



Unit 6 Current Management and Marketing of T&C Industries in a Global Environment

Lecture 6 .4 T&C Value Chains and Niche markets

D 2.1 Training toolkit and e-book

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Lecture 6.4

T&C Value Chains and Niche markets

Understand T&C value chains, their evolution and how to build or rebuild them

Understand niche markets, identify them in T&C and build strategies to exploit them

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Objectives of this course

- **Discover and understand the value chains of the Textile & Clothing (T&C) Industry, their complexity, the issues and trends affecting them and how to exploit their possible gaps**
- **Discover and understand the opportunities offered by niche markets in T&C and learn strategies to exploit them**

Lecture 6.4

T&C Value Chains and Niche markets – Value Chains

The textile & clothing industry value chain

The value chain incorporates not only the physical processes, such as farms and factories, but also the business models and the way products are designed, promoted and offered to consumers. These non-manufacturing activities, including design, marketing, retailing, advertising and publishing, to a large degree determine the way textile products are produced and consumed.

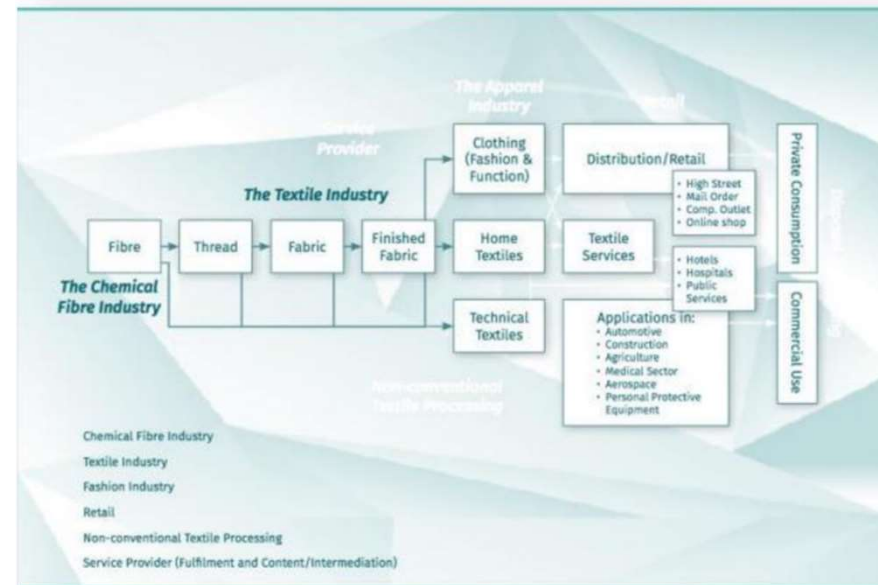


Figure 1. The textile industry (Source: European Textile Technology Platform (www.textile-platform.eu))

T&C Value Chains components

Value chain stakeholders

The actors and stakeholders of the textile value chain are defined as all individuals and entities that provide or receive value from designing, making, distributing, retailing or consuming a textile product (or providing the function that a textile product offers), including procuring raw materials, as well as the activities and parties involved with the textile after its useful service life has ended.

Value chain steps

- Fibre production
- Thread / Yarn
- Fabric production / treatment
 - Weaving – Knitting
 - Dying – Printing
 - Finishing
- Clothing
 - Design
 - Cut, Make and Trim
 - Assembling
 - Packaging
- Distribution, Maintenance, Upcycling, Recycling...

Challenges T&C Value Chains face ^{1/2}

Environmental footprint

Major environmental effects of the textile & clothing industry

- discharge of high amounts of harmful chemical loads
- high consumption of water
- 1/5 of water pollution in the world,
- high energy consumption in **production** processes
- air emissions

Social & Human Rights issues

Complexity and opacity of value chains allows:

- child labor
- unsafe working conditions
- forms of modern slavery

Challenges T&C Value Chains face ^{2/2}

GLOBALISATION

Impact in Europe

T&C Industry has been the first exposed to this change which had as consequences to break value chains in a lot of regions and countries provoking big losses of competitiveness of the remaining parts of the value chain, which have been notably been revealed by the problems of procurement of strategic T&C products during the recent Covid crisis.

Impact in Tunisia

T&C in Tunisia benefited from globalization in its first years but has suffered from it after 2000.

But T&C in Tunisia keeps a strong place in the global and European market.

Tunisia is among the top 15 **garment** suppliers in the world and has the advantage of being close to the European **market**.

Greek/EU cotton value chain case

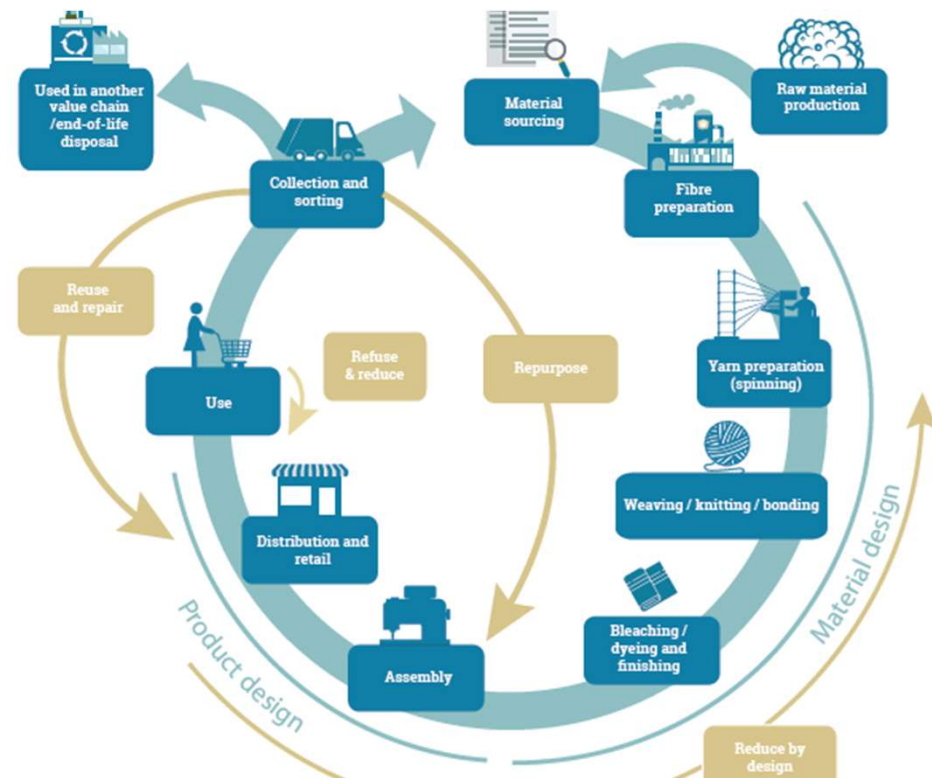
- Globalization has broken in the late 90's the before that flourishing Greek cotton value chain, due to the drastic reduction of all local cotton spinning, weaving and knitting capacities; as a result more than 90% of the Greek cotton is exported as a raw material (in bales) to be transformed elsewhere.
- At the same time cotton production reduced its use of fertilizers, water and energy and improved the working conditions of farmers, provoking a regain of interest for Greek cotton from European brands engaged in sustainable production, but it proved difficult for them to get cotton of certified Greek origin to make clothes with
- Responding to this new demand the TCBL project demonstrated that it is possible to rebuild the value chain: a ginning manufacture, a yarn producer, a knitting company and a luxurious apparel brand cooperated to create a unique natural and product entirely made in Greece
- The case demonstrated this is possible; however its deployment at a larger scale has been difficult; but this gave inspiration to other local initiatives and to an initiative, in Romania, to try to rebuild a hemp value chain.
- For Tunisia where there is a lack of raw materials for T&C the selection of durable raw materials coming from neighbouring Mediterranean or European countries is an option to build a T&C value chain allowing Tunisian products to claim a EuroMed origin, which could provide the Tunisian T&C products an additional attractivity and competitiveness for EU brands and consumers looking for more sustainability and products produced by closer to them value chains.

Lecture 6.4

From a linear to a circular industry: towards circular T&C value chains

The aim of circularity is to shift the “take make-dispose” linear value chain into a circular system, where materials are not lost after use but remain in the economy, circulating as long as possible at the highest possible value.

T&C Value Chains and Niche markets – Value Chains



The Future value chains & industry 4.0 (1/3)

Definition

The term “industry 4.0” stands for the fourth industry). It stands for the technical integration of so-called cyber-physical systems (CPS) into production and logistics, the use of the Internet in industrial processes, and the consequences this has for the value-added chain, new business models, and further processing and services.

Impact on Value Chains

- Horizontal integration along the value-added networks,
- Digital permeability of engineering along the whole value-added chain, and
- Vertical integration and cross-linked production systems.

The Future value chains & industry 4.0 (2/3)

Perspectives offered by digital printing

- **Sustainable print Market Demand:** Sustainable wear is the new USP that everyone wants to tap into.
- **Extensive design possibilities:** With ideal textile design software, the design possibilities are almost endless.
- **Low Capital Investment:** installing a digital textile printing facility requires much smaller space and resources.
- **Fast Sampling and Print on-demand:** . It is a print-on-demand business model.
- **Less Wastage:** there is no loss of ink for a customized and tailored made production.

Other digital technologies contribution

- RFID technology will be systematically used to build systems aimed at automatic identification of tagged objects.
- Automation of the Supply chain will be improved by implementing QR systems.
- Agile supply chain solution will develop
- Enhanced capabilities will be obtaining through cloud solutions
- At the product side Wearable Technology will allow to add new functionalities to clothes

The Future value chains & industry 4.0

(3/4)

Examples of further cases of textile industry 4.0

Social networks can be described and analyzed in terms of their diverse characteristics (how many people or organizations belong to a network, how well the members of the network know each other, and how equal their relationships are).

The tools of electronic social media, such as Facebook and Twitter, can be used to track, support, create, and mobilize social networks; these tools have significant potential to enhance community engagement efforts.

Industry 4.0 will lead to the virtualization and modularization of production process and supply chain.

It will help achieving flexibility and personalization of production based on CPS with ERP, MES, PLM, SCM and other software systems.

CPS can monitor the production process and realize decentralized decision-making and self-optimize.

Moving towards sustainable and circular textiles

Moving towards sustainable and circular textiles will require transformations at each stage in the value chain, involving players of all sizes and market segments.

The use of hazardous substances in textile processing must be eliminated, and resources will have to be used much more efficiently, with a shift away from fossil fuels towards renewable sources of energy and materials.

Sustainable and circular textiles will require new ways of doing business, but will deliver an industry that benefits business, society and the environment.

Niche markets definition

- Niche = an opportunity for a business to offer a product or service that is not offered by other businesses
- Kotler on Niche market:
 - customers have a distinct set of needs and are ready to pay a premium price to a firm that satisfies their needs
 - Economies are made from specialization
 - Market with growth, size and profit potential
 - No competition at first

Niche marketing

Two approaches:

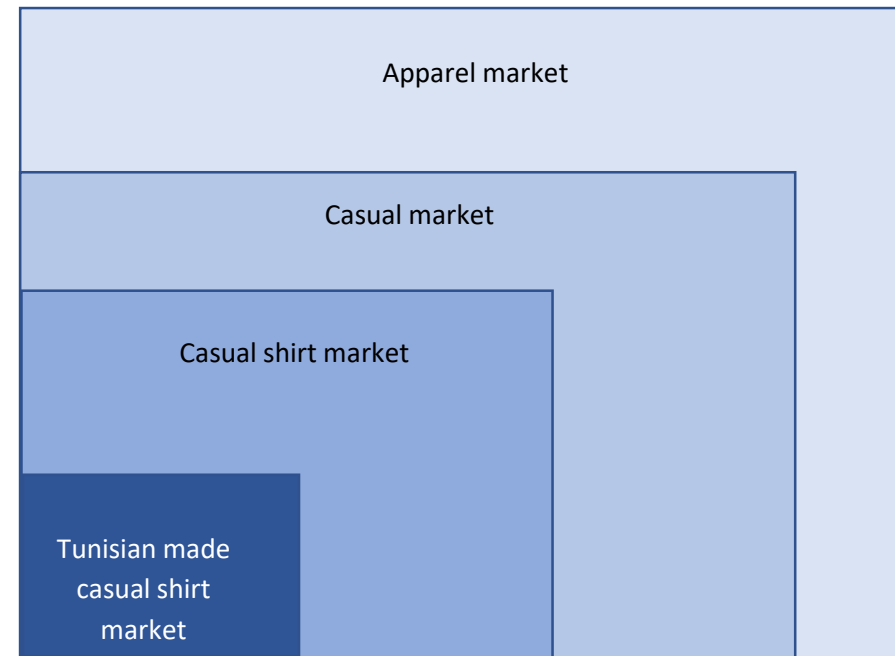
- bottom-up creative process done to match a unique customer need and from there build a larger customer base
- niche marketing is the final stage of a segmentation process : segmentation, targeting, positioning and niching

Market segmentation

A market segment is a set of people sharing common characteristics, what to look for:

- Demographic criteria
- Socio-economic criteria
- Geographic criteria
- Psychographic criteria
- Consumer behavior

Market segmentation example on the apparel segment



Parrish niche strategies for T&C

- Pull marketing strategy:

Read the market and find customer needs that are not satisfied -> create a product or service -> create a niche

- Typical for downstream companies

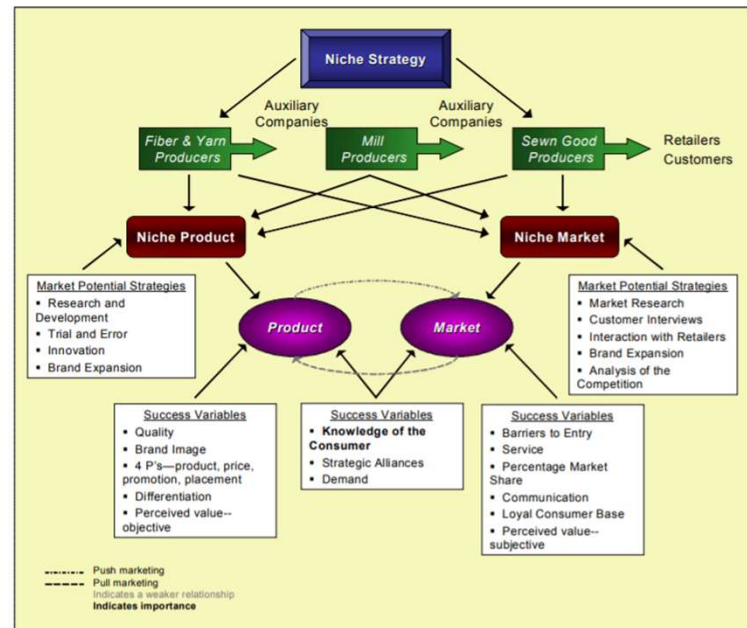
- Push marketing strategy:

Create a unique product through innovation & technology -> put that product on different market segments -> create a niche

- Typical for upstream companies

At some point in time all companies use both !

Parrish niche strategies for T&C



Pros of Niches

- **Profit**
- **High barrier to entry for competitors***
- **Active and loyal customer base**

Important for firms that try to survive in a competitive market or for newcomers on a large market

***Putting these high barriers through intellectual property protection is a must !!!**

Cons of niches

- Change in consumer preferences
- Attractive niche -> Incoming competitors
- Price war -> end of niche
- Cannibalization : new products « eating » previous one
- Size : is it sustainable?

What's a good niche?

Kotler says:

- Customers have a distinctive set of needs
- Customers will pay a premium price to satisfy these needs
- The niche is not likely to attract other competitors
- The firm gains economies through specialization
- The niche has size, growth and profit potential

How to find success in a niche ?

Dalgic's guidelines:

- Invest in technologies that helps you know your customer and your niche
- Know your SWOT and the one of your competitors
- Protect your technologies, put high barriers to entry
- Look for other niches with potential synergy and efficiency gains
- Avoid cannibalization

Successful niche strategies

VEJA: Push marketing

- Absolute green niche: transparency in the value chain, agro-ecological sneakers. Developement of vegan leather and other synergetic textiles

The Undress : Pull marketing

- Active women have difficulties in changing clothes -> Answer the need, creates a dress, scales and finances the production through crowdfunding

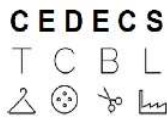
Conclusion

- Any marketing and strategic management approach implies a good understanding of the value chain involved in the production and distribution of the goods to be produced and distributed.
- This is even stronger for T&C where the value chain is complex, has opacity, is submitted to a lot of constraints and challenges and has to solve some gaps
- Identify niche markets in a value chain and be able to find the means and notably the technologic and social innovations which will help and boost their exploitation is a potentially very profitable challenge
- Analyzing and combining value chain knowledge and a niche market approach is a promising method for any current or future manager of any T&C business

The partners



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UPC - Universitat Politècnica de Catalunya
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