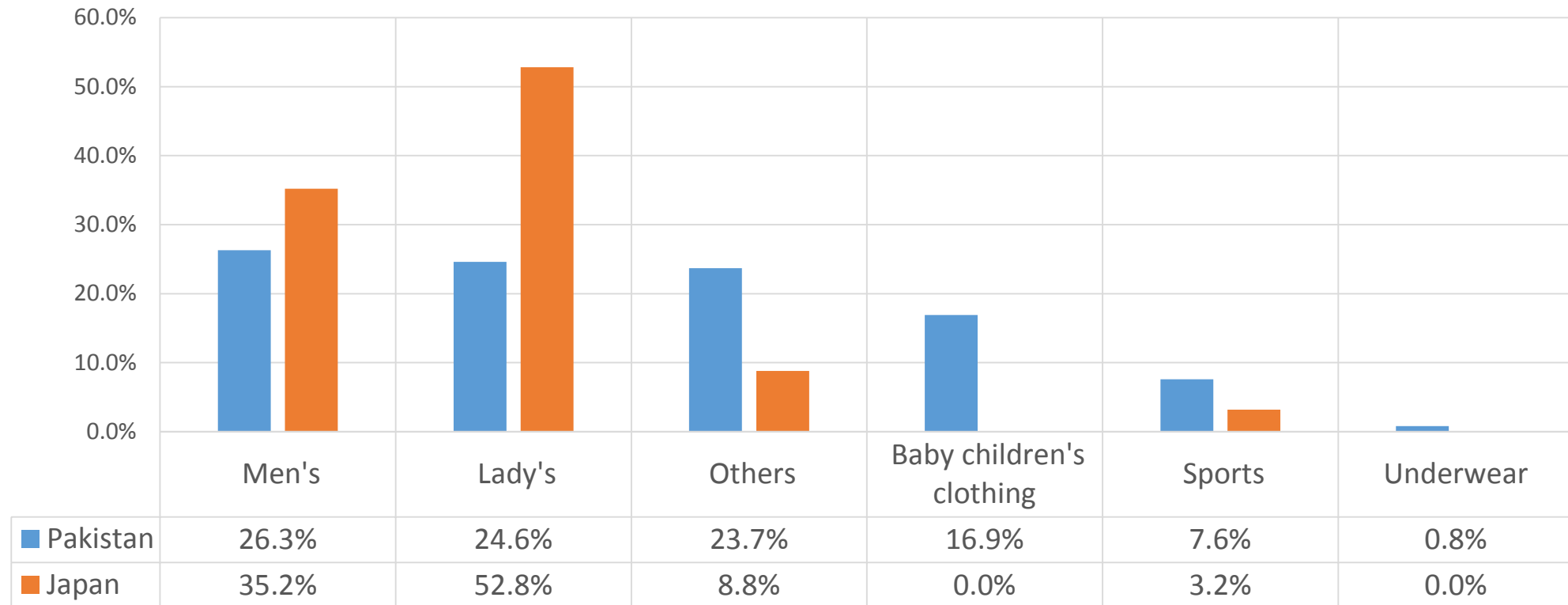
Q2-2. Regions or Countries for Export



【Comment】

- The top two of export destinations are Europe and North America in both Pakistan and Japan. Pakistan's dependence on Europe is much bigger.
- Japan has more exports to Asian region.

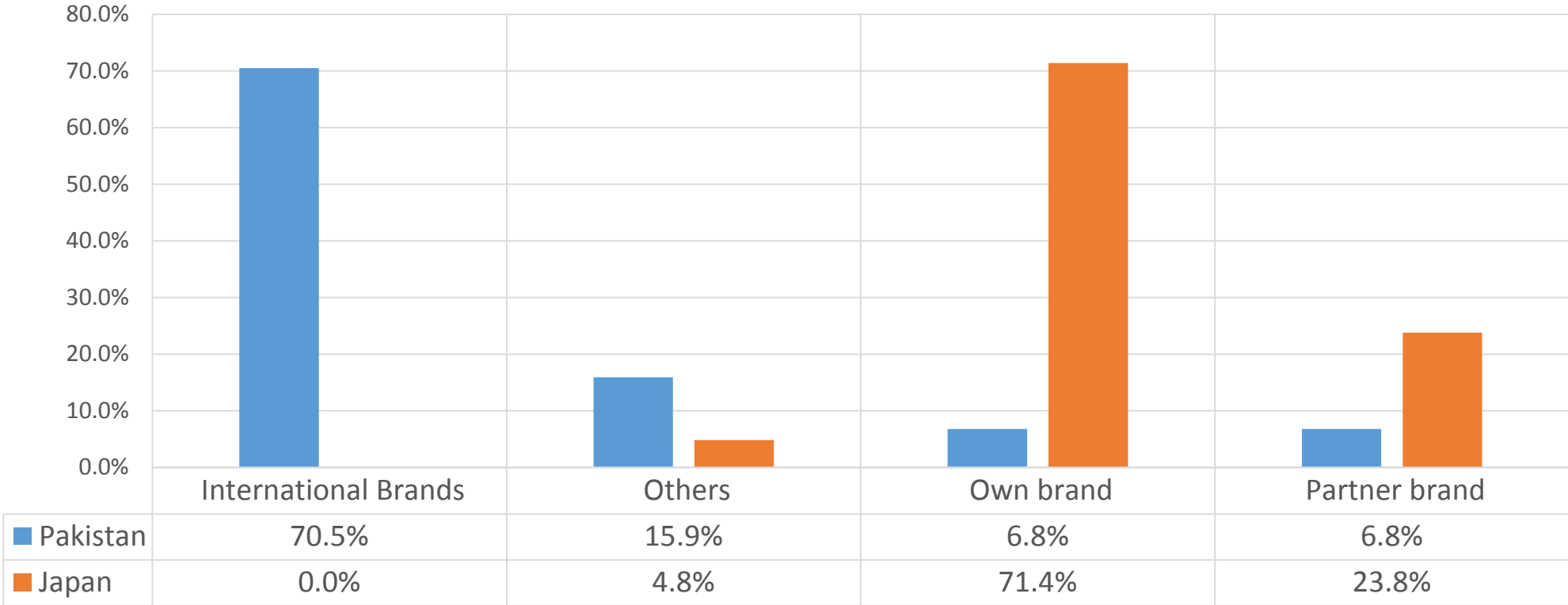
Q2-3. Items of Exported Products



【Comment】

- Items of export products in Pakistan are well diversified and men's wear is the largest.
- In Japan, lady's wear is the largest, and they rather focus on lady's and men's.

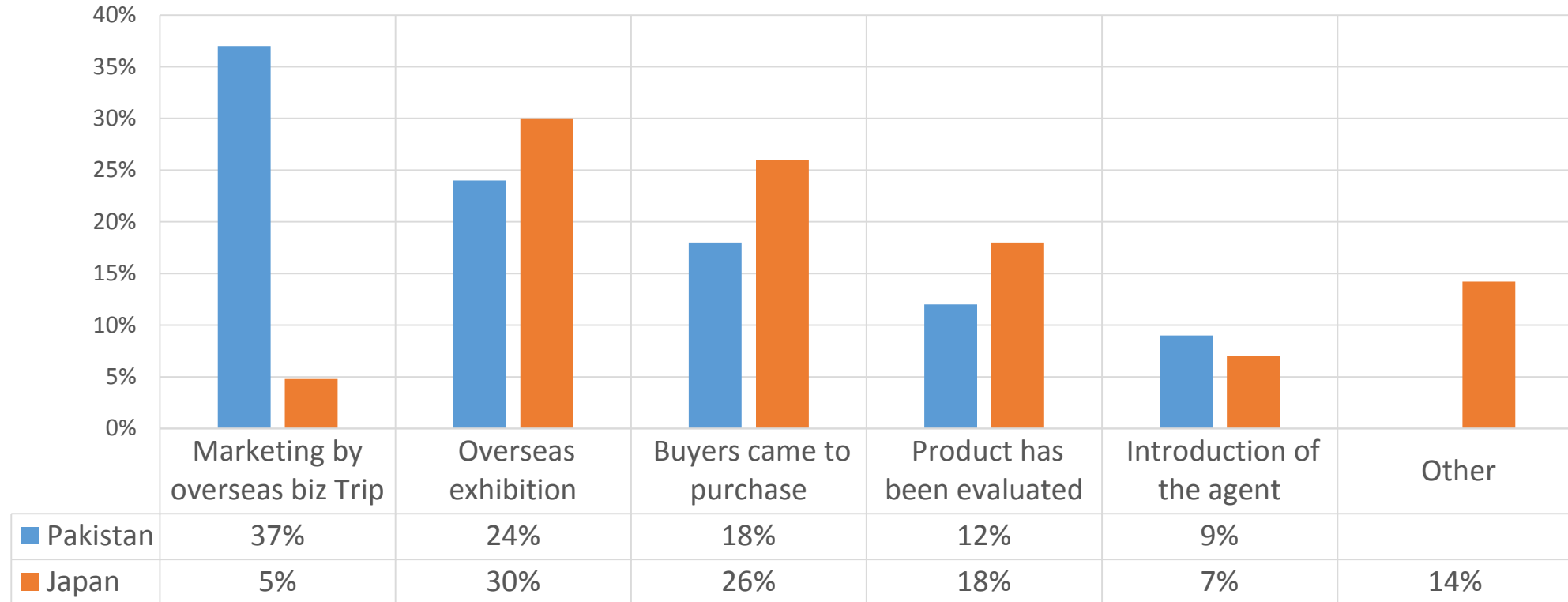
Q2-4. Brands for Export



【Comment】

- Most of Pakistani companies use International brand, while most of Japanese companies uses own brand.

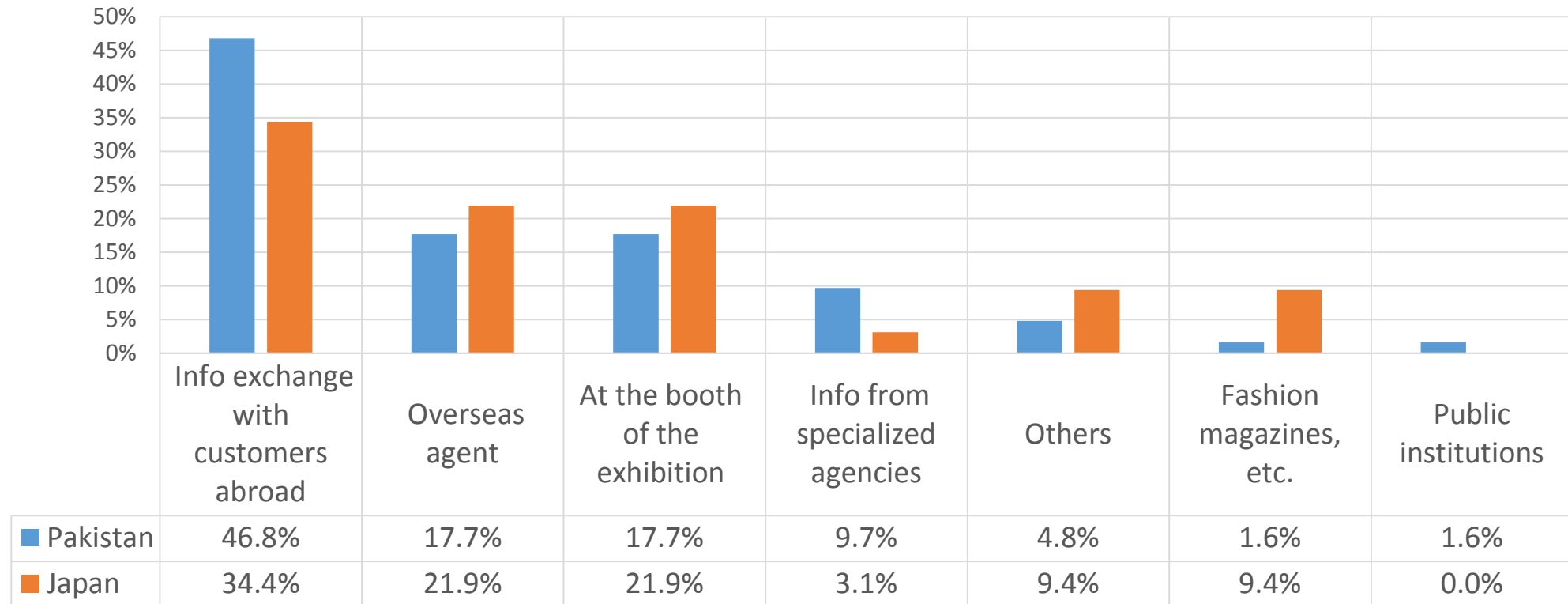
Q2-5. Chance of Successful Transaction for Export



【Comment】

- Pakistan companies think marketing by overseas biz trip is most useful for business chance, while Japanese companies think overseas exhibition is most useful.

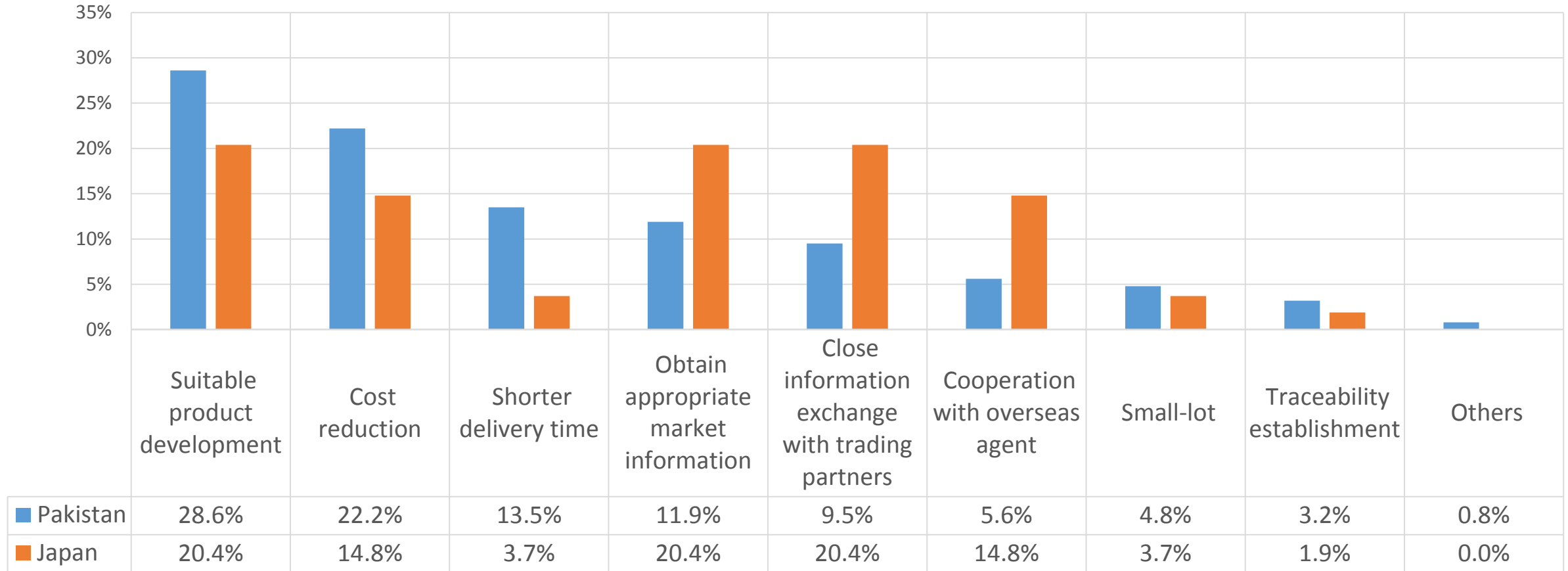
Q2-6. Information Source for Export



【Comment】

- Top3 of the information sources for export are; 1) Information exchange with customers abroad, 2) Overseas Agent, and 3) At the booth of exhibition. Both Pakistan and Japan are same.

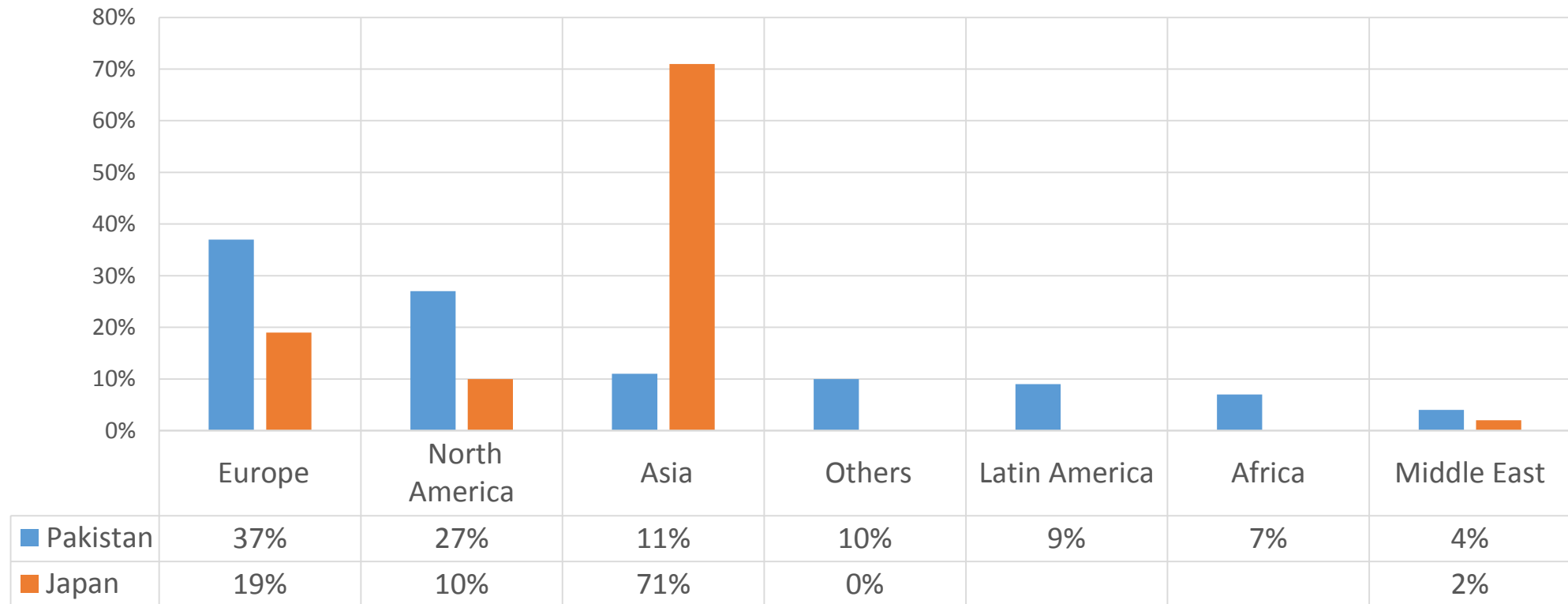
Q2-7. Important Things to Continue Export



【Comment】

- Pakistan companies think that important things are 1) suitable product development, 2) cost reduction, and 3) shorter delivery time.
- Japanese companies think 1) appropriate market information, 2) close info exchange with trading partners, and 3) cooperation with overseas agent are important.

Q2-8. Regions You Want to Focus on for Further Export



【Comment】

- Pakistani companies still stick to Europe and North America. Asia is the next target.
- Most of Japanese companies look at Asian market.

Q3. Issues in Your Export

【Summary】

Questions

Q3-1. Issue on Your Export:

Q3-2. Issues on How to Utilize Exhibitions:

Q3-3. Issues on Product Development:

Q3-4. Issues on Export System:

Q3-5. Issue on Export Conditions:

The most popular answer

Export Conditions (26%)

Exhibitors expense is high (53%)

Prices do not match (74%)

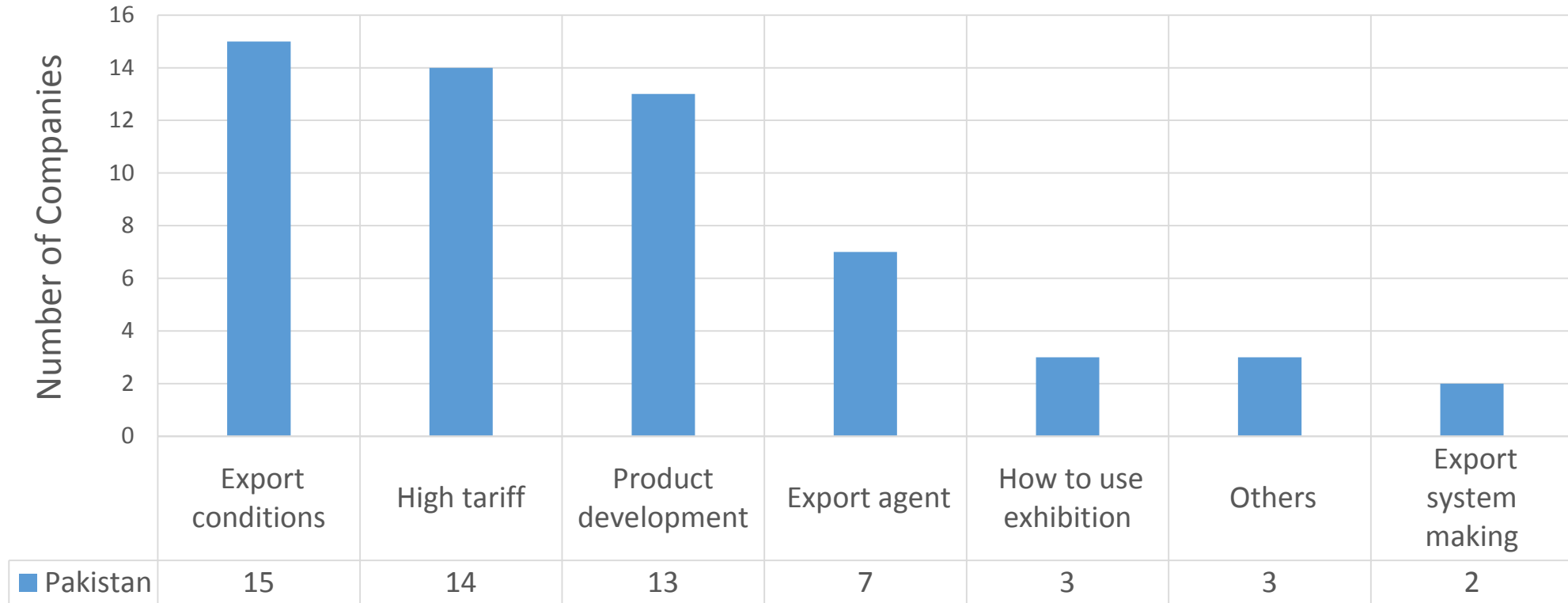
No system to meet the asking price (26%)

Price does not meet (61%)

【Comment】

Regarding issues in their export, price matter is the largest issue. Most of them think that price does not match in their transactions. In addition, high exhibitor expense is big issue on their participation in exhibitions.

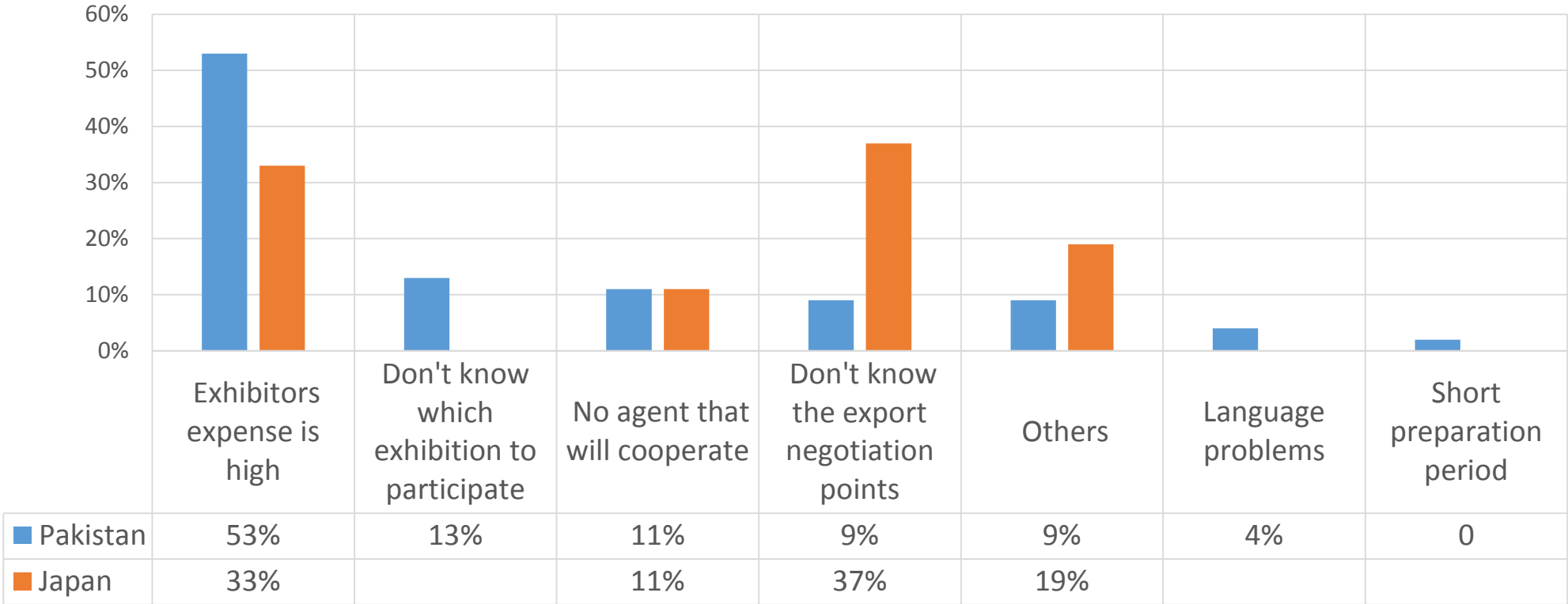
Q3-1. Issues on Your Export



【Comment】

- The biggest issues on export for Pakistani companies are; 1) export conditions, 2) high tariff, and 3) product development.

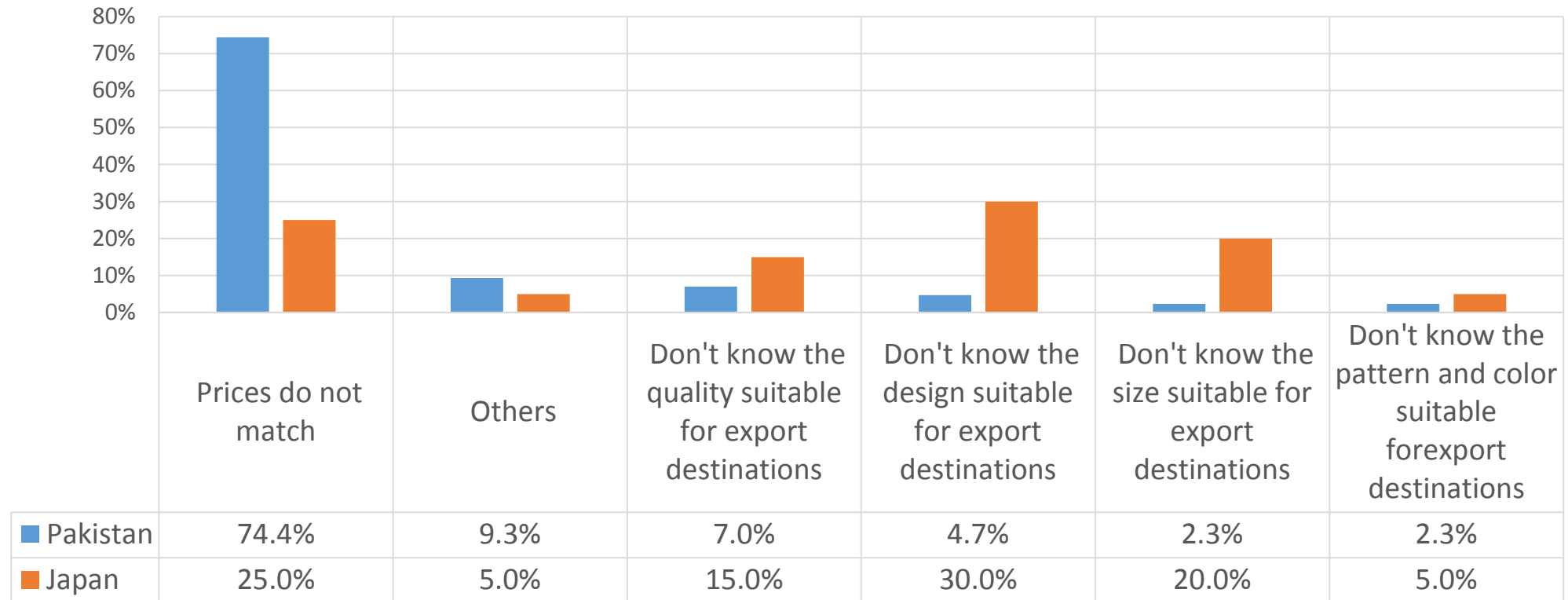
Q3-2. Issues on How to Utilize Exhibitions



【Comment】

- Both Pakistan and Japan think that high exhibition expense is big issue.
- Japan think no knowledge of the export negotiation points is also big issue on how to utilize exhibitions.

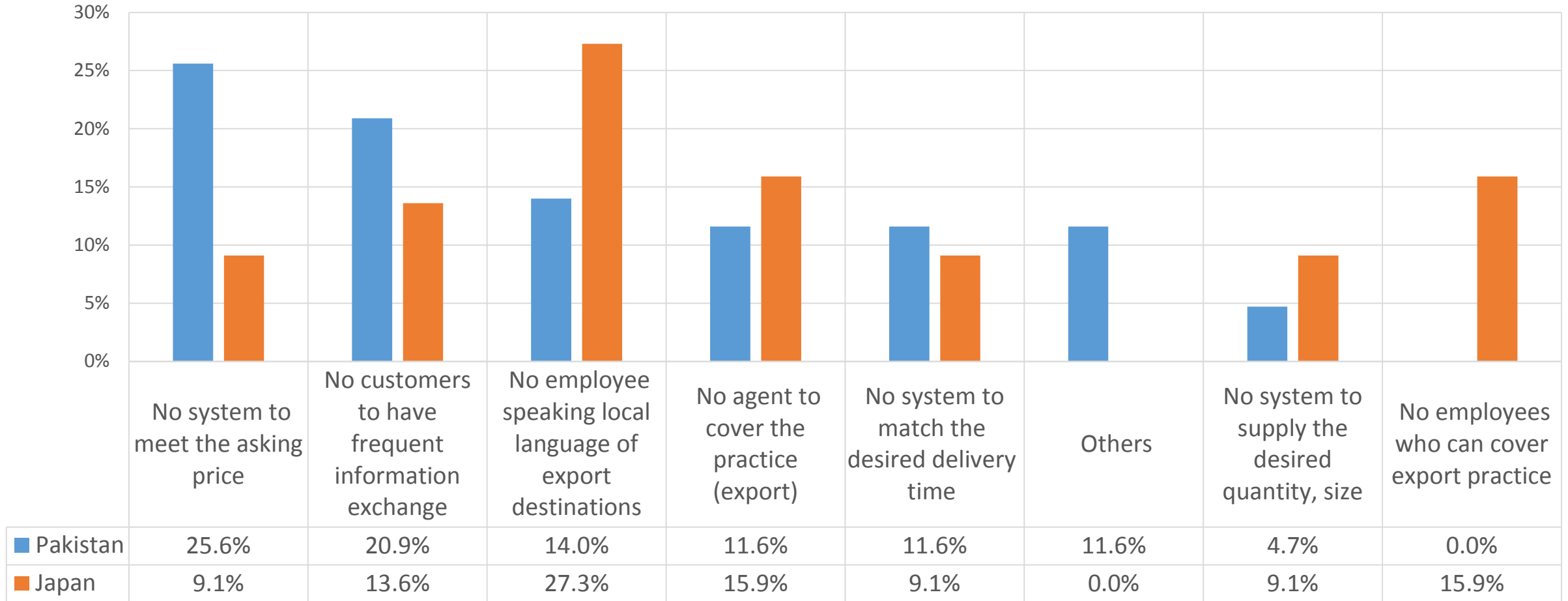
Q3-3. Issues on Product Development



【Comment】

- In Pakistan, “prices (or costs) do not match” is the largest issue on product development, while Japan thinks “ don’t know the design suitable for export destinations” is a big issue.

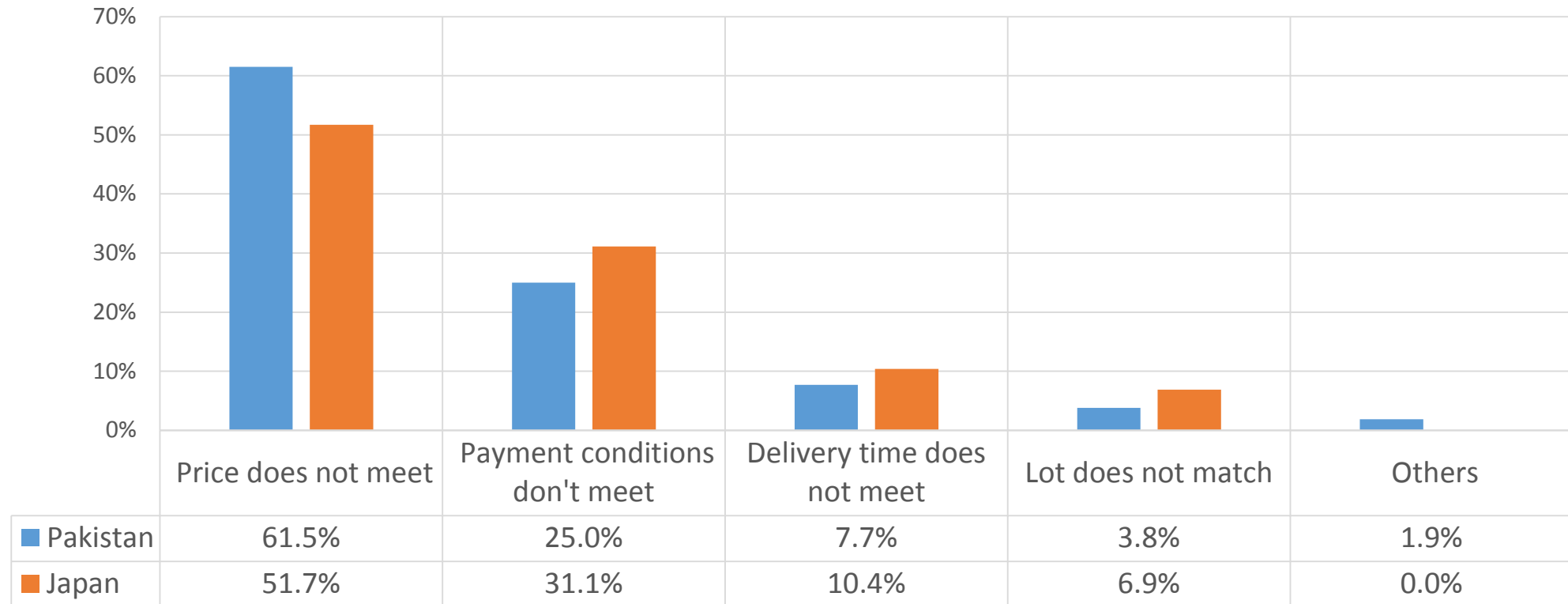
Q3-4. Issues on Export System



【Comment】

- Pakistan thinks that “no system to meet the asking price” is the largest issue, while Japan thinks language issue is the largest.

Q3-5. Issue on Export Conditions



【Comment】

- Both Pakistan and Japan have similar issues such as 1) “price does not meet”, 2) “payment conditions don’t meet”, and 3) “delivery time does not meet”.

Q4. Export Promotion

【Summary】

Questions

Export Promotion Effects on Exhibitions:

Necessity of Export Agent (Trading House):

Functions of Export Agent(Trading House):

The most popular answer

Effective to some extent (46%)

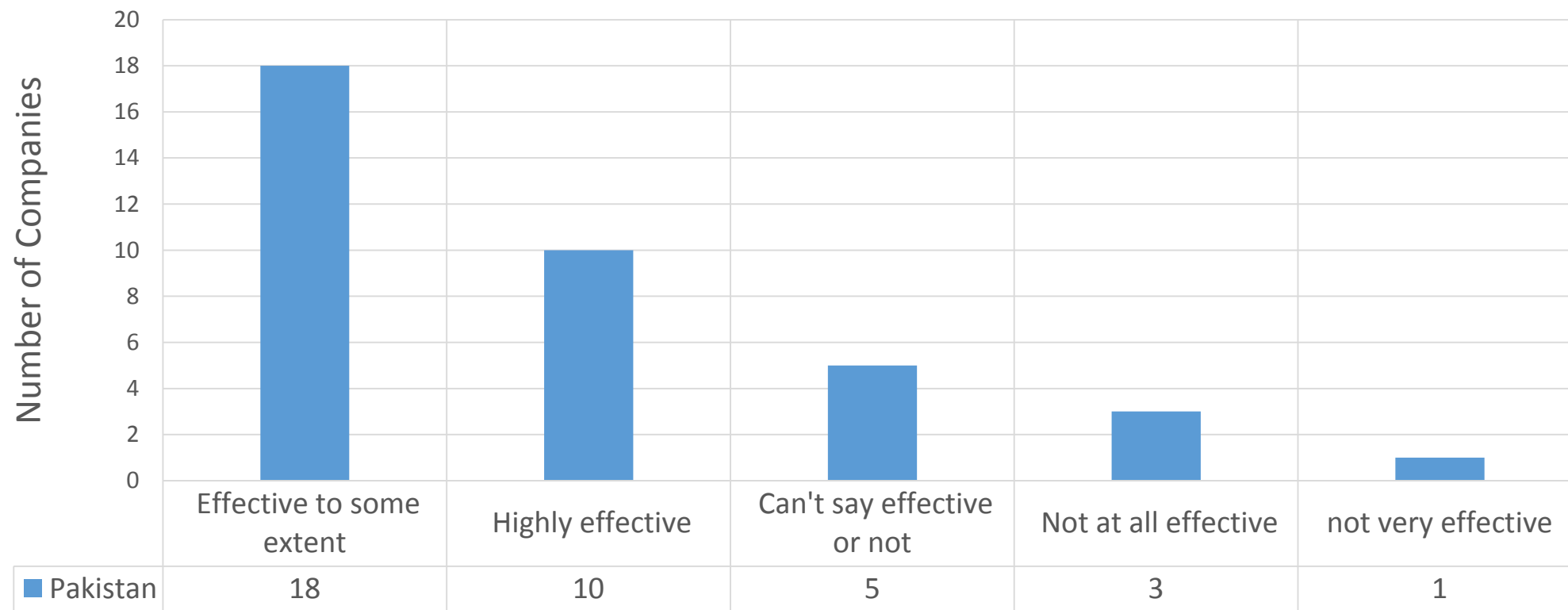
Necessary to some extent (48%)

New customer development (60%)

【Comment】

Pakistan exporters consider that exhibitions and export agents are effective and necessary to some extent. They expect export agent to do new customer development for them mostly.

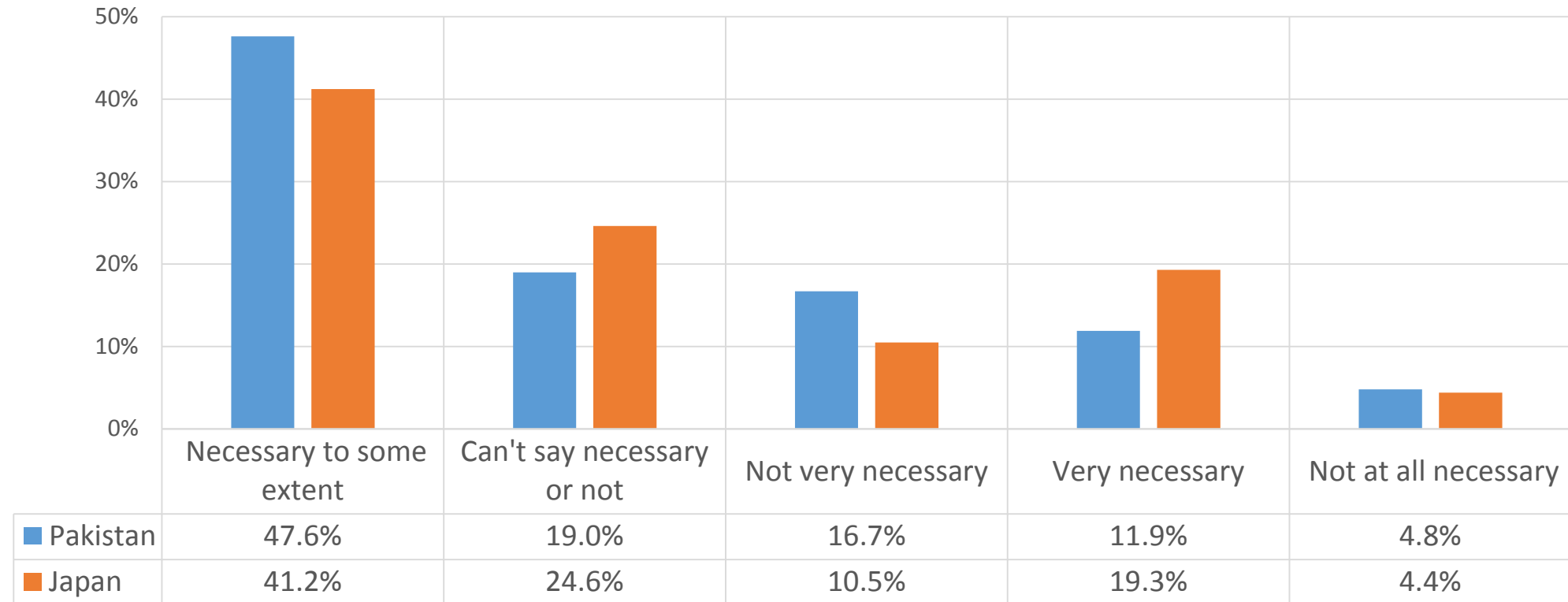
Q4-1. Export Promotion Effect on Domestic & Overseas Exhibition



【Comment】

- Most of Pakistani companies think exhibitions are effective to some extent.

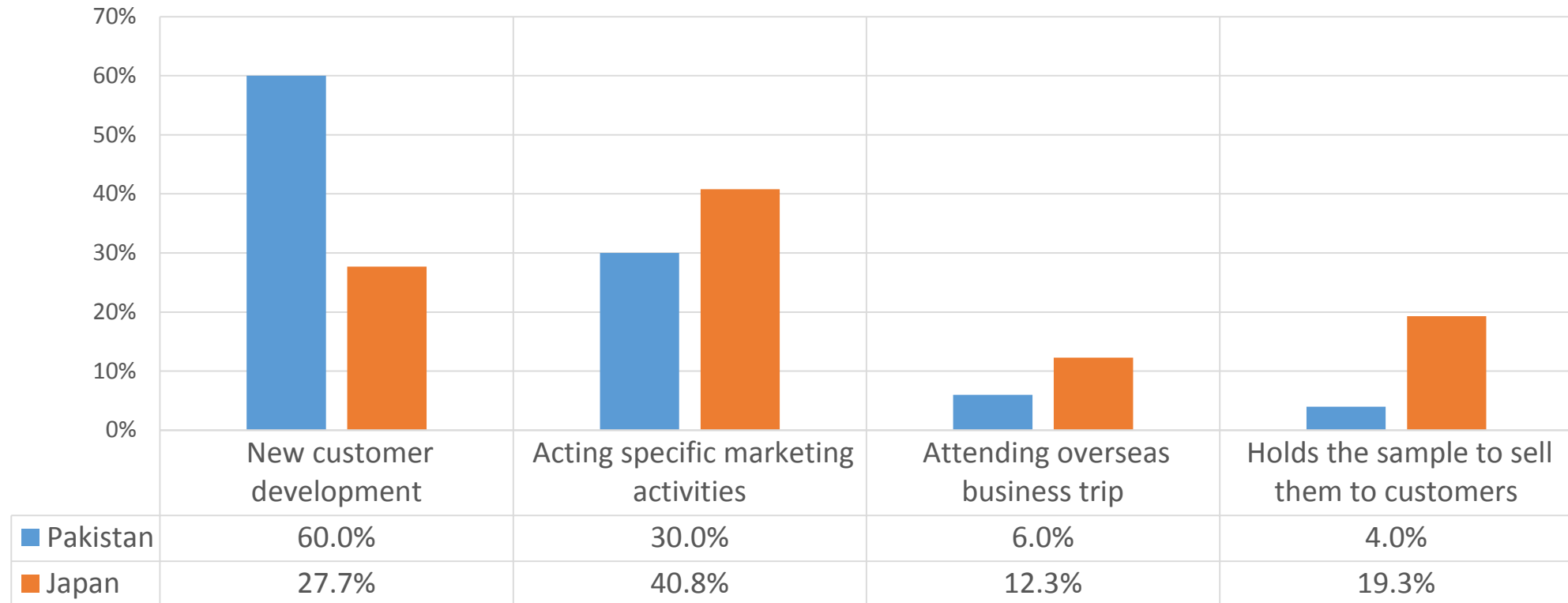
Q4-2. Necessity of Export Agent (Trading House)



【Comment】

- Both Pakistan and Japan think that export agent is necessary.

Q4-3. Function of Export Agent (Trading House)



【Comment】

- Pakistani companies think “new customer development” is important function on export agent, while Japanese think “acting specific marketing activities” is important.

Q5. International Competition

【Summary】

Questions

Q5-1. What is Pakistan's strength and feature ?:

Q5-2. Which apparel items are superior ?:

Q5-3. Country as a direct competitor to Pakistan:

Q5-4. Good measure to do design dev't for overseas?

Q5-5. What is necessary for international expansion ?:

Q5-6. HR required for the apparel export in the future?:

The most popular answer

Raw materials (30%)

Men's (26%)

Bangladesh (35%)

Modify the domestic design to overseas taste (36%)

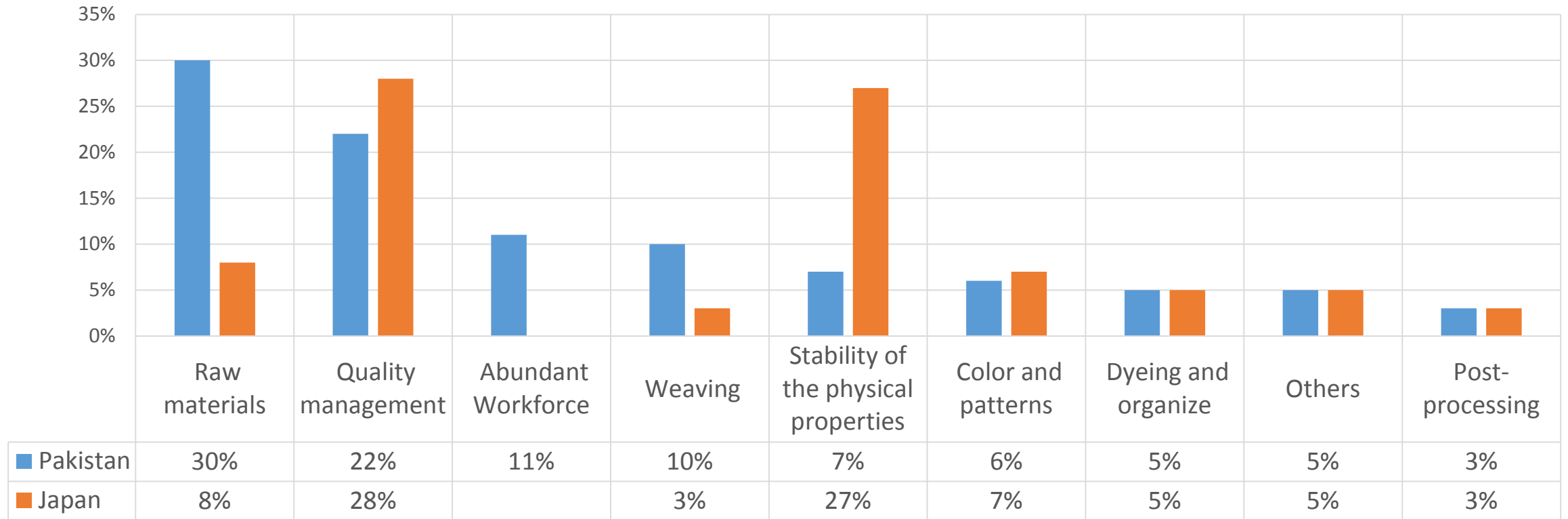
High standard balance of price and quality (39%)

Merchandisers familiar with the market (23%)

【Comment】

It is considered that Pakistan's strength and superiority is raw material and men's wear. Bangladesh is regarded as their direct competitor. Necessity for international expansion is high standard balance of price and quality. Merchandiser who knows market is most required.

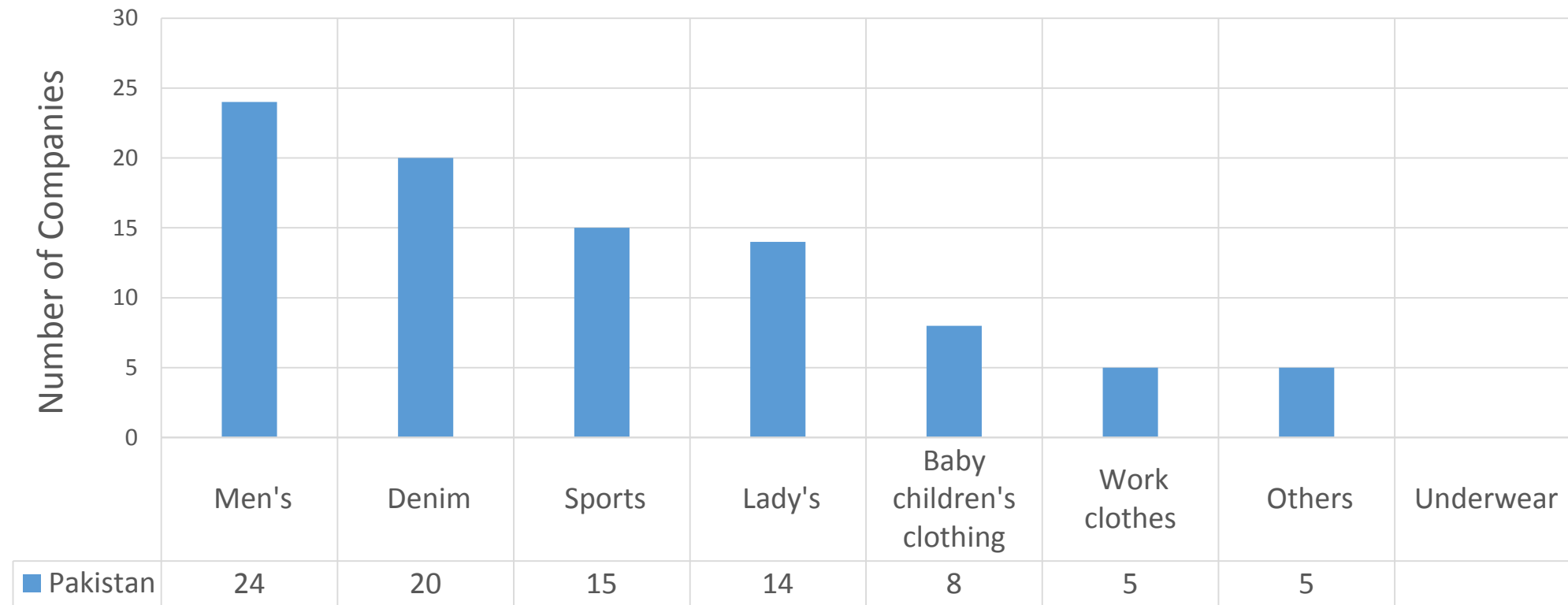
Q5-1. What is Your Strength and Feature in Apparel Business Comparison with Other Countries?



【Comment】

- Pakistani companies think that their strengths and features are “raw material” and “quality management”.
- Japanese companies think “quality management” and “stability of the physical properties”.

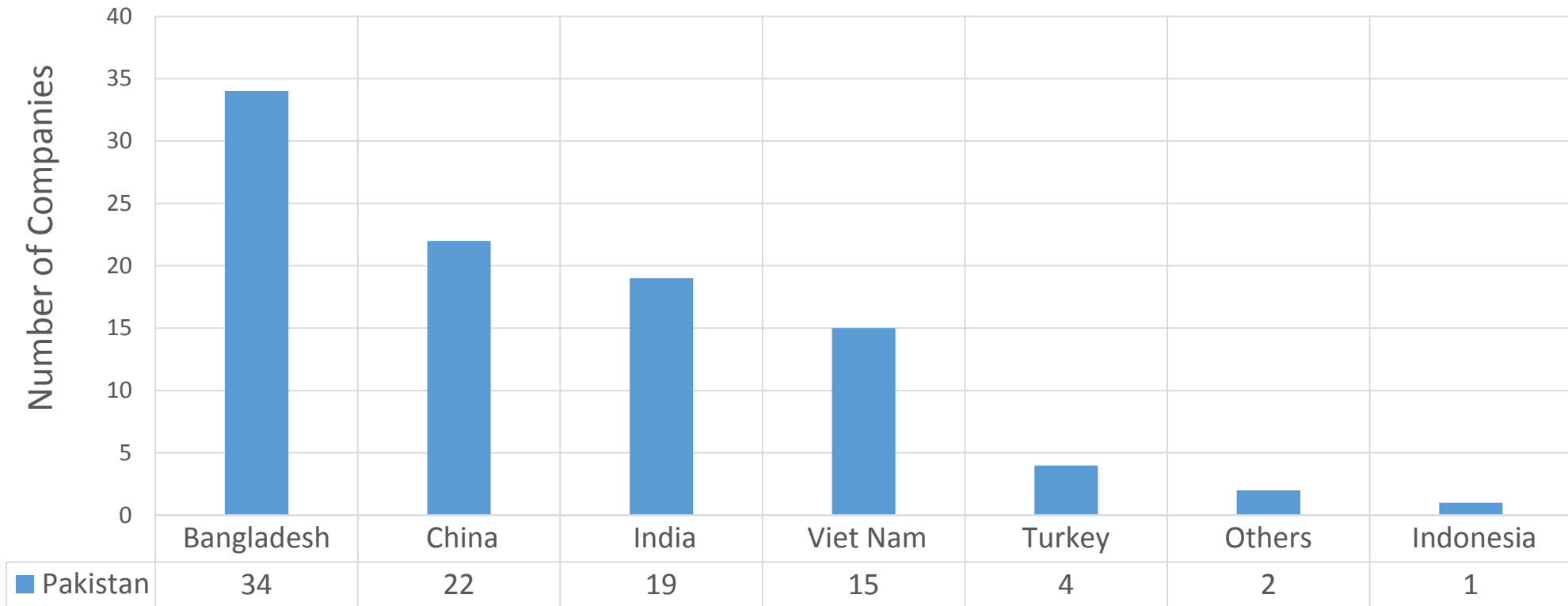
Q5-2. Which Apparel Items is Superior in Comparison with Other Countries?



【Comment】

- Men's , Denim, and Sports are considered as superior items of Pakistan.

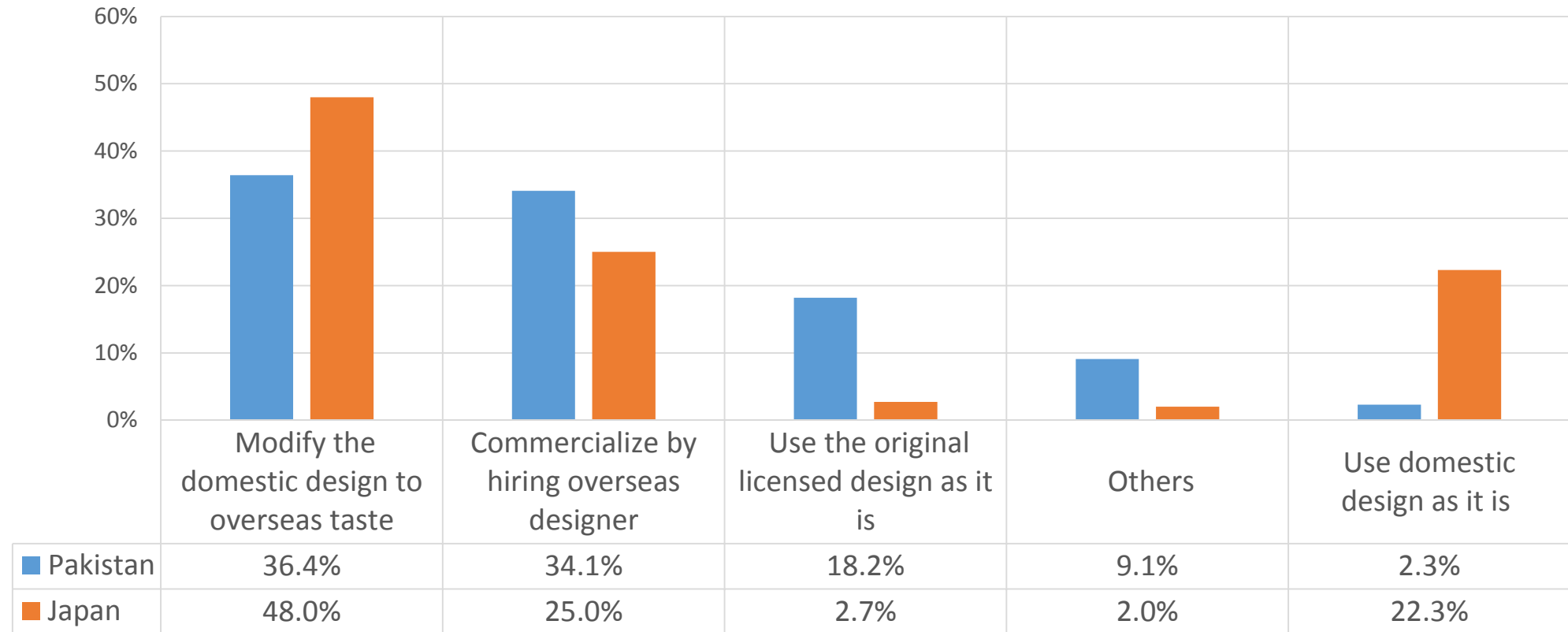
Q5-3. Country to Be Aware as A Direct Competitor to Pakistan



【Comment】

- Bangladesh, China, India, and Viet Nam are considered as direct competitors for Pakistan.

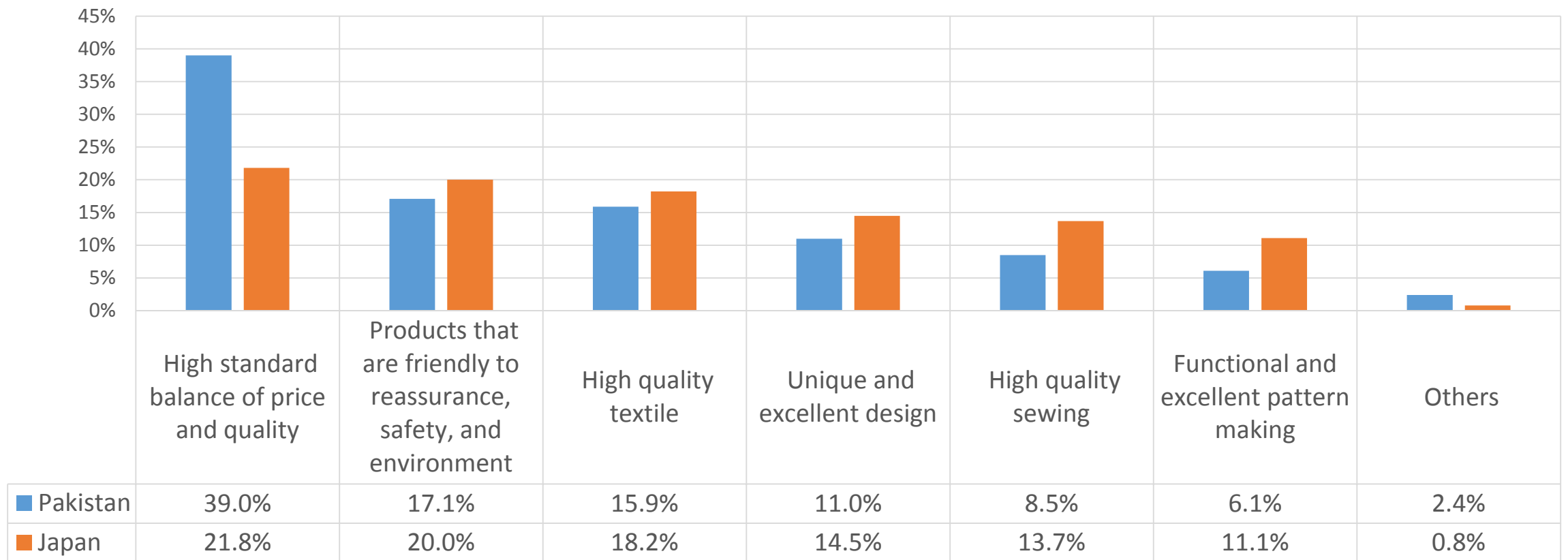
Q5-4. What is Good Measure to Do Design Development for Overseas Business Expansion of Apparel Export?



【Comment】

- Both Pakistan and Japan considered that “modify the domestic design to overseas taste” is good measure for design development.

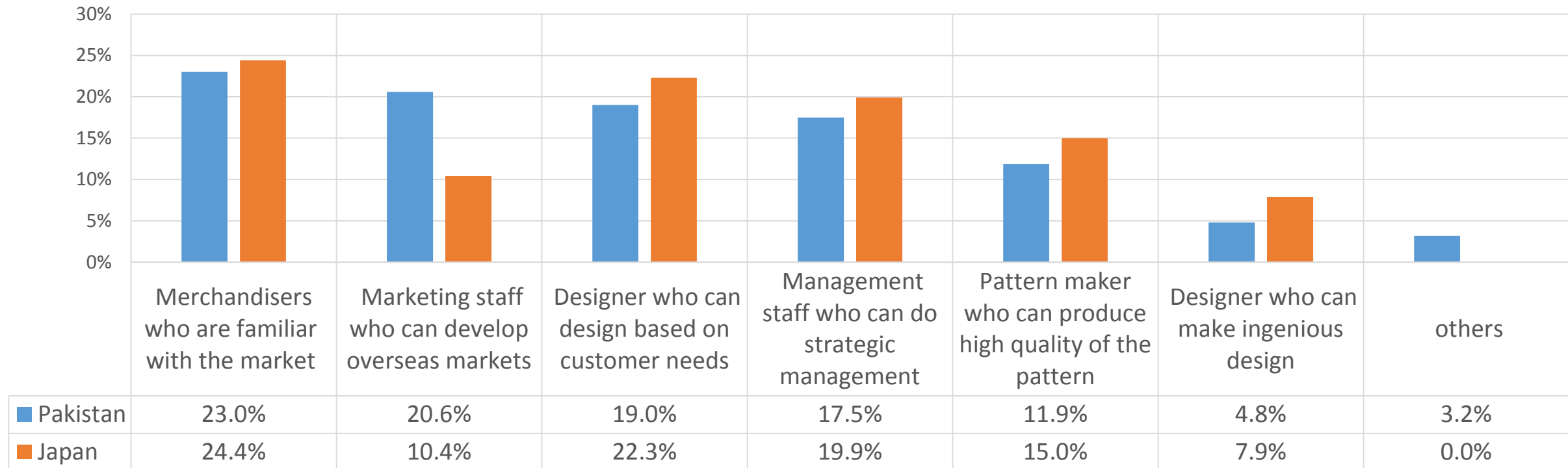
Q5-5. What is Necessary for International Expansion of Pakistani Apparel Export?



【Comment】

- Both Pakistan and Japan have similar results and “high standard balance of price and quality” is the largest.

Q5-6. Which Human Resources Required for The Apparel Export in The Future?



【Comment】

- Both Pakistan and Japan have similar result, and the largest is “Merchandisers who are familiar with the market”.
- Pakistan needs “marketing staff who can develop overseas market” much more than Japan.

Q6. Requests for Supports (1/2)

【Excerpts from Exporters' Comments】

Q6-1. Support for export approach or marketing

- Exhibition with affordable cost and also to make possible on business trip to abroad with easy access and low cost.
- B2B meetings and convincing customers to work in Pakistan.
- Exploring new regions, especially China and Japan which do have extreme potential.
- Need product information for the target market. Need suggestion/ recommendation for appropriate exhibition.

Q6-2. Support for product

- Need R&D set up
- Support in development of designs and engineering processes for export products.
- By arranging seminars, foreign training sessions, which best suit to our business development, product understanding, capacity building.
- we need quality/ design/ color information of product & new idea about product price.

Q6. Requests for Supports (2/2)

【Excerpts from Exporters' Comments】

Q6-3. Support for production & quality control

- Technical training of quality assurance staff
- Implementation of lean manufacturing tools to improve productivity & quality.
- To upgrade technical training institutes. Sponsored training courses to enhance skill workers.
- Need the support in international quality standard production which suit to int'l market needs.

Q6-4. Tax Relief

- We need tax relief such as zero sales tax on major raw materials, income tax exemption on export, no taxes on machinery & machinery parts for export sector.
- Refunds and adjustments should be smooth.
- Apparel export should be seriously promoted with subsidies like other competitors countries.

Q6-5. Others

- It is a good effort and more and more Japanese experts needed for Pakistan apparel industry. It would definitely work once given a due importance and implementation.

3-2 Findings from Apparel Buyers

Q1. Comparison with Other Competitor Countries (1/2)

【Comments from Buyers】

1 Human Resources

- The labor skill level is not par with other Asian competitors.
- Good competent middle management is not available.
- Poor productivity due to piece rate workers.
- Lack of training and investment in human resources is main cause for non-competitiveness.

2 Products

- Pakistan apparel industry is competing for lower-end products and the reason is— it's a cotton-producing country but market competitive only in the products produced from short staple length fibers.
- Polyester/ Synthetic fiber products are expensive to be produced in Pakistan, since raw material requires to be imported from other countries.

Q1. Comparison with Other Competitor Countries(2/2)

3 Production

- Technology base is good but its management and controls are lacking. Improving the quality control would produce effective results.
- Production losses are high that impacts on prices.
- Poor innovation strategies.

4 Market Diversification

- More than 90% of Pakistan's apparel export relies on Europe and North America, and this is the highest reliance on these areas among Asian apparel exporting countries.
- More diversification of export destination needed.

5 Country Image

- Pakistan is at a disadvantage because of travel advisory and poor image of country.
- Few foreign investment and foreign partners due to security issues and negative country image.

Q2. Issues to be Improved and Demands (1/3)

【Comments from Buyers】

1 Price

- Costs must be made more competitive, by minimizing wastages and improving efficiencies if the factories can have functional quality control.
- Price should be compatible with the international market

2 Processing Technology

- Improvement in automated technology needs to have better efficiency and accuracy.
- Processing technology is at par for large mills, however, process controls are required.
- Processing technology is poor in most of the industry. Bigger set ups have good machinery installed with them but they also lack process controls to reduce wastages and increase efficiencies for minimizing the process costs.
- Need to develop capability to improve Right First Time ratios in Dyeing

Q2. Issues to be Improved and Demands (2/3)

3 Quality

- Factories need to conduct quality cost audits and train workers in producing.
- Need to meet the buyer's requirement at any cost with no compromise on quality
- Quality control levels are to be improved through system automations and educated human resource.
- To improve quality further, lean manufacturing and six sigma knowledge and awareness can be help.

4 Design

- There is very limited level of innovation and R&D support that drive design enhancement
- Industry need to meet the buyer's design and also try to launch a new effective design
- Need to hire professional designers for new and unique developments to compete in the market.
- Design is a big limitation in export oriented apparel industry and they are copy cads. Designs should be innovated at source base to get a competitive edge into ever changing world apparel market.

Q2. Issues to be Improved and Demands (3/3)

5 Function

- More interesting blends and textures required.
- Performance or active wear apparels need to be added.
- Products are more basic. There aren't many performance attributes in the products.

6 Delivery

- Due to poor supply chain control and accountability, the delivery dates are not reliable.
- 30-45 days needed and development activities need to be improved.
- Delivery date is big issue in SME sector who is exporting. They do not understand the importance of it in current state of business world. Big manufacturing companies dealing with ethical and world renowned brands are performing well on delivery.

7 Production Lot

- Generally mills are prepared to run large lots. Very few mills are willing to do small runs.
- Huge problem in handling small production lots due to cost inefficiency and wastages. Large lots are preferred by most of the manufacturing concerns.

4. Recommendations (1/3)

【These are recommendations made by JICA Expert based on the results】

4-1 Workforce

Pakistan needs to invest in their workforce more through skill development and management development to improve their performance on productivity and quality.

4-2 Diversification

Expanding into a diverse market & product should be handled as a prudent national strategy.

4-3 Globalization

As globalization strategy and diversification of global value chain, Pakistani firms should invest in overseas countries more that are close to the large target markets. This is also a good access for direct marketing, advanced technology & design, and having excellent workforce. It is also a good occasion to develop global value chain to upgrade the business.

4. Recommendations (2/3)

【These are recommendations made by JICA Expert based on the results】

4-4 Cost Competitiveness

It is necessary to enhance the price competitiveness by increasing the productivity and decrease the cost with the production efficiency. Guidelines and practical consulting for skills development and production & quality control should be facilitated.

4-5 R&D and Design

Pakistan should invest in R&D and design enhancement more which helps in maintaining flexibility in terms of responding to market demands and innovative solutions to the prevailing challenges.

4-6 Sustainability

Pakistan should invest in sustainable practices, ensure employee safety standards, have strong quality checks in place and so on, as well as following global policies and practices to ensure a positive image and to ensure a distance from scandals.

4. Recommendations (3/3)

【These are recommendations made by JICA Expert based on the results】

4-7 Quality

It is necessary to enhance quality control and inspection to upgrade products to be more high value added. Quality control levels shall be improved through system automations, educated human resource, lean manufacturing, and so on.

4-8 Differentiation

Identify and develop its superiority and differentiation to compete in the global market, and it will lead to national brand by focusing on the quality and design rather than competing solely on price.

4-9 FDI Promotion into Apparel Sector

It is necessary to bring more foreign investors or business partners into apparel sectors to improve business performance of the apparel industry. Aggressive incentive facilitation made by government is recommended. This shall be made together with improving the country images.

THANK YOU

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