

**Analysis of the Marketing Strategies of Chenab Limited and
ChenOne with regards to Business-to-Business (B2B) and
Business-to-Customer (B2C)**



Submitted By

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Executive Summary

Textile sector continues to be the most important segment of the Pakistani economy. Its share in the economy, in terms of GDP, exports, employment, foreign exchange earnings, investment and revenue generation altogether places the textile industry as the single largest determinant of the economic growth of the country.

Three hypotheses have been challenged in the report which are:

H₁: Value Chain of a company decides the ultimate fate of a product.

H₂: The brand of choice is usually a decision based on the brand's image and value (price and quality, or the perception of quality).

H₃: Positioning business products is often more difficult and subtle than positioning consumer goods.

The report is divided in to three parts i.e. Value Chain, Brand Management and Consumer Behavior. These three sections are further alienated into analysis in the context of Chenab Limited and ChenOne.

Through all the analysis presented in the report the researcher concludes that H₁ proves to be right. Chenab is a vertically integrated company. It has up-to-date technology, best human resource. Infrastructure is also comparable to its competitors. Its procurement function is very good. Its employees are more capable and competent than the employees of its competitors.

The analysis also proves H₂ to be right. Chenab and Gul Ahmed prove to be on top in terms of BPI, BAV and they also have the maximum share of the export market which means that these two brands are the brand of choice in the specific market. In the retail market same trend is noted. ChenOne has the maximum BPI and BAV and also the greatest market share.

H₃ proves to be wrong because business buyers are so well-informed that it is not at all difficult to position business products. It is easy to do their personality analysis. It is easy to make business people understand your point of view while final consumers are so diverse that can they perceive brands very differently. Customers of Chenab also show the same trait.

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INTRODUCTION

Over the years, Pakistan is said to be the single crop economy i.e. cotton and textile that claims the lion's share in terms of the contribution in the national economy of Pakistan.¹

Despite efforts to bring in diversification in country's overall economic set-up the textile sector continues to be the most important segment of the national economy. Its share in the economy, in terms of GDP, exports, employment, foreign exchange earnings, investment and revenue generation altogether placed the textile industry as the single largest determinant of the economic growth of the country.²

1.1 Overview of Textile Sector

According to Nadeem Maqbool, the outgoing Chairman of All Pakistan Textile Mills Association (APTMA), despite harsh and hard international economic conditions, Pakistan's textile industry has weathered the storm by coming out of the international crisis in a very positive manner. Exports were controlled from falling and significant investment was made in value-added expansion and in Balancing-Modernization-Replacement (BMR).³

Nadeem Maqbool said that besides fall out of the events of September 11, the implementation of WTO's agreement, various bilateral agreements have been signed and implemented. As a result global scenario has changed. Government and the corporate textile sector adjusted their policies to achieve maximum benefits of free trade. So, local

¹ Board of Investment, March 2005

² Board of Investment, March 2005

³ Pakistan Economist, March 2005

structure of the corporate culture, investment pattern and fiscal and monetary policies were significantly changed.⁴

1.1.1 Investment

The volume of investment in different segments of textile industry exceeded \$500 million in the year 2001. The import of the textile machinery in Pakistan has increased considerably in the year 2001-2002 to expand spinning and weaving capacity. The rise in import of textile machinery is due to higher demand for Pakistani textile items including yarn, fabrics, bed-wear and garments despite economic slowdown worldwide. The production of cotton cloth in Pakistan has increased by 15 per cent while cotton yarn went up by 4.5 per cent. The spinning sector witnesses boom in the last three years and the industry re-invested its profit for new equipment. Besides revival of sick units, 150,000 spindles had also been added to the working capacity during last three years. An investment of Rs40 billion had been made by the textile industry last one and a half year under Textile Vision Program being monitored by the State Bank of Pakistan. An investment of Rs23 billion in textile spinning sector, Rs.5 billion in weaving, Rs4 billion in polyester fiber, Rs3 billion in processing and Rs.4 billion in knitting and garment sectors have been made.⁵

Actually, the investment in the textile sector was estimated at Rs40.353 billion in the last one and a half-year against an investment of \$775 million (Rs46.5 billion envisaged in Textile Vision 2005).⁶

The textile industry imported \$405 million worth of machinery in 2001-2002 and \$370 million 2000-01. The industry spent over Rs50 billion on the expansion of their units in the last two years. However, increase in import duty on the textile plant and machinery

⁴ Pakistan Economist, March 2005

⁵ Pakistan Economist, March 2005

⁶ Pakistan Economist, March 2005

for spinning, weaving and finishing industry in the 2002-03 budget by 5 per cent adversely affected the BMR plans of the textile sector.⁷

After suffering stagnation for the last 5 years, the textile exports started improving; especially the value-added products performed well in the export market in spite of lower demand and depressed prices in the international market.⁸

During the year, the textile industry acquired the most modern technology to produce quality and competitive products to meet the global change. Installation of two dyeing plants by Nishat Textile in Kasur and Kohinoor Weaving on Raiwind Road besides expansion in a number of other factories in Faisalabad, Sheikhupura and Lahore where about 1,000 new air jet looms have been installed would ultimately prove helpful in achieving value-addition in different categories. The industry has been expanding rapidly to increase the export and achieve the targets of Textile Vision 2005.⁹

The export target emphasized by the Textile Vision 2005 is to enhance textile exports from current level to at least \$13 billion during next three years. The investment in textile sector is in line with the market demand; there was a demand for Pakistani yarn in the world market that prompted spinners to increase capacity. However, no new investment should be expected in these sectors until the present capacity is utilized because the spinning mills are running to capacity in Pakistan.¹⁰

1.1.2 Incentives

Whole of textile sector is included in the list of value added industries. There is a 5% customs duty on imported machinery if not manufactured locally. Tax relief is given as

⁷ Pakistan Economist, March 2005

⁸ Pakistan Economist, March 2005

⁹ Pakistan Economist, March 2005

¹⁰ [Board of Investment, March 2005](#)

an Initial Depreciation Allowance (IDA) at 50% of machinery and equipment cost. Above incentives are also available if 50% of annual production is exported.¹¹

1.1.3 Imports

Import of textile machinery and equipment has picked up since 1997-98 when a bumper cotton crop was harvested and the Textile Industry reaped massive profits due to lower input cost. In the last five years more than Rs9 billion have been invested for the import of spinning machinery. It is expected that an additional Rs10 billion would be required for Balancing, Modernization and Replacement (BMR) in the spinning sector during the next three years for producing superior quality yarn besides several units are in various stages of installation in Karachi also. These facilities would improve value-addition in fabrics, besides increasing the volume of fabrics and quality garments exports from the country.¹²

Textile is the only sector where investment has been substantial and regular during past three years. The most encouraging factor of this investment is diversity. The entrepreneurs, who earlier concentrated on Spinning and Weaving, have now established compact units adding state-of-the-art finishing units and knitting machines to add value to their products. The latest addition to this is the setting up of denim cloth producing units.¹³

1.1.4 Finance

The banks disbursed a sum of Rs29 billion during the 2001-2002 to the industry. More than half of the funds disbursed-Rs16 billion — went to the spinning mills and Rs4

¹¹ [Board of Investment, March 2005](#)

¹² Pakistan Economist, March 2005

¹³ Pakistan Economist, March 2005

billion to weaving mills. On the other hand, only Rs3 billion and Rs2 billion have been claimed by polyester fiber and apparel sectors respectively.¹⁴

The government sees its historically high reserves built-up and the strengthening of the rupee against the US dollar, as a measure of success of its economic policies. However, the exporters have been repeatedly expressing their need for maintaining the dollar at a level of around Rs60 a dollar. Nevertheless, the Minister for Finance and the Governor, State Bank of Pakistan have cautioned that the government will not be able to support the dollar for long as it puts enormous pressure on the financial resources of the SBP. As such in months to come the dollar could fall to rupee parity of Rs56-57 dollar.¹⁵

To expand credit facility for the development of the Industry, the State Bank has decided to provide relaxation to banks regarding the credit limit under the Export Finance Scheme so that no exporter is deprived of financing for exports. The banks are now eligible to utilize the sanctioned limit under either part without restriction of any sub ceiling. The banks may now determine re-allocations of their limit within their overall refinance limit sanctioned, so that exporter's request for finance is not refused for want of sufficient limit under any part. The export finance rate has also reduced up to 8 per cent as the State Bank has told banks that it would provide them export refinance at 6.5 per cent. As usual banks are free to charge 1.5 per cent margin while offering export finance to the exporters.¹⁶

1.1.5 Opportunity

The textile industry in the United States, a major business partner of Pakistan, is currently passing through a phase of economic recession due to various reasons.¹⁷

¹⁴ Pakistan Economist, March 2005

¹⁵ Pakistan Economist, March 2005

¹⁶ Pakistan Economist, March 2005

¹⁷ Pakistan Economist, March 2005

Although the US textile sector is pressing the government for an increased market accesses to Pakistan textile products yet the share of Pakistan textiles and other textile producing countries would increase manifold in the days to come as the US is now getting out of the textiles industry.¹⁸

According to APTMA, the US is the biggest trading partner of Pakistan and in the last year the volume of two-way trade stood at \$2.43 billion, followed by EU states with annual trade volume of around \$2.4 billion. Pakistan currently exports a total of \$1.9 billion worth of apparel and textiles annually to the United States and is the fourth largest supplier of these goods. The US government has been working on several propositions for providing economic assistance to Pakistan. The textile sector in Pakistan is still looking for the expected incentives including enhanced market accessibility for Pakistan Textile products in the US market. However, the industry is pinning hopes that the promised concessions are expected to be approved by the new US senate to be elected in the first week of the current month.¹⁹

It may be mentioned that the Federal Minister for Finance in a meeting with Richard Hass, Director for Policy Planning for the United States has urged the US authorities to increase market access for Pakistan textile exports.²⁰

Pakistan looking forward to high market accesses for the country's textiles as higher quotas would generate economic activity and create jobs, which will reduce deprivation. Pakistan has a very competitive textile industry producing world-class textile goods, which have an attractive market in the US, provided the quota facility is further enhanced.²¹

¹⁸ Pakistan Economist, March 2005

¹⁹ Pakistan Economist, March 2005

²⁰ Pakistan Economist, March 2005

²¹ Pakistan Economist, March 2005

Responding to the suggestion, Richard Hass assured Pakistan that the US government would endorse \$1 billion write off and consider greater market accessibility for Pakistan textile products.²²

During the year, 2001 about 200 textile mills closed down in the US which is emerging as a big source of supply of the reconditioned textile machinery and equipment. It is estimated that about \$100 billion export opportunity will be created in the US for the countries like Pakistan, when Americans quit textile business in next few years. Pakistan can get benefit through this opportunity.²³

Pakistan's textile exports, which mainly depend on the gray fabrics and yarn, can also fetch a higher per unit price through having an interface with the latest technology.²⁴

Textile Vision 2005 is aimed at capturing 10 per cent of world textile market in terms of dollars, which amounted to \$20 billion exports.²⁵

A detailed statistical review of the textile sector can be viewed in the following tables. (Table 1.1 - 1.4)

Spinning	1550 million Kgs Yarn
Weaving	4368 million Sq. Mtr. Fabric
Finishing	4000 million Sq. Mtr.
Garments	670 million Pcs.
Knitwear	400 million Pcs.
Towels	53 million Kgs.

Source: Board of Investment, March 2005

Table 1.1: Total Capacities of Textile Sector

²² Pakistan Economist, March 2005

²³ Pakistan Economist, March 2005

²⁴ Pakistan Economist, March 2005

²⁵ Pakistan Economist, March 2005

Ginning	1221
Spinning	442
Weaving	
Large	124
Small	425
Power Looms	20600
Finishing	
Large	10
Small	625
Garments	
Large	50
Small	2500
Knitwear	600
Towels	400

Source: Board of Investment, March 2005

Table 1.2: Number of Production Units

Contribution to Total Exports	60% (US \$ 5.2 billion)
Contribution to Manufacturing	46% of Total Manufacturing
Contribution to Value Addition	27% of Industrial Value Addition
Contribution to GDP	8.5% of Total GDP
Sector Employment	38% of Total Employment (15 million)
Skilled & Unskilled Ratio	70 : 30
Market Capitalization	12% of Total Market Capitalization
Salaries & Wages	44 Billion per Annum
Total Sector Investment	31% of Total Investment (Rs. 140 billion)
Technology	Medium
Sources of Machinery	Japan, Germany, Switzerland, Belgium, China

Source: Board of Investment, March 2005

Table 2.3: Contribution to Economy

PAKISTAN SHARE OF TEXTILES IN WORLD TRADE
(000 Metric Tons)

Preiod	COTTON YARN			COTTON CLOTH		
	WORLD EXPORT	PAKISTAN EXPORT	PAK SHARE IN WORLD EXPORT %	WORLD EXPORT	PAKISTAN EXPORT	PAK SHARE IN WORLD EXPORT %
1979	753.5	88.8	11.8	1,305.7	58.7	4.5
1980	828.6	97.2	11.7	1,311.9	78	5.9
1981	796.4	84.6	10.6	1,292.0	85.6	6.6
1982	834.1	112.5	13.5	1,323.6	86.6	6.5
1983	958.5	141.6	14.8	1,477.2	107.3	7.3
1984	1,022.4	93.9	9.2	1,641.0	97.8	6.0
1985	1,000.2	145.2	14.5	1,643.5	106.2	6.5
1986	1,187.2	202.5	17.1	1,869.0	105.8	5.7
1987	1,455.8	243.4	16.7	2,112.7	122.8	5.8
1988	1,286.6	235.5	18.3	1,990.7	123.8	6.2
1989	1,465.5	331.3	22.6	2,271.6	139.0	6.1
1990	1,484.5	436.1	29.4	2,203.8	156.3	7.1
1991	1,559.7	474.2	30.4	2,221.0	169.8	7.6
1992	1,627.8	571.5	35.1	2,402.2	178.8	7.4
1993	1,628.8	567.4	34.8	2,540.3	161.7	6.4
1994	1,942.8	532.4	27.4	2,680.6	170.1	6.3
1995	1,816.4	507.0	27.9	2,733.7	160.8	5.9
1996	1,890.0	569.6	30.1	2,644.3	219.3	8.3
1997	1,950.1	502.4	25.8	2,759.8	194.3	7.0
1998	1,763.4	420.3	23.8	1,781.3	185.6	10.4
1999	1,746.7	455.1	26.1	1,776.0	230.9	13.0
2000	1956.6	534.1	27.3	2571.8	249.8	9.7
2001	2090	561.3	26.9	2912.0	271.0	9.3
2002	2043	550.7	27.0	3274.0	299.2	9.1
2003	2120	503.5	23.8	2856.0	314.9	11.0

Source: World Textile Demand (Nov 2004)

Table 1.4: Pakistan Share of Textiles in World Trade

1.1.6 Ginning

Ginners in Pakistan have finally been made to realize the need for quality processing of seed cotton so as to produce quality and contamination-free lint. The recent drive launched by the government to produce contamination free lint cotton has forced most progressive among the ginners to opt for the new ginning techniques to add value to their final products.²⁶

In order to achieve this goal, Small and Medium Enterprise Development Authority (SMEDA) with the assistance of French Experts have undertaken the task of up-gradation of ginning industry.²⁷

Currently, each pound of Pakistan's cotton loses 5 cents which meant that on 10 million bales the net loss came to half billion dollars. Initially, two ginning units each in Khanpur and Bhawalpur have been selected as pilot project for the up-gradation and modification, but all the ginning factories had to be modified by the year 2003, because under the time frame the federal government would promulgate amended Cotton Control Act by the year 2004.²⁸

Once the Act is promulgated, the provincial governments would have to ensure that ginning factories were meeting the technical standards and conditions lay down under the Act.²⁹ Besides producing quality clean cotton the objective of up-gradation of ginning units, having 40 to 50 years old technology and machinery, was to make them visible and efficient.³⁰

²⁶ Pakistan Economist, March 2005

²⁷ Pakistan Economist, March 2005

²⁸ Pakistan Economist, March 2005

²⁹ Pakistan Economist, March 2005

³⁰ Pakistan Economist, March 2005

At present the total number of the ginning units is 1,221, however out of them 900 ginning units are operative in the country. One of the important objectives of the up gradation of the ginning sector is to revive the maximum number of the ginning units. Otherwise the scraping of these units may cost about Rs12 billion to the economy.³¹

Before going to up-gradation process of the ginning units, another US company was consulted but the advice given by that company that all the installations, machinery and equipment should be thrown and new machinery costing \$150,000 each units be installed. For replacement of the machinery in 1221 units means draining huge size of foreign exchange out of the country.³²

Under the on-going up-gradation process of the ginning factories, the Balancing, Modernization and Replacement (BMR) of each unit would cost around Rs1.5 million and once pilot projects were successful the cost may be further lowered by placing large scale order with any reputed engineering company to manufacture the components of up-gradation based on proto-type machinery.³³

Similarly, under the financial plan several banks had already shown keen interest and the Asian Development Bank had already allocated technology up-gradation fund. Ginning industry was the weakest link in the entire cotton textile economy and needed urgent improvement if quality and clean cotton had to be produced to meet the textile industry's requirement.³⁴

The ginners will be financing the up-gradation program and Pakistan Cotton Ginning Association is cooperating with SEMDA in achieving the desired results. The benchmark set for achieving quality cotton through up-gradation was at energy consumption or cost

³¹ Pakistan Economist, March 2005

³² Pakistan Economist, March 2005

³³ Pakistan Economist, March 2005

³⁴ Pakistan Economist, March 2005

would come down from 26kwh to 18kwh per bale per hour. Similarly trash will reduce from 8 per cent to 4 per cent and floating fiber from 20 per cent to below 15 per cent.³⁵

1.1.7 Rules

The Central Board of Revenue (CBR) has finalized comprehensive changes in ginning industry rules 1996, replacing them with the new rules 2002. The rules cover vigilant measures to check tax evasion/false declaration through harsh penalties and prompt recovery under the Sales Tax Act. For the first time, the supply of ginned cotton will be made under Duty and Tax Remission for Exports (DTRE) scheme.³⁶

These rules were notified soon after consultation with the All Pakistan Textile Mills Association. CBR has framed two new forms pertaining to the details of supplies of ginned cotton and supplies under the DTRE scheme.³⁷

As per new procedure, the ginner would be required to pay sales tax, additional tax and penalties in case of supplies of ginned cotton on the basis of any fake, bogus or fabricated documents under DTRE scheme.³⁸

Forthcoming rules envisage if the ginning unit supplies ginned cotton to any spinning unit or export without issuing the delivery note or gate pass or the tax invoice, the unit would be liable to penalty under the relevant clauses. Where a spinner or exporter claims input tax adjustment or refund prior to the payment of sales tax on purchase of ginned cotton, besides any other action which may be taken against him under the Act, that unit would be liable to the penalty. A spinning unit or exporter fails to pay tax on the cotton purchased by him; the concerned assistant collector may initiate recovery of such unpaid or short paid amount of tax in accordance with the provision of the Act.³⁹

³⁵ Pakistan Economist, March 2005

³⁶ Pakistan Economist, March 2005

³⁷ Pakistan Economist, March 2005

³⁸ Pakistan Economist, March 2005

³⁹ Pakistan Economist, March 2005

1.1.8 Exports

Despite sluggish trends in the international markets, exports of textile manufactures increased from \$5.75 billion in 2000-2001 to \$5.8 billion in 2001-02. The encouraging factor was the increase in the exports of value-added items. The share of value-added products in total textile exports from Pakistan in 2002 was 57.13 per cent as compared to 54 per cent last year. Cotton cloth export also increased to \$1.13 billion during this period as compared to \$1.03 billion in 2001, indicating an increase of 9.7 per cent. The exports of bed-wear fetched \$918 million against \$745 million, showing growth of 23 per cent, while towels exports increased by 12 per cent to \$270 million against 242 million. Readymade Garments improved by 7 per cent to \$882 million from \$827 million, whereas Made-up articles increased by 6 per cent to \$351 million as compared to \$331 million.⁴⁰

The exports of five sub-groups i.e. Cotton Yarn, knitwear, Tents, Canvas/Tarpaulin, Art, Silk/ Synthetic Textile and other manufactures declined during the period. Cotton yarn, which earned \$1.1 billion during 2000-2001, earned \$ 911 million. The exports of Art, Silk and Synthetic textile declined by 25 per cent to \$409 million from \$545 million.⁴¹

The textile quota exports to the United States, European Union, Canada and Turkey grew by over 18 per cent with nominal increase in value during the first seven months of the calendar year 2002 compared to the same period last year. The highest amount of increase of 55 per cent in quota exports followed by US 29 per cent and EU 12 per cent. Exports to Canada declined by 21 per cent in quantity.⁴²

In terms of value, exports grew by 30 per cent to Turkey and 13 per cent to the EU. Exports declined in case of Canada by 29 per cent and 9 per for the US. The total exports to the US were 420 million square meters worth \$481 million; European Union imported

⁴⁰ Pakistan Economist, March 2005

⁴¹ Pakistan Economist, March 2005

⁴² Pakistan Economist, March 2005

1058-million square meter worth \$509 million. Canada imported 16 million square meters worth \$18 million and Turkey, 101 million square meters worth \$28 million.⁴³

The average unit price of Pakistan's textile quota exports dropped considerably i.e. 30 per cent in case of US, 9.6 per cent for the EU and 16 per cent in case of Turkey. The only increase 0.21 per cent was recorded in average unit price of exports to EU.⁴⁴

The textile export figures for the first ten months of the year 2002 released by the Export Promotion Bureau revealed that the textile quota exports to the US improved by 24 per cent while the increase in exports to EU countries at the end of October 2002 registered an increase of 16.6 per cent in terms of value and 13 per cent in terms of quantity.⁴⁵

1.1.9 Challenge

To get maximum benefit from quota free regime, all out efforts are needed to boost textile exports and increase access to the international markets. To boost the exports, the State Bank of Pakistan has introduced three facilitating schemes for the exporters namely, Foreign Currency Export Financing Scheme (FCEFS), Political Risk Guarantee Scheme (PRGS) and the Export Guarantee Scheme (EGS). The bank would provide 210 days credit facility to exporters for South America as compared to 120 days credit facility to other markets.⁴⁶

1.1.10 Problems in Trade with USA

Although the US officials at every stage appreciated Pakistan's stand and extended verbal cooperation against terrorism, but there was a general message from the US officials that at this juncture, when US economy itself had slowed down, it was difficult to offer significant concessions to Pakistan exports. The US textile industry urged the Bush

⁴³ Pakistan Economist, March 2005

⁴⁴ Pakistan Economist, March 2005

⁴⁵ Pakistan Economist, March 2005

⁴⁶ Pakistan Economist, March 2005

administration to refrain from granting Pakistan additional access to the US textile market, as it would cripple domestic industry already hit by widespread plant closings and layoffs. The US administration pointed out that the US textile industry itself was at a decline. There were also pressures from the textile lobby on the US government congress.⁴⁷

1.1.11 Trade with EU

The European Union (EU) has repeatedly offered complete removal of quota restrictions on Pakistan's textiles, subject to reciprocal relaxation in tariff restrictions on imports of textiles from the EU countries.⁴⁸

Pakistan has, however, asked for special preferred tariff regime for its products as provided to Bangladesh, Egypt and turkey, besides a two-year moratorium on anti-dumping duties. After several meetings at government level, in the year 2002, the federal cabinet approved a Memorandum of Understanding between Pakistan and the European Community (EC) for enhancing by 15 per cent textile and clothing products' quota from January 2001 which would be further increased to 60 per cent by 2004. Pakistan-EC textile trade is regulated through a bilateral agreement under which export of certain textile categories to the EU are under quota restrictions.⁴⁹

Under the said agreement, the EU removed duty on many Pakistani value-added products, besides allowing 15 per cent increase in quota with effect from January 2002. While EU duty on yarn, clothe (gray and printed) remained, duty on finished clothe, garments, knitwear became zero-rated. Basic reason for not reducing duty on yarn and fabrics is that Pakistan already has a significant market share in the EU market. The government is adjusting its export strategy for the member countries of the EU. The Textile Associations in Pakistan have decided to establish a textile export-zone. The objective of the zone is to avail maximum advantage of 15 per cent reduction in the duty

⁴⁷ Pakistan Economist, March 2005

⁴⁸ Pakistan Economist, March 2005

⁴⁹ Pakistan Economist, March 2005

by the EU. The EU has added Pakistan to the list of countries eligible for special trade preferences, praising its efforts to curb drug production and trafficking. Under the new arrangement, the EU has eliminated a 7 per cent duty on import of clothing from Pakistan which means scrapping 150 million Euro duties a year. To reciprocate the gesture, Pakistan also reduced duties on EU textile and clothing imports.⁵⁰

Lifting of curbs by EU of textile goods from Pakistan by removing duty and increase of quota was an encouraging development which provided Pakistan textile exports greater access to the EU market and an edge over competitors. Pakistan's textile exports to EU thus rose to \$1.2 billion are expected to increase by \$400 million per annum.⁵¹

1.2 PEST Analysis

The organization's marketing environment is made up from:

The macro-environment

- Political forces,
- Economic forces
- Socio-cultural forces, and
- Technological forces.

These are known as PEST factors.

The researcher has bifurcated the market into business customers and end-user customers. Therefore, the PEST analysis is first done for export market and then for retail market.

⁵⁰ Pakistan Economist, March 2005

⁵¹ Pakistan Economist, March 2005

1.2.1 Export Market

1.2.1.1 Political Factors

The quota system covering about 2,400 specific products or two-thirds of all the varieties of clothes, yarns, fabrics and household linen in its current form was introduced in 1974 and called the 'Multi-Fiber Arrangement' (MFA). Operationally, it works by dividing textile and clothing products into large groups by basic materials and type of goods. There are 147 such groups, each including anywhere from ten to several dozen products. Geographically, it extends to 58 countries, ranging from very poor nations to large middle-income countries but developed countries remained out of the domain of the quota system. Today 130 countries are producing textiles and clothing for export markets comprised of about 30 nations.⁵²

□

The net impact is positive for developing countries as a whole. This argument is backed by the fact that during the 20 years since the MFA was established, the Industrialized Countries (ICs) lost as much in market share as the listed Developing Countries (DCs) gained (ICs lost 17.7 percentage points.; DCs gained 16.7 percentage points). This shows that a reallocation took place between the listed developed and developing countries.⁵³

□

Countries like India & Pakistan have a great advantage with a strong base of large cotton cultivation & modern textile mills. Countries that do not have a fabric base have to secure their requirements of raw material. Without MFA there will be a concentration of the industry in countries with inherent advantages.⁵⁴

While developing countries are being pressured to comply with new conditions, the US government subsidies for its farmers will continue to exist till 2009. Similarly, the EU countries give subsidies to its people that will last until 2013. This situation demands to

⁵²Small and Medium Enterprise Development Authority, March 2005

⁵³ Asia Foundation Study on Phase-out of Multi-fiber Arrangement 2005

⁵⁴ Asia Foundation Study on Phase-out of Multi-fiber Arrangement 2005

study how best it can serve the economy's interests, how can negotiation be done with these developed countries, and which blocs could be joined to push the economy.⁵⁵

After China joined the WTO, Chinese business showed keen interest in joint ventures with private sector in Pakistan, particularly in the textile industry. The geographic and political linkage between the two countries is an apparent advantage. Exim Bank of China has agreed to extend \$200 million credit to the textile industry of Pakistan for import of Chinese textile machinery.⁵⁶

Pakistan's economy is confronted with the problem of chronic negative trade balances. The government wants to mobilize all its resources to establish a solid export base. The Textile sector, being the major foreign exchange earner, can serve as a launch pad.⁵⁷

Government of Pakistan is serious about the impact of WTO's action that was expected in 2005. It has adopted various policies and measures to safeguard Pakistan's economic interests. The government realizes the importance of the textile sector which is evident from the establishment of the new textile ministry. There has been a realization of past mistakes and the government has raised Pakistan's case everywhere. The ministry fought fiercely for Pakistan's rights. It is expected that other countries would listen to Pakistan and give it its due share "viewing its role in international politics" even during the WTO regime.⁵⁸

1.2.1.2 Economic Factors

Pakistan's economy, which grew at 6.4 percent in fiscal year 2003-04, achieved a broad-based growth of 8.35 percent in 2004-05, ably supported by an impressive growth in manufacturing sector. Overall manufacturing is growing at a much faster pace than agriculture and services and if this pace is sustained, its share in GDP is likely to rise

⁵⁵ Pakistan Economist, March 2005

⁵⁶ Pakistan Economist, March 2005

⁵⁷ Small and Medium Enterprise Development Authority, August 2005

⁵⁸ Pakistan Economist, March 2005

even further in the medium term. The main contributors to this impressive growth of 15.4 percent in July-March, 2004-05 over last year are the textile and apparel group (24.5 %), chemicals (14.4%), petroleum group (11.8 %), tyres and tubes group (10.1%), nonmetallic mineral products (15.1%), engineering goods group (11.3%), electrical items group (54.9%), and automobile group (30.1%). The items that registered positive growth are cotton yarn (18.2 %), cotton cloth (28.5 %), nitrogenous fertilizer (3.2 %), phosphatic fertilizer (59.7 %), cooking oil (27.8%), cement (15.3 %), cigarettes (10.5 %), jeeps and cars (26.1%), tractors (24.5 %), L.C.V's (62.3 %), motorcycles/scooters (47.6 %), paper and paper board (4.3 %), T.V sets (5.7 %), motor tyres (18.9 %), refrigerators (19.8 %) and caustic soda (11.1 %). The individual items exhibiting negative growth includes: sugar (21.0 %), vegetable ghee (1.9 %), bicycles (14.8 %) and billets (20.5 %).⁵⁹

1.2.1.3 Socio-Cultural Factors

Despite many adverse conditions such as terrorism, wars in Afghanistan and Iraq, and epidemic of SARS in the traditional markets of South East Asian Countries, the over all exports reached US \$ 11.16 billion mark for the first time in the history of Pakistan with textiles once again playing a major role. In the past, it had been the norm in Pakistan that government and the industry used to have divergent positions on almost all the issues relating to conducting business in the country. There used to be a deep sense of mistrust and skepticism on both sides of the table whenever the difficulties and problems of business were discussed or issues were brought for resolution to the government. This was a legacy of times when the paradigm of government was control and revenue extraction rather than of creating an enabling environment for economic and social development and serving the people.⁶⁰

Since 2000, a change in mindset and a tremendous improvement in the relationship between the government and the business community has been observed. This sent a signal to the entire government machinery, and now business and government work in the

⁵⁹ Pakistan Economic Review 2004-2005

⁶⁰ [All Pakistan Textile Mills Association, March 2005](#)

true spirit of public-private partnership for betterment of Pakistan's economy. The issues are presented by the businessmen in a congenial and trusting manner and the government is more forward looking and tries its utmost to find solutions for these issues with sincerity and an open mind. There are sometimes limitations, which do leave some issues unresolved, but there is a willingness to try and address the problems.⁶¹

1.2.1.4 Technological Factors

Pakistan's textile industry has been investing for the last five years in modernization and the improvement of the production base and at the same time skill development has increased at a greater pace. The textile industry has taken post-quota regime as an opportunity and has been preparing itself to face the challenges. Accordingly, over the last five years this sector has invested \$ 5.0 billion in modernization and higher value addition.⁶²

Pakistan is currently implementing an ambitious strategic plan for the textile industry which envisages an additional investment of US \$ 5.6 billion to upgrade its operating facilities to effectively meet the present and future challenges of global market.⁶³

1.2.2 Retail Market

1.2.2.1 Political Factors

Textile sector is one of the priority sectors of the present government of Pakistan. So currently the political environment is favorable for the textile sector than before.⁶⁴

The WTO regime presents some challenges and opportunities for the textile sector. One of the problems would be that opening of quota will decrease the supply of textile

⁶¹ [All Pakistan Textile Mills Association, March 2005](#)

⁶² [All Pakistan Textile Mills Association, March 2005](#)

⁶³ Pakistan Economist, March 2005

⁶⁴ Pakistan Economic Review 2004-2005

products to local sellers. All the suppliers will try to sell their products overseas to get a good price for it.⁶⁵

An opportunity would be that retail outlets would have a greater chance of acquiring worldwide markets because there will be lesser barriers to entry in the global markets.

1.2.2.2 Economic Factors

Pakistan is a country which is characterized by low cost of labor and low cost of raw material. Cotton is produced in abundance over here and at low cost. Textile sector in Pakistan is very labor intensive so it gives considerable advantages to retail outlets as they can purchase at lower prices which enables them to charge lower prices to their customers.⁶⁶

1.2.2.3 Social Factors

The social and cultural influences on business vary from country to country. It is very important that such factors are considered. The dominant religion in Pakistan is Islam. There is a minority of people who preach other religions. Pakistan has an Islamic culture, where people are very conscious about their religion. They practice Islam in every day life.

The foreign products are accepted at large in the country. Somehow, people tend to connect 'quality' with 'imported goods'. Many experiences of public have made them have such frame of mind. People tend to trust the foreign products more and are willing to buy little expensive products if they are imported.

Fashion and textile industry is doing tremendous in today's world. If a designer is able to establish its name in the market, people are willing to pay high premium. Although the

⁶⁵ [All Pakistan Textile Mills Association, March 2005](#)

⁶⁶ Pakistan Economic Review 2004-2005

people who can afford designer are few, yet they purchase a lot and are enough for the designers to remain in business.

The language does not much influence the market. Even if on packaging, language written is Chinese, people don't really want to know. They are not interested to know anything about the suppliers, or how the toys have been manufactured, so language does not play much role.

Since life is becoming busier, businesses are continuously producing products and offering services that people can consume under the scarce time they have. Women are usually housewives in the country upbringing their children (although trend is changing in the urban area); they are more particular of what products are consumed by their children.

Men members of the house usually feel that they have to fulfill the financial needs of the family and hence stay busy in work. Women on the other hand pay more attention towards children. Women's role in society has more influence on pre-teens however, as the child grows older, mothers seem to have no say in children's life. Since Kids' Paradise target market is pre-schools, parents play a major role in decision-making process.

1.2.2.4 Technological Factors

Some specific technological factors of the retail market can be the use of scanners and computers. Scanners allow these outlets to save a lot of information about the purchase for example time, amount, price etc. This allows these retail outlets to make a full profile of the customers which includes their purchasing preferences. Computers can hold huge databases which allow these chains to get information from many angles in order to develop the best marketing strategies.⁶⁷

⁶⁷ All Pakistan Textile Mills Association, March 2005

The retail industry is dependent on its suppliers for quality products. So technological factors that hold for the manufacturers market also hold for the retail market. Retail market does not have any technological factors of its own because retailing is not a technology intensive business.⁶⁸

The textile industry acquired the most modern technology to produce quality and competitive products to meet the global change. Recent installation of two dyeing plants by Nishat Textile in Kasur and Kohinoor Weaving on Raiwind Road besides expansion in a number of other factories in Faisalabad, Sheikhupura and Lahore where about 1,000 new air jet looms have been installed would ultimately prove helpful in achieving value-addition in different categories. The industry has been expanding rapidly to increase the export and achieve the targets of Textile Vision 2005.⁶⁹

1.3 Porter's Five Forces Model

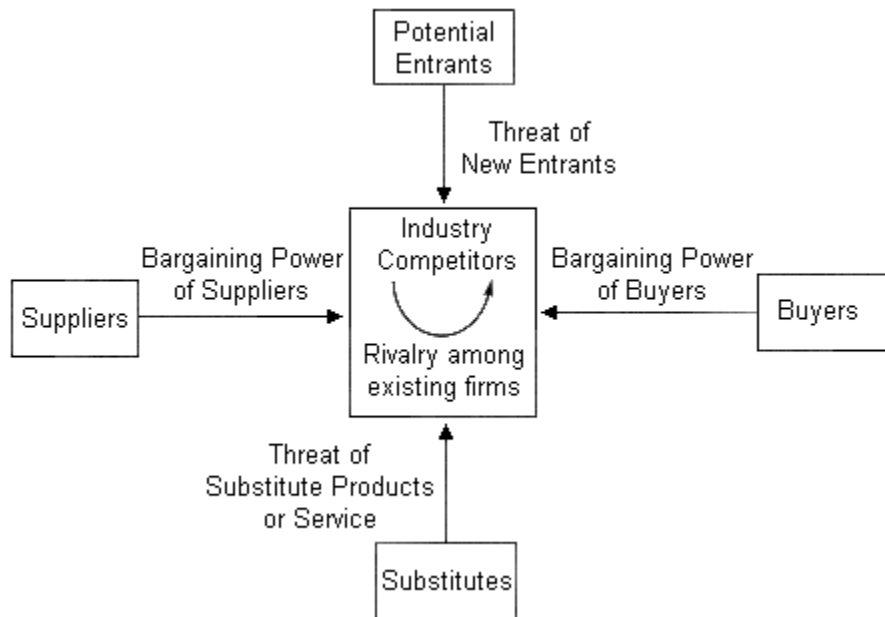
Through Porter's five forces analysis the forces which affect the level of competition in textile industry can be identified, and which might thus help managers of different textile companies to make out bases of competitive strategy.⁷⁰

The researcher has bifurcated the market into business customers and end-user customers. Therefore, the Porter's analysis is first done for export market and then for retail market.

⁶⁸ [All Pakistan Textile Mills Association, March 2005](#)

⁶⁹ [All Pakistan Textile Mills Association, March 2005](#)

⁷⁰ [Quick MBA, July 2005](#)



Source: Quick MBA, July 2005

Fig:1.1: Porter's five forces model

1.3.1 Export Market

1.3.1.1 Competitive Rivalry

Competitive Rivalry is high in the industry. Textile Manufacturers all over the world are constantly endeavoring to gain an edge over their competitors so that they can market their products of the required quality at more competitive prices, continue to get repeat orders from their clients and thus remain in business. The textile manufacturers of Pakistan have also adopted the same strategy.⁷¹

1.3.1.2 Threat of Entrants

It is low because textile mills are very expensive to build and operate, but establishing a power loom is not very expensive. It only requires technical know how and related

⁷¹ All Pakistan Textile Mills Association, March 2005

experience. Entering into the export business requires high set-up costs because one has to produce products of international quality.⁷²

It is also very difficult to get access to international customers. These customers are very cautious of all the aspects of business and select only those suppliers which come to their mark which is very high. These customers mostly do business with their old suppliers especially when they get their supplies from developing countries.⁷³

1.3.1.3 Threat of Substitutes

Threat of Substitutes is low because textile products substitutes are generally more expensive.

1.3.1.4 Bargaining Power of Buyers

Bargaining power of buyers is high. As different textile mills manufacture similar products and buyers can easily switch one for another. Switching costs are not very high because the export clients have access to suppliers all over the world.⁷⁴

1.3.1.5 Bargaining Power of Suppliers

It is low because generally textile industries are located in cotton growing areas having ginning factories producing yarn in bulk. Secondly farmers are not so strong that they can dictate their terms to comparatively strong and large manufacturers.⁷⁵

⁷² All Pakistan Textile Mills Association, March 2005

⁷³ All Pakistan Textile Mills Association, March 2005

⁷⁴ All Pakistan Textile Mills Association, March 2005

⁷⁵ All Pakistan Textile Mills Association, March 2005

1.3.2 Retail Market

1.3.2.1 Competitive Rivalry

Competitive rivalry is in the center of diagram (please see the diagram). This is so because it is likely to be high where entry is likely; there is threat of substitutes, and suppliers and buyers tend to control. The competitive rivalry is high. Although many people are brand loyal to the existing retailers, but they can switch among the big retailers if a better product is offered. The consumer is becoming more sophisticated and well aware the rivalry is high.⁷⁶

1.3.2.2 Threat of New Entrants

Threat of new entrants is moderate. Set-up cost is high because establishing a chain of stores would require huge investment. It requires huge funds to have such a set-up.

Not just the set up cost, what is more problematic for a new player is to compete against the established brand names in the market like ChenOne, Khaadi etc. These have been there in the market now for more than 7 years. They enjoy a very good reputation. It will be very difficult for a new entrant to compete with their names.⁷⁷

The unit cost of designing and producing fabric declines as more fabric is produced therefore creating economies of scale. Retail sellers starting from one store may have a problem of high average cost. Because existing outlets sell huge quantities so they enjoy cost advantages.

⁷⁶ suite101.com, July 2005

⁷⁷ [Jang Group](#), July 2005

1.3.2.3 Threat of Substitutes

Threat of substitutes here is analyzed in two ways, product for product and need for need. Well, in the first case the threat is low however that is not a smart way of looking at threats. If a company analyzes product for product substitutes, it is destined to doom because it is the need fulfillment element due to which customers are willing to pay premium prices. The need to need substitute threat is high. There are endless fabrics in the market for textile which satisfy the same need.

Existing sellers have good relationship with its suppliers. ChenOne gets all its supplies from Chenab which is also a subsidiary of Chenab Group. They can get early deliveries and many other services that the new entrants cannot have.

1.3.2.4 Bargaining Power of Buyers

Bargaining power of buyers is low because of the fixed prices at the stores. The consumers of retail stores are not in a position to bargain over the prices because they know that there is no substitute that will be of such a high quality and trendy.⁷⁸

1.3.2.5 Bargaining Power of Suppliers

Bargaining power of suppliers is usually the reversal of bargaining power of buyers. Customers are getting value for money, those who are loyal to the brand. There is lack of similar strong brands in the market. But in the case of retail industry of textiles case bargaining power of suppliers is also low because they get their supplies usually from smaller manufacturers.

⁷⁸ Jang Group, July 2005

1.4 Company Overview

1.4.1 Chenab Limited



1.4.1.1 Establishment of the Company

In 1975, Mian Muhammad Latif (son of Hajji Muhammad Saleem) established the company as a privately held company. As it was a family business, so Mian Muhammad Latif became the CEO of the company and is still working as the figurehead. In the very beginning, the name of the company was Latif and Co. Back then in the sixties and seventies, there was a general boom in the textile industry and people started investing in this industry due to its high return on equity and easy availability of raw materials. Most of the people built their manufacturing plants near the rich cotton growing belt of southern Punjab and northern Sindh. Due to the family's good relations with the government officials, their manufacturing plant was not nationalized and they started to export unbleached, uncolored and unprinted cloth to United States⁷⁹.

Finding an export license was not a problem as Mian brothers had very good relations with the Government. They fully utilized the textile quota given by the US government to Pakistani exporters and in turn strengthen their financial position⁸⁰.

Finding employees was not a problem for the company as there is plenty of skilled labor force in this region which is willing to work at low wages. Naturally this increased their profit margins. The availability of such highly skilled and semi skilled people who are willing to work at such a low cost is also one of the reason of the company's financial strength. The company initially had only 25 workers to begin with, but with the expansion of the company the labor force grew to more than 9 thousand workers. Most of the workers belonged to Toba Tek Singh. The company also inducted highly professional

⁷⁹ Finance Government of Pakistan, August 2005

⁸⁰ Export Promotion Bureau, August 2005

mangers to run the state of affairs professionally and now they have range of semi to highly skilled labor force and management executives. Although the blue collar workers belong to the same area but the management is quite diverse, they have employed the best managers from various universities of Pakistan. This makes Chenab's management one of the most homogeneous and competitive in Pakistan. With time this has developed into a core competency. In Chenab Ltd various ideas are amalgamated into one fine theory of making Chenab one of the best in the region.⁸¹

Spinning is the process of creating yarn (or thread, rope, cable) from various raw fiber materials. Several fibers are twisted together to bind them into a strong, long yarn. Chenab fabrics imported power looms from United States through a technology transfer deal .They made clothes on power looms. They had only 32 power looms these machines were used to convert cotton into cloth (gray cloth). They acquired the cotton from near by cotton rich area and quickly converted it into gray cloth. The quality was never compromised and so they built the goodwill from the very beginning. The cotton was first transformed into yarn and then into cloth.⁸²

Characteristics of the yarn vary based on the material used, fiber length and alignment, quantity of fiber used and degree of twist. The earliest spinning probably involved simply twisting the fibers in the hand. Later the use of a stick to help twist the fiber was introduced. Spinning involves the use of a stick with a whorl or weight to stabilize the spinning of the stick (called a spindle). The spindle is spun, and hangs supported by the yarn as more fiber is introduced. This introduced fiber picks up the twist and becomes yarn. Spinning wheel allows a continuous and faster yarn production. Spinning wheels are either foot or hand powered. Modern powered spinning, originally done by water or steam power but now done by electricity, is vastly faster than hand-spinning. Materials that can be used to create yarn fall into three broad classes: plant, animal, and synthetic.⁸³

⁸¹ Chenab Group, August 2005

⁸² Prospectus Chenab Limited 2005

⁸³ Prospectus Chenab Limited 2005

Weaving is a textile art and craft that involves placing two threads or yarn made of fiber onto a warp and weft of a loom and turning them into cloth. This cloth can be plain (in one color or a simple pattern), or it can be woven in decorative or artistic designs, including tapestries.⁸⁴

The first step towards the expansion of the company was the construction of the spinning plant. At this point in time, they also changed the name of the company from Latif and Co to Chenab Fibers Limited. This was also the first step towards value addition of their product and also a step towards the realization of the dream that one day Chenab Limited would be producing totally processed cloth.⁸⁵

In the Chenab weaving plant, there are many kinds of weaves, starting with a basic single layer plain weave and evolving into infinitely complex weave structures. Many traditional weave patterns are well known to weavers in the company by their traditional names such as *overshot* and *twirl*.⁸⁶

The majority of commercial fabrics are woven on computer controlled Jacquard looms. In the past, simpler fabrics were woven on dobby looms and the Jacquard looms were reserved for more complex patterns but as computer controlled Jacquard looms have become more popular it is more economical for mills to weave all of their fabrics on Jacquard looms so that one setup may be used for all of their designs.⁸⁷

There are a variety of loom styles for hand weaving and tapestry. In tapestry, the image is created by only placing weft in certain areas, rather than in the weave structure itself.⁸⁸

Fabric in which the warp and/or weft is tie-dyed before weaving is called ikat. Fabric decorated using a wax resist method is called batik. They first established a weaving plant.⁸⁹

⁸⁴ Prospectus Chenab Limited 2005

⁸⁵ Prospectus Chenab Limited 2005

⁸⁶ Prospectus Chenab Limited 2005

⁸⁷ Prospectus Chenab Limited 2005

⁸⁸ Prospectus Chenab Limited 2005

They weaved gray cloth which is commonly known as kora lathaa. They basically weaved dresses in gray form. They exported gray cloth and were very successful as the cost that they incurred were in rupees where as the revenues that they generated were in dollars.⁹⁰

In the second step of their expansion, they instituted the bleaching plant .This also added value to their product and increase their profit margin. The bleaching plant was a break through and profits sky rocketed. This in turn strengthens their financial position. Actually, bleaching is the most profitable part of the manufacturing process. With this plant, they also increased the machines in the spinning and the weaving plants and got a taste of mass manufacturing. This was in the mid 80's which was the period of rapid growth and expansion for the whole industry in general and Chenab fabrics in particular.⁹¹

They were encouraged with the success and thought of producing on a large scale permanently. In the bleaching process, they basically removed colored components from a textile. Common bleaches are hydrogen peroxide, sodium hypo chloride, and sodium chlorite. They brighten and felinity of pulp by the addition of oxidizing chemicals such as chlorine or reducing chemicals such as sodium hypo chloride. ⁹²

The third phase of expansion came in the early 90's .*Chenab Fabrics* gathered the required finances through public offerings and instituted the dyeing and the finishing facilities Dyeing is the process of changing the color of a yarn or cloth by treatment with a dye.⁹³

For the majority of the thousands of years in which dyeing has been used by man to decorate clothing, or fabrics for other uses, the primary source of dye has been nature,

⁸⁹ Prospectus Chenab Limited 2005

⁹⁰ Prospectus Chenab Limited 2005

⁹¹ Prospectus Chenab Limited 2005

⁹² Prospectus Chenab Limited 2005

⁹³ Prospectus Chenab Limited 2005

with the dyestuff being extracted from animals or plants. In the last two centuries, man has produced artificial dyes to achieve specific colors, and to render the dyes 'fast', so that they do not run when the material is washed.⁹⁴

All these raw materials are available in Pakistan in abundance and so the acquisition of raw materials was very easy and at low cost. Dyes are applied to material by direct application, or by immersing the yarn or cloth in the liquid dye or a solution of the dye. They again imported the machinery through technology transfer from Germany.⁹⁵

The machine that they initially used for dyeing was known as *dyeing jiggers* which dyed clothes with the maximum width of 63 inches and 111 inches. Dyeing process involves coloring the bleached fabric. This is done in large metal pans filed with the desired color. The fabric is then placed in these pans and the bleached fabric is then dyed and dried.⁹⁶

They started printing when customer's demand further increased. They established rotary machine. The size of this machine is 172 inches and it works with a speed of 72 km/hr. Their customers liked the quality of the products that Chenab Limited provided to them. As demand increased they started adding value to their products and started the processes of finishing, stitching, packaging, testing and retailing.⁹⁷

Today Chenab Limited is a part of Chenab Group and is one of its supreme and vital constituents. It is dynamic, enterprising and developing commercial organization. It is equipped with latest imported and sophisticated processing machinery. It has a team of qualified technicians and trained labour force. This unit is producing 180,000 meters of fine quality of fabrics, 15,000 units of textile casual/garments and 50,000 of made ups (house hold) of international standard daily.⁹⁸

⁹⁴ Prospectus Chenab Limited 2005

⁹⁵ Prospectus Chenab Limited 2005

⁹⁶ Prospectus Chenab Limited 2005

⁹⁷ Prospectus Chenab Limited 2005

⁹⁸ Prospectus Chenab Limited 2005

Chenab exports inexpensive mass products to Middle East, Africa, South Africa and exclusive products of high quality to Europe, Australia, USA and Canada. Chenab has exceptional export performance because of convincing quality and fathomless variety. That is why Chenab has been using SCOTHGARD Protection from the very beginning which is a source of MAINSTAY in the world of competition in business to maintain its quality and for that reason, alone Chenab has been winning Best Export Performance and Special Merit Trophy Award from Federation of Chamber of Commerce and Industry consecutively for the last 9 years for excellent export performance Its annual export turnover is above Rs. 4.75 Billion.⁹⁹

⁹⁹ Annual Reports Chenab Limited 2003-2004

1.4.1.2 A Glance at Capacity

The production of Chenab Limited can be imagined from the following facts.

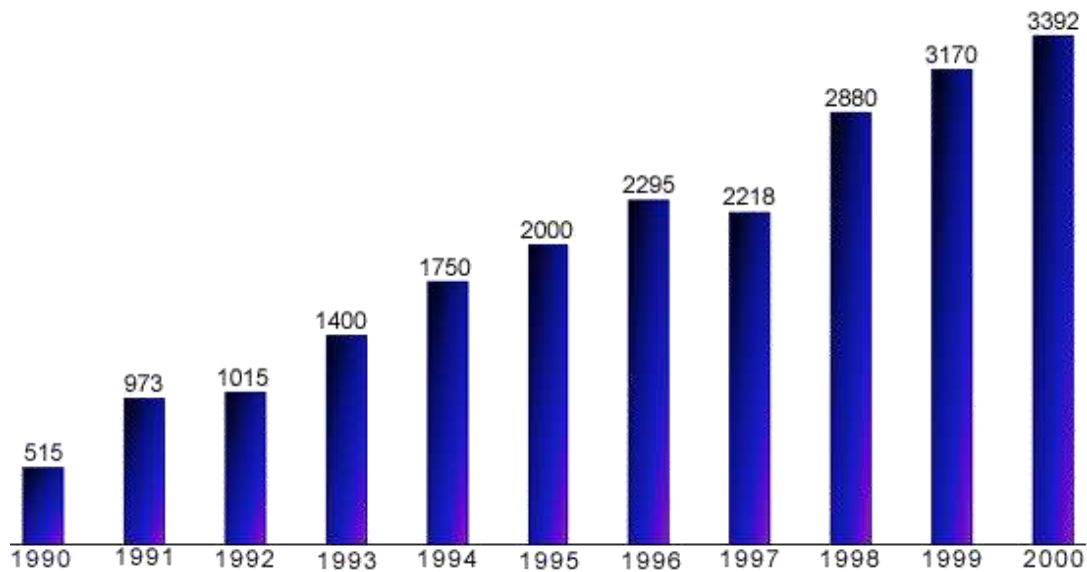
1)	Ginning		75,000 bales per day
2)	Spinning		19,000 spindles, 6 million kg yarn per year.
3)	Weaving		376 looms, 75” to 134”, 50 million square meters per year
4)	Dyeing		Latest machines from leading brands processing 75 million square meters fabric per year
5)	Printing		6 printing machines from 72” to 120”, 12 to 24 colors 112.5 million square meters fabrics /years.
6)	Finishing		Various finishing machines from globally respected brands up to 120” width.
7)	Stitching		1250 stitching machines of different types for made-ups & garments 18 million pieces per/year
8)	Packaging		09 packing & folding machines, 6 offset printing
9)	Testing		16 precision machines for quality assurance

Source: Prospectus Chenab Limited 2005

Table 1.5: Capacity of Chenab Limited

1.4.1.3 Business Volume

Exports of Chenab have experienced tremendous increase in the recent past which can be seen from the graph on the [next page](#).



Source: Prospectus Chenab Limited 2005

Figure 1.2: Business Volume of Chenab

In 2000 Chenab limited was able to attain the level of exports at Rs. 3.392 billion as against 3.170 billion during the preceding year, reflecting thereby an increase of 6.03%. In the year 2004 sales touched the figure of 4.75 billion which was an increase of 19.35% against the previous year sales of 3.984 billion which is an outstanding performance in present economic, political and geographical circumstances of Pakistan, which intensified further after the event of September 11, 2001.¹⁰⁰

1.4.2 ChenOne

The fashion brand of Chenab Ltd was launched in 1997 in Pakistan & Middle East. ChenOne has established itself for ladies, gents & kids garments as well as home textiles (bed linen, curtains, furniture and accessories). In a few years the brand has taken the market by storm and is already a preferred choice of the fashion conscious people. The

¹⁰⁰ Prospectus Chenab Limited 2003-2004

total number of outlets has gradually grown and hopefully will be expanded throughout the world. They strive towards perfection and create value in fabric.¹⁰¹

These fashion stores cater to the superior quality needs of upper class who are accustomed to buying foreign products at higher prices. ChenOne, has become preferred brand name in the local as well as foreign markets as a result of its highest quality and competitive prices.¹⁰²

The design and interior decor of ChenOne fashion stores is comparable with any world class chain of stores. Cozy environment, attractive interior decor and courteous sales staff make buying a memorable experience. However, the key selling points are superior quality and competitive prices. Chenab Group has the advantage of in-house production of quality fabrics. Therefore, the group is capable of offering superior quality products at competitive prices. The fashion stores can be rightly termed family stores as textiles and clothing products, furniture and accessories for the whole family are available under one roof.¹⁰³

The hi-fashion tide at ChenOne brings a complete range of ladies, men and children's wear both in eastern and western styles mixed with high quality 100 per cent cotton and array of blended fabrics Exclusive range of designer furniture, a unique and wide range in home textiles, kitchen accessories and a lot more are offered at the ChenOne (focus of this report will be on garments and home textiles).¹⁰⁴

ChenOne stores , have been established in¹⁰⁵

1. Lahore
2. Karachi

¹⁰¹ Pakistan Economist, August 2005

¹⁰² Pakistan Economist, August 2005

¹⁰³ Pakistan Economist, August 2005

¹⁰⁴ Pakistan Economist, August 2005

¹⁰⁵ Pakistan Economist, August 2005

3. Islamabad
4. Rawalpindi
5. Faisalabad
6. Peshawar
7. Abbottabad
8. Rahim Yar Khan
9. Multan
10. Dubai
11. Abu Dhabi
12. Sharjah
13. Ajman
14. Makkah
15. Bahrain

The company has already made plans to further expand locally to Sialkot and internationally to Jeddah and Riyadh. In the future, the company also plans to target Kuwait, Oman and Qatar for ChenOne.¹⁰⁶

The company's franchised outlets have been a great success. ChenOne through its various group companies and associates has set up these outlets in Pakistan, the UAE, Saudi Arabia and Bahrain. This initiative has been very encouraging and ChenOne outlets continue to operate as the marketing arm of the company. Plans are currently being made to expand the number of outlets in Pakistan and in other regional markets.¹⁰⁷

1.4.3 SWOT Analysis (Chenab)

It is a situational analysis that helps the managers to identify internal strengths and weaknesses, external opportunities and threats, and the potential impact of these factors

¹⁰⁶ Pakistan Economist, August 2005

¹⁰⁷ Pakistan Economist, August 2005

on the organizational performance.

1.4.3.1 Strengths

Strength is an internal capability that can be exploited to achieve goals. Following are the strengths of Chenab Limited.

The great strength of Chenab Limited is the cost advantage due to the composite unit. Its ginning, spinning, weaving and printing section are located within the same boundary due to this delivery charges and such like other expenses are saved that contribute towards cost advantage.¹⁰⁸

As the production increases, per unit cost decreases. Chenab Limited is one of largest textile unit in Faisalabad, Therefore it is enjoying economies of scale. The working environment in all the departments of Chenab Limited is very friendly. All the employees are co-operative and help each other.¹⁰⁹

Chenab Limited is having enough resources to be invested for the improvement of technology to maintain the standard under BMR Plan huge investment is being made. Chenab Limited has good reputation not only among local buyers but also the foreign parties have a well thought about Chenab Limited due to its quality products.¹¹⁰

The customers of Chenab Limited are very loyal and the products of Chenab Limited are their first priority. A distinctive competence of Chenab Limited is that it is ISO certified. It got the ISO 9002 certification in 1997.¹¹¹

¹⁰⁸ Pakistan Economist, August 2005

¹⁰⁹ Prospectus Chenab Limited 2005

¹¹⁰ Prospectus Chenab Limited 2005

¹¹¹ Prospectus Chenab Limited 2005

The Technology used in Chenab Limited is the latest technology available. Most of the machines are computerized which work on the basis of information feeded in them. ¹¹²

The system of production used in the Chenab Limited is highly automated and it is a plus point showing the strength of the organization. Chenab Limited offers broad product line. It offers all sorts of Made Ups and Garments of all modern styles. This feature of its product line distinguishes Chenab Limited from its competitors. Chenab Limited is almost enjoying monopoly in Garments offerings. This is truly a great upper hand of Chenab Limited over its competitors. ¹¹³

Chenab Limited is enjoying maximum control over process. It has its own system of ginning, spinning, weaving, processing. It has its own retail store in the name of ChenOne too at retail level. It has to purchase just raw Cotton from the market. This factor diminishes Chenab's dependency on its suppliers for raw material. This is an advantage that Chenab has over its competitors. ¹¹⁴

1.4.3.2 Weaknesses

Weakness is an internal characteristic that may undermine performance.

One of the greatest weaknesses of Chenab Limited is the centralization in the organization. The CEO Mr. Mian Muhammad Latif is the wholly solely person responsible for all the final decisions to be taken. No person can move even a step without his permission. ¹¹⁵

¹¹² Prospectus Chenab Limited 2005

¹¹³ Prospectus Chenab Limited 2003-2004

¹¹⁴ Prospectus Chenab Limited 2003-2004

¹¹⁵ Pakistan Economist, August 2005

If marketing is considered, there is no distinction of staff for the execution of order and proper marketing. Same persons are working on different fronts. They are marketing their products and at the same time orders are executed by them that lead to less attention.¹¹⁶

The staff of the Chenab Limited is not satisfied with the facilities being provided to them by the organization and the unnecessary delay in promotion especially the promotion of the management trainees is also a weakness of the organization.¹¹⁷

1.4.3.3 Opportunities

Opportunity is situation that offers potential for helping the organization to achieve its goals.

Chenab Limited should pay attention to discover new markets along with existing markets. For this purpose there should be a separate department responsible only for the marketing of the products of Chenab Limited .¹¹⁸

There may be both backward and forward integration. In case of backward integration, Chenab Limited should grow cotton in its own forms and in case of forward integration; its own distributors should be in foreign countries for the sale of its products.¹¹⁹

There is great potential for the textile products in the world there is also an opportunity for Chenab Limited to expand its capacity to capture more segments. The untapped market of Russia and Eastern Europe is also an opportunity for the organization and this should be availed.¹²⁰

1.4.3.4 Threats

¹¹⁶Pakistan Economist, August 2005

¹¹⁷ Pakistan Economist, August 2005

¹¹⁸ Pakistan Economist, August 2005

¹¹⁹ Pakistan Economist, August 2005

¹²⁰ Prospectus Chenab Limited 2005

Threat is are external elements that can develop into a non-crisis or crisis problem and potentially prevent the organization form achieving its goals.¹²¹

One of the greatest threats for Chenab Limited is the globalization. After the WTO, Quota is going to be eliminated and as a result there will be intensive competition, and the sale of products in the international market will be very difficult.¹²²

There is political instability in Pakistan, what was allowed by last govt. might be prohibited by new govt. and vice versa so it is also a threat for the investing organizations like Chenab Limited.¹²³

Entry of new competitors and the strong promotional activities being used by them to convince the customer is also a threat for Chenab Limited. In case of stiff competition the quality of products should be high to compete and even to survive.¹²⁴

It is also a threat to Chenab Limited if the needs of buyers change, buyer may shift from Chenab Limited 's products to other products.¹²⁵

The incidence of Sep., 11 has dramatically changed the global and regional geo-political situation. The international trade has dramatically been shrunk. This incidence has really hit the international marketers of Pakistan. The post incidence outcomes are continuously threatening the business class of Pakistan. Although this incident has not put too much adverse effects on Chenab Limited but this is continuously threatening this Industrial entity.¹²⁶

¹²¹ Jang Group, July 2005

¹²² Jang Group, July 2005

¹²³ Jang Group, July 2005

¹²⁴ Jang Group, July 2005

¹²⁵ Jang Group, July 2005

¹²⁶ Pak Links, August 2005

Law and order situation in Pakistan has always been a question mark. Law & order situation is continuously threatening the foreign investors and local business class as well. This is going to effect Chenab's performance also.¹²⁷

Public departments of Pakistan like Sales tax and Income Tax are continuously adversely effecting the businessmen of Pakistan. Sales Refund and Income tax matters are really creating problems for business class, especially for Exporters like big exporters.¹²⁸

1.4.4 SWOT Analysis (ChenOne)

1.4.4.1 Strengths

One of the strengths of ChenOne is its supplier. It gets all its supplies from Chenab Limited which is a name of quality and success in Pakistan. Also because Chenab comes under the same group so ChenOne has very good relations with it.¹²⁹

ChenOne has a wide network of 15 stores worldwide. This setup gives it a greater market reach. Stores of ChenOne have such an environment which is comparable to international chains. Brand name of ChenOne is one of its strongest attribute. ChenOne enjoys the reputation of a quality brand. People trust the name and have full-confidence in it.¹³⁰

1.4.4.2 Weaknesses

ChenOne is an exclusive store. It has products which are affordable only by the upper class. It caters only to the upper strata of the Pakistani market. ChenOne does not have a

¹²⁷ [Pak Links, August 2005](#)

¹²⁸ [Pak Links, August 2005](#)

¹²⁹ Pakistan Economist, August 2005

¹³⁰ Pakistan Economist, August 2005

wide variety of garments as it has in bed linen. While the leading fashion stores worldwide get a greater share of sales from garments.¹³¹

It has not advertised itself very well. There is hardly any ad on the TV. It should do more intensive advertising as is required by the business. It has a chain of stores so it can afford to do so.¹³²

1.4.4.3 Opportunities

ChenOne can expand its operations to all continents. It has been successful almost everywhere. Its products have been like everywhere inside and outside the country. It can increase variety in its garments because currently there are very few designs in this product category.¹³³

1.4.4.4 Threats

Competition is a very big threat to ChenOne. There are increasing numbers of designer brands especially in Karachi which are looking for expansion and have the potential to compete with ChenOne directly.¹³⁴

There are branded versions of the products of ChenOne. These products are of inferior quality but same designing. They are affecting the sales of ChenOne.¹³⁵

¹³¹ Pakistan Economist, August 2005

¹³² Pakistan Economist, August 2005

¹³³ Pakistan Economist, August 2005

¹³⁴ Pakwatan, August 2005

¹³⁵ Pakwatan, August 2005

1.5 Competitors Overview

1.5.1 Export Market

1.5.1.1 Gul Ahmed

The story of textiles in the subcontinent is the story of Gul Ahmed. The group began trading in textiles in the early 1900's. With all its know-how and experience, the group decided to enter the field of manufacturing and Gul Ahmed Textile Mills Ltd. was incorporated as a private limited company, in the year 1953.¹³⁶

Activities start from the spinning of cotton as well as man made fibers and extend to weaving, processing and finishing of all types of cotton and blended fabrics, bed linen, home furnishings, garment manufacturing, etc.¹³⁷

Gul Ahmed is a network of composite mills which manufacture goods from yarn to finished products. In order to achieve and maintain high quality control and to retain strict focus on specialization, the production units have been decentralized into the following units:

- Spinning
- Weaving
- Pretreatment, Printing, Dyeing, Finishing
- Design & Style
- Hemming – House Hold Textile
- Quality Control¹³⁸

Management of the company is professionally qualified and broadly experienced. The directors have held top positions in various textile bodies, export committees and have

¹³⁶ Gul Ahmed, August 2005

¹³⁷ Gul Ahmed, August 2005

¹³⁸ Gul Ahmed, August 2005

also assisted the Government of Pakistan in some of the major trade talks with EC and USA authorities.¹³⁹

1.5.1.1.1 SWOT Analysis

Strengths

Gul Ahmed's fine textile products represent a unique fusion of the century old traditions of the east and the latest textile technology of the west. The purest of cotton fibers, produced from the fertile lands of the Indus Valley, are spun, woven and processed into the finest quality cotton and blended products through a combination of latest technology, skills and craftsmanship of this traditional industry.¹⁴⁰

Gul Ahmed is a vertically integrated unit. This gives it the ability to provide superior quality to its customers. This also provides cost savings through economies of scale so the company is able to get high profit margins.¹⁴¹

Gul Ahmed has the latest machinery in all of its departments of spinning, weaving, designing which gives it an edge over its competitors.¹⁴²

Gul Ahmed has a well-established local and foreign market. In local market it has a very loyal following which purchases Gul Ahmed's lawn and other fancy fabrics. While foreign customers buy yarn, sheeting, twills, drills, dobbies, satins etc.¹⁴³

The company ISO 9000 certified and it takes every step to ensure quality in its products. The quality control personnel conduct pre-inspection of goods at different stages to

¹³⁹ Gul Ahmed, August 2005

¹⁴⁰ Gul Ahmed, August 2005

¹⁴¹ Gul Ahmed, August 2005

¹⁴² Gul Ahmed, August 2005

¹⁴³ Gul Ahmed, August 2005

maintain international standards and to ensure customer satisfaction on a regular basis. Gul Ahmed has qualified management and competent workforce.¹⁴⁴

Weaknesses

Gul Ahmed does not have a wide variety of products. Its product line is very limited when compared to its enormous size.¹⁴⁵

Marketing department of Gul Ahmed is not as active as it should be. It should increase its promotional activities to increase brand awareness in its target market.¹⁴⁶

Opportunities

Gul Ahmed should pay attention to expand its product line. Because its competitor have better product line.¹⁴⁷

Gul Ahmed should expand its business by increasing its reach. It should target all the continents. This would not be possible before it expands its product line. Gul Ahmed is a vertically integrated composite mill. It should make use of its size and pass on lower prices to its customers in order to increase its market share.¹⁴⁸

Regional trade agreements can be one of the vehicles to gain access to markets on preferential basis. A point to ponder here is that the neighboring countries comprise of a market of nearly three billion people but Pakistan's trade in this sphere is virtually

¹⁴⁴ Gul Ahmed, August 2005

¹⁴⁵ All Pakistan Textile Mills Association, March 2005

¹⁴⁶ Gul Ahmed, August 2005

¹⁴⁷ All Pakistan Textile Mills Association, March 2005

¹⁴⁸ All Pakistan Textile Mills Association, March 2005

insignificant. Gul Ahmed must proactively work to improve its trade volumes in this region by way of preferential or regional trade agreements.¹⁴⁹

Threats

There is political instability in Pakistan. New governments come in with new laws and policies this has made the investment climate in Pakistan very uncertain so it is also a threat for the expanding organizations like Gul Ahmed.¹⁵⁰

Appreciation in the currency may pose a threat to exporters like Gul Ahmed because it would decrease their revenues as a fixed amount of foreign currency will convert in to fewer rupees.¹⁵¹

Under WTO regime, special protection for Textiles will be phased out. Opening up of Exports Markets internationally for exports by all producing countries will intensify competition. Under the changed scenario only the best producers and exporters will survive. Those countries and companies that are used to special export quotas and favorable tariffs will face difficulty in exports. Competition from China and other Asian countries is expected.¹⁵²

1.5.1.2 Al-Karam Textile Mills

Al-Karam textile mills is a part of Al-Karam group. The mill was established in 1986. Since then it grew over the years into a full-scale textile mill with skilled employees and modern technology. There were short lines of communication and fast decision taken by the managers, who had all, been involved right from the start up of Al-Karam in 1986. This formula combined with European and American marketing proved

¹⁴⁹ All Pakistan Textile Mills Association, March 2005

¹⁵⁰ All Pakistan Textile Mills Association, March 2005

¹⁵¹ All Pakistan Textile Mills Association, March 2005

¹⁵² All Pakistan Textile Mills Association, March 2005

to be successful. Today Al-Karam sells its products in Pakistan as well as overseas.¹⁵³

Today Al-Karam textile mills is a vertically integrated composite mill. The organization is involved in the following activities:¹⁵⁴

- Fiber Manufacturing
- Spinning
- Weaving
- Knitting
- Dyeing & Printing of Woven and Knitted Fabrics
- Designing
- Stitching

Al-Karam initially outsourced its intermediaries and distributors. It formed a franchise network whereby the distributor was responsible for transporting the end products to the various retail outlets where the company's products were being sold. These distributors were working in collaboration with the company and close links were established with the various distributors. The retailers were assigned a specific distribution area in which they had to operate. Over the years, Al-Karam felt that it needed to have more control on its distribution network. Therefore what the company did was buy out its key distributors in the most important areas. This gave the company more leverage as far as control over its distribution network is concerned.¹⁵⁵

Al-Karam Textile Mills does not have its own retail outlets like its products are easily and diversely available at all the leading cloth sales outlets throughout the country. So as far as availability and ease of availability is concerned, Al-Karam has an advantage over other players. Its products are more readily available in a diverse range of sales outlets.¹⁵⁶

¹⁵³ AlKaram, August 2005

¹⁵⁴ AlKaram, August 2005

¹⁵⁵ AlKaram, August 2005

¹⁵⁶ AlKaram, August 2005

1.5.1.2.1 SWOT Analysis

Strengths

Al-Karam uses the latest technology available to manufacture its products. These technologies help it to produce products of premium quality and unmatched excellence. It is a vertically integrated composite mill which gives it an advantage over small manufacturers. It makes it able to have a control over quality and scheduling which are very essential for an export business.¹⁵⁷

Al-Karam has a diversified market. It has a good standing in both local and overseas markets. These markets have reduced its business risk. Al-Karam has a very strong brand name mainly because it has been in the industry for such along time. Second reason for this good brand name is the relationship with its customers. It has maintained very good relationship with its customers. It has very loyal customers.¹⁵⁸

Al-Karam textile mills also has its own specialized marketing department to oversee its marketing and promotional activities.¹⁵⁹

Weaknesses

Al-Karam has a narrow product line when compared to its competitors. Al-Karam has not employed good management Information systems in the organization which makes the coordination between departments very difficult. Such a facility is very important for an organization like Al-Karam.¹⁶⁰

Opportunities

¹⁵⁷ AlKaram, August 2005

¹⁵⁸ AlKaram, August 2005

¹⁵⁹ AlKaram, August 2005

¹⁶⁰ AlKaram, August 2005

Al-Karam has less variety when compared to its competitors so it can expand its product-line to increase its sales and market share.¹⁶¹

Al-Karam can enter into other markets of Europe and Asia after it has developed products for these markets. This will ensure diversification and reduce its business risk.¹⁶²

It can open its own outlets to increase its brand awareness and sales in the Pakistani market and then expand it to other countries.¹⁶³

Threats

Competition is a very big threat for Al-Karam. Because Al-Karam is competing with organizations like Chenab and Gul Ahmed which are also big giants and they have the ability to take the market share of Al-Karam.¹⁶⁴

Competition will increase further after the WTO regime. Barriers to entry will be removed and Al-Karam will have to face fierce competition from local and foreign manufacturers. Current government of Pakistan has considered textile sector to be a priority sector if the next government changes its priorities then it will effect the textile industries negatively.¹⁶⁵

1.5.1.3 Nishat Mills

Nishat Mills Limited (“Nishat”) is a public company incorporated in Pakistan and listed on all three Pakistani stock exchanges. The company was established in 1951. Nishat is engaged in textile manufacturing. With vertically integrated manufacturing facilities of spinning, combing, weaving, bleaching, dyeing, printing, stitching, buying, and selling of

¹⁶¹ All Pakistan Textile Mills Association, March 2005

¹⁶² AlKaram, August 2005

¹⁶³ AlKaram, August 2005

¹⁶⁴ AlKaram, August 2005

¹⁶⁵ AlKaram, August 2005

textiles, nishat is by all means, one of the largest textile companies in the region with a capacity to process 5.5 million meters per month of finished fabric. It deals with yarn, linen, cloth and other goods including fabrics made from raw cotton, synthetic fiber and cloth. The company is part of the Nishat Group, a group of companies engaged in multifarious business, trading and manufacturing activities that include textiles and cement production as well as banking. Production facilities of Nishat Mills are located in:

- Faisalabad
- Sheikhpura
- Ferozwatan
- Lahore¹⁶⁶

Nishat is a pure export-oriented company. Nishat gray cloth exports account for roughly 20 % of Pakistani gray cloth exports. The firm has been exporting to the USA for many years, and has only recently started to export to EU countries. Nishat sells its products to companies like Gap, Polo, JC Penny, Wal Mart, Banana Republic, DKNY, Sears, Bill Blass, Old Navy, Levis and Phillips Van. The fashion industry in the world is very dynamic and highly competitive. Here at Nishat, management keeps a constant watch on the pulse of the global fashion industry. This proactive approach germinates its commitment towards innovation and continuous product development.¹⁶⁷

1.5.1.3.1 SWOT Analysis

Strengths

Nishat has proved its strength by focusing on continuous product development. It keeps and eye on the fashion industry and exports the most trendy and fashion-oriented products. For this its employees often visit international exhibitions.¹⁶⁸

¹⁶⁶ [fibres2fashion, August 2005](#)

¹⁶⁷ [fibres2fashion, August 2005](#)

¹⁶⁸ [fibres2fashion, August 2005](#)

Nishat is a vertically integrated unit which gives benefits to it in terms of cost savings and better scheduling. Nishat has state of the art manufacturing facilities which gives it an edge over its competitors in the industry and makes it a preferred supplier of its customers. Nishat has multiple production facilities throughout the country. It has production facilities in the four cities of Pakistan which are very well-known for the quality of cotton that they produce. ¹⁶⁹

Nishat has a huge variety of products. Its products are available in all colors and prints. Every year it produces a wide variety of designs. This has been possible because of its competent designing department. ¹⁷⁰

Like Al-Karam Nishat also has a very good brand name. It is because of its very good relationships with its customers and due to its export performance in terms of its production. ¹⁷¹

Weaknesses

Nishat is exporting to US and very recently it has targeted the European market. So one of its weaknesses is its narrow market. Nishat does not have a local market. It has not exploited the opportunities that exist in the local market. ¹⁷²

Nishat does not have expertise in marketing. While a modern organization should have a very active marketing department so the lack of it is undermining the performance of Nishat. ¹⁷³

Opportunities

¹⁶⁹ Alibaba.com, August 2005

¹⁷⁰ [fibre2fashion, August 2005](#)

¹⁷¹ Alibaba.com, August 2005

¹⁷² Alibaba.com, August 2005

¹⁷³ Alibaba.com, August 2005

As Nishat has very good relations with its existing customers so it has the potential to expand its business and enter into other markets like Asia. Currently its products are being exported only to USA and some European markets.¹⁷⁴

Nishat has excellent technological facilities in its production. Nishat should also consider employing the latest technology to improve its management. It can incorporate systems like ERP and EDI to increase efficiency and speed up processes in the organization.¹⁷⁵

Threats

As for all other organizations in the textile business, the favorable policies of the government for the textile sector will also increase competition for Nishat Mills. WTO is a big threat to all the organizations especially the textile manufacturers.¹⁷⁶

1.5.2 Retail Market

1.5.2.1 Khaadi

Khaadi came into existence with the idea of reviving the craft of hand woven fabric in 1998. In its seven years of presence in the market, Khaadi has made its own niche with its large palette of colors, finesse of the hand-woven fabric itself and an overwhelming range of products. Khaadi only works with natural fibers such as Cotton and Silk.¹⁷⁷

From a small number of weavers, Khaadi has now expanded manifold, with numerous able hands crafting a wide array of products. Khaadi has its own dyeing unit, where all the griege thread is dyed to keep the quality of the thread up to the mark. Khaadi has an

¹⁷⁴ All Pakistan Textile Mills Association, March 2005

¹⁷⁵ All Pakistan Textile Mills Association, March 2005

¹⁷⁶ All Pakistan Textile Mills Association, March 2005

¹⁷⁷ Khaadi, August 2005

in-house stitching unit as well, which facilitates the designers to create new designs in the products.¹⁷⁸

Khaadi has a fully equipped design studio, with a team of highly trained designers, who make sure they bring out their best in their work, in order to make their products stand out.¹⁷⁹

All the designers are graduates of Indus Valley School of Art & Architecture, majoring in Textile Design. Since they are all acquainted with each other, because of the school itself, the working environment of the design studio is quite welcoming.¹⁸⁰

Since the launch of Khaadi, an insatiable demand of its products has been seen amongst its clients. Since then Khaadi has been quite keen on expanding its network of shops. Now Khaadi has five shops, in three major cities of Pakistan, making it the only brand which offers hand-woven fabric and other products, nationwide.¹⁸¹

1.5.2.1.1. SWOT Analysis

Strengths:

- The owner has access to vast resources. He has got financial backing from his father. So Khaadi has a great potential for expansion.¹⁸²
- Khaadi advertises in Pakistan's leading fashion magazines like Visage, Lebas¹⁸³
- Other designer shops have limited variety of designs but Khaadi offers wider range of designs to its customers to satisfy their differing tastes.¹⁸⁴
- As compared to designers, the prices of Khaadi are low.¹⁸⁵

¹⁷⁸ [Khaadi, August 2005](#)

¹⁷⁹ [Khaadi, August 2005](#)

¹⁸⁰ [Khaadi, August 2005](#)

¹⁸¹ [Khaadi, August 2005](#)

¹⁸² [Khaadi, August 2005](#)

¹⁸³ [Khaadi, August 2005](#)

¹⁸⁴ [Khaadi, August 2005](#)

- Khaadi has introduced the whole new concept of life style ¹⁸⁶
- The experience to shopping in Khaadi is more fun than to any retail shops because it has an overall theme attached to it that goes well with the whole concept of Khaadi¹⁸⁷
- Color schemes of Khaadi are liked a lot by the customers.¹⁸⁸

Weaknesses

The major weakness of Khaadi is that there is a large population that does not even know about Khaadi. Khaadi has to improve its brand knowledge through brand recognition because brand recall is high.¹⁸⁹

Khaadi is specifically for middle upper class. Although its prices are lower than many designers, they are still high for the consumers.¹⁹⁰

Opportunities

Khaadi has the opportunity to grow in the International market. It is getting good response from many countries, especially Canada.¹⁹¹

Within the category of home, there can be addition of more products. Khaadi has the textile designers of Indus Valley, if it hires some interior designers, it can start another line of consultancy where people can get their whole house or one room decorated by Khaadi.¹⁹²

¹⁸⁵ [Khaadi, August 2005](#)

¹⁸⁶ [Khaadi, August 2005](#)

¹⁸⁷ [Khaadi, August 2005](#)

¹⁸⁸ [Khaadi, August 2005](#)

¹⁸⁹ [Khaadi, August 2005](#)

¹⁹⁰ [Khaadi, August 2005](#)

¹⁹¹ [Khaadi, August 2005](#)

¹⁹² [Khaadi, August 2005](#)

Currently, Khaadi is not dealing on the bridal side. Khaadi and any of the leading fashion designers can go for an alliance where Khaadi provides the material for designing the bridal wear. Bridal wear is the most profitable segment of fashion designing.¹⁹³

Threats

Competitors are a very big threat to Khaadi. Junaid Jamshed has similar line of women fabric; prices are the same as those at Khaadi. Junaid Jamshed has the advantage that he has started on his own name and people already know about it so he does not have to work hard on brand recognition.¹⁹⁴

Khaadi also faces threat from the local unbranded hand woven sort of fabric that is easily available to consumers. There are endless stores selling materials that are similar to Khaadi.¹⁹⁵

The whole idea behind Khaadi is “handloom”. It narrows down the focus to a very niche market that wears it. Its not that a person’s whole wardrobe is made of one material. Khaadi does not have any other variety due to which there is more chance that its customers will be less frequent in purchase of unstitched fabric.¹⁹⁶

1.5.2.2 Bareeze

Bareeze is the patented trade name of Sefam (Pvt.) Ltd., a sister company of Hamedi Embroidery Mills (Pvt.) Ltd., Ali Embroidery Mills (Pvt.) Ltd., Tanweer Industries (Pvt.) Ltd., and Sarena Embroidery Mills (Pvt.) Ltd.¹⁹⁷

Hamedi Embroidery Mills began functioning in 1972, making high class embroidery on two machines from Germany. In 1978 Ali Embroidery Mills was established and two

¹⁹³ [Khaadi, August 2005](#)

¹⁹⁴ [Samzia, August 2005](#)

¹⁹⁵ [Samzia, August 2005](#)

¹⁹⁶ [Samzia, August 2005](#)

¹⁹⁷ [Dawn, August 2005](#)

new machines were added. In 1984 it was decided to start an exclusive line of high class designer embroidered fabric and market it exclusively from Company's own stores under its own brand name.¹⁹⁸

This was a concept unheard of in Pakistan and immediately became a tremendous success. The name "Bareeze" was selected and a marketing company by the name of Sefam was formed. The product began selling from one store in Lahore.¹⁹⁹

Since then Bareeze has developed into the leading manufacturers of high class embroidered fashion fabrics in Pakistan. It now retails from 15 stores in 7 major cities of Pakistan and from 2 stores in Dubai, U.A.E, and the factories now have 14 embroidery machines including the latest 21 yards machine from Saurer, Switzerland as well as the only computer designing unit in Pakistan.

Bareeze initially started with embroidery on pure cottons. Over the years it has developed a whole range of fine lawns and camrics, making embroidery also on fabrics woven on Doby and Jacquard, and hand looms. It then went on to embroidered Pure Silks, Chiffon, Organza, Raw Silk and various types of Net.²⁰⁰

In 1995 Bareeze launched a household linen range which includes Bed Sheets, Pillow cases, Quilt covers, Cushion Covers and coordinated Towels. In early 1997 the company stepped into knitted and woven garments for children. "Leisure Club" was launched consisting of a range of Jackets, T-Shirts, Shirts, Socks, Caps, Sweaters and Trousers etc.²⁰¹

1.5.2.2.1 SWOT Analysis

¹⁹⁸ [Dawn, August 2005](#)

¹⁹⁹ [Dawn, August 2005](#)

²⁰⁰ [Dawn, August 2005](#)

²⁰¹ [Dawn, August 2005](#)

Strengths:

- Bareeze has been there in the market for quiet a long time. It has very rich history.
- Bareeze has a better brand awareness than any other fashion stores in Pakistan. it is popular among all young and old.²⁰²
- It has wide variety of textile products with very good designing. It deals in embroidered Pure Silks, Chiffon, Organza, Raw Silk, various types of Net, Bed Sheets, Pillow cases, Quilt covers, Cushion Covers and coordinated Towels.²⁰³
- Bareeze has an exclusive brand image. It is a name of quality and exclusivity.²⁰⁴
- Bareeze has existence outside Pakistan. It has greater geographic reach than brands like Khaadi.²⁰⁵

Weaknesses

The major weakness of Bareeze is that it does not advertise itself very well. Although it has greater awareness but it is only because of the time that it has been in the market.²⁰⁶

Bareeze is specifically for upper class. Prices are quiet high which are not affordable by the poor. Bareeze should also improve upon the store environment. Stores' setting is like any ordinary store in Pakistan.²⁰⁷

Opportunities

Bareeze has the opportunity to grow in the International market. It is getting good response from countries where it has its outlets.²⁰⁸

²⁰² [Dawn, August 2005](#)

²⁰³ [Dawn, August 2005](#)

²⁰⁴ [Dawn, August 2005](#)

²⁰⁵ [Dawn, August 2005](#)

²⁰⁶ [suite101.com, July 2005](#)

²⁰⁷ [suite101.com, July 2005](#)

²⁰⁸ [Dawn, August 2005](#)

It can improve upon the store environment. There is a huge margin for improvement in this area. It will give a trendy touch to Bareeze. It should focus also on trendy products. Currently its products are mainly sold because of its quality.²⁰⁹

Threats

Competitors are a very big threat to Bareeze. Fashion industry in Pakistan is flourishing as any other big industry. New entrants are coming in every other day which are providing quality and comfort. Scarcity of supplies can come with the WTO regime. Bareeze should take steps to counter this expected threat.²¹⁰

²⁰⁹ [Dawn, August 2005](#)

²¹⁰ Visage, August 2005

LITERATURE REVIEW

Business markets are “markets for products and services, local to international, bought by businesses, government bodies, and institutions (such as hospitals) for incorporation (for example, ingredient materials or components), for consumption (for example, process materials, office supplies, consulting services), for use (for example, installations or equipment), or for resale. The only markets not of direct interest are those dealing with products or services, which are principally directed, at personal use or consumption such as packaged grocery products, home appliances, or consumer banking. The factors that distinguish business marketing from consumer marketing are the nature of the customer and how that customer uses the product. In business marketing, the customers are organizations (businesses, governments, institutions).²¹¹

Business firms buy industrial goods to form or facilitate the production process or use as components for other goods and services. Government agencies and private institutions buy industrial goods to maintain and deliver services to their own market: the public. Industrial or business marketing accounts for more than half the economic activity in the United States, Canada, and most other nations. The sheer size of the business market and heightened interest in high technology markets has spawned increased emphasis on business marketing management in universities and corporate executive training programs.²¹²

2.1 Business Market vs. Consumer Market

Many differences can be found between the marketing of business goods and the marketing of consumer goods. Business markets have specific characteristics that differ significantly from consumer markets.²¹³

²¹¹ Michael D. Hutt and Thomas W. Speh “Business Marketing Management” 1998

²¹² Michael D. Hutt and Thomas W. Speh “Business Marketing Management” 1998

²¹³ Bingham and Raffield, “Business Marketing Management” 1995

2.1.1 Greater Total Sales Volume

Total dollar sales in the business market are greater than total dollar sales in the consumer market, even though there are far fewer business buyers than final consumers. An automobile bought by a final consumer is viewed as one sale in the consumer market. Yet, numerous sales transactions occurred in the process of manufacturing that automobile. Iron ore was mined and sold to a steel producer who, in turn, sold steel to the automobile manufacturer. A great many other business transactions also occurred before the automobile came off the assembly line.²¹⁴

2.1.2 Larger Volume Purchases

Business marketers also sell to customers who buy in larger quantities than do final consumers. While consumers buy new sets of tires for their cars, Ford Motor Company buys several hundred thousand tires from several major tire manufacturers. Additionally, the consumer buys home heating oil by the gallon while the electric company will be buying thousands of barrels under a long-term contract with the distributor.²¹⁵

2.1.3 Fewer Buyers

A business marketer generally deals with far fewer buyers than does the consumer marketer. Firms that sell to manufacturers usually have less difficulty identifying prospective customers than do firms that sell to final consumers.²¹⁶

2.1.4 Larger Buyers

²¹⁴ Bingham and Raffield, "Business Marketing Management" 1995

²¹⁵ Bingham and Raffield, "Business Marketing Management" 1995

²¹⁶ Bingham and Raffield, "Business Marketing Management" 1995

Unlike final consumer markets, a few large buyers account for most of the purchasing in many business markets. In the telephone and telegraph, aircraft engines and engine parts, cigarette, motor vehicles, and organic fiber industries, the top four manufacturers account for over 70 percent of total production.²¹⁷

2.1.5 Geographically Concentrated Buyers

Business buyers are geographically concentrated, whereas final consumers are found virtually everywhere. Over half of U.S. business buyers are located in just seven states. Most agricultural output also comes from a relatively few states.²¹⁸

2.1.6 Close Supplier-Customer Relationship

There is a close relationship between sellers and customers in business markets because of the smaller customer base, the greater volume and cost of the average sale, and the importance and power of the larger customers over the suppliers. Those suppliers who closely cooperate with the buyer on technical specifications and delivery requirements typically make sales. As world markets become increasingly competitive, firms have discovered that close partnership relationships with important suppliers can produce managerial, technological, and financial benefits.²¹⁹

2.1.7 More Direct Channels of Distribution

In consumer markets, the great majority of goods are sold through a complex structure of wholesalers and retailers who serve as intermediaries between the producer and the consumer. In the majority of business markets however, sellers and buyers are more directly linked. When dealing with very large purchasers, marketers can make direct sales

²¹⁷ Bingham and Raffield, "Business Marketing Management" 1995

²¹⁸ Bingham and Raffield, "Business Marketing Management" 1995

²¹⁹ Bingham and Raffield, "Business Marketing Management" 1995

rather than go through industrial distributors or other intermediaries. However, some products sold to business buyers are commonly sold through one or two levels of wholesalers.²²⁰

2.1.8 Professional Buying

Business buyers normally take a more formalized approach to buying than do final consumers. A salesperson who is selling portable typewriters in a Sears store generally deals with only one prospect at a time; yet, an IBM computer salesperson may have to give product demonstrations to a firm's purchasing manager, office manager, and secretaries. Business buyers are professional buyers, and selling to them requires professional salespeople. Successful salespeople keep a vast inventory of information on their customers.²²¹

2.1.9 Multiple Buying Influences

More people typically influence business buying decisions than consumer buying decisions. Buying committees composed of technical experts and senior management are common in the purchase of major goods. This phenomenon, coupled with the cross-functional nature of these influences, complicates the marketing communications process. Therefore, business marketers must employ well-trained sales representatives, and marketers often use sales teams to deal with highly skilled buyers.²²²

2.1.10 Complex Negotiation

Although there are a few consumer goods, such as automobiles and real estate, in which negotiation commonly takes place, considerable buyer-seller negotiation exists in the

²²⁰Bingham and Raffield, "Business Marketing Management" 1995

²²¹ Bingham and Raffield, "Business Marketing Management" 1995

²²² Bingham and Raffield, "Business Marketing Management" 1995

purchase and sale of more expensive business products. In many cases, buyer representatives will meet with seller representative several times to negotiate sales contracts; and this process may continue over several months.²²³

2.1.11 Reciprocity

Business buyers often choose suppliers who also purchase from them. For instance, a paper manufacturer may buy the chemicals for its production process from a chemical company that buys large amounts of its paper.²²⁴

2.1.12 Leasing

Many business buyers lease their equipment rather than buy it. Businesses may find that leasing equipment offers several advantages. Leasing allows for greater use of capital. Lease payments are entered on the books as current operating expenses, rather than as liabilities; as such, they do not reduce a company's credit line or ability to borrow. The major advantages of leasing are decreased capital outflow, easier cost forecasting, and protection against equipment obsolescence. Computers packaging equipments, heavy-construction equipment, machine tools, and sales-force automobiles serve as examples of this phenomenon.²²⁵

2.1.13 Emphasis on Personal Selling

Because of each of the characteristics discussed above, business marketers emphasize personal selling more than advertising in designing and implementing their marketing mixes. A good salesperson can tailor presentations and highlight different product features for those individuals involved in the product purchase. The cost of a business

²²³ Bingham and Raffield, "Business Marketing Management" 1995

²²⁴ Bingham and Raffield, "Business Marketing Management" 1995

²²⁵ Bingham and Raffield, "Business Marketing Management" 1995

sales call can be justified because of the size, complexity, and sales volume per account of most business products, as compared to a typical consumer product. The use of personal selling, in contrast to advertising, provides immediate customer feedback, and business sales representatives can adjust their promotional messages on the spot.²²⁶

2.2 Value Chain



Source: QuickMBA, July 2005

Figure 2.1: Value Chain

The value chain is a systematic approach to examining the development of competitive advantage. It was created by M. E. Porter in his book, *Competitive Advantage* (1980). The chain consists of a series of activities that create and build value. They culminate in the total value delivered by an organization. The 'margin' depicted in the diagram is the same as added value. The organization is split into 'primary activities' and 'support activities'.²²⁷

2.2.1 Primary Activities

2.2.1.1 Inbound Logistics

²²⁶Bingham and Raffield, "Business Marketing Management" 1995

²²⁷ QuickMBA, July 2005

Here goods are received from a company's suppliers. They are stored until they are needed on the production/assembly line. Inbound logistics is also called physical supply, or those flows that provide raw materials, components, and supplies to the production process. The physical supply aspect of logistics requires a business supplier's logistical system to interact with the customer's logistics and manufacturing process. A repair part delivered a few hours late may cost a manufacturer thousands of dollars in lost production time.²²⁸

Warehousing

The type of warehouses used in practice varies from firm to firm. They are usually classified by type as follows

- Raw material stores
- Component stores
- Finished-parts stores
- Tool store
- Maintenance stores
- General stores²²⁹

The type of stores a firm uses will depend on such criteria as the nature of the industry, size of the form, methods of production used, factory layout and management policy.²³⁰

The site of the warehouses is an important decision, as badly located stores will increase costs unnecessarily and result in loss of production and a drop in efficiency, e.g. causing delays while materials are transported from the stores to the user location. Stores should be conveniently situated to facilitate the efficient receiving of materials inwards and the efficient issue and transport of stock to the user departments. Management must make the familiar centralization or decentralization decision regarding the stores.²³¹

²²⁸ Bingham and Raffield, "Business Marketing Management" 1995

²²⁹ "Value Chain Marketing"

²³⁰ Leenders & Fearon "Purchasing and Materials Management" 1993

²³¹ Leenders & Fearon "Purchasing and Materials Management" 1993

The design and layout of stores is important as stock should be economically and efficiently stored, i.e. storage costs should be minimized and stock should be stored where it can easily be located and removed. Stock should also be stored safely with the minimum risk of accident or damage.²³²

Once the stores layout has been designed it must then be equipped. Full advantage should be taken of new developments in stores equipment. Stores equipment includes shelving, racks, bins and handling equipment.²³³

Inventory Control

Inventory management is the buffer in the logistical system. Inventories are needed in business channels because (1) production and demand are not perfectly matched, (2) operating deficiencies in the logistical system often result in product unavailability (for example, delayed shipments, inconsistent carrier performance), and (3) industrial customers cannot predict their product needs with certainty (for example, because a machine may break down or there may be a sudden need to expand production). Inventory may be viewed in the same light as warehouse facilities and transportation: It is an alternative method for providing the level of service required by customers, and the level of inventory is determined on the basis of cost, investment, service required, and anticipated revenue.²³⁴

Today's prevalent total quality management techniques and just-in-time management principles emphasize the reduction or outright elimination of inventories. Current thinking suggests that inventories exist because of inefficiencies in the system: Erratic delivery, poor forecasting, and ineffective quality control systems all force companies to hold excessive stocks to protect themselves from delivery, forecasting and product

²³² Leenders & Fearon "Purchasing and Materials Management" 1993

²³³ Leenders & Fearon "Purchasing and Materials Management" 1993

²³⁴ Hutt and Speh "Business Marketing Management" 1998

failure. Instead, improved delivery, forecasting, and manufacturing processes should prevent the need to buffer against failures and uncertainty.²³⁵

Inventory costs are subtle and difficult to comprehend because often they are not segregated but found throughout a firm's system of accounts. Inventory costs include four basic cost categories: (1) capital costs, (2) inventory service costs (for example, cases and insurance), (3) storage space costs, and (4) inventory risk costs (for example, damage and pilferage).²³⁶

E-business can lower inventory levels and inventory cost by improving supply chain coordination and creating a better match between supply and demand. Additionally, and e-business can aggregate inventories far from customers because most customers are willing to wait for delivery of online orders.²³⁷

2.2.1.2 Operations

It is the management of the productive processes that convert inputs into goods and services. This is where goods are manufactured or assembled. Individual operations could include room service in a hotel, packing of books/videos/games by an online retailer, or the final tune for a new car's engine. Regardless of whether and organization produces a service, a product, or both, operations managers need to be acutely concerned about productivity.²³⁸

Organizing the production itself depends on several factors: product life cycle, process life cycle and the product-process matrix.²³⁹

²³⁵ Hutt and Speh "Business Marketing Management" 1998

²³⁶ Hutt and Speh "Business Marketing Management" 1998

²³⁷ Bingham and Raffield, "Business Marketing Management" 1995

²³⁸ Bartol & Martin "Management" 1998

²³⁹ Scary & Larsen "Managing the Global Supply Chain" 2000

From a marketing perspective, products go through a four-stage cycle of introduction, growth, maturity and decline. Each stage is significant for both marketing and operations. It identifies competitive market structures and the nature of competition, anticipated customer behavior and, most importantly for this discussion, potential strategies. There are also issues of direct and unique importance to the supply chain and production in particular: product volumes, product variety and the role of manufacturing in competition.²⁴⁰

In the introductory stage, a product launch is a highly uncertain operation. Demand must be estimated as there is no past data on which to rely. Production tends to be oriented to short production runs, in line with forecasts and market response.²⁴¹

In the growth stage, expanding markets become profitable and there is new pressure on the supply system to expand production with more product variations to enlarge the market and gain dominance over potential competition. Production shifts from an emphasis on individual products to product lines. It becomes a time for flexible production, producing an increasing variety of products.²⁴²

At maturity, sales approach saturation and competition becomes intense; the emphasis shifts to high levels of service and price, with pressure to reduce costs. This forces an intense search for efficient production methods and even foreign locations to maintain profit margins in the face of competitive price pressure. The product line may stabilize, encouraging longer runs.²⁴³

In decline, the product will be retained as long as it is profitable. There is continued pressure on supply to produce and distribute efficiently while maintaining continuity of

²⁴⁰ Scary & Larsen "Managing the Global Supply Chain" 2000

²⁴¹ Scary & Larsen "Managing the Global Supply Chain" 2000

²⁴² Scary & Larsen "Managing the Global Supply Chain" 2000

²⁴³ Scary & Larsen "Managing the Global Supply Chain" 2000

supply. The number of products in the line will diminish, focusing production on fewer items in the line.²⁴⁴

Production processes parallel the pattern of the product life cycle. The production process cycle has three stages .each stage is shaped by experience with the process, the product, its stage in the product life cycle and expected product volume.²⁴⁵

The first stage is experimental, seeking to improve on basic processes. The stress is on production flexibility because of the uncertainty of demand. It is approximately parallel to the introductory stage of product life cycle.²⁴⁶

The second stage increases the demands for product variety and therefore rapid changes to different products. The combination of low volume, high product variety and high work-in-process inventory to buffer each stage against uncertainty leads to high production costs. This parallels the growth stage of the product life cycle.²⁴⁷

The third stage provides stability with longer production runs and fewer changeovers, resulting in lower costs. This corresponds to the maturity and decline stages of product life cycle.²⁴⁸

The concepts behind the product and process life cycles come together in the product-process model of Figure 2.2 . The horizontal axis shows production volume and the degree of variety. On the left is extremely high variety, accompanied by low, perhaps customized production. On the right is high volume production of standardized products. The vertical axis shows production technologies, ranked by their degree of continuity in production flow.²⁴⁹

Volume:	Few Units Products	Low Volume Many Products	High Volumes Major Products	High Volumes Standard Products

²⁴⁴ Scary & Larsen “Managing the Global Supply Chain” 2000

²⁴⁵ Scary & Larsen “Managing the Global Supply Chain” 2000

²⁴⁶ Scary & Larsen “Managing the Global Supply Chain” 2000

²⁴⁷ Scary & Larsen “Managing the Global Supply Chain” 2000

²⁴⁸ Scary & Larsen “Managing the Global Supply Chain” 2000

²⁴⁹ Scary & Larsen “Managing the Global Supply Chain” 2000

Process Patterns:				
Loose Linked flow	Project	Job Shop		
Erratic flow		Batch Flow		
Line Flow Worker-paced			Production Line	
Line Flow Machine-paced			Production Line	
Continuous Flow				Continuous Flow

Source: Scary & Larsen “Managing the Global Supply Chain” 2000

Figure 2.2 : Product-Process Matrix

2.2.1.3 Outbound Logistics

The goods are now finished, and they need to be sent along the supply chain to wholesalers, retailers or the final consumer.²⁵⁰

Distribution:

It is the stage of supply-chain that is closest to the customer; it interprets consumption patterns and preferences, which both define and provide motivation for supply chain activities and transactions. At the same time, distribution is the conduit of supply for delivery of production to customers, completing the circle of demand – orders – production – delivery – customers. Because it is close to customers, distribution is the key to control over the chain in some cases. In other cases, it is a set of functional activities controlled by manufacturing, but its purpose is to manage a physical process. In all cases, distribution is an integral part of the supply chain, influencing both customer loyalty and the performance of the chain itself.²⁵¹

Order Acquisition and Processing:

²⁵⁰Quick MBA, July 2005

²⁵¹Scary & Larsen “Managing the Global Supply Chain” 2000

Order processing has both strategic and operational aspects. The operations of order processing generate data that drive the supply chain. Order policy is an important factor in shaping the performance of the supply chain: orders determine production schedules; how each order is considered becomes part of an overall strategy; order and product priorities determine supply operations; minimum quantity requirements determine the costs of serving individual customers; and order size also determines volume stability of demand.²⁵²

The mechanics of how orders are generated and enter the system is part of the management information system. The choice of methods, however, is also strategic, providing specific services, specifying information requirements, reducing customer costs, setting customer relations and determining elapsed time within the order cycle.²⁵³

Distribution Process:

A fundamental change is currently taking place in distribution. This change involves moving from a conventional system, with reliance on chains of inventory stocking points connected by a multiple-stage transportation system, to planned delivery systems such as distribution requirements planning or stockless delivery systems in which intermediate inventory is held only for processing, relying on an information system for coordination. They are not mutually exclusive. Under certain conditions of uncertainty of demand and impossibility of coordination, conventional systems are the only solution. However, when coordination is possible, demand is reasonably predictable, products have a high rate of obsolescence and competitive pressures are strong, these new systems offer substantial inventory reductions, with further advantages of response flexibility.²⁵⁴

Distribution Requirements Planning:

Distribution Requirements Planning is a system for communication and coordination for inventory that specifies both a quantity and delivery time for each location when it is

²⁵² Scary & Larsen "Managing the Global Supply Chain" 2000

²⁵³ Scary & Larsen "Managing the Global Supply Chain" 2000

²⁵⁴ Scary & Larsen "Managing the Global Supply Chain" 2000

needed but not before. In concept it is a simple schedule to determine aggregate inventory requirements by aggregating inventory requirements by unit, quantity and time period. It is then coupled with a delivery plan so that inventory arrives when it is needed but not before. It is also similar in structure to materials requirements planning.²⁵⁵

Distribution Requirements Planning has two major requirements: management attention and coordination with all parties to the distribution process. Martin (1994) calls this process infopartnering. It requires sharing of information in the form of scheduled requirements. It also must recognize the instability and subjective nature of local requirements, which must then be interpreted as they are aggregated. Buyers must also be willing to share future buying intentions with their vendors, even when they are subject to change. There must be interorganizational cooperation. Finally, the data problems are immense, varying from data definitions to the sheer volume involved in making this system run well.²⁵⁶

Transportation

The physical movement of products from source of supply through production to customers is the most significant cost area in logistics, and it involves selecting modes and specific carriers as well as routing.²⁵⁷

Transportation is usually the largest single logistical expense, and with the impact of continually rising fuel costs, this importance will probably increase. Typically, the transportation decision involves the evaluation and selection both of a mode of transportation and of the individual carriers that will ensure the best performance at the lowest cost.²⁵⁸

²⁵⁵ Scary & Larsen "Managing the Global Supply Chain" 2000

²⁵⁶ Scary & Larsen "Managing the Global Supply Chain" 2000

²⁵⁷ Bingham and Raffield, "Business Marketing Management" 1995

²⁵⁸ Bingham and Raffield, "Business Marketing Management" 1995

There are two main performance criteria to evaluate the transportation options; cost of service and speed of service.²⁵⁹

Cost of service is the variable cost associated with moving products from origin to destination, including any terminal or accessory charges. The important aspect of selecting the mode of transportation is not cost per unit but cost relative to the objective to be achieved. Bulk raw materials generally do not require prepaid delivery service, so the cost of anything other than rail or water transportation could not be justified. On the other hand, although air freight may be almost ten times more expensive than motor freight, the cost is inconsequential to customer who needs an emergency shipment of spare parts. The cost of premium transportation modes may be justified by the resulting inventory reductions.²⁶⁰

Speed of service refers to the elapsed time to move products from one facility to another facility. Again, speed of service often overrides the cost of service. The longer the delivery time, the more inventory customers must maintain to service their needs while the shipment is in transit.²⁶¹

2.2.1.4 Marketing and Sales

In true customer orientated fashion, at this stage the organization prepares the offering to meet the needs of targeted customers. This area focuses strongly upon the marketing mix of a company.²⁶²

Product

A product market establishes the distinct arena in which the business marketer competes. Four dimensions of a market definition are strategically relevant:

²⁵⁹ Bingham and Raffield, "Business Marketing Management" 1995

²⁶⁰ Bingham and Raffield, "Business Marketing Management" 1995

²⁶¹ Bingham and Raffield, "Business Marketing Management" 1995

²⁶² QuickMBA, July 2005

1. *Customer function dimension.* The related benefits are provided to satisfy the needs of organizational buyers.
2. *Technological dimension.* There are alternative ways a particular function can be performed.
3. *Customer segment dimension.* Customer groups have needs that must be served.
4. *Value-added system dimension.* There is a sequence of stages along which competitors serving the market can operate.²⁶³

By considering accurate product-market boundaries, the product strategies is better equipped to identify customer needs ,the benefits sought by the market segment, and the nature of competition at both the technology and supplier or brand levels.²⁶⁴

Once the product market is defined, a strong competitive position for the product must be secured. Product positioning represents the place that a product occupies in a particular market; it is found by measuring organizational buyers' perceptions and preferences for a product in relation to its competitors. Because organizational buyers perceive products as bundles of attributes (for example, quality, service), the product strategist should examine the attributes that assume a central role in buying decisions.²⁶⁵

Channel Selection

The link between manufacturers and customers is the channel of distribution. The channel accomplishes all the tasks necessary to affect a sale and to deliver products to the customer.²⁶⁶

Direct distribution, common in business marketing, is a channel strategy that does not use intermediaries. The manufacturer's own sales force deals directly with the

²⁶³ Hutt and Speh "Business Marketing Management" 1998

²⁶⁴ Hutt and Speh "Business Marketing Management" 1998

²⁶⁵ Hutt and Speh "Business Marketing Management" 1998

²⁶⁶ Hutt and Speh "Business Marketing Management" 1998

customer, and the manufacturer has full responsibility for performing all the necessary channel tasks.²⁶⁷

Indirect distribution uses one or more types of intermediaries. Business marketing channels typically include fewer types of intermediaries than do consumer goods channels. Manufacturer's representatives and industrial distributors account for most of the business handled through indirect industrial channels.²⁶⁸

Pricing

Price planning is not a precise science, and considering the importance attached to the task, it is not an easy job. Because there are so many variables to consider, pricing decisions are often made by guesswork, intuition, or reliance on such methods as traditional markup percentages. A large number of both internal and external variables should be systematically studied if effective price strategy is to take place. Some writers have concluded that many managers are relatively naïve when it comes to the price variable and that unsophisticated pricing methods prevail because of a lack of knowledge and understanding. Like other components of marketing strategy, price planning and strategy involves intelligent input concerning environmental as well as operational conditions. Gaining an understanding of what customers would be willing to pay for existing or potential product offerings remains a challenging task for business marketers. Important factors that influence price strategy include competition, cost, demand, pricing objectives, the impact of price on other products, and legal considerations.²⁶⁹

Initially the business price setter must be concerned with "net price," which is the list price minus allowances for trade-ins and other cost-significant concessions made by the buyer, such as volume purchases and order pick-up versus delivery. The establishment of a list price provides the base from which discounts can be subtracted. Discounts come in

²⁶⁷ Hutt and Speh "Business Marketing Management" 1998

²⁶⁸ Hutt and Speh "Business Marketing Management" 1998

²⁶⁹ Bingham and Raffield, "Business Marketing Management" 1995

many forms, with trade, quantity, and cash discounts being the most prevalent. In theory, discounts are simply cost savings realized by the manufacturer and passed on to customers.²⁷⁰

Promotion

Communication with existing and potential customers is vital to marketing success. Experience has taught marketing managers that not even the best products sell themselves. The benefits, problem solutions, and cost efficiencies of those products must be effectively communicated to all the individuals who influence the purchase decision. As a result of the technical complexity of business products, the relatively small number of potential buyers, and the extensive negotiation process, the primary communication vehicle in business-to-business marketing is the salesperson. However, nonpersonal methods of communication, including advertising, catalogs, and trade shows, have a unique and often crucial role in the communication process. Consumer products can be promoted in a variety of ways which include: advertising, catalogs, PR events, sales promotions etc.²⁷¹

2.2.2 Support Activities

2.2.2.1 Procurement

Yet another factor is the rising importance of obtaining high-quality materials and services from suppliers. Without high-quality input organizations have much greater difficulty producing the high quality outputs that are necessary for competing effectively in the marketplace.²⁷²

²⁷⁰ Bingham and Raffield, "Business Marketing Management" 1995

²⁷¹ Bingham and Raffield, "Business Marketing Management" 1995

²⁷² QuickMBA, July 2005

The search for materials and components and managing the flow becomes an essential part of the value-chain. It is becoming an essential part of corporate strategy as organizations emphasize their core and secure other products and services from outside organizations. It also changes the role of the purchasing function. The traditional role of purchasing has emphasized buying as a routine activity, in effect managing external production.²⁷³

The role of purchasing in the modern corporation is changing. Gadde & Hakansson (1994) point to a new strategic context for purchasing, outlining three decision areas: make-or-buy, supply structure and supply relations. The shift to buying rather than manufacturing in-house has advantages in cost and flexibility. At the same time, there is a strong shift toward single sourcing as opposed to the traditional multiple-source relationships of the past. The advantages are increased reliability of supply and stronger relations with suppliers. These relations in turn lead to reductions in administration, production and material costs. Just-in-time is one example of this change in relations. Another is the shift in responsibility for technical development to suppliers. Together they mark a distinct break from the past practice of purchasing on the basis of the lowest price.²⁷⁴

The new supply relationship is central to product flow and corporate strategy. The objectives and criteria for sourcing are also changing. The pursuit of low-cost vendors is not always the driving element behind production that it has been in the recent past. Costs deferential are now smaller or even reversed, a result of changing economic conditions and product design, which substitutes product design and automation for labor. Flaherty (1989) suggests that the most important element in sourcing is now access to technology. In an integrated supply-chain, there are yet other criteria: quality, service, the ability to respond to changes in requirements and coordination and the ability to integrate suppliers into the supply chain.²⁷⁵

²⁷³ Scary & Larsen "Managing the Global Supply Chain" 2000

²⁷⁴ Scary & Larsen "Managing the Global Supply Chain" 2000

²⁷⁵ Scary & Larsen "Managing the Global Supply Chain" 2000

Supply strategy traditionally focuses on the object rather than the relationship and is based on a four-stage action plan:

- Material Classification
- Market Analysis
- Strategic Positioning
- Procurement Action²⁷⁶

Classifying materials provides a focus based on their specific implications for the organization. It provides a structure for both organizational assignment and decision. Two factors dominate in this process: the importance of the material or product and the difficulty of managing the procurement process. Each dimension can be arbitrarily divided into low or high categories, producing four basic classifications that define the procurement role.²⁷⁷

	High difficulty	Low difficulty
High importance	Supply management	Sourcing management
Low importance	Materials management	Purchasing management

Source: Scary & Larsen “Managing the Global Supply Chain” 2000

Figure2.3: Strategic Purchasing Classes

Supply management is necessary for planning and controlling a select few absolutely critical items, high in value and short in supply. Management is centralized maintain control.²⁷⁸

Sourcing management is necessary for specific bottleneck items that are critical to operations. Management emphasizes performance of individual components and

²⁷⁶ Scary & Larsen “Managing the Global Supply Chain” 2000

²⁷⁷ Scary & Larsen “Managing the Global Supply Chain” 2000

²⁷⁸ Scary & Larsen “Managing the Global Supply Chain” 2000

assurance of supply and cost. Purchasing requires central coordination but is locally administered.²⁷⁹

Materials management involves routine procurement of items with potential impact on profit. Materials management is concerned with both supply reliability and low cost through routine, localized procurement.²⁸⁰

Purchasing management routinely procures necessary but noncritical low-value items. Planning horizons are short, normally less than 12 months. The primary emphasis is on procurement efficiency, which takes place locally. It relies on standard product specifications and order processes to minimize transaction costs but balances against inventory efficiency.²⁸¹

2.2.2.2 Technology Development

Technology is an important source of competitive advantage. Companies need to innovate to reduce costs and to protect and sustain competitive advantage. This could include production technology, Internet marketing activities, lean manufacturing, Customer Relationship Management (CRM), and many other technological developments.²⁸²

In times of rapid technological and market change, successful firms will be the leaders not only in adopting new technology but also in introducing new technology for competitive reasons. New technology provides the means for effective product innovation.²⁸³

²⁷⁹ Scary & Larsen “Managing the Global Supply Chain” 2000

²⁸⁰ Scary & Larsen “Managing the Global Supply Chain” 2000

²⁸¹ Scary & Larsen “Managing the Global Supply Chain” 2000

²⁸² Bingham and Raffield, “Business Marketing Management” 1995

²⁸³ Bingham and Raffield, “Business Marketing Management” 1995

Business marketing managers must continuously monitor the customer environment and search for evidence suggesting technological shifts. The market place yields these vital signs to the astute marketer.²⁸⁴

2.2.2.3 Human Resource Management (HRM)

Employees are an expensive and vital resource. An organization would manage recruitment and selection, training and development, and rewards and remuneration. The mission and objectives of the organization would be driving force behind the HRM strategy.²⁸⁵

Recruitment

It is the process of finding and attempting to attract job candidates who are capable of effectively filling job vacancies. Job descriptions and job specifications are important in the recruiting process because they specify the nature of the job and the qualifications required of job candidates. Recruiting can be done both internally and externally.²⁸⁶

Most vacant positions in organizations are filled through internal recruitment, the process of finding potential internal candidates and encouraging them to apply for and/or be willing to accept organizational jobs that are open. Job posting skills inventories and replacement charts are used to locate potential candidates for internal recruiting.²⁸⁷

A variety of sources exist for obtaining external job candidates. Advertising is generally the most heavily used recruiting source. Other sources include college recruiting programs, employment agencies, and referrals by employees.²⁸⁸

Training & Development

²⁸⁴ Bingham and Raffield, "Business Marketing Management" 1995

²⁸⁵ Bartol & Martin "Management" 1998

²⁸⁶ Bartol & Martin "Management" 1998

²⁸⁷ Bartol & Martin "Management" 1998

²⁸⁸ Bartol & Martin "Management" 1998

After individuals are hired, both they and their employing organizations will ultimately gain from efforts aimed at enhancing their knowledge, skills, and abilities. One major approach to increasing the effectiveness of organization members is training and development.²⁸⁹

Training and development is a planned effort to facilitate employee learning of job-related behaviors in order to improve employee performance. Experts sometimes distinguish between the terms “training” and “development”: training denotes efforts to increase employee skills o present jobs, while “development” refers to efforts oriented toward improvements relevant to future jobs. In practice, though, the distinction is blurred (mainly because upgrading skills in present jobs usually improves performance in future jobs).²⁹⁰

Compensation

Compensation consists of wages paid directly for time worked, as well as more indirect benefits that employees receive as part of their employment relationship with an organization. Wages paid for time worked are typically payments made in cashable form that reflect direct work-related remuneration such as base pay, merit increases, or bonuses. Benefits, on the other hand, are forms of compensation beyond wages for time worked, including various protection plans (such as health insurance or life insurance), services (such as organizational cafeteria or drug counseling), pay for time not worked (such as vacations or sick leave), and income supplements (such as stock ownership plans). Benefits are considered a more indirect form of compensation because they are generally not as closely tied to job and performance issues as other forms of remuneration.²⁹¹

2.2.2.4 Firm Infrastructure

²⁸⁹Bartol & Martin “Management” 1998

²⁹⁰ Bartol & Martin “Management” 1998

²⁹¹ Bartol & Martin “Management” 1998

This activity includes and is driven by corporate or strategic planning. It includes the Management Information System (MIS), and other mechanisms for planning and control.²⁹²

Planning

Planning is the management function that involves setting goals and deciding how best to achieve them. Managers make extensive use of their decision-making skills, as well as various planning and decision aids, in the course of carrying out the planning function. Hopefully setting goals and developing plans will lead to goal attainment and ultimately, to organizational efficiency and effectiveness.²⁹³

While goals are the desired ends, plans are the means used to bring about those ends. The importance of developing plans becomes apparent when one considers that there may be more than one means of reaching a particular goal. Plans differ by level in the organization.²⁹⁴

Strategic plans are detailed action steps mapped out to reach strategic goals. These plans address such issues as how to respond to changing conditions, how to allocate resources, and what actions should be taken to create a unified and powerful organization wide effort ultimately aimed at strategic goals. Tactical plans are means charted to support implementation of the strategic plan and achievement of tactical goals. Generally, tactical plans are more specific and concrete than strategic plans. Operational plans are the means devised to support implementation of tactical plans and achievement of operational goals. Such plans spell out specifically what must be accomplished over short time periods in order to achieve operational goals.²⁹⁵

²⁹² QuickMBA, July 2005

²⁹³ Bartol & Martin "Management" 1998

²⁹⁴ Bingham and Raffield, "Business Marketing Management" 1995

²⁹⁵ Bingham and Raffield, "Business Marketing Management" 1995

Planning and strategy begins with an analysis of changing environments, both the internal and external macro and micro environments. The environments within which the business marketer works represent a “dynamic” rather than a “static” model – things are always changing. As a business marketer, the one thing you can depend on is continuous change.²⁹⁶

Central to the analysis of the organization’s strengths and weaknesses in relation to the competition, along with a matching of the strengths and weaknesses in relation to the competition, along with a matching of the strengths with unsatisfied customers needs in the marketplace.²⁹⁷

Effective marketing strategy must continually monitor product, price, promotion, and distribution, making sure that all are consistent with one another and that there is synergy wherein the impact of the whole is greater than the sum.²⁹⁸

Marketing planning takes the best information about customers and competitors, analyzes the information, generates alternatives (taking into account the organizational issues), and finally proposes a blue print that best suits the organization at a specific moment. These are the steps that must be taken to ensure that customers, competitors, and organizational issues are covered.²⁹⁹

Control

Controlling is the process of regulating organizational activities so that actual performance conforms to expected organizational standards and goals. As the definition suggests, controlling means that managers develop appropriate standards, compare

²⁹⁶ Bartol & Martin “Management” 1998

²⁹⁷ Bartol & Martin “Management” 1998

²⁹⁸ Bartol & Martin “Management” 1998

²⁹⁹ Bartol & Martin “Management” 1998

ongoing performance against those standards, and take steps to ensure that corrective actions are taken when necessary.³⁰⁰

Managing a firm's marketing strategy is similar to coaching a football team: The excitement and challenge rest in the formulation of strategy. However, formulating effective strategy is only half of coaching or management. A truly great coach devotes significant energy to evaluating team performance during the previous week's game in order to set strategy for the following week. Similarly, a successful marketing strategy depends on evaluations of marketing performance. The other half of strategy planning is marketing control, the system by which a firm checks actual against planned performance, evaluating the profitability of products, customer segments, and territories.³⁰¹

Controls can help managers avoid problems. More specifically, controls play important roles in assisting managers with five particular challenges: coping with uncertainty, detecting irregularities, identifying opportunities, handling complex situations, and decentralizing authority.³⁰²

An effective control system should measure those elements of the business that are key drivers of success in the business environment. Measurement is a central element in the strategy process. As new strategies and innovative operating systems are developed to achieve breakthrough results, new performance measures are needed to monitor new goals and new processes. The balanced scorecard provides managers with a comprehensive system for converting a company's vision and strategy into a tightly-connected set of performance measures. The balanced scorecard combines financial measures of past performance with measures of the drivers of performance. The scorecard measures the performance of a business unit from four perspectives:

³⁰⁰ Bartol & Martin "Management" 1998

³⁰¹ Hutt and Speh "Business Marketing Management" 1998

³⁰² Bartol & Martin "Management" 1998

- Financial perspective
- Customer perspective
- Internal business process perspective
- Learning and growth perspective³⁰³

The control process is universal in that it can be applied to any level of marketing analysis. For example, marketers must frequently evaluate whether their general strategies are appropriate and effective. However, it is equally important to know whether the individual elements in the marketing strategy are effectively integrated for a given market. Further, management must evaluate resource allocation within a particular element; for example, the effectiveness of direct selling versus the effectiveness of industrial distributors. The control system should work in any of these situations. The four primary levels of marketing control are delineated as under.

- Strategic control (right direction or not)
- Annual plan Control
- Efficiency and effectiveness control
- Profitability control³⁰⁴

2.3 Globalization

Several forces are driving companies around the world to globalize by expanding their participation in foreign markets. Trade barriers are falling and nearly every product market includes foreign competitors. Maturity in domestic markets is also driving firms to seek global expansion. For example, US companies, nourished by the large home market, have typically lagged behind their European and Japanese rivals in

³⁰³ Hutt and Speh “Business Marketing Management” 1998

³⁰⁴ Hutt and Speh “Business Marketing Management” 1998

internationalization. Many of these firms are now finding that strong foreign demand can propel future growth.³⁰⁵

2.3.1 Driving Factors

2.3.1.1 Market Factors

Singled out most frequently as a major force driving the globalization of markets is the assertion that customer needs are becoming increasingly homogeneous worldwide. When customers in different countries around the world want essentially the same type of product or service, the opportunity exists to market a global product or brand. Whereas global segments with similar interests and response tendencies may be identified in some product markets, considerable debate surrounds the issue of whether this is a universal trend. Some research suggests, however, that compared to consumer goods, industrial and high-technology products (for example, computers and machine tools) may be more appropriate for global brand strategies.³⁰⁶

2.3.1.2 Economic Factors

A single-country market may not be large enough for a firm to realize economies of scale or to warrant the necessary investments in R&D and production equipment. If product standardization is feasible, scale at a given location can be increased by participating in a number of national markets. Similarly, expanded market participation can accelerate the accumulation of learning and experience. Even the largest national markets may be too small to amortize the enormous cost involved in developing a new generation of computers. By developing global or regional products rather than national ones, product development costs can be reduced.³⁰⁷

³⁰⁵ Hutt and Speh "Business Marketing Management" 1998

³⁰⁶ Hutt and Speh "Business Marketing Management" 1998

³⁰⁷ Hutt and Speh "Business Marketing Management" 1998

2.3.1.3 Environmental Factors

Improvements in telecommunications and in logistical systems have markedly increased a firm's capacity to manage operations on a global scale. The spread of international computer networks facilitates highly coordinated global strategies. Likewise, more responsive transportation systems, couple with computerized inventory systems, reduce the time and cost required to move goods to distant markets. For example the harmonization of trade policies in the European Community speeds the flow of goods across the borders of members, thereby lowering logistics costs.³⁰⁸

2.3.1.4 Competitive Factors

Competitors can raise the globalization potential of their industry by creating competitive interdependence among countries. When activities such as production are shared among countries, a competitor's market share in one country affects its scale and overall cost position in the shared activities. Changes in that scale and cost will affect its competitive position in all countries dependent on the shared activities.³⁰⁹

2.3.2 International Market-Entry Options

A first step in developing effective international marketing strategy centers on understanding the alternative ways that a firm can participate in international markets. The particular mode of entry selected should take into consideration the level of a firm's experience overseas and the stage in the evolution of its international involvement. The options range from low-commitment choices, such as exporting, to highly complex levels of participation, such as global strategies.³¹⁰

2.3.2.1 Exporting

³⁰⁸ Hutt and Speh "Business Marketing Management" 1998

³⁰⁹ Hutt and Speh "Business Marketing Management" 1998

³¹⁰ Hutt and Speh "Business Marketing Management" 1998

An industries first encounter with an overseas market usually involves exporting because it requires the least commitment an risk. Goods are produced at one or two home plants and sales are made through distributors or importing agencies in each country. Exporting is a viable entry strategy when the firm lacks the resources to make a significant commitment to the market, wants to minimize political and economic risk, or is unfamiliar with the market requirements and cultural norms of the country.³¹¹

While preserving flexibility and reducing risk, exporting also limits the future prospects for growth in the country. First, exporting involves giving up direct control of the marketing program, which makes it difficult to coordinate activities, implement strategies, and resolve conflicts with customers and channel members.³¹²

2.3.2.2 Contracting

A somewhat more involved and complex from of international market entry is contracting. Included among contractual entry modes are; licensing, franchising and management contracts.³¹³

Under a licensing agreement, one firm permits another to use its intellectual property in exchange for royalties or some other form of payment. The property might include trademarks, patents, technology, know-how, or company name. In short, licensing involves exporting intangible assets.³¹⁴

Franchising is a form of licensing in which a parent company grants another independent entity (the franchisee) the right to conduct business in a specified manner. This right can

³¹¹ Hutt and Speh “Business Marketing Management” 1998

³¹² Hutt and Speh “Business Marketing Management” 1998

³¹³ Hutt and Speh “Business Marketing Management” 1998

³¹⁴ Hutt and Speh “Business Marketing Management” 1998

include selling the franchisor's product or using its name, production and marketing methods, or a general business approach.³¹⁵

Other contractual modes of entry have grown in prominence in recent years. Contract manufacturing involves sourcing a product from a producer located in a foreign country for sale there or in other countries. Contract manufacturing is most appropriate when the local market lacks sufficient potential to justify a direct investment, export entry is blocked, and a quality licensee is not available.³¹⁶

In a management contract the industrial firm assembles a package of skills that will provide an integrated service to the client. Then equity participation, either in the form of full ownership or a joint venture, is not feasible or is not permitted by a foreign government, a management contract provides a means for participating in a venture.³¹⁷

2.3.2.3 Strategic Alliances

Strategic alliances are assuming an increasingly prominent role in the global strategy of many business marketing firms. They are collaborations among partners involving the commitment of capital and management resources with the objective of enhancing the partners' competitive positions. Strategic alliances offer a number of benefits, such as access to markets or to technology, economies of scale in manufacturing and marketing activities, and the sharing of risk among partners.³¹⁸

2.3.2.4 Joint Ventures

In pursuing international-entry options, a corporation confronts a wide variety of ownership choices, ranging from 100 percent ownership to a minority interest. Frequently, full ownership may be a desirable, but not essential, prerequisite for success

³¹⁵ Hutt and Speh "Business Marketing Management" 1998

³¹⁶ Hutt and Speh "Business Marketing Management" 1998

³¹⁷ Hutt and Speh "Business Marketing Management" 1998

³¹⁸ Hutt and Speh "Business Marketing Management" 1998

in the international market arena. Thus a joint venture becomes a feasible option. The joint venture involves a joint-ownership arrangement to produce and/or market goods in a foreign market. In contrast to a strategic alliance, a joint venture involves the creation of a new firm.³¹⁹

Joint ventures offer many advantages. First, joint ventures provide the only path of entry into many foreign markets. Second, joint ventures may open up market opportunities that neither partner to the venture could pursue alone. Third, joint ventures may provide for better relationships with local organizations and with customers.³²⁰

2.3.2.5 Multidomestic Strategy

Multinational firms have traditionally managed operations outside their home country with multi domestic strategies that permit individual subsidiaries to compete independently in different-country markets. The multinational headquarters coordinates marketing policies and financial controls and may centralize R&D and some support activities.³²¹

2.3.2.6 Global Strategy

A global strategy seeks competitive advantage with strategic choices that are highly integrated cross countries. For example, features of a global strategy might include a standardized core product that requires minimal local adaptation and that is targeted on foreign-country markets chosen on the basis of their contribution to globalization benefits.³²²

2.3.3 Types of International Strategy

Some of the possible variations in international strategy are portrayed in the Figure 3.

³¹⁹ Hutt and Speh "Business Marketing Management" 1998

³²⁰ Hutt and Speh "Business Marketing Management" 1998

³²¹ Hutt and Speh "Business Marketing Management" 1998

³²² Hutt and Speh "Business Marketing Management" 1998

High	High Foreign Investment with Extensive Coordination among Subsidiaries	Purest Global Strategy	Value Activities
Coordination of Activities	Country-Centered Strategy by Multinationals with a Number of Domestic Firms Operating in Only One Country.	Export-Based Strategy with Decentralized Marketing	
Low	Geographically Dispersed	Geographically Concentrated	

Configuration of Activities

Source: Michael D. Hutt and Thomas W. Spohr "Business Marketing Management"

Figure 2.4: Types of International Strategy

2.4 Brand Analysis

A brand is also known as a product, but one that adds other dimensions to differentiate it in some way from other products designed to satisfy the same need. These differences may be rational and tangible- related to product performance of the brand – or more symbolic, emotional, and intangible – related to what the brand represents. More specifically what distinguishes a brand from its unbranded commodity counterpart and gives it equity is the sum total of consumers’ perceptions and feelings about the product’s

attributes and how they perform, about the brand name and what it stands for, and about the company associated with the brand.³²³

Brand building is making a product, service, or company stand for something, thus creating a positive interest that would make a defined audience buy or support it and keep supporting it against the efforts of competitors.³²⁴

2.4.1 Brand Personality

Brands take on personality traits similar to people. A brand, like a person, can be characterized as being “modern”, or “lively” or “exotic. Brand personality reflects how people feel about a brand rather than what they think the brand is or does. A brand with the right personality can result in a consumer feeling that the brand is relevant and “my kind of product”.³²⁵

Although any aspect of marketing program may affect brand personality, advertising may be especially influential because of the inferences consumers make about the underlying user or usage situation depicted in an ad. Advertisers may imbue a brand with personality traits through anthropomorphization and product animation technique, personification through the use of brand characters, or the creation of user imagery. More generally, advertising may affect brand personality by the manner in which it depicts the brand, for example, by the actors in an ad, the tone or style of the creative strategy, and the emotions or feelings evoked by the brand.³²⁶

Although user imagery, especially as depicted by advertising, is a primary source of brand personality, user imagery and brand personality may not always be in agreement. In product categories where product-related attributes are more central in consumer decisions (e.g., good products), brand personality and use imagery may be much less

³²³ Condensed Volume of Brand Management

³²⁴ Condensed Volume of Brand Management

³²⁵ Joe Marconi “Brand Marketing” 1999

³²⁶ Condensed Volume of Brand Management

related, but differences may arise in other instances. For example, at one point in time, Perrier's brand personality was "sophisticated" and "stylish" where its actual user imagery was not as flattering or subdued but seen more as "flashy" and "trendy".

In those categories where user and usage imagery are important to consumer decisions, however, brand personality and use imagery are more likely to be related, such as cars, beer, liquor, cigarettes, and cosmetics. Thus, consumers often choose and use brands that have a brand personality that is consistent with their own self-concept, although in some cases the match may be based on consumer's desired self-image rather than their actual self-image.³²⁷

Brand personality of any brand can be quantitatively measured through the following two methods.

1. Brand personality dimension index (BPDI)
2. Brand Perception Index (BPI)

Brand personality dimension index quantitatively analyses the personality of a brand on five major product attributes; *sincerity, excitement, competence, sophistication and ruggedness*. Each attribute is further defined by various sub-attributes that describe that attribute the best. The weights are based on industrial level; how it contributes to the overall personality of any brand within that industry. Scale is based particularly on the brand, whose index we are trying to find out.³²⁸

Brand Perception Index is a quantitative measure of the personality of the brands. It is calculated upon three attributes:

- Visual
- Verbal

³²⁷ Condensed Volume of Brand Management

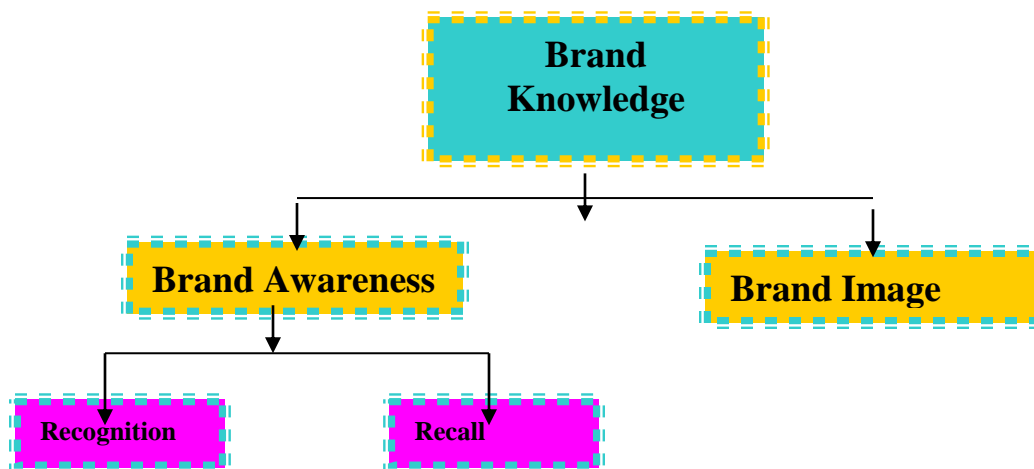
³²⁸ Condensed Volume of Brand Management

- Experiential³²⁹

2.4.2 Brand Equity

It is the set of associations and behaviors on the part of the brand's customers, channel members, and parent corporation that permits the brand to earn greater volume or greater margins than it could without the brand name and that gives the brand a strong, sustainable, and differentiated advantage over competitors.³³⁰

From the perspective of customer-based brand equity framework, brand knowledge is the key to creating brand equity. What marketers need, then, is an insightful way to represent how brand knowledge exists in consumer memory.³³¹



Source: Condensed Volume of Brand Management

Figure 2.5: Brand Knowledge

The process of branding requires “labeling” a product through one or more brand elements (e.g. a brand name, logo, or symbol) and creating “meaning” for the brand as to what it is and how it is different from other brands through product design and the

³²⁹ Condensed Volume of Brand Management

³³⁰ Condensed Volume of Brand Management

³³¹ Condensed Volume of Brand Management

manner by which it is marketed. Brand Awareness is related to the strength of the resulting brand node or trace in memory, as reflected by consumers' ability to identify the brand under different conditions. It can be a driver on some categories, and it usually has a key role to play in brand equity. Brand awareness reflects both the knowledge and the salience of the brand in the customer's mind.³³²

Creating brand awareness involves giving the product an identity by linking brand elements to a product category and associated purchase and consumption or usage situation. From a strategic standpoint, it is important to have high levels of brand awareness under variety of conditions and circumstances.³³³

Brand awareness is further divided into two dimensions:

- Brand Recognition
- Brand Recall

Brand recognition tells about the consumers' ability to confirm prior exposure to the brand when given the brand as a cue. Recognition reflects familiarity gained from past exposure. Recognition does not necessarily involve remembering where the brand was encountered before, why it differs from other brands, or even what the brand's product class is. It is simply remembering that there was a past exposure to the brand.³³⁴

In other words, brand recognition requires that consumer can correctly discriminate the brand as having been seen or heard. For example, when consumers go to the store, will they be able to recognize the brand as one, which they had already been exposed.³³⁵

The familiarity factor can be especially important to the brand that has a familiarity handicap with respect to move visible and established competitors. In such case, awareness building may be necessary to reduce this liability.

³³² Condensed Volume of Brand Management

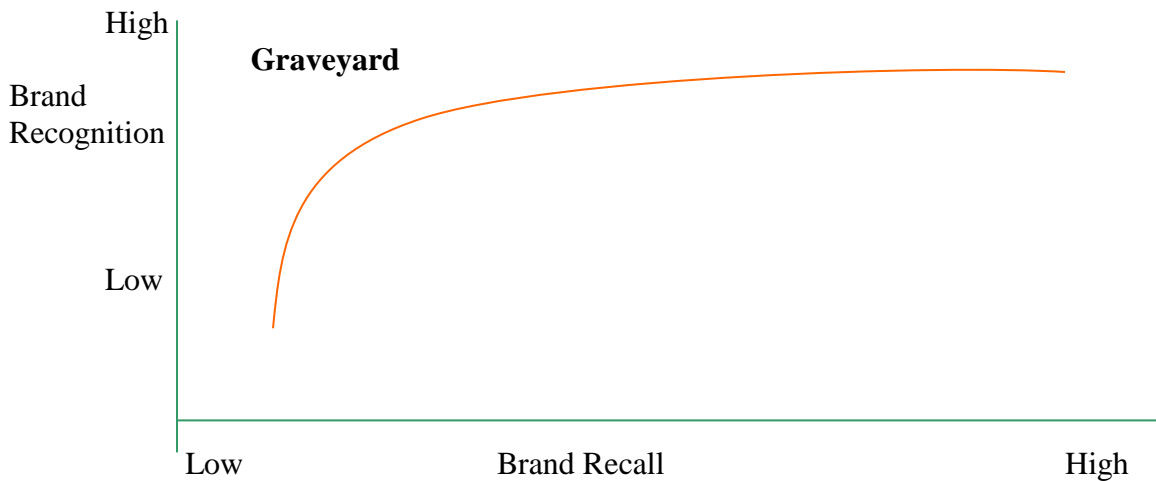
³³³ Condensed Volume of Brand Management

³³⁴ Condensed Volume of Brand Management

³³⁵ Condensed Volume of Brand Management

A brand is said to have been recalled, if it comes to consumers' mind when its product class is mentioned. Brand recall relates to consumers' ability to retrieve the brand from memory when given the product category, the need fulfilled by the category, or a purchase or usage situation as a signal. In other words, brand recall requires that consumers correctly generate the brand from memory when given a relevant probe. Customer recalls brand can be the deciding factor in getting on a shopping list or receiving a chance to bid on a contract.³³⁶

The Graveyard model graphs the brands according to brand recognition and recall. The brands that come in low recall and recognition are in danger, they are dying and thus it is called the graveyard model. Graveyard model identifies the brands that are dying and the ones that are prospering.³³⁷



Source: Condensed Volume of Brand Management

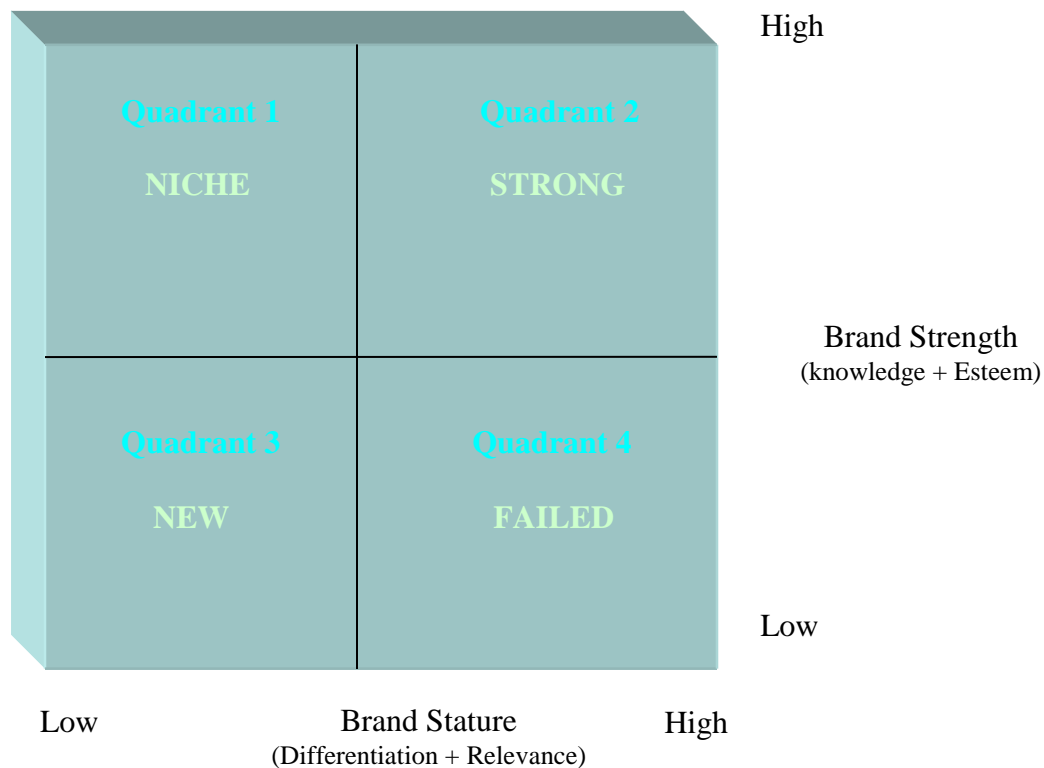
Figure 2.6: Graveyard Model

Brand equity is also calculated through brand asset valuator which is the outcome of brand stature (knowledge, esteem) and brand strength (differentiation, relevance). Brand Asset valuator gives a critical insight into the Brand equity of a brand.

³³⁶ Condensed Volume of Brand Management

³³⁷ Condensed Volume of Brand Management

Brands are placed on the Y & R Grid on the basis of the results of BAV.³³⁸



Source: QuickMBA, July 2005

Figure 2.7: Young & Rubicam Power Grid

Y&R power grid provides considerable knowledge about the brand. It is a concise estimate of the brand equity. A brand which is gets a place in the first quadrant can easily be characterized as a niche brand. Because the brand appeals to small segment of customers so it has low brand relevance knowledge but high strength because it is very well-known to its target market. A brand which finds a place in the second quadrant can instantly be said to be a strong brand because it is both high in strength and stature so it has a strong foothold in the market. As new brands have low stature and strength because they did not have much time to do that so these brands are placed in the third quadrant. Brands placed in the fourth quadrant are failed because are not aware of these brands although the brands are high on stature because these are good products but because people don't know them so these brands are unsuccessful.³³⁹

³³⁸ Condensed Volume of Brand Management

2.4.3 Brand Heritage

The older the brand gets, the more heritage it carries. Brand custodians must recognize, respect and leverage that heritage to ensure it is maintained over the years.³⁴⁰

Brand with a well-documented heritage may be able to indicate trends or forecast results better than consumer research. While brand heritage is not a substitute for consumer research and may not be able to predict consumer response to a new product or a proposed line- extension, it can give perspective to consumer response in the past. This will help the brand custodian understand the nature of the challenge that the new product introduction or line extension poses.³⁴¹

It's important for brand custodians to record details of the heritage and document changes and results for successors. Brands with a rich heritage tend to have high levels of morale. True and exaggerated tales of the brand's exploits are told with admiration and pride. Brand heritage increases brand strength and brand status.³⁴²

2.4.4 Branding Tree

The concept of branding tree is similar to a generic tree type, that has roots, a trunk and branches and leaves and in some cases fruits. Branding tree details the various brands by a company according to their various categories and according to their strengths and stature. For example, the core and basic brands are always categorized as the roots of the branding tree, as they form the basis of the organization and provide it with the most revenues.³⁴³

³³⁹ Condensed Volume of Brand Management

³⁴⁰ Condensed Volume of Brand Management

³⁴¹ Condensed Volume of Brand Management

³⁴² Condensed Volume of Brand Management

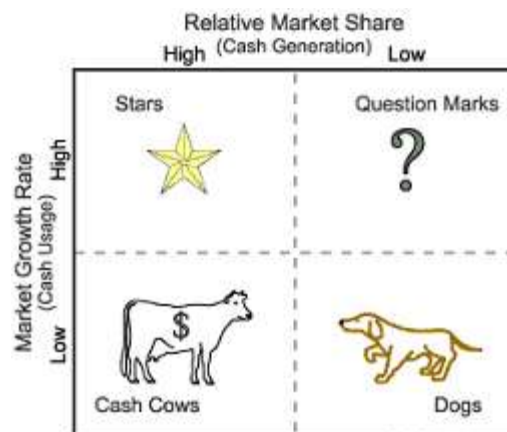
³⁴³ Condensed Volume of Brand Management

2.4.5 Market Share Analysis

To be a successful a brand or a product has to be successful relative to its competitors. This can be possible if it has a bigger share of the market than its competitors.³⁴⁴

The Boston Consulting Group matrix or simply the BCG Matrix is the most valid and important tool for market share analysis in an industry. Market Share is calculated by determining the weighted Index of all the attributes that are pivotal to be successful in a market.³⁴⁵

Using the BCG Box a company classifies all its SBU's according to two dimensions: On the horizontal axis: relative market share - this serves as a measure of SBU strength in the market. On the vertical axis: market growth rate - this provides a measure of market attractiveness by dividing the matrix into four areas, four types of SBU can be distinguished:³⁴⁶



Source: QuickMBA, July, 2005

Figure 2.8: BCG Matrix

Stars are high growth businesses or products competing in markets where they are relatively strong compared with the competition. Often they need heavy investment to

³⁴⁴ Bingham and Raffield, "Business Marketing Management" 1995

³⁴⁵ Bingham and Raffield, "Business Marketing Management" 1995

³⁴⁶ Bingham and Raffield, "Business Marketing Management" 1995

sustain their growth. Eventually their growth will slow and, assuming they maintain their relative market share, will become cash cows.³⁴⁷

Cash cows are low-growth businesses or products with a relatively high market share. These are mature, successful businesses with relatively little need for investment. They need to be managed for continued profit - so that they continue to generate the strong cash flows that the company needs for its Stars.³⁴⁸

Question marks are businesses or products with low market share but which operate in higher growth markets. This suggests that they have potential, but may require substantial investment in order to grow market share at the expense of more powerful competitors. Management has to think hard about "question marks" - which ones should they invest in? Which ones should they allow to fail or shrink?³⁴⁹

Unsurprisingly, the term "dogs" refers to businesses or products that have low relative share in unattractive, low-growth markets. Dogs may generate enough cash to break-even, but they are rarely, if ever, worth investing in.³⁵⁰

2.5 Consumer Behavior

The consumer is sovereign. The consumer has full capability to screen out all attempts at influence, with the outcome that everything done by the business firm must be adapted to consumer motivation and behavior.³⁵¹

³⁴⁷ Bingham and Raffield, "Business Marketing Management" 1995

³⁴⁸ Bingham and Raffield, "Business Marketing Management" 1995

³⁴⁹ Bingham and Raffield, "Business Marketing Management" 1995

³⁵⁰ Bingham and Raffield, "Business Marketing Management" 1995

³⁵¹ Holbrook and Hirschman, "The Experiential Aspects of Consumption: Consumer Fantasies, Feelings, and Fun," *Journal of Consumer Research* 9 (September 1982)

Consumer behavior can be understood through research. Perfect prediction is not possible, but strategic outcomes are notably improved through properly undertaken and used research.³⁵²

Consumer behavior can be influenced through persuasive activity that takes the consumer seriously as being sovereign and purposeful. Consumer persuasion and influence has socially beneficial outcomes as long as legal, ethical, and moral safeguards are in place to curb attempts at manipulation.³⁵³

When these premises are disregarded, the consequences almost always are negative. The consumer research, properly conceived and interpreted, provides essential input for marketing strategies. Finally, research also serves as the basis for consumer education and protection and furnishes important information for public policy decision.³⁵⁴

2.5.1 Market Segmentation & Positioning

Market segmentation is a process of designing or featuring a product or service so that it will make a particularly strong appeal to some identifiable support of a total market. The alternative is called market aggregation or mass marketing, a process in which all consumers are offered identical products or services.³⁵⁵

Evaluating and choosing market segments toward which an organization's resources are to be directed is a process of matching market opportunities with marketing programs. Four criteria for choosing segments include measurability, accessibility, substantiality, and congruity. Measurability refers to the degree to which information is available or

³⁵² Holbrook and Hirschman, "The Experiential Aspects of Consumption: Consumer Fantasies, Feelings, and Fun," *Journal of Consumer Research* 9 (September 1982)

³⁵³ Holbrook and Hirschman, "The Experiential Aspects of Consumption: Consumer Fantasies, Feelings, and Fun," *Journal of Consumer Research* 9 (September 1982)

³⁵⁴ Holbrook and Hirschman, "The Experiential Aspects of Consumption: Consumer Fantasies, Feelings, and Fun," *Journal of Consumer Research* 9 (September 1982)

³⁵⁵ David W. Stewart, "Consumer Self-Selection and Segments of One: The growing role of Consumers in Segmentation"

obtainable about the size, nature, and behavior of a market segment. Accessibility or reachability refers to the degree to which a given segment can be differentially reached. Substantiality refers to the size of market segments. Congruity refers to the degree to which the members of a market segment fit together. The goal is to find groups of customers with intrasegment congruity also congruous with the firm's ability to market the product.³⁵⁶

The success of any brand is determined by its customers. Customers are the key stakeholders of any business. In the modern world, all businesses are planning their activities according to the needs and wants of the consumers and on building a positive brand image to enhance the perception of the brand in mind of the consumer. No matter how good a product is, if its need does not exist in the market or if customers do not perceive it as a "high value" brand it will fail. If the target market does not perceive the product to be for them, the brand will stand no where.³⁵⁷

It is important for organizations to segment their customers before targeting appropriate target groups. AIOD Framework is an appropriate technique to segment the market. In this technique each customer segment shares the activities, interests, opinions and demographics. Each segment has a unique need.³⁵⁸

Once the market has been segmented properly in terms of the specific needs, the firm has three options: Concentrated (single segment) marketing, differentiated (multi-segment) marketing, and undifferentiated marketing. Consumer analysts have responsibilities for monitoring the environment for both macro-marketing and micro-marketing reasons. Analysis of changing segments is important to this process. Macro-marketing applications focus on determining the aggregate performance of marketing in society. Micromarketing analysis focuses on the marketing programs of specific organizations.

³⁵⁶ David W. Stewart, "Consumer Self-Selection and Segments of One: The growing role of Consumers in Segmentation"

³⁵⁷ David W. Stewart, "Consumer Self-Selection and Segments of One: The growing role of Consumers in Segmentation"

³⁵⁸ David W. Stewart, "Consumer Self-Selection and Segments of One: The growing role of Consumers in Segmentation"

A large part of consumer market analysis involves geodemography, the study of demand as it is related to geography. In the United States, population is expanding rapidly in some states-notably California, Texas and Florida with slow growth in the Midwest. In Canada, Ontario is the largest market but population growth in all provinces is slow as a result of decreased fertility and immigration rates.³⁵⁹

Through data-base management and sophisticated computer software, marketers may come closer to the goal of a “segment of one”. Common uses of segmentation include product positioning, promotional strategy, distribution strategy, and price policy.³⁶⁰

Positioning is the way a brand is defined by consumers on important attributes. It is the place that a brand occupies in the consumer’s mind. Brands may be positioned on several attributes mainly:

- Technology
- Price
- Quality
- Image
- Distribution
- Service³⁶¹

Marketers play a pivotal in brand positioning. Through marketing communications they create a place for their brand in consumer’s mind. Perceptual mapping determines the position of a product or a brand in consumer’s mind relative to other competitor brands. Each perceptual map tells the position of a brand on two attributes at one point in time. For example image and price.³⁶²

³⁵⁹ David W. Stewart, “Consumer Self-Selection and Segments of One: The growing role of Consumers in Segmentation”

³⁶⁰ David W. Stewart, “Consumer Self-Selection and Segments of One: The growing role of Consumers in Segmentation”

³⁶¹ Michael D. Hutt and Thomas W. Speh “Business Marketing Management” 1998

³⁶² Condensed Volume of Brand Management

2.5.2 Attitudes

An analysis of consumer attitudes can yield both diagnostic and predictive benefits identifying receptive market segment evaluating current and potential marketing activities and forecasting future behaviors are some of the main ways in which attitudes can assist marketing decision making. Attitudes are defined as an overall evaluation. Attitudes can vary along several properties including valence, extremity, resistance, persistence and confidence.³⁶³

Attitudes depend on two basic factors: beliefs and feelings. As such, understanding why consumers hold certain attitudes requires examining the underlying beliefs and feelings consumers have about the attitude object. One approach to examining the former is represented by multiattribute attitude models, which focus on consumers' beliefs about a product's attributes. Such models can also provide useful insight into the potential payoff of alternative attitude change strategies.³⁶⁴

In addition to helping one understand consumer behavior, attitudes and especially behavioral intentions are also useful in predicting consumer behavior. However, the accuracy of these predictions will depend on several factors; such as time interval, volitional control, and the degree of measurement correspondence.³⁶⁵

2.5.3 Motivation & Self-Concept

Need is a central variable in motivation. Need is defined as a perceived difference between an ideal state and the present state. When need is activated, it gives rise to drive

³⁶³ Cyndee Miller "Study Says "Likeability Surfaces as Measure of TV Ad Success"" Marketing News January 7, 1999

³⁶⁴ Cyndee Miller "Researchers Balk at Testing Rough Ads for 'Likeability' Marketing News September 2, 1991

³⁶⁵ Cyndee Miller "Researchers Balk at Testing Rough Ads for 'Likeability' Marketing News September 2, 1991

(energized behavior) which is channeled toward certain goals that have been learned as incentives. These needs fall into two basic categories; utilitarian (functional, practical benefits) or hedonic (subjective and emotional benefits).³⁶⁶

Involvement (perceived relevance or pertinence) is an important factor in understanding motivation. Involvement refers to the degree of perceived relevance in the act of purchase and consumption. When it is high, there is motivation to acquire and process information and a much greater likelihood of extended problem solving.³⁶⁷

The self-concept is the unifying force in motivation. The self is shown to be multifaceted consisting of the real self (the way I see myself) the ideal self (the way I would like to be) the extended self (I am what I own and use) and the self in context (I am a different person from one situation to the next). As a general rule, the consumer behaves in ways that are congruent or consistent with self, but consumer researchers have just begun to uncover the richness of resulting behavior.³⁶⁸

Measurement of motivation always poses a challenge. The most important implication is to accept these motivations as given and to find ways to present a product or service as a valid means of drive satisfaction.³⁶⁹

2.5.4 Social Class & Status

Social classes are relatively permanent and homogeneous groupings of people in society, permitting groups of people to be compared with one another. These groups are recognized as having inferior or superior positions by other people often based on economic position in the marketplace.³⁷⁰

³⁶⁶ Brian T. Ratchford and Richard Vaughan "On the Relationship between Motives and Purchase Decisions: Some Empirical Approaches,"

³⁶⁷ T.C. Srinivasan, "An Integrative Approach to Consumer Choice," *Advances in Consumer Research* 14

³⁶⁸ T.C. Srinivasan, "An Integrative Approach to Consumer Choice," *Advances in Consumer Research* 14

³⁶⁹ T.C. Srinivasan, "An Integrative Approach to Consumer Choice," *Advances in Consumer Research* 14

³⁷⁰ Kjeli Gronhaug and Paul S. Trapp, "Perceived Social Class Appeals of Branded Goods," *Journal of Consumer Marketing* 5 (Fall 1988)

Social class is determined by three types of variables; economic, interaction and political. For marketers the most important determinants of social class are usually considered to be occupation, personal performance, interactions, possessions, value orientations, and class consciousness.³⁷¹

Measures of social class may be based on single variables or multiple variables. Multiple-variable measures provide the best theoretical information, but occupation is the best single proxy indicator of social class.³⁷²

Social classes are traditionally divided into six groups; upper, lower upper, upper middle, lower middle, upper lower, and lower or marginal classes. Newer classification systems emphasize the enlarged capitalist or professional classes in the upper middle or lower lower classes. Social classes are always in transition, however, causing status and its symbols to be dynamic. Each group displays characteristic values and behaviors that are useful to consumer analysts in designing marketing programs. Social-class analysis helps understand need recognition of consumers, search processes and information processing, evaluative criteria and purchasing patterns of actual and aspiring social classes.³⁷³

2.5.5 Personal Influences

Personal influence often plays an important role in consumer decision making especially when there are high levels of involvement and perceived risk and the product or service

³⁷¹ Al Ries and Jack Trout, *Positioning: The Battle for Your Mind* (New York McGraw Hill, 1981), 53

³⁷² Kjeli Gronhaug and Paul S. Trapp, "Perceived Social Class Appeals of Branded Goods," *Journal of Consumer Marketing* 5 (Fall 1988)

³⁷³ Kjeli Gronhaug and Paul S. Trapp, "Perceived Social Class Appeals of Branded Goods," *Journal of Consumer Marketing* 5 (Fall 1988)

has public visibility. This is expressed on both through reference groups and through word-of-mouth communication.³⁷⁴

Reference groups are type of social aggregation that can influence attitudes and behavior including primary (face-to-face) groups, secondary groups and aspirational groups. The influence occurs in three ways; utilitarian (pressures to conform to group norms in thinking and behavior), value-expressive (reflecting a desire for psychological association and a willingness to accept values of others without pressure) and informational (beliefs and behaviors of others are accepted as evidence about reality). When there is motivation to comply with group norms, it is important to make this a feature in marketing appeals.³⁷⁵

Personal influence also is expresses through what has traditionally been refereed to as “opinion leadership”. What this means is that a credible person, referred to as an “influential” is accepted as a source of information about purchase and use. Usually the influential and the seeker are similar in characteristics and both are influenced by mass media. The greater the credibility of the influential the greater his or her impact on other people.³⁷⁶

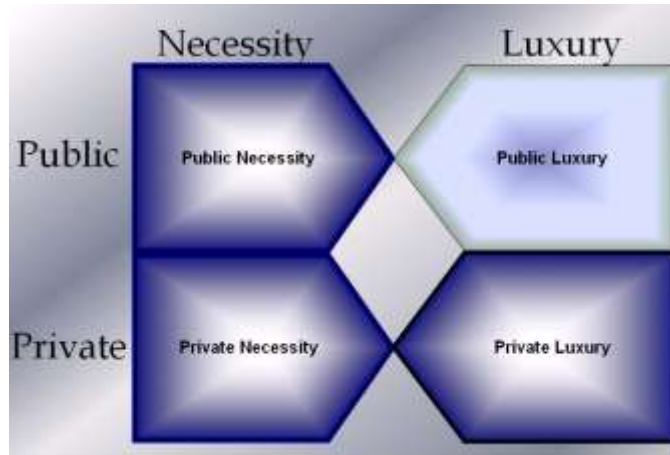
Marketers can capitalize on personal influence by monitoring word of mouth and attempting to curb it when it is negative. Other strategies include creating new influentials stimulating information seeking through this source relying entirely on interpersonal influence to promote products and combating negative word of mouth.³⁷⁷

³⁷⁴ Lee Ross, Gunter Bierbrauer, and Susan Hoffman, “The Role of Attribution Processes in Conformity and Dissent: Revisiting the Asch Situation,” *American Psychologist* (February 1976),

³⁷⁵ Lee Ross, Gunter Bierbrauer, and Susan Hoffman, “The Role of Attribution Processes in Conformity and Dissent: Revisiting the Asch Situation,” *American Psychologist* (February 1976),

³⁷⁶ Lee Ross, Gunter Bierbrauer, and Susan Hoffman, “The Role of Attribution Processes in Conformity and Dissent: Revisiting the Asch Situation,” *American Psychologist* (February 1976),

³⁷⁷ Lee Ross, Gunter Bierbrauer, and Susan Hoffman, “The Role of Attribution Processes in Conformity and Dissent: Revisiting the Asch Situation,” *American Psychologist* (February 1976),



Source:QuickMBA, July 2005

Figure2.9: Reference Group Influence Matrix

2.5.6 Family & Household Influence

Families or households are of critical importance in the study of consumer behavior for two reasons. First, families or households are the unit of usage and purchase for many consumer products. Second, the family is a major influence on the attitudes and behavior of individuals. As consumers we are the creation of our families to a large extent.³⁷⁸

A family is a group of two or more persons related by blood, marriage or adoption who reside together. A household differs from a family by describing all the persons both related and unrelated who occupy a housing unit. Thus, households outnumber families and are smaller in size; the average income is higher for families than households. Family (or household) members occupy various roles which include initiator (gate-keeper), influencer, decider, buyer and user. The influence of spouses, children or other family members varies depending on the resources of family members, the type of product, the stage in the life cycle and the stage in the buying decision. These variables are more

³⁷⁸ Robery Boutilier, "Pulling the Family's Strings," American Demographics (August 1993)

important in understanding family decisions than traditional roles ascribed to one gender or the other.³⁷⁹

The Family Life Cycle (FLC) describes how families change over time. Traditional approaches of analyzing FLC have been updated with a consumer market matrix of life-stages that emphasizes the relative income of a family in each stage. This matrix is built upon six stages; younger singles, younger couples, younger parents, midlife families, midlife households and older households.³⁸⁰

Family and households are changing in their structure and composition. Among more important recent changes are increases in the number of single households, smaller average family size, later marriages, divorce, remarriage and re-divorce, cohabiting singles and the existence of the gay market. The increasing number of employed women has created role overload of employed women who work more hours (combining paid work and family work) each week than their husbands or non-employed women.³⁸¹

Marketers are concerned with the roles performed by women, men and children. Advertising to women increasingly reflects themes of increasing income and responsibility and drives for self-fulfillment and self-enhancement. Masculine roles increasingly reflect shared performance of household activities. Children learn much of their consumption and buying behavior from parents and exert considerable influence on family purchases.³⁸²

Marketing research techniques useful in studying families and households give special consideration to the decision-process framework, questioning techniques, role-structure categories and relative influence, interviewer bias and respondent selection. A

³⁷⁹ Terry Childers and Akshay Rao, "The Influence of Familial and Peer-based Reference Groups on Consumer Decisions" *Journal of Consumer Research* 19 (1992)

³⁸⁰ Terry Childers and Akshay Rao, "The Influence of Familial and Peer-based Reference Groups on Consumer Decisions" *Journal of Consumer Research* 19 (1992)

³⁸¹ Terry Childers and Akshay Rao, "The Influence of Familial and Peer-based Reference Groups on Consumer Decisions" *Journal of Consumer Research* 19 (1992)

³⁸² Terry Childers and Akshay Rao, "The Influence of Familial and Peer-based Reference Groups on Consumer Decisions" *Journal of Consumer Research* 19 (1992)

methodological problem is created because husbands and wives often differ in their responses to questions about how their families buy consumer goods and services.³⁸³

2.5.7 Situational Influences

Influences may arise from situational properties. The physical and social surroundings, time, task and antecedent states are the main characteristics that comprise a given consumer situation. In consumer behavior it is useful to consider the potential impact of environmental factors in three main areas; communication, purchase and usage situations. The effectiveness of marketing messages may often depend on the communication setting. The impact of a TV ad, for example, may in part be determined by the program in which it appears.³⁸⁴

The purchase situation can have a strong influence on consumer behavior. Properties of the information environment such as the availability, amount, format and form of information can affect decision-making. Similarly, features of the retail environment including music, layout, colors, POP materials and crowding will influence shopping and purchase behaviors.³⁸⁵

The situation in which product consumption occurs can exert a major influence on consumer behavior. Consumers may often alter their purchasing patterns depending on the usage situation. What is an acceptable brand of beer in one setting may be unacceptable in another. An understanding of the usage situation can be invaluable for segmenting markets and developing appropriate product positioning.³⁸⁶

³⁸³ Robery Boutilier, "Pulling the Family's Strings," *American Demographics* (August 1993)

³⁸⁴ Russel W. Belk, "Situational Variables and Consumer Behavior," *Journal of Consumer Research* 2 (December 1975)

³⁸⁵ Russel W. Belk, "Situational Variables and Consumer Behavior," *Journal of Consumer Research* 2 (December 1975)

³⁸⁶ Russel W. Belk, "Situational Variables and Consumer Behavior," *Journal of Consumer Research* 2 (December 1975)

2.5.8 Decision Processes

There are complex set of factors that influence and shape decision-process behavior. The first of these is individual differences; consumer resources, knowledge, attitudes, motivation and involvement and personality, values and lifestyle. The second is environmental influences including; culture social class personal influence family and situation.³⁸⁷

The model of consumer decision process encompasses the following stages:³⁸⁸

1. Need recognition
2. Information Search
3. Alternative-Evaluation
4. Purchase
5. Consumption
6. Alternative Evaluation
7. Divestment

When the occasion arises for repeat purchases however, many consumers quickly develop habitual decision processes. On occasion, they are brand loyal and stay with their initial choice. This occurs mainly when there is high perceived involvement. When this is not the case, however, habits are built on inertia. If a consumer has no reason to switch a repurchase will be made. But the consumer also is prone to switch if there is incentive to do so. Once again, there is low involvement and little commitment to one alternative versus another.³⁸⁹

³⁸⁸ Elizabeth C. Hirschman and Morris B. Holbrook, "Hedonic Consumption: Emerging Concepts, Methods and Propositions," *Journal of Marketing* 46 (Summer 1982)

³⁸⁹ Elizabeth C. Hirschman and Morris B. Holbrook, "Hedonic Consumption: Emerging Concepts, Methods and Propositions," *Journal of Marketing* 46 (Summer 1982)

Decision-process behavior can vary in ways and these are the important determining factors; the extent to which alternatives are differentiated in significant ways, the presence or absence of restricting time pressures and the degree of involvement-perceived relevance of the purchase in the context of important needs and motivations.³⁹⁰

2.5.9 Need Recognition & Search

The decision process begins when a need is activated and recognized because of a discrepancy between the consumer's desired state and actual situation. Need recognition can be triggered by several factors. Change in one's personal circumstances such as the birth of a child, can activate new needs. Marketers can also influence the likelihood of need activation through advertising and product innovations.³⁹¹

Search for potential need satisfiers will occur following need recognition. If an internal search of memory provides a satisfactory solution to the consumption problem, it will be unnecessary for consumers to seek information from their environment. Often, however, some degree of external research will be necessary. Just how much search will occur varies across consumers and depends on a host of situational, marketplace, and consumer characteristics.³⁹²

Not all external searches are driven by an immediate purchase need. Indeed, some consumers continually engage in ongoing search activities as a result of their involvement with the product category.³⁹³

³⁹⁰ Elizabeth C. Hirschman and Morris B. Holbrook, "Hedonic Consumption: Emerging Concepts, Methods and Propositions," *Journal of Marketing* 46 (Summer 1982)

³⁹¹ Gordon C. Bruner II, "The Effect of Problem Recognition Style of Information Seeking," *Journal of the Academy of Marketing Science* 15 (Winter 1987)

³⁹² M. Joseph Sirgy, "A Social Cognition Model of Consumer Problem Recognition," *Journal of the Academy of Marketing Science* 15 (Winter 1987)

³⁹³ M. Joseph Sirgy, "A Social Cognition Model of Consumer Problem Recognition," *Journal of the Academy of Marketing Science* 15 (Winter 1987)

Understanding consumer search can be useful in developing marketing strategy. How much consumers search and the particular sources consulted during search can help shape a firm's pricing, promotion and distribution strategies.³⁹⁴

2.5.10 Purchase

The act of purchase encompasses the following related decisions; whether to buy, when to buy, what to buy, where to buy and how to pay. First, purchase is a function of two factors; purchase intentions, environmental influences and/or individual differences. Often purchases are fully planned in the sense that there is intention to purchase both product and brand. At other times intention encompasses only the product with the choice of brand reserved for further deliberation at point of sale.³⁹⁵

A purchase intention is not always consciously articulated in which case product display provides a "surrogate shopping list" But many items also are bought purely on the basis of impulse which can be spontaneous and hedonic in motivation.³⁹⁶

A purchase can be made either at a retail outlet of some type or in the home. Retail outlets prosper in part because shopping has intrinsic value in and of itself. Often, there is a need for further information collection and evaluation through contact with a competent salesperson. The fruitfulness of this interaction depends on the relationship established and the persuasion strategies used. The factors that differentiate successful sales persons from their counterparts are; perceived knowledge and expertise, perceived trustworthiness, knowledge of their customer and adaptability. Also it is important to ensure that compensation methods encompass the development of customer satisfaction and retention not merely the ability to close a sale.³⁹⁷

³⁹⁴ M. Joseph Sirgy, "A Social Cognition Model of Consumer Problem Recognition," *Journal of the Academy of Marketing Science* 15 (Winter 1987)

³⁹⁵ "Retailing: Who Will Survive?" *Business Week* (November 26, 1990)

³⁹⁶ Shoppers Are a Dwindling Species," *Business Week* (November 26, 1990)

³⁹⁷ Shoppers Are a Dwindling Species," *Business Week* (November 26, 1990)

Most retail purchasing however, takes place under limited problem solving in which there is low brand loyalty and propensity to shift brand choices. The goal here is to induce trial. The most common methods used to stimulate a “why not try it” response are; display and advertising, price incentives, premiums and sampling.³⁹⁸

But there is also a dramatic growth of buying through direct mail, telephone, catalogs, and other no-retail sources. Strategies designed to reach the in-home buyer are referred to as direct marketing. These strategies are; direct selling, direct-mail ads, direct-mail catalogs, telemarketing, direct response ads, and interactive electronic media. All these offer the unique benefit of precise segmentation and every sign points to continued rapid growth especially a technology is developed to bring interactive electronic media to a mass market.³⁹⁹

2.5.11 Pre-Purchase Alternative Evaluation

Pre-purchase alternative evaluation represents the decision-making stage in which consumers evaluate alternatives to make a choice. Other than for habitual decision making during this stage, consumers typically (an exception being when decision making is habitual in nature) must; determine the evaluative criteria to use for judging alternatives, decide which alternatives to consider, assess the performance of considered alternatives and select and apply a decision rule to make the final choice.⁴⁰⁰

Consumers may use several different evaluative criteria, including price, brand name and country of origin in making their decision. These criteria will usually vary in their relative importance of salience. Price may be a dominant dimension in some decisions

³⁹⁸ Shoppers Are a Dwindling Species,” Business Week (November 26. 1990)

³⁹⁹ Retailing: Who Will Survive?” Business Week (November 26. 1990)

⁴⁰⁰Peter R. Dickson and Alan G. Sawyer, “The Price Knowledge and Search of Supermarket Shoppers,” Journal of Marketing 54 (July 1990)

and yet rather unimportant in others. The salience of evaluative criteria depends on a host of situational, product and individual factors.⁴⁰¹

Consumers must determine the set of alternatives from which a choice will be made (that is the consideration set). Sometimes the consideration set will depend on the consumer's ability to recall from memory viable alternatives. On other occasions, an alternative will be considered if it is recognized at the point of purchase. When consumers lack prior knowledge about choice alternatives, they must then turn to the environment for assistance in forming their consideration set.⁴⁰²

Consumers may often rely on their existing knowledge for judging how well alternatives perform along the salient evaluative criteria. Otherwise, external search will be required to form these judgments. The cutoffs or ranges of acceptable values that consumers impose for evaluative criteria will strongly determine whether a given alternative is viewed as acceptable. Also, consumers may use certain signals or cues in forming their judgments. Such is the case when price is used to infer product quality.⁴⁰³

Finally, the strategies or procedures used for making the final choice are called decision rules. These rules may be stored in memory and retrieved when needed. Alternatively they may be constructed to fit situational contingencies.⁴⁰⁴

2.5.12 Culture & Consumption Patterns

Culture is the complex of values, ideas, attitudes and other meaningful symbols that allow humans to communicate, interpret, and evaluate as members of society. Culture and its values are transmitted from one generation to another. The core values of a society define how products are used, with regard to their function, form and meaning.

⁴⁰¹ Andre Gabor and C.W.J. Grainger, "Price Sensitivity of the Consumer," *Journal of Advertising Research* 4 (December 1964)

⁴⁰² Andre Gabor and C.W.J. Grainger, "Price Sensitivity of the Consumer," *Journal of Advertising Research* 4 (December 1964)

⁴⁰³ Andre Gabor and C.W.J. Grainger, "Price Sensitivity of the Consumer," *Journal of Advertising Research* 4 (December 1964)

⁴⁰⁴ Andre Gabor and C.W.J. Grainger, "Price Sensitivity of the Consumer," *Journal of Advertising Research* 4 (December 1964)

Culture also provides positive and negative valences for brands and for communications programs and defines the ideology of consumption.⁴⁰⁵

The fundamental forces that form values include the cultural transfusive triad and early lifetime experiences. The former refers to the influence of the institutions of the family, religion and schools. The latter refers to basic intergenerational influences such as depressions, wars and other major events. Contemporary consumers are oriented to self-fulfillment and satisfaction among baby boomers and cynical individualism among the X-generation.⁴⁰⁶

Four dimensions of macrocultures have been identified by Hofstede. They are individualism versus collectivism, uncertainty avoidance, power distance and masculinity femininity.⁴⁰⁷

2.5.13 Consumption, Satisfaction & Disposal

The last three stages in the consumer decision process are; Consumption, post-purchase alternative evaluation and disposal. The interest in consumption (as opposed to the act of purchase) is relatively recent. It has been stimulated among marketers in a large part by the every day imperatives of individualized marketing. The need today is customer retention and this requires intimate knowledge of how products are used, consumed and disposed of.⁴⁰⁸

The greatest contributor to consumption research, however, is the growing postmodern research thrust in the field of consumer research. Consumption rather than purchase is the primary variable and research is undertaken to discover the meaning of consumption in

⁴⁰⁵ George P. Moschis, *Consumer Socialization* (Lexington, Mass: Lexington Books, 1987)

⁴⁰⁶ Hazel Rose Markus and Shinobu Kitayama, "Culture and the Self: Implications for Cognition, Emotion, and Motivation," *Psychological Review* 98 (1991)

⁴⁰⁷ Hazel Rose Markus and Shinobu Kitayama, "Culture and the Self: Implications for Cognition, Emotion, and Motivation," *Psychological Review* 98 (1991)

⁴⁰⁸ Christopher Power, "How to get Closer to Your Customers," *Business Week* (Enterprise 1993 edition)
Susan Krafft, "The Heart of the Home," *American Demographics*, (June 1992)

everyday life. Much has been learned about how products take on special meaning and become sacred through rituals, pilgrimage and other means.⁴⁰⁹

Decision-process behavior does not cease once a purchase is consummated, however. Further evaluation takes place in the form of comparing product or service performance against expectations. The outcome is one of satisfaction or dissatisfaction. Satisfaction serves to reinforce buyer loyalty, whereas dissatisfaction can lead to complaints, negative word of mouth, and attempts to seek redress through legal means.⁴¹⁰

This means that customer retention becomes a crucial part of marketing strategy. This can be done through tactics as creating realistic expectations, ensuring that product and service quality meet expectations, monitoring satisfaction and customer-retention level, offering guarantees and meeting dissatisfaction head-on by quick and appropriate response.⁴¹¹

2.6 Hypothesis

Based on the research presented in this chapter the researcher has developed the following hypothesis:

H₁: Value Chain of a company decides the ultimate fate of a product.

H₂: The brand of choice is usually a decision based on the brand's image and value (price and quality, or the perception of quality).

H₃: Positioning business products is often more difficult and subtle than positioning consumer goods

⁴⁰⁹ Christopher Power, "How to get Closer to Your Customers," Business Week (Enterprise 1993 edition)
Susan Krafft, "The Heart of the Home," American Demographics, (June 1992)

⁴¹⁰ Christopher Power, "How to get Closer to Your Customers," Business Week (Enterprise 1993 edition)

⁴¹¹ Christopher Power, "How to get Closer to Your Customers," Business Week (Enterprise 1993 edition)

RESEARCH METHODOLOGY

3.1 Hypothesis

H₁: Value Chain of a company decides the ultimate fate of a product.

H₂: The brand of choice is usually a decision based on the brand's image and value (price and quality, or the perception of quality).

H₃: Positioning business products is often more difficult and subtle than positioning consumer goods

3.2 Research Details

This research is devoted to challenging the three hypothesis stated above. It is an exploratory study. It discovers the various aspects of the marketing strategy of Chenab Limited and ChenOne. Both quantitative and qualitative techniques have been used to analyze the information collected from all sources of information.

3.3 Research Objectives

The researcher carried out this research work to:

- Get an insight into business marketing
- Study the marketing environment in Pakistan
- Determine the key factors behind the success of top Pakistani textile companies.

3.4 Data Gathering Methods

3.4.1 Primary Sources

Interview with the

- Marketing manager of Chenab Limited
- Marketing manager of ChenOne

These sources were used because information about the marketing strategies of Chenab Limited and ChenOne is not available publicly. Secondly the company itself is the most authentic source of information.

3.4.2 Secondary Sources

- The Internet,
- Books,
- Magazines
- Journals
- Annual Reports of Chenab Limited and
- Prospectus of Chenab Limited

Great care has been taken to get authentic information from these secondary sources.

3.5 Tabulation and Data Analysis

For analyzing data both, quantitative and qualitative techniques have been used in this research work.

3.6 Limitations

- The research is restricted to the textile sector
- Findings are limited to Pakistani Business Environment
- The research is limited to the information provided by the primary and secondary sources given in this chapter.

FINDINGS AND ANALYSIS

This chapter of the report is divided into three parts i.e. Value Chain, Brand Management and Consumer Behavior. These three sections are further alienated into analysis in the context of Chenab Limited and ChenOne.

4.1 Value Chain

4.1.1 Chenab Limited

Country's leading textile manufacturer and exporter covers the complete range of operations from spinning to selling. The ability to process, linen and synthetic fibers up to a maximum width of 320 cm, has placed the company in the fore front of the home linen and furnishing fabric market, as well as in the garment and high tech textile trade. This makes the company fully sufficient as far as its supply chain mechanism is concerned. It does not rely on any suppliers, manufacturers, and distributors.⁴¹²

Chenab management is concertedly focused on improving value chain management that can reduce costs and increase flexibility. Such flexibility will be a critical competitive factor in the future. By optimizing the supply chain, lead-times will be reduced and shorter production cycles will be possible. In addition other measures like reliable delivery and quality assurance measures are constantly being implemented.⁴¹³

⁴¹² Prospectus Chenab Limited 2005

⁴¹³ Prospectus of Chenab Limited 2005

The whole process starting from the first step of the value chain process is explained in detail below:

4.1.1.1 Inbound Logistics

Throughout the supply chain process the only stage at which Chenab requires external resources is the acquisition of the raw material. It gets cotton from its various suppliers from Faisalabad and Toba Tek singh. ⁴¹⁴

All the dyes and chemicals are European origin. The rest of the value chain activities and processes are carried out internally.

4.1.1.2 Operations

This process starts with the spinning phase. Modernization efforts have brought major changes to the Pakistan textile industry. At Chenab Ltd.(Spinning Division) equipment has been streamlined and many operations have been fully automated with computers. Machine speeds have greatly increased.

At the mills the opening of cotton bales is fully automated. Lint from several bales is mixed and blended together to provide a uniform blend of fiber properties. To ensure that the new high-speed automated feeding equipment performs at peak efficiency and that fiber properties are consistent, the bales are grouped for production/feeding according to fiber properties. ⁴¹⁵

Weaving is the oldest method of making yarn into fabric. While modern methods are more complex and much faster, the basic principle of interlacing yarns remains unchanged. On the loom, lengthwise yarns called the warp form the selection of the fabric. They usually require a higher degree of twist than the filling yarns that are

⁴¹⁴ Prospectus of Chenab Limited 2005

⁴¹⁵ Prospectus of Chenab Limited 2005

interlaced widthwise. Traditionally, cloth was woven by a wooden shuttle that moved horizontally back and forth across the loom, interlacing the filling yarn with the horizontally, lengthwise warp yarn. Modern mills use high-speed shuttle less weaving machines that perform at incredible rates and produce an endless variety of fabrics.⁴¹⁶

Chenab Ltd. offers a complete range of processing facilities with highly qualified and experienced staff. It provides our customers global services and competitive advantage to meet requirements with adoptability & flexibility for woven and knitted fabrics.

Processing can be further broken down into further activities as explained.

Customized fabric operation is the first crucial step towards the guaranteed final quality of all finishing processes. Different fabrics are quality controlled before they go to singeing, bleaching and mercerizing lines. Hi-tech equipment controlled by sophisticated systems ensures total reliability and consistently optimal operations.

Computerized control systems manage all the dyeing lines ensuring color consistency and quality. The massive continuous dyeing lines and more versatile jiggers and pad steam units allow Chenab to dye fabrics in the widest imaginable colors and the most impressive range of dye stuffs. A product dyed at Chenab ensures continuity, fastness and uniformity.⁴¹⁷

The rotary printing lines at Chenab process the colors and designs of a thousand patterns around the clock. Meters and meters of the fabric are printed with speed, accuracy and consistently high quality, experience, skills, capacity and professionalism of the Chenab team.⁴¹⁸

Rotary printing machines ranging from 12 to 24 colors and widths from 72” to 120”, Ager, Steamer and haast system are installed for perfect printing. In a world of ever

⁴¹⁶ Prospectus of Chenab Limited 2005

⁴¹⁷ Prospectus of Chenab Limited 2005

⁴¹⁸ Prospectus of Chenab Limited 2005

increasing design complexity, when customers are demanding ever high quality levels with shorter lead times, Chenab Ltd. has invested in a pre print department totally based on digital technology. In is the combination of many years of experience in designing and engraving skills coupled with computer aided design systems, wax-jet and laser engraving process, and a sampling and coloration system based on ink jet technology.⁴¹⁹

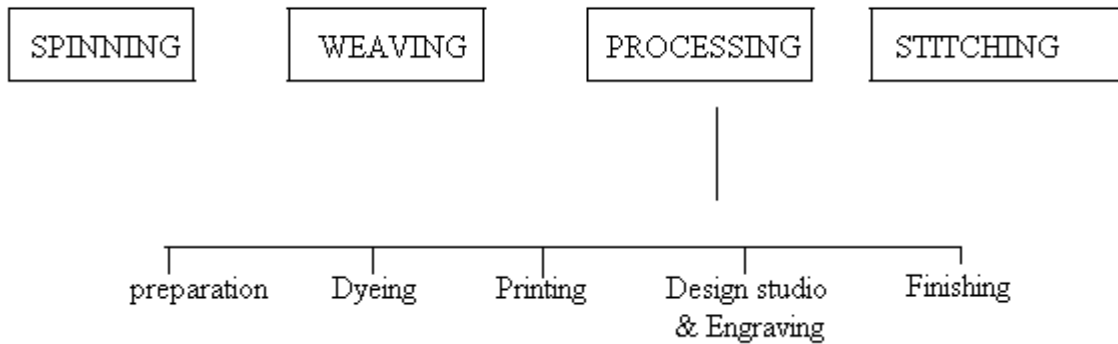
They are pleased that customers and their designers feel comfortable while communicating design and coloration details via these technologies. The digital loop has recently been completed by the use of spectrometer color recipe procedures can be generated and forwarded to automatic computerized print-paste dispensing system. The on going developing and training in peoples skills when creative talent and computer literacy have been combined to enable Chenab Ltd. to treat previously impossible to print design styles as the norm. The use of a variety of computer software programs has enabled the in house development system to meet the individual customer needs whilst remain cost effective.⁴²⁰

Finishing must be adapted to the kind of fiber used in the fabric and most important of all, to its intended purpose. Apart from its appearance, one can tell the quality of a fabric by the pleasant way it feels to touch and the technical properties that ensure it suits the use to which it will ultimately be put. Stringent laboratory testing and a full complement of advanced technologies allow Chenab to offer a multitude of pre-treatment and finishing options to meet every specific requirement.⁴²¹

⁴¹⁹ Prospectus of Chenab Limited 2005

⁴²⁰ Prospectus of Chenab Limited 2005

⁴²¹ Prospectus of Chenab Limited 2005



Source: Prospectus Chenab Limited 2005

Figure 4.1: Processing Activities

Stitching unit is categorized in home fashion and garments. Chenab offers a wide range of coordinated concepts in bed linen, bedspreads, curtains, table linen and kitchen accessories. Being supplied to leading brands around the world for quarter of century, these products from Chenab are highly reputed and widely respected for the quality of fabric, variety of designs and their superior finish. While the latest technology remains on our disposal, our real edge is the highly experienced and technically sound workforce.⁴²²

Ladies, Gents, & Children formal and casual garments from Chenab feature exclusive fabrics, stylish cuts and trendy designs. Our professional team of designers creates designs keeping in view the global fashion trends with the confidence of highest finish execution. This confidence is derived from an elaborate setup housing more than 700 modern stitching machines operated by experienced workforce.⁴²³

Finally Chenab Ltd. has 9 packaging and folding machines and 6 offset printing machines by Rolland & Heidelberg.

⁴²² Prospectus of Chenab Limited 2005

⁴²³ Prospectus of Chenab Limited 2005

4.1.1.3 Outbound Logistics

Chenab has begun building a diverse mix of marketing channels for the growth of its sales through indirect sales via agents, direct sales to buying houses, the franchising route, as well as by teaming up with local partners with more in-depth knowledge of the local marketplace where possible and setting up direct sales offices in selected international locations.⁴²⁴

Currently Chenab has only one warehouse which is in the manufacturing facility in Faisalabad. Orders of customers are dispatched from there at the right time and then shipped to the customer from the Karachi port. From Faisalabad to Karachi goods are transported by road in big containers. From there on containers are shipped to the customers.

Chenab's production line is totally dependent on customer orders. There is no advance production. First the order is received and then the product is produced. So there is almost no need to manage the finished goods inventory. Because as soon as goods are manufactured, they are shipped to the customers. The company's Enterprise Resource Planning system (ERP) facilitates the process of inventory management.⁴²⁵

The order-processing function at Chenab is carried out by the marketing department. Order of an existing product takes 48 hours to be processed while order of a new product would take almost 1 week to be processed. Processing for new product takes more time because before the final approval Chenab sends a sample of the product to the customer. Customer checks this sample in its lab and finalizes the purchase order for production, if the product meets the requirements and if the product falls short of the specific

⁴²⁴ Prospectus of Chenab Limited 2005

⁴²⁵ Prospectus of Chenab Limited 2005

requirements than Chenab sends another sample to the customer for approval. This would take more than one week.⁴²⁶

4.1.1.4 Sales and Marketing

The company works concerted towards developing its technical expertise, creative skills, craftsmanship and strategic planning. The Group's strategy has been to actively pursue both product and market diversification to protect itself from adverse economic conditions both in the domestic and international markets. To achieve this objective the Group is constantly looking to explore new geographical markets and to introduce new varieties of its products for its overseas customers. In parallel, it is also continuously focused on achieving cost efficient production.⁴²⁷

Another strength of Chenab is the wide variety of products that it offers. There are almost 53 products that Chenab is currently manufacturing (See appendix). This huge variety has allowed Chenab to be a supplier of many customers across the globe. Chenab has ensured diversification by offering such a huge range of products.

Product differentiation in terms of high quality better designing and packaging has given a boost to the performance of Chenab. Customers prefer the products of Chenab over others because of the excellence of its products.⁴²⁸

Creativity and innovation in fashion and design is seen as a major asset for the future control of markets. With in-house marketing specialists' and designers' team, the Company customizes designs and packaging according to regional and customer specifications. Chenab has been expanding its export sales through a network of franchise outlets and selling agents, direct marketing and strategic alliances.

⁴²⁶ Manager, Marketing Chenab Limited, August 2005

⁴²⁷ Prospectus of Chenab Limited 2005

⁴²⁸ Prospectus of Chenab Limited 2005

Management has also taken another initiative by making direct sales to leading chain stores operating in the UAE and other Gulf countries through a Sharjah-based sister concern named CGI. CGI has also established strategic market alliances in the following markets:

- Australia
- The EU, and
- the USA.

The company plans to create similar strategic alliances in the Central Asian and African markets for the marketing of its own brand and other leading global brands.

These initiatives have proven quite successful and direct contacts have been established with leading chain stores operating in these markets. It is expected that direct sales volumes would increase substantially in future, not only in Pakistan but in overseas markets as well.

Chenab does not have a separate sales force. Functions of sales force are performed by the marketing department. Marketing personnel go to the customers if there is a need for it. They also represent Chenab in international exhibitions. They make direct contact with customers. They are responsible for taking orders, approving orders and providing after sales service.⁴²⁹

Chenab pursues a target return on investment pricing. A certain percentage is added to the total cost of expected sales to figure out the revenue that is desired. This revenue is then turned to price. In this way Chenab also determines the target revenue and the target profit which ultimately translates in to the target ROI.⁴³⁰

⁴²⁹ Manager, Marketing Chenab Limited, August 2005

⁴³⁰ Manager, Marketing Chenab Limited, August 2005

Chenab is not involved in much promotional activities. It can be said that exhibitions and fares are a source of promotion. Website of Chenab could also be said to be a promotional activity. Other than that there is no other activity, which can be said to be aimed at promoting Chenab.⁴³¹

The marketing department is responsible for market research, designing products, order-processing, customer coordination and promotion.

4.1.1.5 Procurement

Chenab Limited is not resource dependant as they have their own suppliers of quality cotton. That is why they don't face problems caused by a domestic non-availability of contamination-free cotton. The cotton supplied to *Chenab Groups Limited* is at times not enough to meet the high demand of their products in the international market. At times like these they turn to suppliers from the agricultural belt of the best grown cotton from Faisalabad to some areas in Sindh. From these areas they get the best cotton and use it in their processes to ensure that their customers get the cloth weaved from the best available cotton.⁴³²

The company's production facilities have been sourced from the world's renowned textile machinery manufacturers of Germany, Japan, Italy, Switzerland, Austria and the UK and are of diverse make.⁴³³

4.1.1.6 Technology development

Chenab Groups Limited incorporates latest technology in their processes and they update their techniques frequently. All this is done to keep pace with the ever changing global standards.

⁴³¹ Manager, Marketing Chenab Limited, August 2005

⁴³² Manager, Marketing Chenab Limited, August 2005

⁴³³ Manager, Marketing Chenab Limited, August 2005

To maintain its commitment to customers, Chenab plans to keep its facilities updated in terms of the latest equipment and machinery and latest, user oriented and reliable testing facilities.

Thus recent (Balancing, Modernization and Restructing) BMR activity has been undertaken to better equip Chenab Limited to expand in the post-quota environment. The following table shows the scale of BMR undertaken on a year on year basis in the last five years.

Rs. in millions	1999-00	2000-01	2001-02	2002-03	2003-04	Total
Weaving	8.539	333.212	0.691	83.930	53.420	479.792
Processing	95.798	282.314	360.488	166.314	913.046	1,817.960
Stitching	16.824	47.663	65.401	50.945	80.158	260.991
Spinning	-	-	-	387.367	6.714	394.081
Others	-	-	31.506	3.485	-	34.991
Total	121.161	663.189	458.086	692.041	1,053.338	2,987.815

Source: Prospectus of Chenab Limited, 2005

Table 4.1: BMR Activities

Chenab industries is equipped with modern ginning facilities with a ginning capacity of 200 bales of cotton per day. Chenab's spinning unit comprises of 19,200 spindles of Japanese & European origin along with requisite back process machinery capable of producing 100% cotton yarn in counts of 10, 16, 20, 22, 24, 30 and 40. All these counts are spun in carded as well combed versions.⁴³⁴

The air jet weaving looms project includes the latest sizing, warping, and sectional warping machines capable of producing the finest quality of plain and design fabric. The project also has auto looms.⁴³⁵

⁴³⁴ Prospectus Chenab Limited, 2005

⁴³⁵ Prospectus Chenab Limited, 2005

The company's processing units are made up of fabric printing, dyeing and finishing units, capable of processing over 200,000 meters fabric per day.

The printing & dyeing facility comprises of 4 of the latest 72" to 124" width and 12 to 24 colors rotary printing machines. Chenab houses a comprehensive dyeing facility where all sorts of reactive pigments, disperse/reactive, VAT, disperse/VAT dyeing are carried out while maintaining the highest quality standards. The dyeing facility comprises of 110" to 126" width Themsole and Pad Steam dyeing machines. It also has special finishing facilities including Ramish Calendering, Chintz Finishing, Glazed Finishing, Raising, Emerisin, Mercerising and Sanforising, etc.⁴³⁶

Made Up Stitching Unit is capable of stitching all sorts of Textile Made Ups equivalent to 165,000 meters of fabrics per day with advanced facilities including:-

- Five computerized quilting machines, with automatic filling of polyester in to quilted articles. It is also capable of handling unlimited design options catering of single line, cording, and twin line-emboss patterns the facility is capable of creating countless patterns both for dimension and profile;
- Six advanced computerized embroidery machines that are capable of handling any design up to 9 colors in one go. The large 1x 6 frame allows the creation of design on a large scale;
- Complete polyester wadding plant;
- Advance panel cutters;
- Garment Stitching Unit

Chenab has set up a 12.6 MW natural gas-based power generation facility, with heat exchanger and waste heat steam boilers for its operations. Currently 9 generators with 9.8 MW capacity are in operation and 2 generators with 2.8 MW capacity are under erection.

⁴³⁶ Prospectus Chenab Limited, 2005

With the installation of these generators, the company would be able to meet a large portion out of its total requirement of 12.999 MW.⁴³⁷

Chenab has an agreement with Water and Sanitation Agency, Faisalabad (WASA) to supply 2 million gallons of water per day. To meet its total requirement of 3.5 million gallon of water per day, the Company uses 0.333 million gallons from WASA and 3.167 million gallons per day from turbines and tubewells. The necessary infrastructure and equipment have been added for a Water Treatment plant and Reverse Osmosis process.

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The company has implemented an ERP system with LAN/WAN connectivity. VPN connectivity options and wireless internet access at speeds of up to 1.3 MBPS have also been established. Plans for customer relationship management, e-commerce, online order tracking system and video conferencing will further cement the executive decision support system and speed up customer response time.⁴³⁹

4.1.1.7 Human resource management

The latest technology at Chenab is adequately complemented by and experience and technically sound workforce. Unlike many other family owned companies, Chenab Limited has developed management depth and capability that supports the Sponsors' vision and drive for success.⁴⁴⁰

The textile industry faces a challenge of lack of skilled manpower. To overcome this 90% of their labor force and 50% of their management employees are from Toba Tek Singh which is the native village of the owners.

⁴³⁷ Prospectus Chenab Limited, 2005

⁴³⁸ Prospectus Chenab Limited, 2005

⁴³⁹ Prospectus Chenab Limited, 2005

⁴⁴⁰ Prospectus Chenab Limited, 2005

Other than this they have designers from top art schools such as NCA and Pakistan School of Design etc. They have also hired some foreign workers – designers and managers – to ensure global standards in their company.⁴⁴¹

Chenab Limited is equipped with highly qualified and motivated staff. They are Master of their business. Chenab Limited considers them as the most valuable assets. Employees are periodically provided necessary training to meet the requirements of the present era. They are provided friendly working environment. They are provided opportunities of being promoted on the basis of their performance.

4.1.1.8 Firm Infrastructure

After studying the organization chart of Chenab Groups Ltd. we can categorize it as a functional structure because their structure groups people together on the basis of their common expertise and experience as well as on the basis of the fact that they share the same resources. This helps the company in consolidating all of its human knowledge and skills with respect to specific activities, and thus provides a valuable depth of knowledge for the organization. It also helps them in promoting economies of scale within functions and also promotes in-depth skill development of employees as they are exposed to a range of functional activities within their own departments.⁴⁴²

Apart from this, according to the contingency approach to organization design, the functional structure is the *best fit* in relation to the level of uncertainty prevailing in the company's external environment.

At present Chenab Group Ltd has floated approximately 100 Million shares in the stock market. The details of the company's board of directors are as follows:

⁴⁴¹ Prospectus Chenab Limited, 2005

⁴⁴² Prospectus Chenab Limited, 2005

Names of Directors	Shares Held	Percentage
Mian M. Latif	19,844,483	19.844483
Mian M. Javed Iqbal	17,696,983	17.696983
Mr. Muhammad Naeem	24,031,112	24.031112
Mr. Muhammad Faisal	3,346,545	3.346545
Mr. Muhammad Farhan	10,012,448	10.012448
Mr. M. Rizwan Latif	4,097,961	4.097961
Mr. M. Zeeshan Latif	3,207,626	3.207626
Ms. Shehnaz Latif	8,873,184	8.873184
Ms. Tehmina Yasmeen	2,995,285	2.995285
Ms. Parveen	285,338	0.285338
Mr. Umair Javed	2,131,019	2.131019

Source: Prospectus Chenab Limited 2005

Table 4.2: Board of Directors

The chief executive of Chenab Ltd is Mian Muhammad Latif who is the driving force behind the company's progress and constant struggle for improvement. Mian Muhammad Latif with his charismatic authority and exemplary character shaped the company's path of progress and turned it into one of the leading textile exporting companies of the world. He gives the organization a vision that caters to the needs of all its stakeholders specially its employees and customers.⁴⁴³

The Marketing and Planning department at Chenab Ltd. is responsible for the marketing of its varied product range as well as for their exports. This department is also involved in planning activities regarding production, promotion, sales and finances. The director

⁴⁴³ Prospectus Chenab Limited, 2005

marketing and planning as seen from the organogram has a wide span of control and this department has a mechanistic structure.⁴⁴⁴

This is because the department has several hierarchical levels and routine operations are very much standardized. Employees in this department are individually specialized and know exactly what they are responsible for hence; there is no role ambiguity and role conflict.⁴⁴⁵

Director Operation and Production has relatively the widest span of control in the organization. He is responsible for the production activities as well as the daily routine operations of the organization. These include the purchasing of materials, production and packaging of the varied products, and administrating the storage and security processes. Apparently this department has a flat structure however, it has characteristics of both organic and mechanistic structure simultaneously this is so because though there is centralization and standardization of activities however, at the same time there is joint specialization of employees and who share their skills with others and the authority and responsibility change over time.⁴⁴⁶

Human Resource Department is one of the most vital departments of any organization. The general manager of this department at Chenab Ltd., apparently has no span of control according to the organogram. The H.R department of Chenab Limited is responsible for only hiring i.e. recruiting employees and training them.

The manager coordination plays the integrating role in the complex and convoluted structure of the organization. This role was established in the year 2000 when the organization became a public limited company in order to improve communication between the different departments and promote the sharing of information and knowledge to enhance organizational goals such as innovation and product development.⁴⁴⁷

⁴⁴⁴ Prospectus Chenab Limited, 2005

⁴⁴⁵ Prospectus Chenab Limited, 2005

⁴⁴⁶ Prospectus Chenab Limited, 2005

⁴⁴⁷ Prospectus Chenab Limited, 2005

4.1.2 ChenOne

4.1.2.1 Inbound Logistics

ChenOne gets all its supplies (garments and home textiles) from Chenab Limited. It has its own network of replenishment. All the ChenOne stores get daily supplies of textile products from Chenab Limited. All these replenishment are done through road transport. Only Karachi and Rahimyarkhan stores are replenished by means of railways because these outlets are far away from the warehouse which is located in Faisalabad.⁴⁴⁸

International outlets are replenished on needs basis. Whenever they fall short, an order is made to Chenab Limited and the supply is made within a week. All ChenOne outlets hold a safe inventory of 1day to meet any contingencies.⁴⁴⁹

4.1.2.2 Operations

ChenOne stores , have been established in:

⁴⁴⁸ Manager, Marketing, ChenOne August 2005

⁴⁴⁹ Manager, Marketing, ChenOne August 2005

1. Lahore
2. Karachi
3. Islamabad
4. Rawalpindi
5. Faisalabad
6. Peshawar
7. Abottabad
8. Rahim Yar Khan
9. Multan
10. Dubai
11. Abu Dhabi
12. Sharjah
13. Ajman
14. Makkah
15. Bahrain

Exclusive range of designer furniture, a unique and wide range in home textiles, kitchen accessories and a lot more are offered at the ChenOne.

The design and interior decor of ChenOne fashion stores is comparable with any world class chain of stores. Cozy environment, attractive interior decor and courteous sales staff make buying a memorable experience. The facility to buy such a wide range of products under one roof compels a person to say that ChenOne is a store for the whole family. Superior quality and attractive prices encourage the people, accustomed to 'foreign products to switch over to ChenOne without compromising quality.⁴⁵⁰

Outlets are designed in such a way that facilitates the customers. Garments section is on the ground floor. Ladies and children garments are displayed close to each other. Shoes are displayed along. On the same floor one section is allotted to men garments and shoes. Second floor holds items like furniture, kitchen accessories and home textiles.

Sales staff is always there to further help the customer in making their purchases. They guide customers in selecting products which satisfy their need better than any other product.

ChenOne also provides services like ease of payment. Various credit cards are accepted. It also provides very good packaging services. Products are packed in such a way that ensures that customers will not have any problem in taking them home. Customers make size and color changes within a specific time period after purchase. Damaged products are also replaced.⁴⁵¹

⁴⁵⁰ Pakistan Economist, March 2005

⁴⁵¹ Pakistan Economist, March 2005

4.1.2.3 Outbound Logistics

As ChenOne is a chain of retail outlets, they don't have to worry much about the outbound logistics. Because customers buy the products from their stores and are responsible for taking those home.⁴⁵²

Home delivery is provided only to the members of prestige club on all products. All other customers can get home delivery on products like furniture which need special transportation arrangement.

Order-processing is done within minutes after the order placement. Orders are entered into the central database.

4.1.2.4 Marketing & Sales

ChenOne has a huge range of products to offer to its customers. These products include exclusive designer furniture, home textile, kitchen accessories, garments, shoes, ladies bags and a lot more.

Prices of ChenOne are determined by adding certain to the cost incurred in producing the product. Generally the prices of ChenOne are considered to be very competitive when compared with the other products available in the market which are of the same quality.⁴⁵³

ChenOne carries out extensive promotion to get new customers and retain the existing customers.⁴⁵⁴

1. Exhibitions in cities where they don't have an outlet
2. Concerts
3. Basant Melas

⁴⁵² Manager, Marketing, ChenOne, August 2005

⁴⁵³ Manager, Marketing, ChenOne, August 2005

⁴⁵⁴ Manager, Marketing, ChenOne, August 2005

4. Banners
5. Billboards
6. Brochures and fliers
7. Road Shows
8. Newspaper Ads
9. Television Commercials

All Chen One outlets have opened the scheme of Chen One prestige Club whereby the regular customers can become a member of the club and enjoy certain benefits that the company is willing to offer to them.⁴⁵⁵

- 10% discount on textile products
- Invitation to all Chen One activities
- Eid and Birthday gifts.
- Free gifts delivery service
- Free home delivery
- Chen One newsletter
- Special personal packages

There are about 6000 members of prestige club which tells us about the customer loyalty that ChenOne enjoys. ChenOne holds the whole profile of these members and customizes its products according to their needs.

Chen One also has regular sales during end seasons where discounts offered on certain goods can reach up to 50%. These sales are heavily publicized. Apart from this many special offers are also introduced from time to time.⁴⁵⁶

ChenOne sales force does not contact the customers in their homes rather catalogs are sent to potential and existing customers. But when a customer enters the outlet than they

⁴⁵⁵ Manager, Marketing, ChenOne, August 2005

⁴⁵⁶ Manager, Marketing, ChenOne, August 2005

are provided service by the sales force. For this purpose the sales force is given proper training. Customers are told about different buying options. They are helped in making the shopping experience a successful one.⁴⁵⁷

4.1.2.5 Firm Infrastructure

ChenOne stores have a network of 15 outlets across the globe. They have their own distribution network and warehouses. They don't have to rely on external parties for logistical service.

ChenOne is a part of Chenab Group so office or administrative work is done by the headquarter for ChenOne. Apart from that area managers have been appointed which are given the responsibilities of meeting the sales goals which are given to them by the head quarters. These area managers than set goals for each store. And the manager at each store is responsible to meet that goal.

Areas managers are responsible for overseeing the operations of there area. They have to get supplies. They have to ensure that everything is available in the store when required. They are also responsible for getting their advertising budgets approved in order to meet their sales goals.⁴⁵⁸

Planning and controlling function is performed by the headquarter. The staff of ChenOne is only responsible for executing the orders and do the administrative work.

⁴⁵⁷ Manager, Marketing, ChenOne, August 2005

⁴⁵⁸ Manager, Marketing, ChenOne, August 2005

4.1.2.6 Human Resource Management

Special care is taken to hire qualified employees. ChenOne has a set of job specifications for every job. Recruitment is based on these job specifications. ChenOne also requires a reference from an existing employee to hire new ones.⁴⁵⁹

ChenOne has a whole panel of designers which designs exclusively for ChenOne stores. These designers are hired from reputed institutes like National College of Arts. Other than that all stores have qualified and trained sales force. Each and every member of sales force is supposed to go through a training course which is held in Karachi. It is made sure that every store has one such person who is an MBA degree holder.

4.1.2.7 Technology Development

There is not much need of technology development because of the nature of business. Certain technology that is important for giving premium service to the customers is in place.

All ChenOne stores in Pakistan are connected through a computer network to their centre in Faisalabad. Other than that bar code scanners are in use in all outlets which record all sales specifications such as sales price, quantity, time etc. Credit card readers are installed to provide the customers with the facility of credit card payment.

ChenOne stores also have the database which holds the sales information, stock details, employees' information and profiles of the prestige club members.

⁴⁵⁹ Manager, Marketing, ChenOne, August 2005

4.1.2.8 Procurement

ChenOne gets all of the supplies of the textile products from Chenab Limited. While supplies like shoes and leather bags are mostly imported from countries like Thailand and Malaysia. Capital equipment includes computers and scanners which are purchased from within Pakistan. As it does not need much sophisticated systems for its operations.⁴⁶⁰

4.2 Brand Analysis

This chapter is focused on ChenOne and Chenab as a brand. Since branding has become a very important component of branding today so this research work would have been incomplete without a proper brand analysis of the two brands.

4.2.1 Chenab Limited

4.2.1.1 Brand Elements

Brand Name

Before the formation of Faisalabad city this place was an army cantt and was named Chenab. So Chenab Limited has taken its name from the old name of the city.⁴⁶¹

Logo

The logo of Chenab Limited is the mixture of the name Chenab and a design, which includes colors like golden, maroon and blue.



Source : Prospectus Chenab
Limited 2005

Figure 4.2: Logo of Chenab Limited

⁴⁶⁰ Manager, Marketing, ChenOne, August 2005

⁴⁶¹ Prospectus Chenab Limited 2005

The colorful logo signifies the creativity of the brand and the company. It is a very good representation of the culture at Chenab.

Packaging

Packaging involves the activities of designing and producing containers or wrappers, for a product. Chenab Limited packages the products according to the desires of its customers. Every order has a different packaging requirement, which Chenab has to full-fill to satisfy and retain its customers.⁴⁶²

Slogan

The slogan of Chenab Limited is “Where Cotton meets technology”. The slogan is a very good source of motivation for the employees of the company. It also projects the sophisticated and up-to-date image of the company. The slogan tells about the nature of business of Chenab Limited that its processes start from scrap i.e. processing starts from raw cotton.⁴⁶³

4.2.1.1 Brand Personality

Chenab Limited does not do any advertisement. So the only way to study the personality of Chenab Limited is through the Personality Dimension Index.

Brand Personality Dimension Index:

Calculations shown below quantify the personality of Chenab Limited on five aspects of personality i.e. Sincerity, Excitement, Competence, Sophistication and Ruggedness.

⁴⁶² Manager, Marketing, Chenab Limited August 2005

⁴⁶³ Prospectus Chenab Limited 2005

SINCERITY	WEIGHT	SCALE (1-5)	
Down-to-earth	0.20	3	0.60
Honest	0.35	5	1.75
Wholesome	0.15	4	0.60
Cheerful	0.30	3	0.90
Total	1.0		3.85

Source: Prospectus Chenab Limited 2005

Table 4.3 Calculation of Sincerity Attribute

EXCITEMENT	WEIGHT	SCALE (1-5)	
Daring	0.20	3	0.60
Spirited	0.30	5	1.50
Imaginative	0.15	5	0.75
Up-to-Date	0.35	4	1.40
Total	1.0		4.25

Source: Prospectus Chenab Limited 2005

Table 4.4 Calculation of Excitement Attribute

COMPETENCE	WEIGHT	SCALE (1-5)	
Reliable	0.35	5	1.75
Intelligent	0.30	5	1.50
Successful	0.35	5	1.75
Total	1.0		5.00

Source: Prospectus Chenab Limited 2005

Table 4.5 Calculation of Competence Attribute

SOPHISTICATION	WEIGHT	SCALE	
Upper Class	0.50	5	2.50
Charming	0.50	5	2.5
Total	1.0		5.00

Source: Prospectus Chenab Limited 2005

Table 4.6 Calculation of Sophistication Attribute

RUGGEDNESS	WEIGHTAGE	SCALE	
Outdoorsy	0.40	2	0.80
Tough	0.60	3	1.80
Total	1.000		2.60

Source: Prospectus Chenab Limited 2005

Table 4.7 Calculation of Ruggedness Attribute

From the calculations shown in the tables it can be said that Chenab Limited is a “competent” and “sophisticated” brand. Surely this is because of the successful history of Chenab Limited. It has made his mark in the industry. The quality of its products has positioned Chenab as a sophisticated brand. Its products are superior from many other products being sold by other companies.⁴⁶⁴

Brand Perception Index

Brand Perception Index of Chenab Limited has been calculated along with the calculations for its competitors. The four companies are:

2. Chenab
3. Gul Ahmed

⁴⁶⁴ Source: Prospectus Chenab Limited 2005

4. AlKaram

5. Nishat

Calculations for the Brand Perception Index of the four companies are shown below based on three aspects of the brand:

- Visual
- Verbal
- Experiential

VISUALS			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Packaging	0.30	4	1.2
Size	0.20	4	0.8
Color	0.20	3.5	0.7
Labeling	0.30	4	1.2
			Sum = 3.9
VERBAL			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Website	0.30	4	1.2
Catalogs	0.20	3	0.6
Promotions	0.30	3	0.9
Word of mouth	0.20	3	0.6
			Sum = 3.3
EXPERIENTIAL			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Feel	0.20	3	0.6
Smoothness	0.40	3	1.2
Quality	0.40	4	1.6
			Sum = 3.4

Source: Prospectus Chenab Limited 2005

Table 4.8: Calculations of BPI of Chenab

Summary of Brand Perception Index:

Brand Perception Index = Visual + Verbal + Experiential

Brand Perception Index = 3.9 + 3.3 + 3.4

Brand Perception Index = 10.6/15

Chenab Limited has scored very good BPI. It has scored highest on visuals and lowest on verbal. Experiential attribute should be improved because it is most important for business customers. It determines the success of a company more than any other attribute.

VISUALS			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Packaging	0.30	4	1.2
Size	0.20	3.5	0.7
Color	0.20	3.5	0.7
Labeling	0.30	4	1.2
			Sum = 3.8
VERBAL			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Website	0.30	4	1.2
Catalogs	0.20	3	0.6
Promotions	0.30	4	1.2
Word of mouth	0.20	4	0.8
			Sum = 3.8
EXPERIENTIAL			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Feel	0.20	4	0.8
Smoothness	0.40	3	1.2
Quality	0.40	3	1.2
			Sum = 3.2

Source: Gul Ahmed, August 2005

Table 4.9: Calculations of BPI of Gul Ahmed

Summary of Brand Perception Index:

Brand Perception Index = Visual + Verbal + Experiential

Brand Perception Index = 3.8 + 3.8 + 3.2

Brand Perception Index = 10.8/15

BPI for Gul Ahmed signifies the strength of the brand. It has scored good on all attributes. But there is considerable margin of improvement in the experiential attribute. It has scored better than Chenab Limited on verbal attribute because of its excellent reputation and customer relationship. Chenab can also improve on this aspect to compete effectively with Gul Ahmed.

VISUALS			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Packaging	0.30	4	1.2
Size	0.20	3	0.6
Color	0.20	3	0.6
Labeling	0.30	3	0.9
			Sum = 3.3
VERBAL			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Website	0.30	3	0.9
Catalogs	0.20	2	0.4
Promotions	0.30	3	0.9
Word of mouth	0.20	2	0.4
			Sum = 2.6
EXPERIENTIAL			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Feel	0.20	3.5	0.7
Smoothness	0.40	4	1.6
Quality	0.40	3.5	1.4
			Sum = 3.7

Source: AlKaram, August 2005

Table 4.10: Calculations of BPI of AlKaram

Summary of Brand Perception Index:

Brand Perception Index = Visual + Verbal + Experiential

Brand Perception Index = 3.3 + 2.6+3.7

Brand Perception Index = 9.6/15

AlKaram has a lower BPI relatively. It has scored well on visual and experiential attributes. It has scored less on verbal. Maybe this is because of its late entry in the industry. It does not enjoy a very reputation and word-of-mouth. It needs to work on its promotional strategy to compete effectively with other well-established companies.

VISUALS			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Packaging	0.30	4.5	1.35
Size	0.20	3.5	0.7
Color	0.20	3.5	0.7
Labeling	0.30	3.5	1.05
			Sum = 3.8
VERBAL			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Website	0.30	3	0.9
Catalogs	0.20	3	0.6
Promotions	0.30	2.5	0.75
Word of mouth	0.20	3.5	0.7
			Sum = 2.95
EXPERIENTIAL			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Feel	0.20	4.0	0.80
Smoothness	0.40	3.5	1.40
Quality	0.40	4.0	1.60
			Sum = 3.80

Source: [fibre2fashion](#), August 2005

Table 4.11: Calculations of BPI of Nishat

Summary of Brand Perception Index:

Brand Perception Index = Visual + Verbal + Experiential

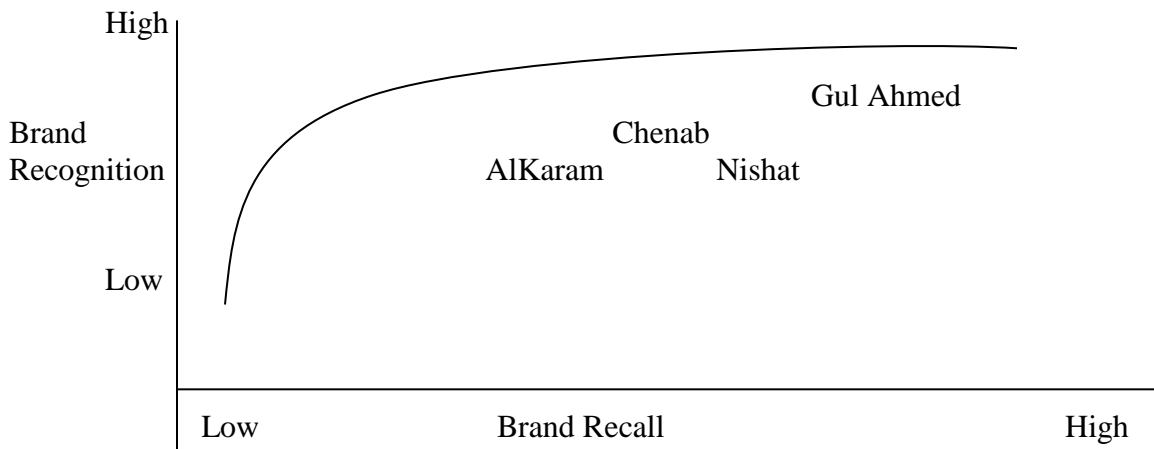
Brand Perception Index = 3.8 + 2.95 + 3.80

Brand Perception Index = 10.55/15

BPI of Nishat signifies that it has a very good brand name. This is attributable to its success on visual and experiential attributes. It needs to work on the verbal aspect. The premium quality products of Nishat present a challenge to Chenab, which have given it.

4.2.1.2 Brand Equity

The Graveyard model graphically tells about the equity of a brand against the competitor brands. The same set of competitors which were used in comparing Brand Perception Index are taken and plotted on this graph with Chenab.



Source: [fibre2fashion, August 2005](#)

Figure 4.3 Graveyard Model(Export Market)

Gul Ahmed has the highest Brand Recognition and Recall. It has been in the industry for more than a hundred years. Secondly it has very good relationships with its customers. That is why it stands out.

Chenab has good recognition because it sells in so many countries. It is a part of Chenab group. It has won so many awards which has increased its awareness. And because of its premium products it also a good recall.⁴⁶⁵

Nishat has been in the for so long so it has high brand recall among its customers. Brand recognition is somewhat lower because it had been exporting to US only and only recently it has targeted Europe.

AlKaram although has a very strong brand name but comparatively it is not very strong owing to its relatively late entry and narrow product line.

Brand Asset Value (BAV)

Brand Asset Value is calculated for Chenab Limited and its competitors and shown below.

	Differentiation (1)	Relevance (2)	Brand Strength (1*2)	Knowledge (3)	Esteem (4)	Brand Stature (3*4)
Chenab	4.0	3.5	14.0	3.8	4.0	15.2
Gul Ahmed	4.5	4.0	18.0	5.0	5.0	25
AlKaram	3.0	3.0	9.0	3.5	4.0	14
Nishat	3.0	4.0	12.0	4.0	4.0	16

Source: [fibre2fashion](#), August 2005

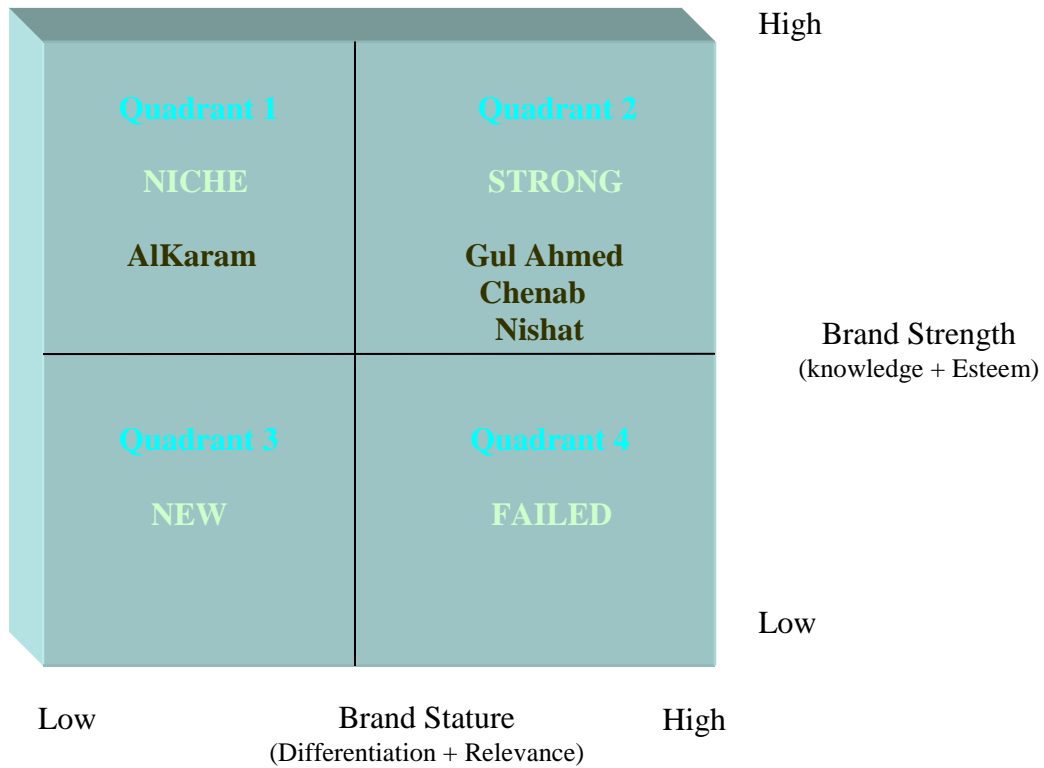
Table 4.12: Calculation of BAV(Export Market)

Chenab has a good score on both brand strength and relevance. Because it has very good products and excellent reputation. Gul Ahmed has the highest score on both strength and stature. It has exceptional products complemented by very good customer relationships. AlKaram has very good quality products but lacks variety. Stature is low because of its

⁴⁶⁵ Prospectus Chenab Limited 2005

comparatively less time in the market. Nishat has a better stature than strength because it has loyal customers but lacks in the differentiation aspect of the product.

All the brands can be placed in the Y & R Grid as shown.



Source: [fibre2fashion, August 2005](#)

Figure 4.4: Y &R Grid (Export Market)

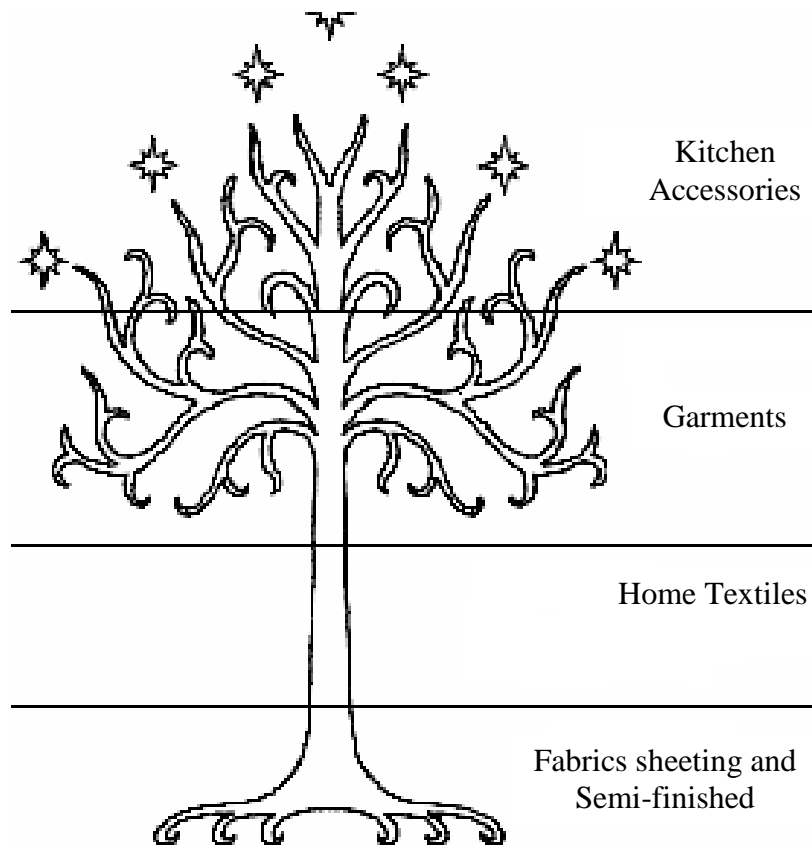
Gul Ahmed, Chenab and Nishat are strong brands because they have a wide variety of products. They have been there in the market for quiet sometime and have good relationship with their customers.⁴⁶⁶

While AlKaram has comparatively narrow product line so it is catering to a niche segment of the market.

⁴⁶⁶ [fibre2fashion, August 2005](#)

4.2.1.3 Branding Tree

Products of Chenab can be placed on the branding tree as shown:



Source: Prospectus Chenab Limited 2005

Figure 4.5: Branding Tree (Chenab)

Fabrics sheeting and Semi-finished products are placed in the roots because they are the foundation of Chenab. It started export business by selling these products. Home textiles are placed in the trunk because these constitute a big part of the total sales of Chenab. Garments are placed in branches because this is the most selling item after home textiles. Kitchen accessories form a small part of the sales of Chenab so it is placed in leaves.⁴⁶⁷

⁴⁶⁷ Prospectus Chenab Limited 2005

4.2.1.4 Market Share Analysis

Analysis of market share is very important in determining the success of a company. It is important to determine its sales relative to its competitors. Market share of Chenab Limited and its competitors has been calculated by taking the weighted index of attributes that are pivotal to a company's performance.

ATTRIBUTE	WEIGHT	SCALE (1-5)	WEIGHTED INDEX
Packaging	0.16	3.5	0.56
Price	0.16	3.5	0.56
Availability	0.16	3	0.48
Quality	0.16	3.5	0.56
Brand recognition	0.16	4	0.64
Variety	0.16	3	0.48
			Sum = 3.28

Source: [fibre2fashion](#), August 2005

Table 4.13: Calculation of Market Share for Chenab

ATTRIBUTE	WEIGHT	SCALE (1-5)	WEIGHTED INDEX
Packaging	0.16	4	0.64
Price	0.16	4	0.64
Availability	0.16	4	0.64
Quality	0.16	4	0.64
Brand recognition	0.16	4	0.64
Variety	0.16	4.5	0.72
			Sum = 3.92

Source: [fibre2fashion](#), August 2005

Table 4.14: Calculation of Market Share for Gul Ahmed

ATTRIBUTE	WEIGHT	SCALE (1-5)	WEIGHTED INDEX
Packaging	0.16	4.2	0.67
Price	0.16	3	0.48
Availability	0.16	3.5	0.56
Quality	0.16	3.5	0.56
Brand recognition	0.16	4	0.64
Variety	0.16	2.0	0.32
			Sum = 3.23

Source: [fibre2fashion](#), August 2005

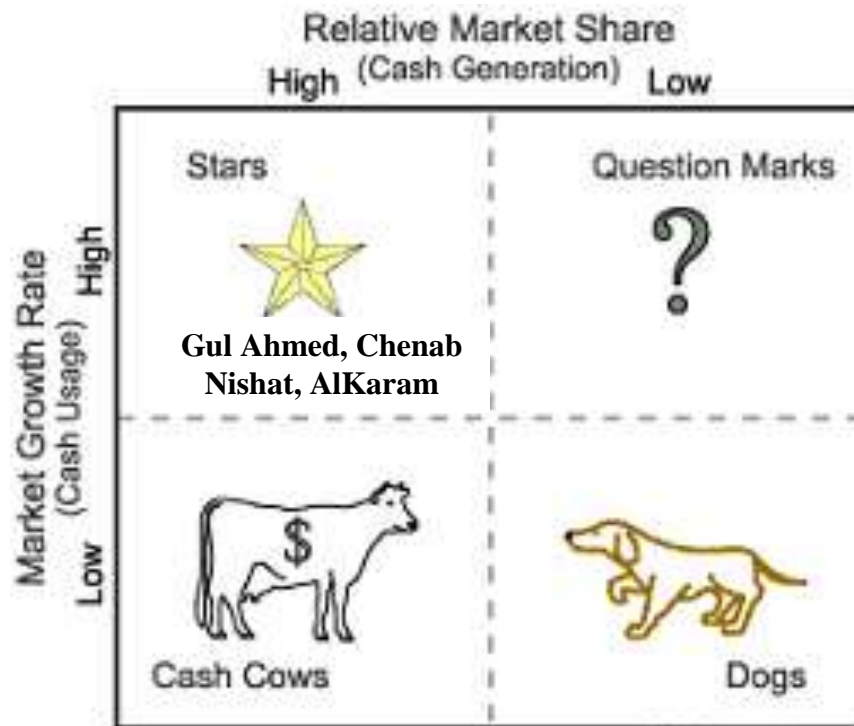
Table 4.15: Calculation of Market Share for AlKaram

ATTRIBUTE	WEIGHT	SCALE (1-5)	WEIGHTED INDEX
Packaging	0.16	4	0.64
Price	0.16	3.75	0.60
Availability	0.16	2.0	0.32
Quality	0.16	3.5	0.56
Brand recognition	0.16	3	0.48
Variety	0.16	4.0	0.64
			Sum = 3.24

Source: fibre2fashion, August 2005

Table 4.16: Calculation of Market Share for Nishat

Chenab and Gul Ahmed have the biggest share of the market because of their brand names, quality products and geographical coverage. Other two also have a good share but lag behind on some attributes. All four brands are stars.



Source: QuickMBA, July 2005

Figure 4.6: BCG Matrix (Export Market)

4.2.2 ChenOne

4.2.2.1 Brand Elements:

Brand Name

ChenOne is a composite of two words “Chenab” and “One”. Chenab is the name of the parent company while One signifies the uniqueness of the brand. The name is a good

amalgamation of uniqueness and quality. It projects an exclusive image of the company.⁴⁶⁸

Logo

Penguin is the logo of ChenOne with the brand name ChenOne written in blue and red, signifying creativity and innovativeness. The logo of ChenOne is very simple yet elegant. It signifies uniqueness, as penguin is a rare specie, and elegance of the brand.⁴⁶⁹



Source: Chenab Group, August 2005

Figure 4.7 Logo of ChenOne

Packaging

Packaging involves the activities of designing and producing containers or wrappers, for a product. The product here is garments and home textiles. The product is only available in its own retail outlets and it does not have distribution in other stores. The packaging of the product includes the carry bag the salesman gives the consumer on a purchase, the plastic bags that contain the product. The packaging of ChenOne is very creative, it has beautiful colors. The carry bags are made of hard cover and are reliable. They carry the product in protection.⁴⁷⁰

Slogan

The slogan of ChenOne is “Changing Lifestyles”. It complements well with the name and logo. Logo and name are unique. While slogan signifies that the brand will take you to a unique life style. The slogan reemphasizes the other elements and explains them very well.⁴⁷¹

⁴⁶⁸ Chenab Group, August 2005

⁴⁶⁹ Chenab Group, August 2005

⁴⁷⁰ Chenab Group, August 2005

⁴⁷¹ Pakistan Economist, March 2005

4.2.2.2 Brand Personality

Brand personality of ChenOne can be judged by its promotional activities. Bill boards and ads of ChenOne bring young and stylish male and females in picture. ChenOne through its advertisement has positioned itself as a young and trendy brand.⁴⁷²

We can quantify the personality attributes of ChenOne by calculation of the brand personality Index. Calculations are shown below.

SINCERITY	WEIGHT	SCALE (1-5)	
Down-to-earth	0.20	3	0.60
Honest	0.35	5	1.75
Wholesome	0.15	4	0.60
Cheerful	0.30	4	1.20
Total	1.0		4.15

Source: Manager,Marketing,ChenOne, August 2005

Table 4.17 Calculation of Sincerity Attribute

EXCITEMENT	WEIGHT	SCALE (1-5)	
Daring	0.20	4	0.80
Spirited	0.30	5	1.50
Imaginative	0.15	5	0.75
Up-to-Date	0.35	4	1.40
Total	1.0		4.45

Source: Manager,Marketing,ChenOne, August 2005

⁴⁷² Pakistan Economist, March 2005

Table 4.18 Calculation of Excitement Attribute

COMPETENCE	WEIGHT	SCALE (1-5)	
Reliable	0.35	5	1.75
Intelligent	0.30	4	1.20
Successful	0.35	3	1.05
Total	1.0		4.00

Source: Manager,Marketing,ChenOne, August 2005

Table 4.19 Calculation of Competence Attribute

SOPHISTICATION	WEIGHT	SCALE (1-5)	
Upper Class	0.50	5	2.50
Charming	0.50	5	2.50
Total	1.0		5.00

Source: Manager,Marketing,ChenOne, August 2005

Table 4.20 Calculation of Sophistication Attribute

RUGGEDNESS	WEIGHTAGE	SCALE	
Outdoorsy	0.40	3	1.20
Tough	0.60	2	1.20
Total	1.000		2.40

Source: Manager,Marketing,ChenOne, August 2005

Table 4.21 Calculation of Ruggedness Attribute

From the calculations shown above it can be said that ChenOne is a sophisticated and excitement sort of a brand. These traits are very essential for a brand of a fashion store. Because every fashion conscious person wants to look high class

and young for which it has to wear a sophisticated and excitement sort of a brand.

Brand Perception Index

Khaddi and Bareeze are two of the very close competitors of ChenOne. The researcher has taken these two retail outlets to compare the BPI of ChenOne

BPI of ChenOne and its key competitors has been calculated. BPI is calculated upon three attributes:

- Visual
- Verbal
- Experiential

VISUALS			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Outlet Ambiance	0.30	4.0	1.2
No. of Outlets	0.20	5.0	1.0
Location	0.20	4.0	0.8
Designing	0.30	4.0	1.2
			Sum = 4.2
VERBAL			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Brand Image	0.40	4.0	1.6
Print Adverts	0.30	5.0	1.5
Word of mouth	0.30	4.0	1.2
			Sum = 4.3
EXPERIENTIAL			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Price	0.20	4.0	0.8
Quality	0.40	5.0	2.0
Variety	0.40	4.0	1.6
			Sum = 4.4

Source: Manager,Marketing,ChenOne, August 2005

Table 4.22 : Calculations of BPI of ChenOne

Summary of BPI

Brand Perception Index = Visual + Verbal + Experiential

Brand Perception Index = 4.2 + 4.3 + 4.4

Brand Perception Index = 12.9

VISUALS			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Outlet Ambiance	0.30	5.0	1.5
No. of Outlets	0.20	2.0	0.4
Location	0.20	3.0	0.6
Designing	0.30	4.0	1.2
			Sum = 3.7
VERBAL			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Brand Image	0.40	4.5	1.8
Print Adverts	0.30	3.0	0.9
Word of mouth	0.30	4.0	1.2
			Sum = 3.9
EXPERIENTIAL			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Price	0.20	5.0	1.0
Quality	0.40	5.0	2.0
Variety	0.40	3.0	1.2
			Sum = 4.2

Source: Khaadi, August 2005

Table 4.23: Calculations of BPI of Khaadi

Summary of BPI

Brand Perception Index = Visual + Verbal + Experiential

Brand Perception Index = 3.4+ 3.9 + 4.2

Brand Perception Index = 11.5

VISUALS			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Outlet Ambiance	0.30	3.0	0.9
No. of Outlets	0.20	3.0	0.6
Location	0.20	4.0	0.8
Designing	0.30	4.0	1.2
			Sum = 3.5
VERBAL			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Brand Image	0.40	4.0	1.6
Print Adverts	0.30	3.0	0.9
Word of mouth	0.30	4.0	1.2
			Sum = 3.7
EXPERIENTIAL			
ATTRIBUTES	WEIGHT	SCALE (1 - 5)	WEIGHTED INDEX
Price	0.20	3.0	0.6
Quality	0.40	5.0	2.0
Variety	0.40	4.5	1.8
			Sum = 4.4

Source: Dawn, August 2005

Table 4.24: Calculations of BPI of Bareeze

Summary of BPI

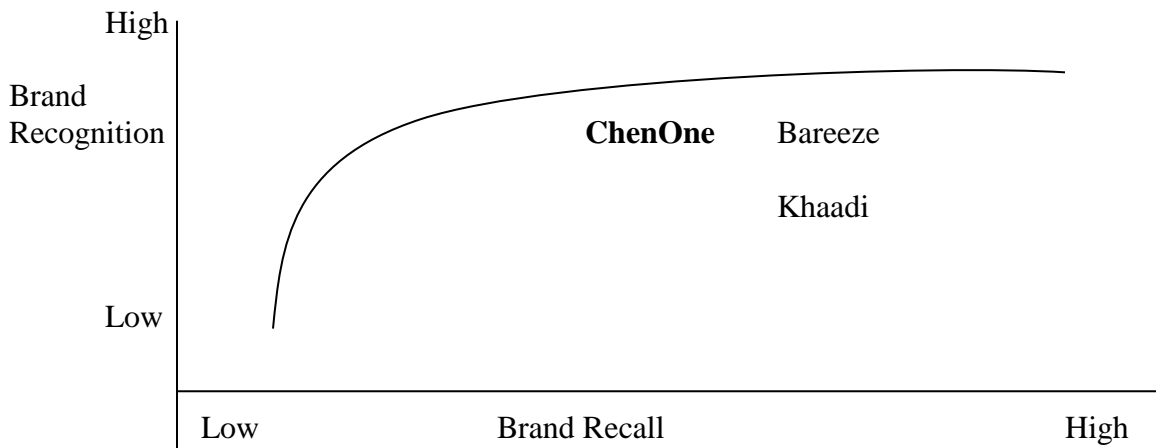
Brand Perception Index = Visual + Verbal + Experiential

Brand Perception Index = 3.5+ 3.7 + 4.4

Brand Perception Index = 11.6

ChenOne has the highest Brand Perception Index. It has scored well on all the three attributes. It has very good products, stores and brand name. Bareeze fall behind because of their weak in the verbal aspect. They have to promote themselves in a better way. They will have to expand their network to compete with ChenOne.

4.2.2.3 Brand Equity:



Source: fibre2fashion, August 2005

Figure 4.8 Graveyard Model (Retail Market)

ChenOne and Bareeze have very good brand recognition because they have been in the market for quiet sometime. They also have many outlets when compared to Khaadi. Bareeze and Khaadi have high recall among their customers because they have wide variety in the products they offer.

Brand Asset Value (BAV)

Calculation of the BAV of ChenOne and its competitors has been calculated as follows:

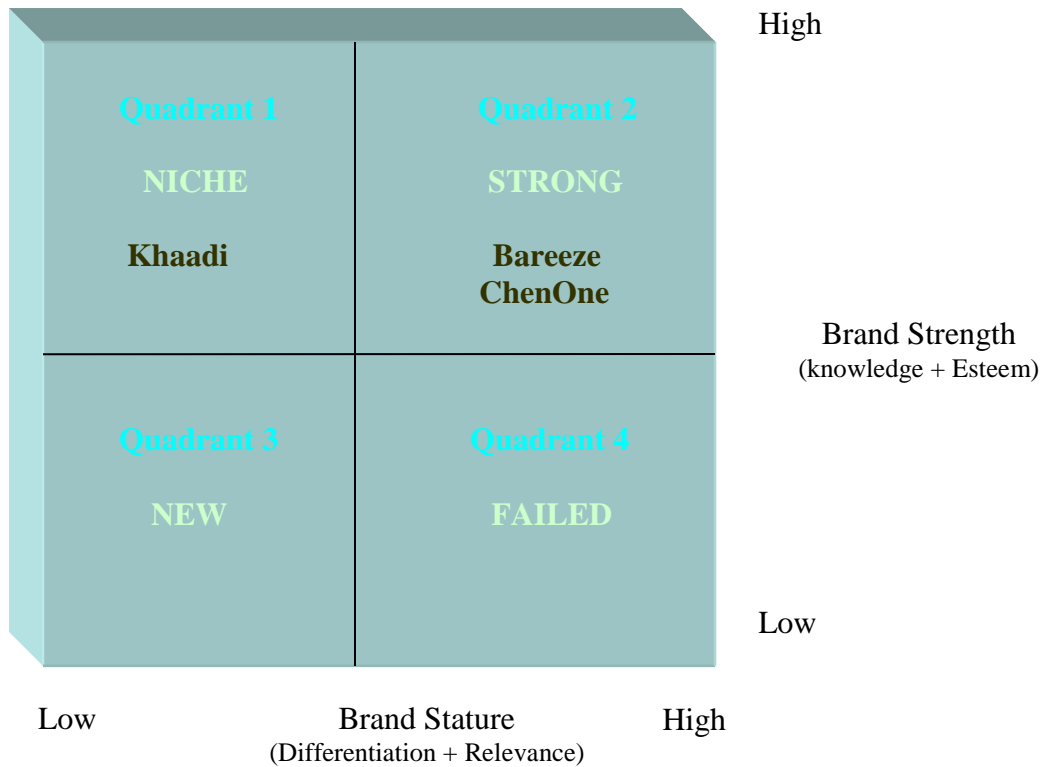
	Differentiation (1)	Relevance (2)	Brand Strength (1*2)	Knowledge (3)	Esteem (4)	Brand Stature (3*4)
Chen One	4	3	12	5	4	20
Bareeze	4	4	16	4	4	16
Khaadi	5	4	20	3	3	9

Source: fibre2fashion, August 2005

Table 4.25: Calculation of Brand Asset Value (Retail Market)

Bareeze and ChenOne have high strength and stature because of their good brand names and wide variety of products. Khaddi has variety only in hand woven fabrics so it has high strength and low stature because it is comparatively new to the market and has a few stores.

Y & R Grid is developed on the basis of the results of BAV.



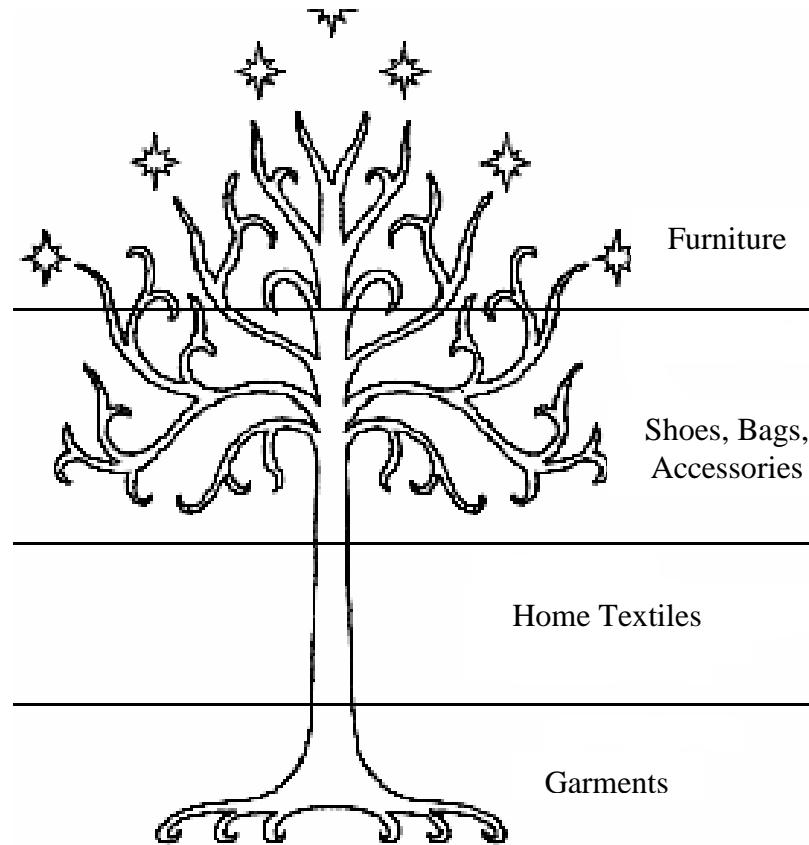
Source: fibre2fashion, August 2005

Figure 4.9 :Y & R Grid (Retail Market)

ChenOne and Bareeze are strong brands because they have very good brand name with high equity. They also cater to a large segment of the market. While Khaadi has wide variety only in hand woven fabrics. It caters to a niche segment of the market.

4.2.2.4 Branding Tree

On the branding tree for ChenOne different products of ChenOne are placed because all the products carry one brand. The tree can be seen on the next page.



Source: Manager, Marketing, ChenOne, August 2005⁴⁷³

Figure 4.10: Branding Tree (ChenOne)

Home textiles is the best selling item of ChenOne. It generates maximum revenue from selling bed linen and other home accessories. That is why home textile has been placed in the trunk. Garments has been placed in the roots because it is one of the very first products of ChenOne. Shoes, bags and accessories are also very popular but come after home textiles. Furniture is placed in leaves because it forms a very small portion of the sales of ChenOne.

⁴⁷³ Manager, Marketing, ChenOne, August 2005

4.2.2.5 Market Share Analysis

ChenOne has a very good brand name and it has a few competitors in the market. A large chunk of the market is with these few players. Market share analysis that follows is done by using the BCG matrix.

Market share has been determined by calculating the weighted index of all the important attributes of the three brands i.e. ChenOne, Khaadi and Bareeze.

Attributes	Weight	Scale (5)	Weighted Index
Number of Outlets	0.4	4	1.6
Brand Awareness	0.2	4	0.8
Designing	0.2	3	0.6
Marketing	0.1	4	0.4
Location	0.1	3	0.3
Market Share			3.7

Source: Manager, Marketing, ChenOne, August 2005

Table 4.26: Market Share Calculation for ChenOne

Attributes	Weight	Scale (5)	Weighted Index
Number of Outlets	0.4	2	0.8
Brand Awareness	0.2	3	0.6
Designing	0.2	4	0.8
Marketing	0.1	3	0.3
Location	0.1	4	0.4
Market Share			2.9

Source: Khaadi, August 2005

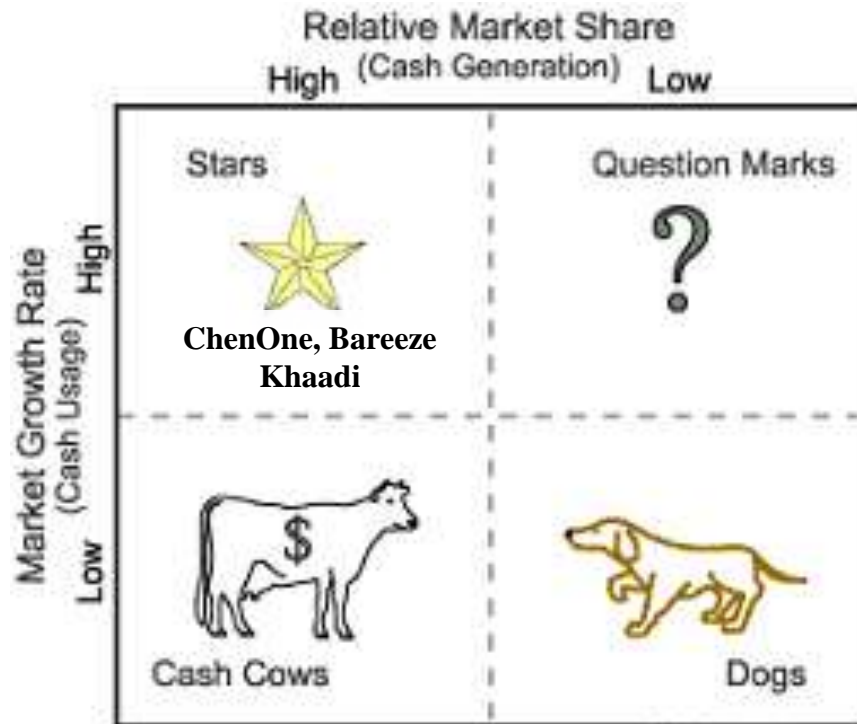
Table 4.27: Market Share Calculation for Khaadi

Attributes	Weight	Scale (5)	Weighted Index
Number of Outlets	0.4	3	1.2
Brand Awareness	0.2	4	0.8
Designing	0.2	3	0.6
Marketing	0.1	3	0.3
Location	0.1	3	0.3
Market Share			3.2

Source: Dawn, August 2005

Table 4.28: Market Share Calculation for Bareeze

ChenOne has the biggest market share mainly because of its number of outlets. It has the widest geographical coverage. ChenOne also has the greatest brand awareness Bareeze comes just after it. It also shares the same characteristics. It has good geographic reach and brand awareness but less than ChenOne and more than other fashion stores of Pakistan. Khaadi has the lowest market share. But it has proved its potential to grow. All three brands can be categorized as stars.



Source: fibre2fashion, August 2005

Figure 4.11: BCG Matrix (Retail Market)

4.3 Consumer Behavior

4.3.1 Chenab Limited

4.3.1.1 Market Segmentation & Positioning

Customers of Chenab Limited can be divided into the segments that are shown in the AIOD framework.

Need/Benefit	Activities	Interests	Opinions	Demographics	Competitors
Quality Products	Manufacturing, Distribution	Expansion Activities	Name of Quality and Class	20-30 yrs, Big, European, Australian	Gul Ahmed
Attract Customers	Retailing	PR Events	Variety and Style	10-15yrs, Europe and USA	—
Low Cost	Manufacturing, Retailing	PR events, Expanding Facilities	Cheap and quality	5-10yrs, Small, African/Asian	Nishat, AlKaram
Diversification	Manufacturing, Retailing	Community services	Top class, sophisticated	15-20yrs, Big, Europe, USA and Australia	Gul Ahmed, Nishat

Source: fibre2fashion, August 2005

Figure 4.12: AIOD Framework (Chenab)

Chenab satisfies the organizational need of quality products. Manufacturers buy quality raw materials like fabric sheets from Chenab. These sheets are processed to form finished products that are sold to the final consumer by these companies through their outlets or distributors. These companies are usually European or Australian with rich history.⁴⁷⁴

Chenab also sells products to retailers with its own brand name. These retailers keep the products of Chenab in their outlets to attract more customers so that their own products also get attention from customers who like the brand of Chenab. These retailers are mostly European and American. Chenab does not face any competition in fulfilling this need. Because there's no other manufacturer in Pakistan which sells its products with its own brand name in other outlets.

⁴⁷⁴ Source: fibre2fashion, August 2005

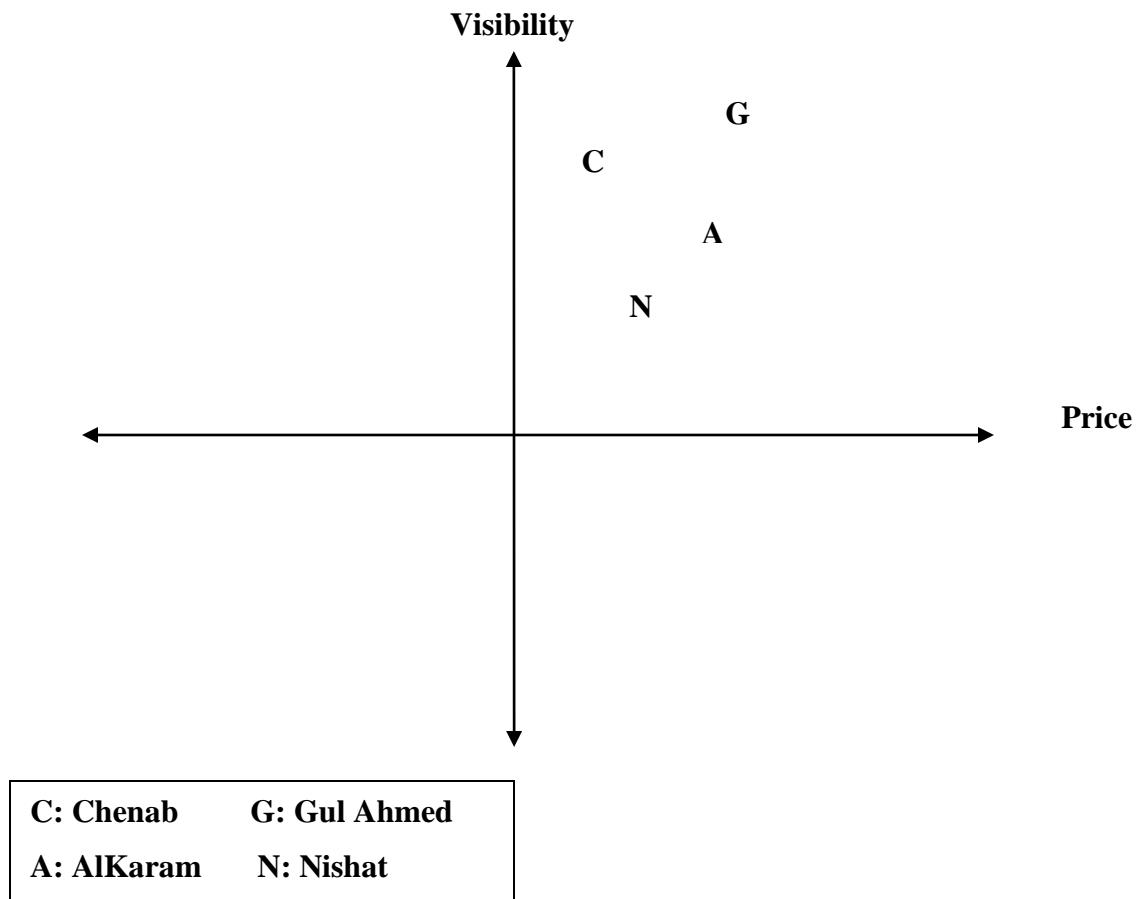
Chenab sells its products to African and Asian companies which want to get low cost products. These companies are usually involved in manufacturing and retailing activities. They want low cost semi-finished products of moderate quality to satisfy the needs of their target market.

Some big European, American and Australian companies have outsourced their manufacturing activities to Chenab to avoid the risk of getting supplies from one source. For example if there is any problem with the Chinese supplier and it cannot meet the orders than these companies can order Chenab to full-fill their requirements. Chenab full-fills their orders on priority basis if these orders are big enough. Gul Ahmed and Nishat compete with Chenab in satisfy this need of the customers because they also have very good and old relationship with their organizational buyers.⁴⁷⁵

Perceptual Maps

From perceptual map 1 it can be said that Gul Ahmed has the maximum visibility and the highest prices. This is because of its old name and good customer relationship. Chenab has the most visibility after Gul Ahmed and lowest prices along with Nishat. Chenab's efficient operations allow it to charge lower prices while keeping a handsome percentage of profit margin.

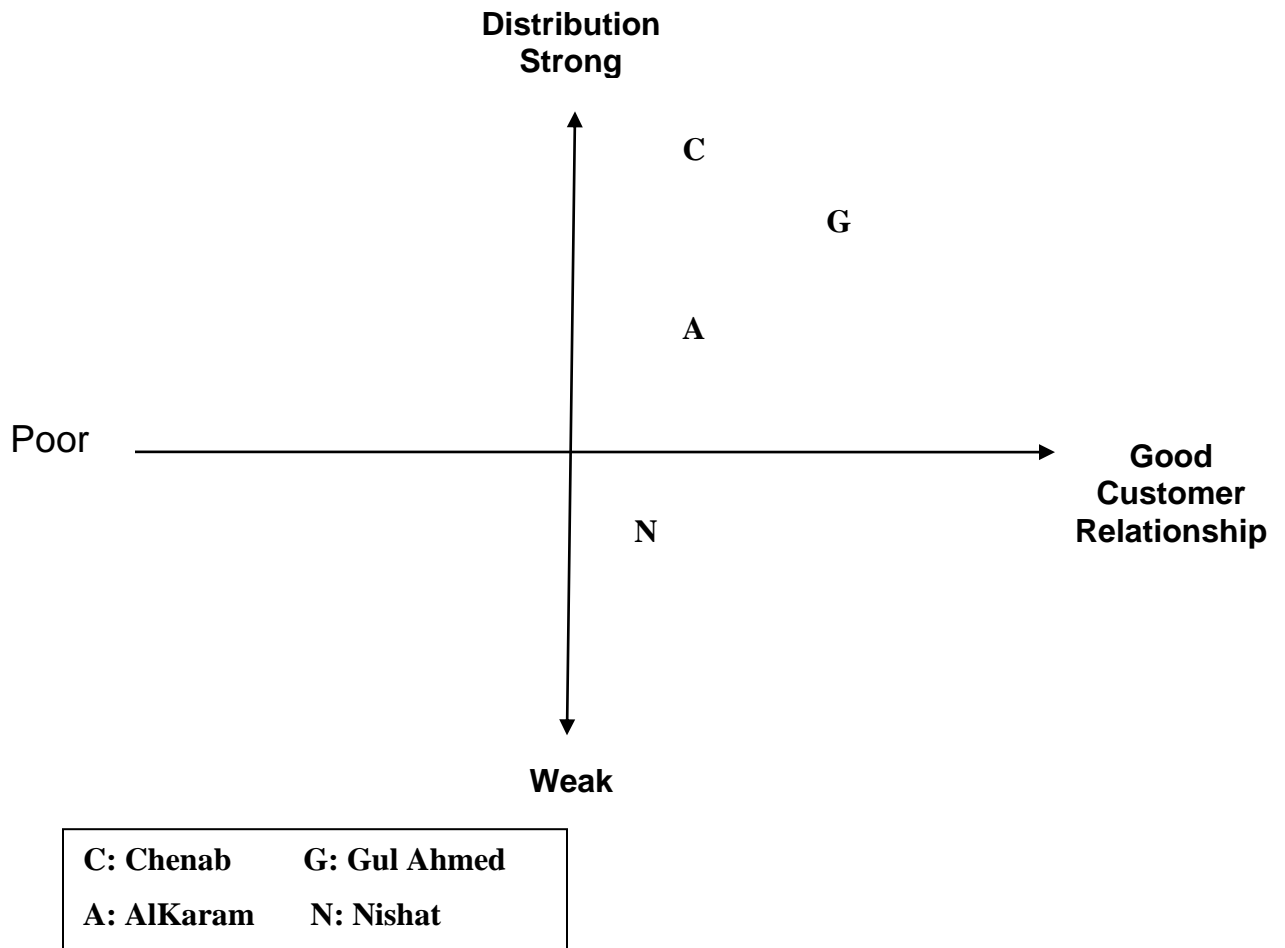
⁴⁷⁵ Source: fibre2fashion, August 2005



Source: fibre2fashion, August 2005

Figure 4.13: Perceptual Map 1: Price/ Visibility(Export Market)

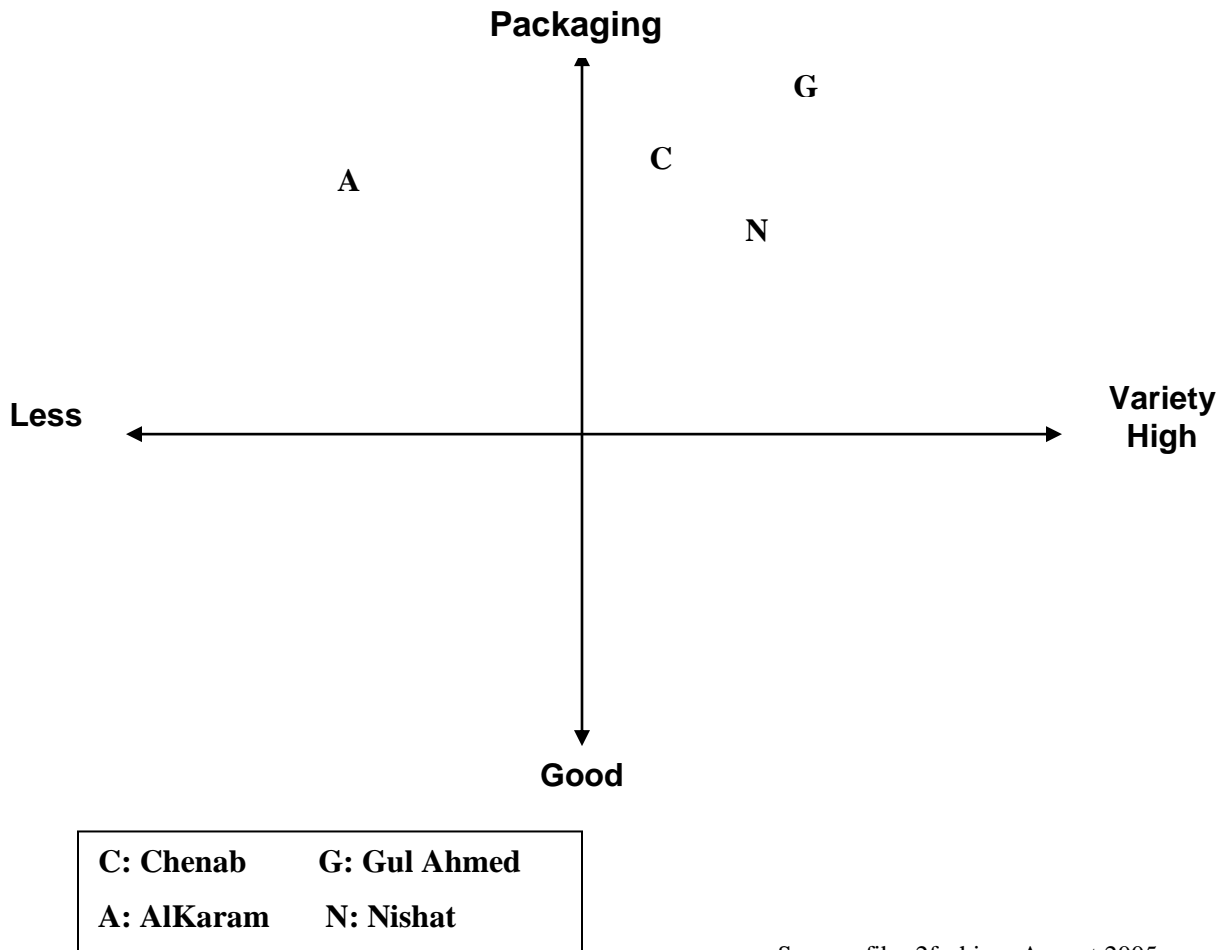
From perceptual map 2 it can be deduced that Chenab has the strongest distribution network. It has adequate customer relationship. While Gul Ahmed stands out in its attribute of customer relationship. Nishat has the weakest distribution network as it is only selling to American and recently to a few European markets.



Source: fibre2fashion, August 2005

Figure 4.14: Perceptual Map2: Distribution/ Customer Relationship (Export Market)

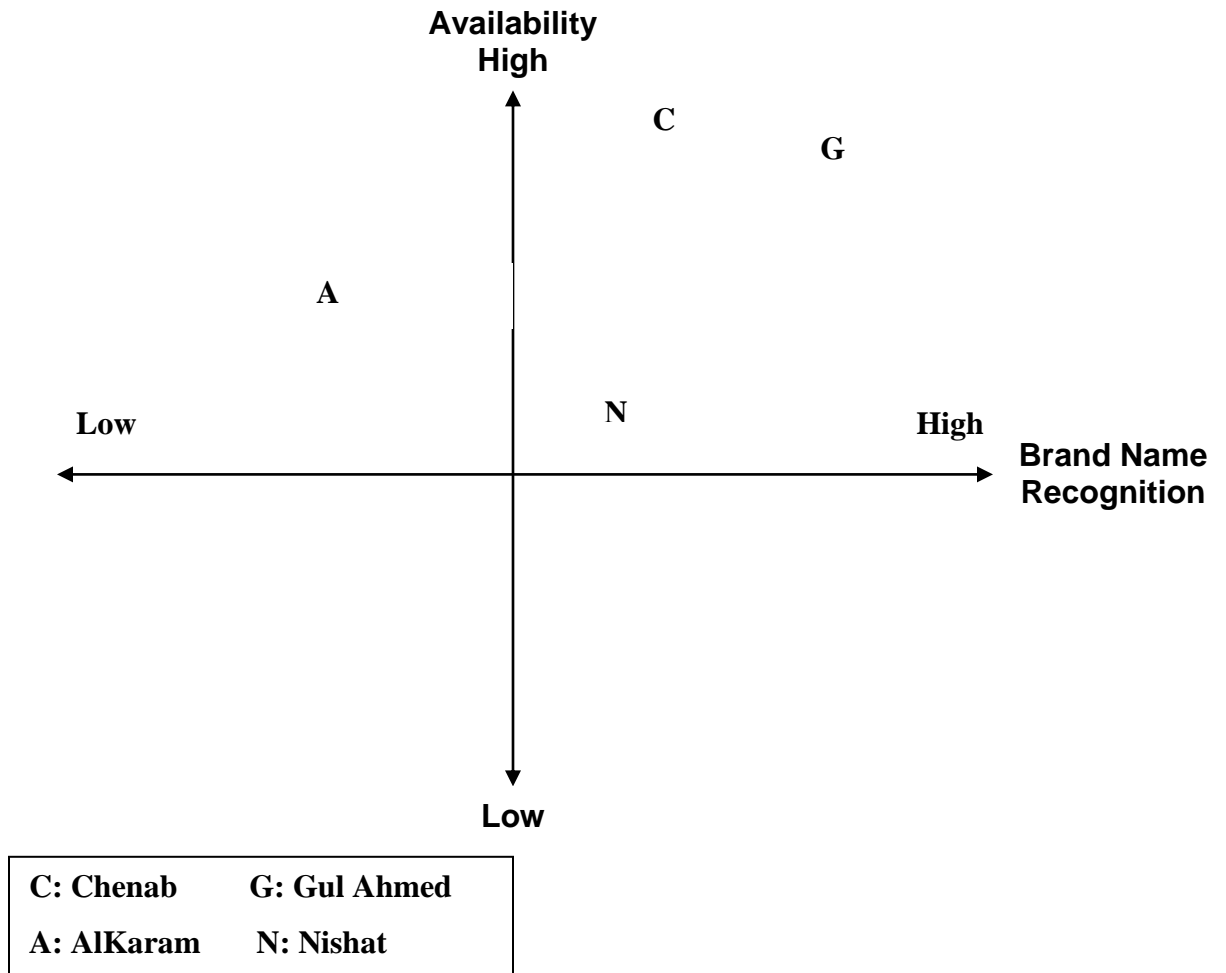
Chenab's packaging is moderately good. Same goes for variety when compared to other competitors. Nishat and Gul Ahmed, both have a better variety. While AlKaram lags behind Chenab in terms of packaging. Although Chenab has a wide variety of 53 products (see Appendix A) but it is still less than Gul Ahmed's.



Source: fibre2fashion, August 2005

Figure 4.15: Perceptual Map3: Packaging/ Variety(Export Market)

Chenab stands better than others in availability because it has such a huge capacity that it can ensure the maximum availability. Chenab also has a very good brand name but after Gul Ahmed. This is because of its comparatively late entry into the market and because of lack of promotional activities. AlKaram has to move a long way to come up to that level of Brand recognition.



Source: fibre2fashion, August 2005

Figure 4.16: Perceptual Map4: Availability / Brand Name (Export Market)

Chenab is positioned in the mind of the consumers as a brand with following attributes:

- Low Price
- High Quality
- Superior Brand

- Wide Distribution

4.3.1.2 Attitudes

Chenab is principally dealing with business organizations. These customers are characterized as very well-informed and professional. Their information is based on facts rather than advertising and other forms of communication that companies use to shape the attitudes of the target customers.

Chenab deals with customers which are very renowned and enjoy a very good reputation. This implies that they better than aware than small manufacturers or customers of Chenab. Their attitudes towards different suppliers are based on the quality or value-addition that they provide to them.⁴⁷⁶

In order to influence the attributes of these customers Chenab has got into promotional activities. Chenab ensures its presence in almost all international exhibitions where potential customers are expected.

The most effective promotional activity is catalogs. Chenab sends the catalogs of its new products every year to its existing and potential customers. This helps Chenab in keeping these customers up-to-dated about the superior products of Chenab which in turn shapes the attitudes of these people.

Apart from promotional activities Chenab also focuses on shaping the attitudes of customers by delivering superior products and services. Customer satisfaction is considered to be most important at Chenab because this is the most effective way of shaping the customer's mind in the favor of the company. And if success is not achieved

⁴⁷⁶ Source: fibre2fashion, August 2005

at this point in time that would bring an end to the business with that specific customer and may be a few others who get the word-of-mouth.⁴⁷⁷

4.3.1.3 Motivation & Self-Concept

It is need that gives rise to motivation. In case of Chenab, motivation of customers is also derived by need. Being organizational buyers, customers of Chenab have utilitarian needs. Because these people don't buy for final consumption so they need to have supplies which have some functional benefits.⁴⁷⁸

Chenab produces raw material and resalable products to its customers. These products cannot be said to be low involvement or low involvement. These are somewhere in between. The expenditure on the supplies is greater than other expenses like utility, repair, insurance etc. But it is greater than expenditures on capital equipment.

Level of importance in the core-operations of these different activities is also the same as their expenditure. So the involvement in the products of Chenab is somewhat medium. So the customers take moderate care in getting the best supplies. As the information about these suppliers is readily available from different sources. Primary source include past experience with the supplier. Secondary sources are catalogs, magazines and exhibitions.

Self-concept has a pivotal in determining motivation. If an organization is satisfied with its present self it will try to maintain that standard. In that case it will give orders to existing suppliers with the same standards of specifications. Motivation in the purchase process will be far less.⁴⁷⁹

In case when an organization is not satisfied with its present self it will look for better supplies. Market research would be done extensively. Quality standards and purchase

⁴⁷⁷ Manager, Marketing, Chenab Limited, August 2005

⁴⁷⁸ Manager, Marketing, Chenab Limited, August 2005

⁴⁷⁹ Manager, Marketing, Chenab Limited, August 2005

requirements are going to be revised. In this case motivation of customers will be high during and before the purchase process.

So for Chenab getting and retaining new customers is always difficult than satisfying existing customers because these customers are highly motivated and highly involved in the purchasing process. They take care of each and every thing and want to get informed about each and every aspect of the purchase occasion.⁴⁸⁰

4.3.1.4 Social Class & Status

Most of the customers of Chenab belong to the upper class of business community. Because these organizations want low cost and high quality so they have outsourced their production to manufacturers like Chenab which have access to high quality of raw material and cheap labor.

Customers of Chenab are very much class conscious. They want their customers to perceive them as high-class, trendy and sophisticated. But they don't protect their image by getting supplies from well-known companies. They get supplies from companies which provide high quality products. They have maintained their image by delivering quality products to their customers and by making use of promotional tools. Through advertising, PR events and other activities they associate themselves with high class and sophistication. Because noone knows Chenab in European and American markets so we can't say that customers keep their status by purchasing from Chenab.⁴⁸¹

Some customers of Chenab like African customers don't belong to the upper class. They get cheap supplies from Chenab and resell them at lower prices to the less sophisticated class.⁴⁸²

⁴⁸⁰ Manager, Marketing, Chenab Limited, August 2005

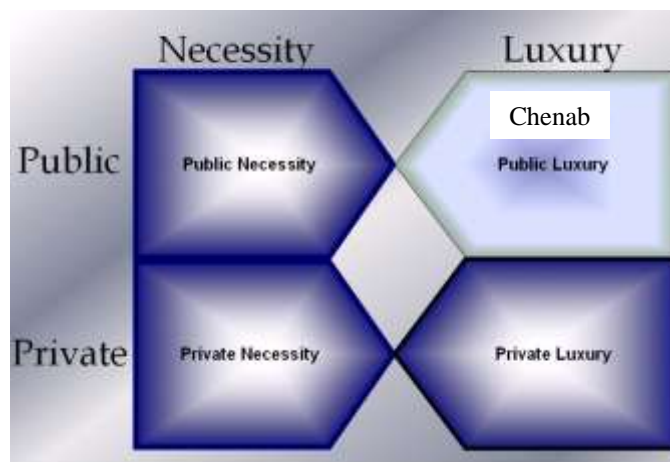
⁴⁸¹ Manager, Marketing, Chenab Limited, August 2005

⁴⁸² Manager, Marketing, Chenab Limited, August 2005

4.3.1.5 Personal Influences

Personal influences play very important in deciding upon the purchase of a product. First of all we have to categorize what sort of product is being sold. After that it can be decided that what can be the sources of influences.⁴⁸³

Garments and Home textiles are Public necessities. Because these products are shown in public and you can't live without them.



Source: Manager, Marketing, Chenab Limited, August 2005

Figure 4.17 : Reference Group Influence Matrix (Chenab)

If we talk specifically about the products of Chenab than we can say that garments and home textiles are public luxuries. Because you can live without the high quality and trendy products of Chenab by using low quality and less trendy products.

Because the type of good over here is a business product so that decides the set of influences that effect the customers of Chenab. Business buyers are mostly influenced by the sellers that are superior to them. For example any retailer would be more than happy

⁴⁸³ Manager, Marketing, Chenab Limited, August 2005

to buy from the suppliers of JC Penny. Because it is a name of quality so for sure its supplier would have been playing a big role in making its reputation.⁴⁸⁴

Secondly word-of-mouth plays a big role. As in consumer markets business markets also have the source of word-of-mouth. Entrance of a good or bad supplier in the market is noticed instantaneously and communicated. Similarly the news of the quality and service of that supplier also spreads.

In order to put positive personal influences Chenab advertises the fact that it is a supplier of world class companies to the potential customers. It provides premium products and services to generate positive word-of-mouth.

4.3.1.6 Family & Household Influence

Business buyers don't have a family like final consumers but we can safely assume that the organizational members play the role of a family in business buying.

Decision of buying a car by the final consumer is influenced by the whole family. It is a family product and has to be used by the whole family. Business products can also be said to be family products because their purchase is influenced and affects the whole organization. Finance department has to arrange funds for buying the product. Marketing has to create marketing programs to sell the products. Purchasing department has to get deals and arrange for warehouses.⁴⁸⁵

So buying behavior of an organization is characterized by collective buying. Same is true for the customers of Chenab. All the members of the customer's organization have an influence on the purchasing decision. So Chenab has to take care that every department gets something from purchasing its products.⁴⁸⁶

⁴⁸⁴ Manager, Marketing, Chenab Limited, August 2005

⁴⁸⁵ Manager, Marketing, Chenab Limited, August 2005

⁴⁸⁶ Manager, Marketing, Chenab Limited, August 2005

That is why its products are of high quality which makes marketing easy. Chenab ensures timely deliveries which eases the production process. Products of Chenab have competitive prices which motivates the finance department to vote in its favor.⁴⁸⁷

4.3.1.7 Situational Influences

Marketers of Chenab don't have to worry much about the situational influences because there customers are very seldom influenced by situations.

Customers of Chenab are top companies of the world. Their production operations are very smooth which are the only factors that can have an implication for Chenab.

Another reason for this is that because business markets are comparatively less dynamic so situational influences hold less importance.

A minor change can be experienced in the form of smaller or bigger orders if demand decreases or increases for a short time period.

Otherwise customers of Chenab have the same need in all the situations and they satisfy them in the same way. Chenab is also carrying on its old way of business to satisfy those needs.⁴⁸⁸

In all situations customers have to go through the process of order placement, order processing, delivery and payment. To stimulate demand Chenab uses catalogs and exhibitions.⁴⁸⁹

4.3.1.8 Decision Processes

All the factors (Attitudes, Social class, Family influence) discussed before effect the buying decision of the customers of Chenab.

⁴⁸⁷ Manager, Marketing, Chenab Limited, August 2005

⁴⁸⁸ Manager, Marketing, Chenab Limited, August 2005

⁴⁸⁹ Manager, Marketing, Chenab Limited, August 2005

Most of the customers of Chenab are 15-20 years old. So there is considerable amount of repeat business. Customers of Chenab prefer their old supplier because they had a good experience with it. They want to take the risk of switching to a new supplier.⁴⁹⁰

Because the products of Chenab are of moderate involvement so there is a considerable risk associated with shifting to a new supplier. Customers of Chenab will have to risk the quality, timeliness and trust. All of these require considerable effort to rebuild.

It would require a highly specialized to start a decision process right from the first till the end. Firstly because there is considerable time involved. Secondly a high degree of risk is involved. Because of Chenab can be used by customers as raw materials or resalable items so they hold much importance and require selection of supplier. So decision process for the potential customers of Chenab is quiet difficult.⁴⁹¹

To make it easy Chenab frequently sends its catalogs to potential customers along with other information like current customers, sales and other information that can motivate them to buy from Chenab.

4.3.1.9 Need Recognition & Search

Customers of Chenab recognize need in two situations:

- Market Pull
- Management Push

Market pull is the situation when there is a change in the market. For example due to some reasons market can demand more of a product or less of a product. For some reason there may be a shift in the trends of consumer needs. In response to these changes in the market customers of Chenab have to alter their production level. If demand increases than

⁴⁹⁰ Manager, Marketing, Chenab Limited, August 2005

⁴⁹¹ Manager, Marketing, Chenab Limited, August 2005

will recognize the need of more supplies. If demand decreases they will need comparatively less supplies. If market trend changes than they will have to change their supplies or look for a new supplier.⁴⁹²

Second situation is the management push. In this situation a need can arise due to the changing practices or goals of management. If management wants to increase the market share of the company. It may require a variety of raw materials to manufacture a variety of products to get the maximum market share. If is wants to get the maximum ROI may be it wants to do this by getting cheap supplies. This will be a point of need recognition.

Need recognition will trigger search for alternatives. Most of the customers of Chenab are loyal so there is no need for searching a new supplier. But in case a customer wants to have a new supplier. It will go through secondary sources like catalogs, exhibitions, word of mouth etc.⁴⁹³

Catalogs and exhibitions of Chenab help customers in going through the process of search.⁴⁹⁴

4.3.1.10 Pre-Purchase Alternative Evaluation

Customers of Chenab pursue a serious evaluation when deciding upon selecting suppliers and supplies. Alternatives are generated from the information collected by primary and secondary sources. Primary sources is the record of relationship and secondary are catalogs, magazines etc.⁴⁹⁵

This process is the most pivotal in the decision making of the customers of Chenab. Customers consider certain factors like quality, price and service when selecting a new supplier.

⁴⁹² Manager, Marketing, Chenab Limited, August 2005

⁴⁹³ Manager, Marketing, Chenab Limited, August 2005

⁴⁹⁴ Manager, Marketing, Chenab Limited, August 2005

⁴⁹⁵ Manager, Marketing, Chenab Limited, August 2005

Alternative evaluation is done in two situations when the customer is dissatisfied with the existing supplier and secondly when the customer experiences a market pull or a management push.⁴⁹⁶

4.3.1.11 Purchase

As business demand is a derived demand so most of the purchase decisions of the customers of Chenab are dependant on the purchase decisions of its customers. They will have to take the product to the market when customers want to buy it. Product should be in that quantity which customers are willing to buy.

But the purchases are very well-planned by predicting the behavior of the market. Purchase also depends on the brand image of the customer. If it has the image of a sophisticated brand than it will have to take care utmost care to ensure the purchase of quality products. If it has a trendy image than it will have to take care that the products it is purchasing will help it to support this image.

The marketing strategy of a company also plays a pivotal role in making purchase decisions. For example if a company has low cost strategy it will purchase low cost products. It has a differentiation strategy than it will purchase products to fit that strategy. Chenab stimulates the purchases by developing different products to cater to the needs of the different segments of the market. It sends catalogs of its new offering to the customer to get the purchase decision in its favor.

4.3.1.12 Culture & Consumption Patterns

Culture of the target market of the customers effect their purchase patterns. Because business demand is a derived demand so customers have to take utmost care that there

⁴⁹⁶ Manager, Marketing, Chenab Limited, August 2005

purchase decisions are in line with the culture and consumptions patterns of its customers.

As the products of Chenab are public necessities. They are consumed in public and are a source of pride and class so customers of Chenab make sure that their raw materials are of good quality and they help them in creating those products which satisfy the need of their target market.

As far as consumption patterns are concerned, customers of Chenab use the products of raw materials in achieving their organizational objectives. These objectives may be achieved through processing the raw materials procured from Chenab to produce the best products or resell the products procured from Chenab ⁴⁹⁷

4.3.1.13 Consumption, Satisfaction & Disposal

Products of Chenab are consumed in such a way by its customers, which ensure the achievement of organizational goals. ⁴⁹⁸

After consumption stage of alternative evaluation in which the benefits derived from the actual choice are compared with expectations and the benefits that are foregone by making the specific choice. Customers of Chenab definitely go through this stage. They evaluate their market success and determine the role of supplies in achieving that success or failure. Chenab makes sure that it gets the information about how the customers feel at this stage by getting feedback and encouraging them to give suggestions and complaints. Disposal in the case of the customers of Chenab is done by reselling the products or processing the raw materials and getting them out to the market. That is the stage where the customers dispose of or get rid of the products. ⁴⁹⁹

⁴⁹⁷ Manager, Marketing, Chenab Limited, August 2005

⁴⁹⁸ Manager, Marketing, Chenab Limited, August 2005

⁴⁹⁹ Manager, Marketing, Chenab Limited, August 2005

4.3.2 ChenOne

4.3.2.1 Market Segmentation & Positioning

Customers of ChenOne can be divided into the following segments.

Need/Benefit	Activities	Interests	Opinions	Demographics	Competitors
Style	Studies, Social events,	Hanging out with Friends, media, shopping, food	Themselves, products, culture	18 - 30 Upper Middle class and upper class, male and female, single	Khaadi
Convenience	Committee parties, socially active	Career, Home, Family, Friends,	Social issues, Business, economic trends,	35 and above Middle and upper Middle class, urban dwellers,	Bareeze Khaadi
Unique	Work, Social events	Career, Media, Shopping,	education, future, culture	23 – 45 upper niche class urban dwellers, men and women	Khaadi
Simplicity and elegance	Tea parties, family outings	Career, Media, Shopping	Social issues, themselves, culture	25-50 women, upper class, working and housewives	Khaadi
Home Decor	Family, work, children, Self care	Fashion, shopping, media	Healthy food, latest market trends	30 and above, women, upper class, income Rs.80,000plus	Khaadi Bareeze

Source: Pakistan Economist, August 2005

Figure 4.18: AIOD Framework (ChenOne)

ChenOne satisfies the need of style of its customers through its trendy products. Products are made according to the latest fashion. Young people with interests like hanging out

and shopping are the extensive users of this type of products. Khaadi also satisfies the same need so it is a direct competitor of ChenOne.

Products of ChenOne are also very convenient to use. Customers don't have to take the headache of buying the best cloth then design it and get it stitched and ensuring quality at the same time. ChenOne does all this for its customers in order to provide ease to them.

Products of ChenOne are also different from other products. They are manufactured from the best cotton. Designing is according to the latest trends. Using the products creates uniqueness in the user. People with age between 23-45 can satisfy their need for distinctiveness in this way. ChenOne faces competition from Khaadi in satisfying this need of its customers because products of Khaadi are also known for distinctiveness.⁵⁰⁰

Products of ChenOne are unique yet simple and graceful. So people who want to look sophisticated without being over with embroidery can use the products of ChenOne. Mostly people with the age between 25-50 want this type of products who have a busy social life.

It also helps its customers in decorating their homes in a different and elegant way. Home textiles of ChenOne are very popular among the customers. They constitute the maximum portion of the sales of Chenab. Women of upper class both working and house wives satisfy their need of decorating their home by the products of ChenOne.⁵⁰¹

Following are the attributes attached to the brand ChenOne. These are the attributes which make ChenOne stand out in the consumer's perceptions against other brands.

1. Brand image
2. Differentiation

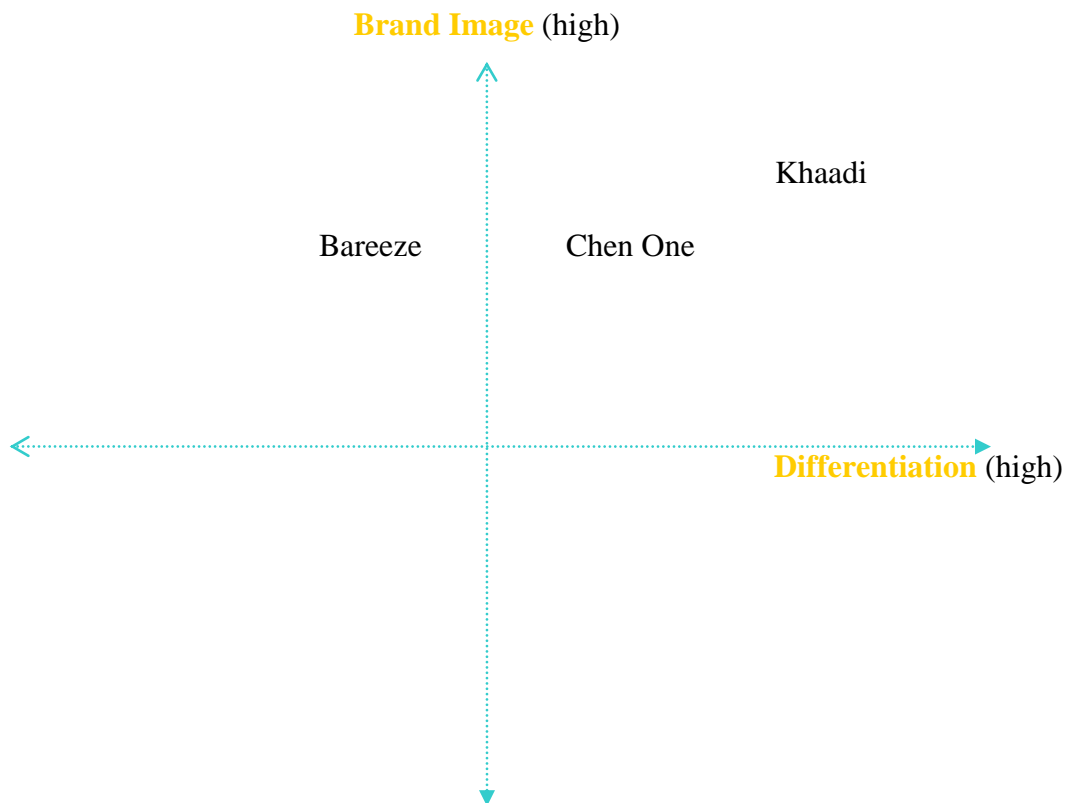
⁵⁰⁰ Source: Pakistan Economist, August 2005

⁵⁰¹ Source: Pakistan Economist, August 2005

3. Quality
4. Prestige
5. Convenience
6. Exclusivity
7. Design/prints

Perceptual Maps

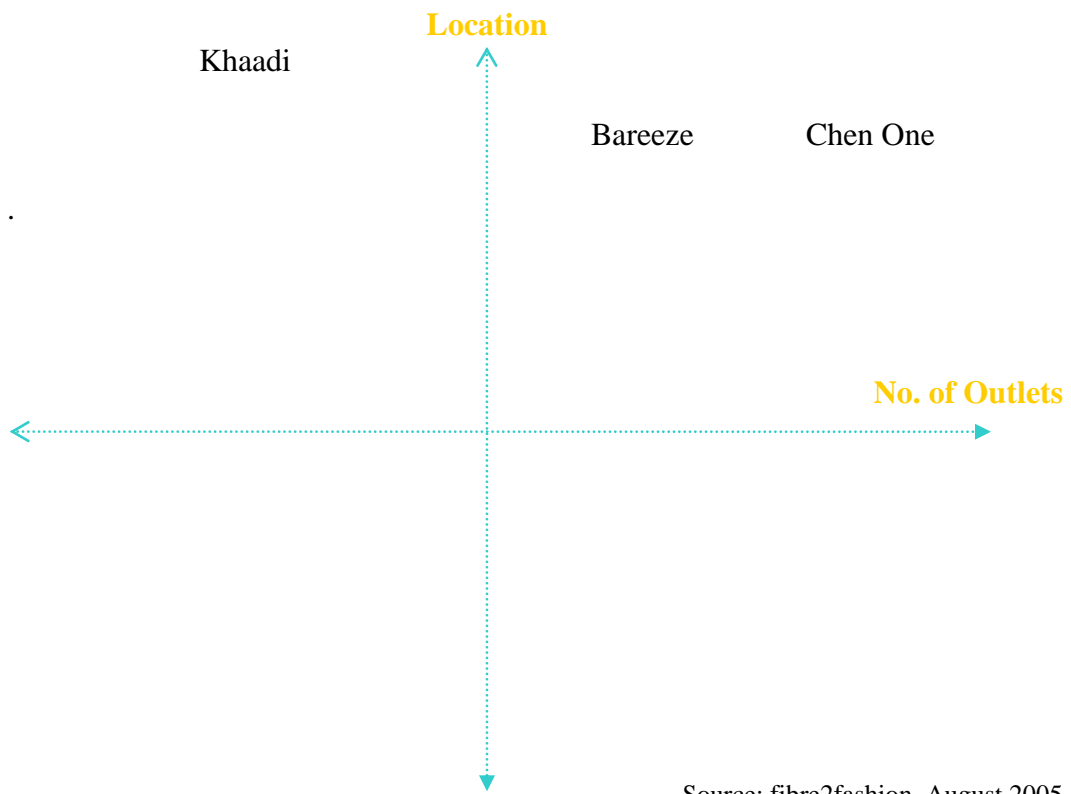
ChenOne has a good brand image but it comes after Khaadi. It has differentiated itself from its competitors. But Khaadi is better than ChenOne on both the aspects. ChenOne has to work on its brand image and exclusivity which is the key to success for a fashion store like ChenOne.



Source: fibre2fashion, August 2005

Figure 4.19 : Perceptual Map1: Brand Image/ Differentiation (Retail Market)

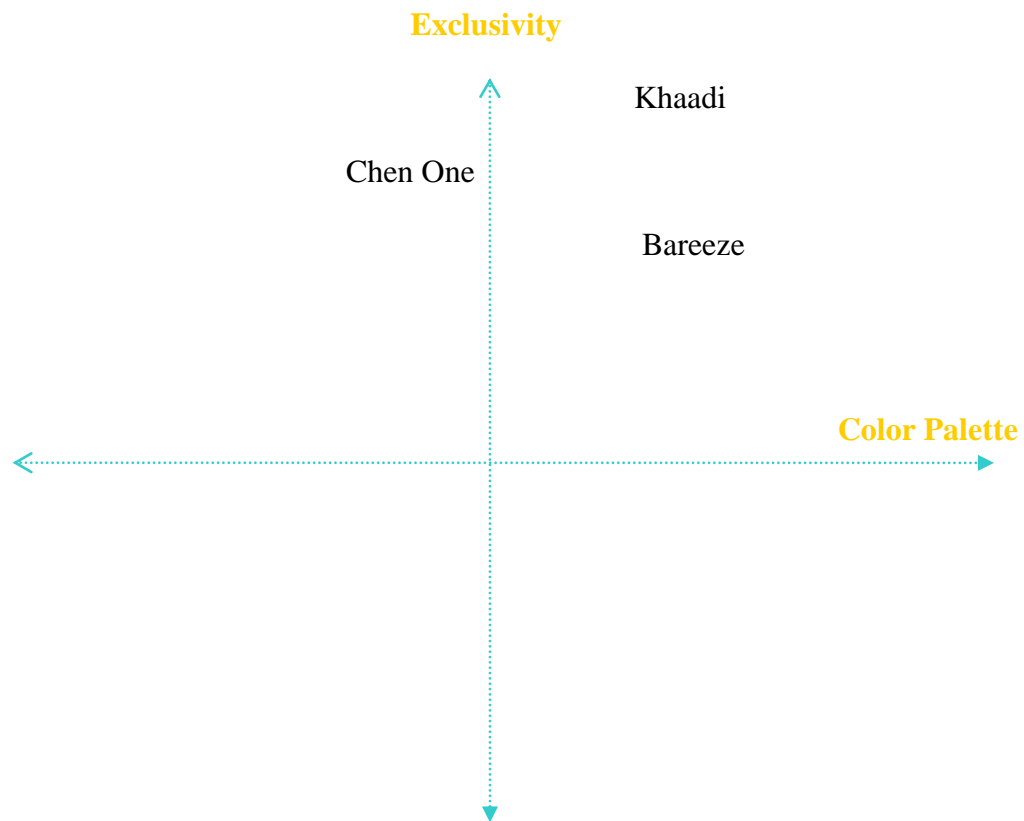
ChenOne has the greatest number of outlets than any other fashion store in Pakistan. It has around 15 outlets. Location of outlets is also good but not comparable to Khaadi. Khaadi has opened its outlets at key locations in Karachi, Lahore and Islamabad. Bareeze has a good distribution network and the location is same as ChenOne.



Source: fibre2fashion, August 2005

Figure 4.20: Perceptual Map2: Location/ No. of Outlets(Retail Market)

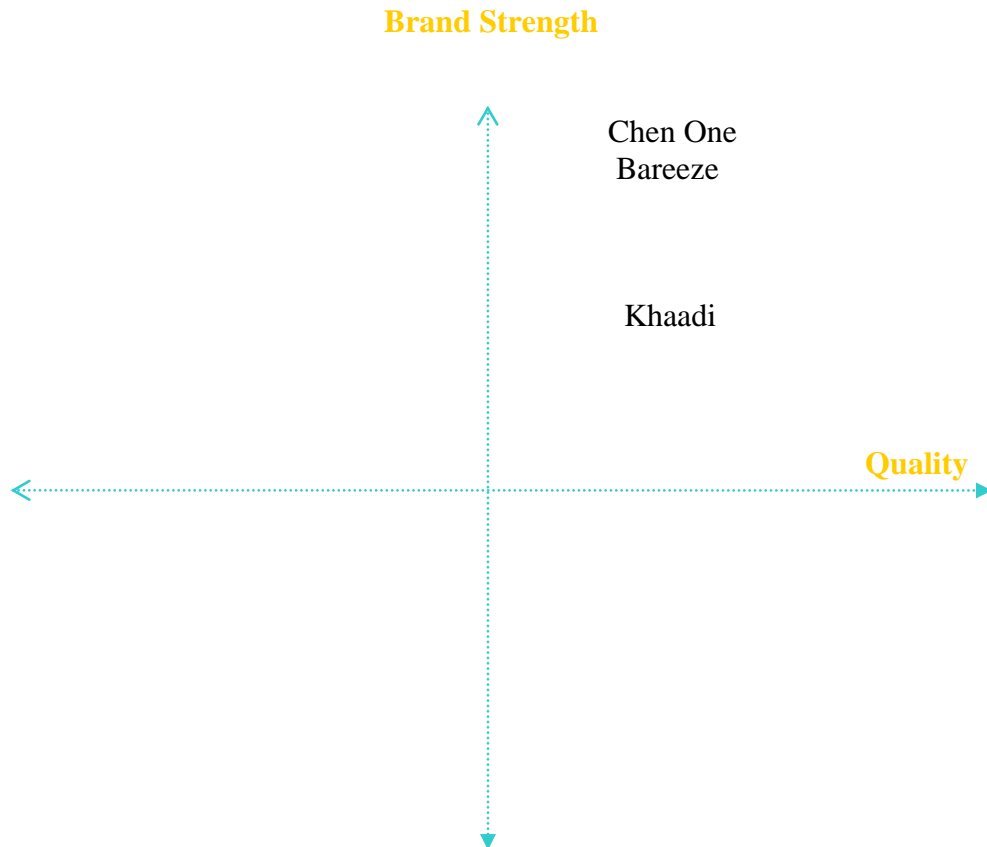
ChenOne has positioned itself as an exclusive store which is only for upper class. But the perceptual below shows that it has not been very successful in doing that. Khaadi has an exclusive in the minds of consumers because its products, store environment and everything that it is a part of the complete package offered by Khaadi is in one or the way more distinctive than ChenOne or Bareeze. Both Bareeze and Khaadi have a better color Palette than ChenOne.



Source: fibre2fashion, August 2005

Figure 4.21: Perceptual Map3: Exclusivity/ Color Palette (Retail Market)

ChenOne has the highest brand strength. This is attributable to the number of its outlets and also to the very good promotion of the brand name. It has the greatest brand awareness. On the hand all of the three brands provide the same level of quality i.e. the best quality in town.



Source: fibre2fashion, August 2005

Figure 4.22: Perceptual Map4: Brand Strength/ Quality (Retail Market)

4.3.2.2 Attitudes

Attitudes are built on beliefs and feeling. ChenOne one of the most famous Pakistani Home Textile and Garments retailer linked with Chenab Textiles. It is perceived by the consumers of Pakistan as being a very high quality provider and as a result making it affordable to the upper class/ elite of Pakistan. It has a global presence and considered as a family store providing maximum services on stop. The staff is highly trained and well mannered hence enhancing the image of the store. Due to its presence in other areas of the world it is likable mostly to the Pakistani's overseas. The quality is perceived to be consistent throughout the world. The overall image of ChenOne is a positive one, i.e. quality wise it is one of the best Textile & Garment retailer. ⁵⁰²

ChenOne is the retailer to be a provider of international quality. The products are trendy and are matched with the trends of the market. The store environment is very good and gives an impression of one of world's top class stores.

4.3.2.3 Motivation & Self-Concept

ChenOne is the need fulfiller of the upper class but it does not have the niche in any specific segment. It serves the hedonic and utilitarian needs of this class. It fulfills the needs from the trendy youngsters to the image conscious elders. Another one of the advantages of ChenOne is that the store provides high class, export quality products at competitive prices, making it more attractive to the local consumers. ⁵⁰³

Products of ChenOne are high involvement because as they are priced higher than many ordinary outlets in and outside Pakistan. Although garments and home textiles are considered to be low involvement but the prices of the products of ChenOne make them high involvement. Because of high involvement customers take considerable in buying

⁵⁰² Manager, Marketing, ChenOne, August 2005

⁵⁰³ Manager, Marketing, ChenOne, August 2005

from ChenOne. They make sure that they are not buying that product which is available at a lower price in another store.

Customers of ChenOne are very fashion conscious and want to keep a sophisticated image. That is why whenever there is a shift in fashion. They are motivated to visit ChenOne stores and get acquainted with the latest market trends to make themselves an ideal self.⁵⁰⁴

4.3.2.4 Social Class & Status

Class culture is very strong in Pakistan. Upper class is viewed as the most honorable class. Resources are a source of respect and pride. That is why everyone tries to look more than its class.

ChenOne is the store for the elite. It is perfect for those with a need of maintaining a considerable high social status. Although everyone wants it but some can afford it. The products of ChenOne are positioned for the upper class of Pakistan. They are exclusive stores and everyone cannot afford to buy their products.

Because of the sophisticated image of ChenOne everyone wants to own it. Upper class wants to own it to do justice with its status while people of middle class want to buy it to be seen one in the upper class.

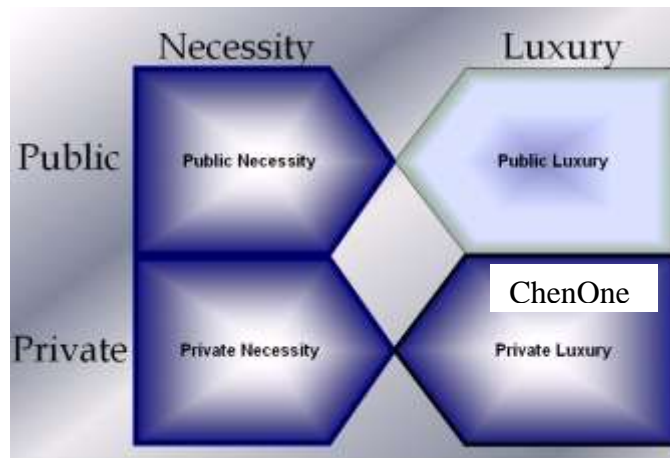
4.3.2.5 Personal Influences

Customers of ChenOne also take into account personal influences while making purchases. Because products of ChenOne are public luxury so customers try to incorporate the influences into their purchases to look high class and like people of their reference groups.⁵⁰⁵

⁵⁰⁴ Manager, Marketing, ChenOne, August 2005

⁵⁰⁵ Manager, Marketing, ChenOne, August 2005

Products of ChenOne are a public luxury because when you wear them or use them in your homes they are visible to other people and play a role in formulating their opinion about you. They are luxury because they have high price, exclusive quality and high involvement products. They are expensive then most of their lower category substitutes. Because ChenOne is a choice of upper and sophisticated class. This class is used as a reference group so other classes are influenced by them. Billboards and print advertisements of ChenOne also show top models which are a source of influence for its target market.



Source: Manager, Marketing, ChenOne, August 2005

Fig 4.23 : Reference Group Influence Matrix (ChenOne)

4.3.2.6 Family & Household Influence

Family exerts limited influence on the customers of ChenOne. Because the products of ChenOne are of individual use and for upper class so there is no family influence before the purchase. Before the purchase family members are not consulted as it is a norm for the upper class. But as ChenOne is a family store so the whole family goes out for shopping. At the time of purchase family members may take opinion from each other about designing and fitting of the garments.⁵⁰⁶

⁵⁰⁶ Manager, Marketing, ChenOne, August 2005

In case of home textiles the decision is specifically of females there is no family influence even at the time of purchase.

4.3.2.7 Situational Influences

Customers of ChenOne may face different situations when they have to make their purchases. Sometimes purchase is made for personal use. In other situations it is purchased for someone else's use.

When purchase is made for own use than care is taken how the product is going to be used. Is it a formal party or an informal form of a gathering. ChenOne carries both the categories of garments. Another situation could be when the purchase has to be made for personal use at home. As the products are targeted to the upper class so they are also very conscious about those products which are comparatively less likely to be seen or observed by other people. They want perfection in everything.⁵⁰⁷

In situation where the product is to be purchased for someone else personal factors play don't play a big role. Customers take care that the person who has to consume the product is in picture. The product is according his/her needs and requirements. The product should be trendy, classy or unique.⁵⁰⁸

4.3.2.8 Decision Processes

ChenOne is the preferred choice of the customers of ChenOne. Because the products of ChenOne are customized according to the requirements of the upper class so customers come back again and again to find a product they are looking for.

⁵⁰⁷ Manager, Marketing, ChenOne, August 2005

⁵⁰⁸ Manager, Marketing, ChenOne, August 2005

ChenOne incorporates customer's feedback in its products. It has complete profiles of all its customers. Their tastes and preferences are in record. All the products are fit for their use. So the customers don't have to consider other alternatives with ChenOne.⁵⁰⁹

ChenOne also has strong customer retention techniques. Members of the prestige club get exclusive services which are mentioned before in Chapter while discussing the profile of ChenOne

4.3.2.9 Need Recognition & Search

Customers of ChenOne recognize need when they want to go to a party, see a new fashion trend or want to change the setting of their home. In all these instances ChenOne is the number choice because it fulfills their needs in the best possible manner under one roof.

Customers of ChenOne can also recognize need when they see the catalog of the products of ChenOne at their home. They will find several products that they think they want as soon as they see them.⁵¹⁰

4.3.2.10 Pre-Purchase Alternative Evaluation

As ChenOne has targeted the upper class so mostly the evaluation criteria is quality, designing and variety.

Purchase situation also decides the evaluation criterion that has to be used. For example if the products are to be purchased for use in future than you can wait for better products. Purchase is only made if something of high class exclusivity is there which will not be available in future. ChenOne tries to stand out in all these aspects.

⁵⁰⁹ Manager, Marketing, ChenOne, August 2005

⁵¹⁰ Manager, Marketing, ChenOne, August 2005

4.3.2.11 Purchase

When customers come to the purchase the products of their choice they find an environment of international standards. Sales staff is there to help them in making decisions and satisfy their need in the best possible way.⁵¹¹

Customers purchase the products by comparisons with products at other stores. They decide whether they want the product now or can wait for the price discounts that are expected at the end of the season. Mostly this sort of evaluation at the time of purchase is made by people of upper middle class.⁵¹²

4.3.2.12 Culture & Consumption Patterns

Customers of ChenOne do shopping on a seasonal basis and in between whenever a need arises like going to a party. They like eastern touch and style amalgamated in one product. ChenOne has stores in Muslim countries only so it has to take care that its products are in line with Islamic traditions as well as in line with the latest trends of the market.⁵¹³

ChenOne has positioned itself as a trendy brand and eastern culture is depicted in the prints and designing of the garments and home textiles.

There is no compromise on quality so that the products can be used for a long period. Safety requirements are written on every product so that they don't get damaged from for example strong detergents or intense sunlight.⁵¹⁴

⁵¹¹ Manager, Marketing, ChenOne, August 2005

⁵¹² Manager, Marketing, ChenOne, August 2005

⁵¹³ Manager, Marketing, ChenOne, August 2005

⁵¹⁴ Manager, Marketing, ChenOne, August 2005

4.3.2.13 Consumption, Satisfaction & Disposal

Customers use ChenOne products both at home and outside. They use them for personal use and also as a gift. So the products of ChenOne have multiple uses. Some of these products are consumed for long like curtains while others are used for a short period of time like garments.⁵¹⁵

Customers of ChenOne do post purchase evaluation of the brand and ChenOne encourages them to share their views, suggestions and complaints to make improvements. Customers are satisfied most of the time which is evident from the membership of the prestige club. In a very short period of time ChenOne prestige club has got 6000 memberships. They are permanent customers of ChenOne and a source of positive word of mouth.⁵¹⁶

⁵¹⁵ Manager, Marketing, ChenOne, August 2005

⁵¹⁶ Manager, Marketing, ChenOne, August 2005

CONCLUSION

Through all the analysis presented in the previous chapter the researcher concludes that H_1 proves to be right. Chenab is a vertically integrated company. It has up-to-date technology. It has the best human resource. Infrastructure is not up to the mark as it should be but it is also comparable to its competitors. Its procurement function is very good. It gets the best supplies and machinery. Its employees are more capable and competent than the employees of its competitors. ChenOne shares the same characteristics.

The analysis presented also proves H_2 to be right. Chenab and Gul Ahmed prove to be on top in terms of BPI, BAV and they also have the maximum share of the export market which means that these two brands are the brand of choice in their industry. In the retail market same trend is noted. ChenOne has the maximum BPI and BAV and also the greatest market share. From this it is evident that ChenOne is the brand of choice in the retail market.

H_3 proves to be wrong because business buyers are so well-informed that it is not at all difficult to position business products. Business buyers are few so it is easy to position business products in their mind. It is easy to do their personality analysis because this information is very public that what the differentiating traits of a company are. Business buying is very professional. It is easy to make business people understand your point of view. You are not confused that whether your message has reached your target market or not. Because business buyers are so well-informed that each and every move of yours is noticed. Customers of Chenab also show the same trait.

It can be said that B2B markets of Pakistan share several characteristics with B2B markets that exist in the west.

But there are specific differences between B2B and B2C that have been revealed by this research which do not exist in the literature that we have. And there are some differences which are not justified by this research but are found in the work that has already been done on business marketing.

Reasons of these results could be the dissimilarity of various environmental factors. Pakistan's political, economic, social and technological setup is totally different from that of the west. Pakistani environment is characterized by political instability, low labor costs, lack of research culture and technology resistant.

Other reason could be the Information Technology. The Internet along with IT has completely changed the life of individuals and businesses. It has outdated the previous successful practices of businesses. Businesses need to discover new strategies in order to be successful today not only in Pakistan but all over the world.

More research needs to be done to replace the findings that have been outdated by the recent changes in the world. Research specific to certain environmental factors should also be done to make the studies more useful to business marketers

RECOMMENDATIONS

I observed a lot of strength and weaknesses in the Chenab Limited. No doubt now a days Chenab Limited is in a good position as before but still there is need to improve its performance. Now there is age of competition, every one is trying to perform well to attain the maximum economic benefits. On the basis of my research, following are some suggestions for the improvement of Chenab Limited and especially the Marketing Department of Chenab Limited

There is centralization in Chenab Limited and CEO is the only person to take each and every final decision, in case of urgent decisions complications arise, moreover, a single person cannot claim make perfect decisions. Therefore it is suggested that there should be a committee to take all the decisions under the supervision of CEO.

The same employees of marketing department are doing execution of orders and marketing. It is recommended that there should be two different departments. For marketing there should be a separate department and the existing department should be responsible only for the execution and completion of orders. No doubt, it will contribute a lot towards the business.

Presently the concept of E-Commerce is affecting every field of life. Although Chenab Limited has most of its inter organizational systems computerized and the functions of the Marketing Department have been facilitated with internet. But still there is a lot of potential to get more advantages of this technology. A data base may be developed from where the customers can check the status of their orders. It will not only satisfy the customers but will also reduce the cost.

Special incentives should be provided to the employees to maintain and to improve their performance.

Recruitment should be strictly on merit basis rather on reference basis so that competent minds may be included in the working force.

There should be proper training program in which more focus should be on the training in the department in which trainee is expected to be appointed.

Proper planning should be done to face the competition which will be faced in the WTO regime. For this purpose there should be more focus on the quality of the products and not their quantity.

Inter departmental system should be introduced, in which all the departments of Chenab Limited are connected through computer network. From this facility the working will be smooth as well as fast.

Working environment, equipment, furniture and staff dressing in all departments and especially the marketing department should be according to the ISO requirements.

Bureaucratic pressure influences the structure of the organization. Here by bureaucratic pressure means the unnecessary pressure by the top management. To make the working environment pleasure able, reduction of this pressure is compulsory.

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