Decline of Small Brands of Apparels in India: Factors That Influence Buying Behavior

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Abstract

Economical success or failure of brands is not an outcome of one or two random variables, but it depends on the success of carefully planned and implemented array of marketing programs. This paper aims to study the variables and factors, which play important role in performance of small brands of clothing. In developing countries like India, small brands face more challenges than big brands. Marketers need to understand the factors or attributes, which are valued by consumers and then provide better value than competitors. Primary data has been collected from different channel partners like retailers, distributors and wholesalers. Questions related to customer satisfaction, perceived quality, price, training and support to channel partners, terms and conditions of sales and payments and replenishment policies have been asked. Factor analysis and confirmatory factor analysis has been used to group correlated variables or attributes and identify underlying dimensions. It is found that the marketing programs designed by the declined brands were not suitable and were inappropriate. Studied brands have been rated low on customers' perception of quality, price, durability, variety and availability. Results, findings and recommendations of the study can be helpful to entrepreneurs, managers, strategist and academicians to understand Indian branded apparel market.

Keywords: *Apparels, Decline of brands, Factor analysis, Small brands.*

1. Introduction

Role of small brands is very important in development of countries' economy and industries. Through technological innovations, new entrepreneurs and small companies introduce new technologies and innovative products (Acs and Audretsch, 1990). Clothing sector is one of the prominent sectors in India. It provides employment to a large number of skilled and non-skilled workers. Clothing industry also has significant contribution in Gross Domestic Product (GDP) of India. Because of Liberalization, Privatization and Globalization (LPG), Indian economy has been experiencing a change in employment level, lifestyle and demand pattern. Demand for branded products has increased significantly during past twenty years. In apparel segment, demand has been shifting from unstitched to readymade and from unbranded to branded. More importantly, this growth in demand for branded readymade garments is being experienced across all the income segments. This means growth in demand across different price levels. Entrepreneurs in India, assessed this opportunity and launched their own, home-grown brands

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of apparels. In India, rapid emergence of quality-sensitive market for branded apparels like jeans, trousers, T-shirts and shirts has also facilitated entry of established companies into branded clothing business (Ramaswamy and Gereffi, 2000). While established players in clothing industry and big business houses had enough resources to invest in plants, machinery, inventories, supply chain and promotion and branding, new and small entrepreneurs lacked resources and in some cases, experience too. These micro and small enterprises started operations in small scale and targeted few customer segments with regional approach. Some of these small brands flourished with time and grew to be national brands, while some others could not acquire and retain a significant number of customers. Customer retention is important for brands' growth as the cost of acquiring new customers is up to six times higher than the cost of retaining existing customers (Rosenberg and Czepiel, 1983). A large number of loyal consumer base also helps companies to grow as it provides companies with the valuable time to respond to competitors actions (Aaker, 1991). It is also observed that some brands grew initially but failed to maintain their market position and declined gradually. Growth and decline of brands have been crucial for marketers as it has financial implications on the company and is important for survival of a marketer. It has been established through researches that marketers' understanding of consumers' preferences significantly influence performance of brands.

The objective of this paper is to identify the attributes which play important role in economical success of clothing brands. The study also aims to conduct factor analysis and find relative importance of different factors for clothing brands. The paper also determines the marketing programs, which are not appropriate for small brands of clothing and could lead to decline of brands.

2. Literature Review

Small brands' role is critical for market contestability. Being source of competition, new entrepreneurial ventures help customers in getting better products at competitive prices (You, 1995). However, the threat of small new entrants is not very prominent because these small firms operate on small scale and many disappear from the markets afterwards (Geroski, 1995). It has also been observed that individuals start small business as a last option rather than as first choice (Beck et al., 2005). Micro and small companies are dependent on owners' funds for financial requirements. These entrepreneurs have low access to formal capital markets (Leff, 1979). For further expansion of business, these companies rely on funds from friends, relatives or other informal sources of financing (Kozan et al., 2006). Small brands face formidable challenges and find it difficult to grow or survive in competitive markets. As a result, entry of large companies into new business is more common than growth of small companies (Van Biesebroeck, 2005). In developing countries, some of the most important challenges for small brands are limited financial resources, poor infrastructure, cost of transportation, lack of suitable management resources and sometimes the desire to stay small and informal to avoid taxes and other formalities (Little, 1987). Though, the desire to stay small cannot be generalized for all micro and small enterprises; there are some high aspirations and some low aspirations entrepreneurs (Autio, 2008) and the growth prospects of the brand might also depend on the entrepreneurs aspirations to grow. Brands, which acquire a significant number of new customers and lose customers on a normal rate, tend to grow, while the brands which lose customers at more than normal rate and fail to attract substantial number of new customers decline on medium to long-term (Riebe et al., 2002). Customers tend to switch brands in case of breakdown of trust, poor performance by band or when marketer fails to reinforce consumer commitment or fails to keep promises (Fournier, 1998). Brands, which are market leader, have more stable brand loyalty (Dekimpe et al., 1997).

Marketers of branded apparels are tending to outsource production and are focusing more on design and marketing of products (Ramaswamy and Gereffi, 2000). In order to grow and survive in competitive market, the brands must listen to their customers and should be in a state of constant renewal. Customer feedback is very important and must be considered by the marketers for improvement in goods and services (Gerzema and Lebar, 2008). Big companies having more products in their product line and multiple brands also take the advantage of emergent market opportunities and can respond quickly with new offerings to any change or evolutions in market. Multiple offerings also provide opportunity to manage conflicting channels and categories (Keller and Lehmann, 2006). Brand personality also plays important role in customer satisfaction and further brand performance as some researchers suggest that the customer satisfaction is influenced by the expectations built by the brand by projecting a brand image (Aaker *et al.*, 2004).

Role of small brands is important in inclusive growth of a country, employment generation, economic development and for idealistic market conditions. Clothing, being one of the largest product categories, significantly influences society and lifestyle in India. Consequently, it is important to determine the factors which influence performance of small brands of clothing. Brand performance largely depends on the marketers understanding of the market, design of marketing programs and their effective implementation. Effective marketing programs cannot be generalized and should be formulated according to the type of industry, size of the company, target segment of customers and many other factors. While the study of brands which grew, provides valuable inputs to get the insight of the industry, study of brands which declined, also contributes in having better understanding of the factors which could be more important for small brands of clothing. This study could also be helpful in identifying the mistakes, which should be avoided, and the factors, which are crucial and cannot be ignored for small brands.

3. Research Methodology

A comprehensive study has been conducted to explore and analyze various aspects of decline of small brands of clothing in India. Brands which have evolved during last twenty years, had regional presence or limited product categories, low investments in plant (up to Indian Rupees five crore) and promotions at the time of inception have been considered for the study. Sales has been used as a determinant to evaluate effectiveness of marketing programs as the primary payoff from customers thoughts, feelings and perceptions is the purchase they make (Keller and Lehmann, 2006). Structured interview has been used to collect primary data from fifty six channel partners (Dealers, distributors, multi-brand retailers, exclusive stores, franchise outlets etc.) of chosen brands of apparels. For this, a questionnaire has been used, in which, questions related to channel partners' perception of marketer's support, promotions, sales promotion activities, employees' training, investments, replenishment policies, designs, supply chain, customers' perception of quality, price, durability and satisfaction have been asked. Exploratory as well as confirmatory factor analysis has been used for data reduction and to bring inter correlated variables together under one factor. Table 1 exhibits construction of scale and different indicators along with the sources.

<div align="center">**Table 1: Indicators and Sources**</div>

Construct	No. of Indicators	Source
Quality, Price, Customer services and Design	4	Esquivias *et al.*, 2013
Advertising and Customer perceived value	2	Smith and Amos, 2004
Sales promotions	1	Helsen and Schmittlein, 1993
Multiple channels	1	Keller and Lehmann, 2006
Stock replenishment	1	Abernathy *et al.*, 2006
Supply chain efficiency	1	Richardson, 1996
Sales persons' training	1	Frayne and Geringer, 2000
Comfort	1	Azevedo et al, 2008

4. Analysis

Factor Analysis

Principal component analysis has been applied for extracting factors. Varimax with Kaiser normalization rotation method has been employed as factors are expected to be independent and this method comes closest to satisfying the goal of simple structure (Aleamoni, 1973). Analysis of Correlation coefficients in correlation matrix shows no values greater than 0.40. The value of determinant of correlation matrix is 0.000079, which is greater than the necessary value of 0.00001. Therefore multicollinearity is not a problem for the data. Value of KMO measure for sampling adequacy is .839, which is good and derives that the factor analysis is appropriate for this data. Bartlett's measure tests the null hypothesis that the original correlation matrix is an identity matrix. For factor analysis we need some relationships between attributes/variables. For this data Bartlett's test is highly significant ($p < 0.001$), and therefore factor analysis is appropriate. According to Kaiser criterion, factors having eigenvalues greater than one have been retained and around 72% variance have been explained by five factors. Table 2 shows eigenvalues and explained variance.

<div align="center">**Table 2: Total Variance Explained**</div>

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1.	4.079	25.496	25.496	3.330	20.810	20.810
2.	2.506	15.665	41.161	2.601	16.255	37.065
3.	1.974	12.337	53.498	2.108	13.178	50.242
4.	1.610	10.061	63.559	1.812	11.324	61.567
5.	1.376	8.602	72.161	1.695	10.594	72.161

Scree test is also recommended to be an appropriate criterion to determine the number of factors when the sample to variable ratio is not large (10:1) (Tucker *et al.*, 1969). Scree Plot showing the Eigenvalues from largest to smallest, suggests that five factors can be considered for the study as the graph has a bend after five factors. To improve reliability, psychological meaningfulness and reproducibility of factors, factor rotation is used (Weiss, 1976). In Rotated Component Matrix all the attributes with values less than 0.40 have been suppressed and sixteen attributes have been represented by five factors. The factors have been named on the basis of attributes represented by them. These factors are:

1. Value for money for attributes Quality, Price, Comfort, Durability and Latest trendy and fashionable products.

2. Stock replenishment and variety representing attributes Return of unsold stock, Variety, Replenishment frequency and Consideration of customer feedback.

3. Promotion representing Ads and promotions, Celebrity endorsement and Store ambience.

4. Brand image for attributes Customers' preference for big/national brands and Preference for foreign brands.

5. Support to channel partners for attributes Sales team support and Training to dealers' employees.

Confirmatory Factor Analysis (CFA)

Confirmatory Factor Analysis (CFA) provides information on confirmation of the measurement model with five factors explored by the Exploratory Factor Analysis method. This analysis provides clarity on variables, which are reflected in a given set of factors. Its relationships have been assessed with the goodness of fit indices. Table 3 shows observed values of different indicators along with references.

Table 3: Observed Values of Indicators

S. No.	Indicator	Value	Reference
1.	NFI	.952	Bentler and Bonett, 1980
2.	TLI	.988	Tucker and Lewis, 1973
3.	CFI	.990	Bentler, 1989
4.	GFI	.847	Joreskog and Sorbom, 1986
5.	AGFI	.779	Jöreskog and Sörbom, 1986
6.	SRMR	.032	Bentler, 1995
7.	RMSEA	.024	Steiger and Lind, 1980

High values of GFI and AGFI as well as low value of SRMR (<.08) indicate better model-data fit. Value of RMSEA (Root Mean Square Error of Approximation) is <.06, NFI (Normed-fit Index), CFI (Comparative fit Index) and TLI (Tucker-Lewis Index) is >=.95 which is an indicator of good fit. Low values of correlation coefficients between different factors confirm that multicollinearity is not a problem for the data. All the indicative items (variables) are expressing their latent constructs (factors) with a high degree of regression.

Validity and Reliability: Table 4 exhibits values of reliability and validity indicators.

Table 4: Reliability and Validity Indicators

	CR	AVE	MSV
Brand_image	0.903	0.833	0.086
Value_for_money	0.864	0.566	0.086
Stock_rep_n_variety	0.817	0.533	0.062
Promotion	0.772	0.548	0.080
Support_to_CP	0.818	0.711	0.043

Values of Composite Reliability (CR) are greater than 0.7, Average Variance Extracted (AVE) are greater than 0.5. As the value of AVE for each construct is also greater than its Maximum Shared Variance (MSV) discriminant validity is supported.

Brands' performance on different attributes and variables

Availability: Brands under consideration are highly dependent on franchise outlets while other channels of distribution are rarely used.

Structure of promotional offers: Most of the marketers are using multiple options for sales promotions, which include free units, discounts on Maximum Retail Price (MRP) and consequential discounts. Around 78% respondents agree that the promotional offers continue throughout the year, while 20% mentioned that offers are available from 8-10 months a year.

Investments in distribution channels: According to 59% of the dealers, INR 5-8 lakh has been invested in company's products and for 41% of dealers, this amount is more than INR 8 lakh to INR 10 lakh. In 82% cases only dealers have invested in company's stock.

5. Findings

It is found that the performance of small brands in apparel category is influenced by several attributes. These attributes can be represented by five factors which have been named as Value for money, Stock replenishment and variety, Promotion, Branding image and Support to channel partners. The study finds that the brands under consideration do not have positive customer perception for quality, price, comfort, durability and latest designs. The frequency of stock replenishment is low and a very small proportion of unsold stock is taken back by marketers from dealers. This could be one of the reasons for unfavorable customer perception of variety. A very important finding establishes that the brands under consideration rely more on franchise outlets and do not practice multi-channel retailing. This accords with earlier findings that a brand is rated higher if it is widely available. Role of promotions and branding activities cannot be denied and the study also indicates that the declining brands have not invested much in ads, promotions and celebrity endorsements. It is found that the marketers of brands under study have been rated low on attributes like sales teams' support to dealers and training to dealers' employees, while previous researches have established importance of these attributes in brands' performance. Though studied brands have favorable credit policies for channel partners and profit margins for dealers are also fair, its positive impact is not significant. Unplanned and excessive use of sales promotion activities have also affected brands' performance negatively. It is observed that the brands under consideration offer multiple types of sales promotion offers throughout the year. Study shows that the sales, which has been taken as an indicator of brands' performance, for the studied brands is remarkably low while dealers have deposited significant amount of money with marketers as security.

6. Conclusion

Economic success of a brand or firm is critical and is influenced by many factors. Brands which grow, certainly formulate and implement marketing programs better than the brands which fail to grow and decline. Through this paper, those clothing brands have been studied which declined after a few years of operations in Indian markets. The study distinctly depicts that some of the marketing activities of declined brands are completely opposite to whatever has been suggested by market strategist. Study also determines the factors that are important for small brands of clothing. As the brands under consideration failed to meet customers' expectations on those factors, they experienced decline in competitive Indian clothing market. The study provides valuable inputs on the mistakes that should be avoided by apparel brands to succeed.

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