

# Making Markets Work for the Weavers

*Andhra Pradesh Cotton Handlooms Market Research*



*Supported by*  
Sir Dorabji Tata Trust

*Conducted by*  
Chitrika (Artisan Development Foundation)

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## *ACKNOWLEDGEMENTS*

Chitrika would like to acknowledge the support and ideas given by the following people and institutions who have made the study more meaningful. We thank

- Mr. Narsimha Reddy, Mr.Prasann Thatte and Mr. G V Krishnagopal for being part of the advisory panel and supporting us thorough their inputs, contacts and information
- The weavers, consumers and traders who have shared valuable information
- ALCI for their timely voluntary support for conducting the field study
- Bhadruka Institute of Foreign Trade and Druv College of Management for their support in the field work
- Assistant Directors of Handlooms of all the surveyed districts
- The staff of Chitrika in conducting the field work, development of books and in organizing the workshop
- All the participants of the workshop

## EXECUTIVE SUMMARY

1.	Title	Pan Andhra Pradesh Market Research for Cotton Handloom Products
2.	Implementation Agency	Chitrika (Artisan Development Foundation), Hyderabad
3.	Donor	Sir Dorabji Tata Trust, Mumbai
4.	Budget	Rs 5 Lakhs
5.	Duration	Mar '2008- Mar' 2009
6.	Team Size	12 Member Team of Chitrika and Part Time Associates
7.	Sample Size	Handlooms - 428 Rural Consumers, 245 Urban Consumers, 412 Rural Non Consumers, 281 Urban Non Consumers, 138 Traders, 64 Non Handloom Textile Traders and 10 Cooperative Institutions. Khadi - Consumers -45, Non-consumers - 45, Traders -10, Non-sellers -1
8.	Geographical Spread	10 Weaving Clusters of Andhra Pradesh 5 Urban cities of India

### Introduction

Markets are often sited as the debility of handloom Industry in India. Disconnect between the producer and the modern day consumers of the handlooms has critically affected the production structures and the product nature. Traditionally weaving as an occupation produced clothes for the local consumer. Since the consumer is close by, weavers could understand the lifestyle needs of the consumer and make products accordingly. However, with improved technology, higher productivity, better durability and wider colour choices the power loom and mill made clothes offered new choices to local consumers at lower prices. This forced handlooms industry to look out for new consumers of different order.

Fabindia, Anokhi and other interventions targeted the new consumers, primarily upper middle class and rich, while simultaneously exporting clothes to various countries. The change in the market space provided new hope to the Handloom Industry. Although, the overall share of handlooms in the Textile production has fallen in the last 5 years, in terms of absolute numbers the quantity produced has been increasing.

The State Handloom Federations promoted by Government even today is the largest marketer of the handloom production. In Andhra Pradesh, the Andhra Pradesh State Handlooms Weavers Cooperative Federation (APCO) accounted for Rs. 135 crores sales in the year 2006 – 07. The new age companies and APCO together are the main supporters within the organized sector for handloom production. The unorganised sector, primarily lead by the master weavers in each cluster, across Andhra Pradesh, does contribute large share of sales through many small stores and home-based channels spread across the country.

Despite all these efforts, disconnect between changing markets and weavers continues to widen. The total number of weavers and the number of active looms in Andhra Pradesh has fallen drastically. The decreasing numbers indicate decline in weaving as a profession. Increased competition, changing market needs, lack of supporting infrastructure and poor realizations for the hard labour, are all the reasons for this decline.

Chitrika, Artisan Development Foundation, based at Hyderabad was started three years back, in the year 2005. Its purpose of existence is to support and enhance the livelihood opportunities of the artisans. In the last three years it has promoted two cooperatives providing increased realizations to 100 weavers in Ponduru/Rajam Clusters, Srikakulam District, Andhra Pradesh. In its efforts, Chitrika has realized that if the reasons for decline in market share of handlooms in overall textile consumption can be understood in detail and educate the weavers, there could be a change process that can be triggered. It also believes, that apart from the apparent visible factors mentioned above responsible for the decline of handlooms, there are certain other structural factors related to marketing mix which can to an extent improve the situation. While the larger factors need policy and consumer education based interventions, the factors related to marketing mix are under weavers control and can be acted upon quickly.

### **The Study**

Last year, primarily with this assumption Chitrika proposed a marketing study “Pan Andhra Pradesh Market Research for Cotton Handloom Products” to Sir Dorabji Tata Trust (SDTT). SDTT considered this as an important issue to support and extended a grant of Rs. 5 Lakhs. Thus, this

study was undertaken by a 12 member team of Chitrika (including associates temporarily hired for the study) during Mar 2008 to Mar 2009.

The objectives of the study are –

1. To understand market consumption scenario of 10 clusters of Handlooms in Andhra Pradesh
2. To study factors affecting current scenario
3. To estimate and identify key drivers (micro or macro) of future trends
4. To identify constraints and challenges for Handloom production

Using 5 different formats for consumers (both rural and urban), non consumers, traders of handlooms, traders in textiles but selling handlooms and institutions in handlooms, the study was conducted. Primary data from the survey of **428** rural consumers, **245** urban consumers, **412** rural non consumers, **281** urban non consumers, **138** traders, **64** non handloom traders and **10** cooperatives was compiled to develop the analysis. The study was conducted across **10** weaving clusters in Andhra Pradesh and **5** urban cities of the country. The cities covered are Bangalore, Hyderabad, Kolkata, Delhi and Mumbai.

## **The Situation**

### *Textile Industry Structure<sup>3</sup>*

India is the second largest producer of cotton yarn and fabric in the World. It is also 5<sup>th</sup> largest producer of fabric. The textile industry of India is also the second largest employer after agriculture. The overall trend in the textile industry is buoyant and the production has increased from 50 to 57 billion square meters in the last three years. Per capita availability of the fabric has also thus risen to 40 square meters. The share of cotton textiles in the overall fabric output has however declined from 64% in 1992 – 93 to 48% in the year 2007 – 08. Currently the textile industry is going through a rough patch due to Rupee appreciation last year as well as the recession.

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<sup>3</sup> The data in this paragraph has been compiled from Government of India, Ministry of Textiles, Office of the Textile Commissioner, 2004,

With the Indian economy rising, until recently, before recession has set in most World Economies, the expenditure on clothing of the Indian consumer was set to rise. Although in the expenditure basket the share of textiles would come down (it has come down from 65% in 1985 to 48% in 2005, the per capita expenditure is set to rise and a growing middle class will drive the demand expansion in clothes and apparels.

### ***Handloom Market Structure***

The handloom market has both organized and unorganised components. State owned handloom cooperative federations and off late certain companies like Fabindia, Anokhi and Westside have dominated this part. While in the unorganised sector, the traditional master weaver and their relation with retailers accounts for major share of the markets.

The number for Andhra Pradesh stood at 7% of the national labour engaged in the handloom industry. Of this, 219,100 were employed in full time weaving labour; 33,000 in part time weaving; 148,400 in full-time preparatory work and 52,400 in part time preparatory work. There are no estimates on the size of AP Handloom Market. However, the largest player representing marketing of weavers' handloom production APCO (Andhra Pradesh State Handlooms Cooperatives Society) has recorded sales of Rs 135 Crores in the year 2006 - 07. Un-organized sector does contribute equally or larger share of textile production however the estimates for the same are not available. The Government of Andhra Pradesh has taken some interesting policy priorities to help the handloom sector. However, despite all these efforts the measures seem to be inadequate to sustain livelihoods of large number of weavers.

Despite buoyant figures for the textile industry, the share of handlooms has fluctuated widely from 4 billion square meters in 1990 to 8 billion in 1996-97 to 6 billion again in 2004-05. The production of handloom cloth as a percentage of textile production dropped from 24 per cent in 1980-81 to 20 per cent in 1999-2000, while currently its contribution stands around 13% of the Indian cloth market. In real terms, while it is growing at the rate of 3%, it lost the ground from 22% in 1996-97 to the power looms. This is despite the fact that the actual production went up from 3,109 million square metres to 7,352 million square meters from 1980 – 81 to 1999 - 00.

The productivity from the looms has been improving with the emergence of decentralized support services. Technological innovations also have improved the productivity. Therefore even when the number of handloom units declined from 29.97 lakhs in 1987-88 to 25.46 lakhs during 1995-96 the production has increased. Handlooms clothes have been facing stiff competition because majority of its sales are of low/medium cost and highly substitutable cloth (75%) and only 25% constitutes high value niche products which can not be produced by power looms. Per capita consumption of handloom textiles is around 0.88 meters.

### *Value Chain Structure*

Current value chain analysis leads to the conclusion that the weaver derives the least from the entire process. Weavers' realization is hardly 8 - 10% of the total cost of final product sold to the consumer. While the number of people employed in weaving is very high, the proportionate realization is very low. Similarly the additional margins that the weaver realizes if they are members of the "state-run" cooperatives roughly works out to be 2 - 3% of the total cost of final product. Therefore, in case the livelihoods of weavers are to sustain, the realizations has to improve. This can only be possible when the weavers are able to obtain a fair share of the end consumer price by controlling the major links in the value chain.

The traders surveyed gave some important insights about value chain, as to what works and what does not. Master weavers play a major role in the supply chain. They work for forward and backward linkages across the whole supply chain and virtually control it. Traders with 10 to 20 lakhs business turnover, procured most from the cooperative institutions compared to the other category traders. Only small time traders selling less than Rs 0.5 million per annum buys about 15% of requirement directly from weavers. Master Weaver remains the single largest supplier for all sizes of stores, wholesalers and retailers. The presence of cooperatives is almost negligible as most often they supply only to government stores.

### *Government Support*

The Government of India and various state governments have planned to increase the realization of weavers in Handlooms. The schemes that are currently in operations are Rebate Scheme, Handloom Export Scheme, Marketing Promotion Program and Handloom Mark Scheme. But most of these schemes are inadequate. These schemes are mostly channelled through the existing cooperative network, which hardly handles 30% of the production of handlooms. The Handloom Mark scheme is very novel and in fact very important given the study results. Genuine handloom cloth is difficult to identify and such standards will help in providing official certification to genuine product. But as many other regulatory instruments even this has lot of leakages.

### **Market Context and Environment**

The four factors that define the market context and environment are economic, legal, social and technological factors. In the context of handlooms production and marketing, these factors influence the consumer behaviour at the macro level. With growing investments and increased purchasing power of Indians, the domestic market has been showing positive growth. Many established players have also realized the importance of working on the Indian consumer market rather than simply focusing on the exports. Therefore in the short run focusing on the internal markets will be useful for handlooms.

The GOI Textile Policies have tried to protect the Handloom Industry from the growth of Power loom Industry by providing reservations of certain products (10 currently) and by ensuring the availability of Yarn through Hank Yarn Obligation (wherein 30% of the yarn production has to be given to the handloom weavers according to their needs). However, ensuring implementation of both these has been very difficult due to poor regulation.

GOI and various State Governments have supported the cooperative network of weavers for two main reasons – to deliver the various government schemes to weavers and to develop an organized network for marketing. Most of these cooperatives are dominated by the local master weavers who derive maximum benefit. Also many studies have shown that there are several manipulations undertaken at the cooperative level to take undue advantage of government schemes. Poor

targeting, improper planning, untimely benefit extension and other leakages have ensured that the GOI support is ineffective.

### **Demand Pattern**

Consumer spending on the apparel is going to be lesser by 1% but in absolute terms the demand for textiles is going to grow 3 to 4 times the current size by year 2015. Indian consumers (55.82 as per Consumer Satisfaction Index (CSI)) are less satisfied with current brands of clothes as compared to their counter parts in United States (80)).

Lifestyle changes are greatly influencing the purchase choices and thus demand pattern. Most Urban consumers are increasingly using western formal wear due to changing occupation styles. This is the main reason for decline in handloom sales, during year 2005, of 7.25% and 10.98% is recorded in urban and rural areas, a decline from all India level 1072 million meters to 989 million meters. According to the traders the demand for handlooms especially from Andhra Pradesh is high. Within Andhra Pradesh, the demand for clothes from Pochampally and Mangalgiri clusters accounts for maximum. Mangalgiri, Pochampally and Chirala together accounted for 77% of sales in Andhra Pradesh. Sareers, Gents Shirts and Salwar Kameez accounted for nearly 43% of all the purchases in Handlooms. Age wise demand of the clothes varied according to their utility and needs.

### **Consumer Profile, Awareness and Purchase Behaviour –**

Consumers for the Handloom products cut across age, incomes and geographical locations. While their preferences may differ, their consumption of handloom clothes is clearly established in the study. In general, the Indian consumer (who consume 80% of handloom production while exports accounting for only 20%) is showing growing appetite for consumption based on the increasing purchasing power. The middle class who will account for 41% of population in the year 2025 will play a major role in improving the demand for the handloom clothes.

### ***Consumption Pattern***

The share of man made fabric in the overall consumption of textiles has been growing rapidly. The relative ease in maintenance and the choices offered often tilts the market demand in its favour. Majority of consumers in rural and urban are using handlooms very little (less than 30%) of their total textile consumption basket. In general women are purchasing more handloom material than men. This is because of wider choice in colours and products available for them. Therefore from the consumption pattern the study has inferred that creating wider choices for men, improving the utility of handloom clothes to meet the various emerging needs and by providing wider choices across seasons, the demand can be stimulated.

### *Purchase Behaviour*

The purchase behaviour of income groups has been studied and it has been found that the rich who account for 41.68% of total textile consumption preferred price ranges above Rs 501. While the growing middle class where the opportunity will be in the next decade preferred price ranges Rs 250 to Rs 1,000 for the textiles they purchased. The middle class currently accounts for 51% of the total textile consumption, but this is going to further increase in the years to come contributing the maximum to the consumption pie.

### *Consumer Awareness*

Consumer awareness of handloom clothes in both rural and urban categories across incomes and ages is found to be very high. However, traders studied, feel that the consumers mostly rely on them to obtain genuine handloom clothes. Currently in the market there is very high imitation of the handloom products. Maintaining unique identity of handloom products is becoming difficult. According to the study consumers seem to identify handloom clothes by look, feel and weaving pattern. But these characteristics are imitated by power looms and in reality the consumers still cannot differentiate between handloom and mill-made products.

## **Marketing Mix**

### *Products*

The study reveals that only three major clusters (Pochampally, Mangalagiri and Ponduru/Narayanpet/Chirala (Urban/Rural)) are enjoying the purchase preference as well as the high recall value among the consumers in both urban and rural areas. In cities like Mumbai and Delhi awareness about the names of particular clusters is low. Products from AP are known as south cotton and the place of origin is not known to many traders. The popularity in AP of Ponduru for Khadi is a surprise. Therefore there is a need to develop unique brand features for each cluster. Among other products, Sarees and Shirts account for 32% of the demand in both rural and urban clusters. 52.31% of purchasers of Saree are from higher income groups. While the lower and middle income groups contribute almost equally of the rest.

In the Shirts only 29.07% of the sales are from cotton fabric. The growth of the demand for cotton shirts is 5.45%. Majority of demand is met by man made and blended fabrics. Although cotton shirts are preferred more by higher income groups (57.45%), in the years to come the demand from the middle income groups will also grow. In Salwar Kameez, the popularity of Mangalagiri and Pochampally is very well known. Although Chirala accounts for high sales of Salwar Kameez it has not got reflected in the study purely because of lack of distinctive features in the products of Chirala. In products like Bed sheets, Towels, Curtains, Dhoties and Lungis Pochampally cluster has a maximum share.

The main defects of the products as expressed by the urban consumers in the study are limited colours, shrinkage, colour fading and cost of maintenance. While in the case of rural consumers apart from the above factors high cost has come as a barrier for purchasing handlooms. Improvements in colours, reduction in cost and development of fashionable designs will be the key drivers for the demand. Focusing on these factors in improving the handloom fabric is very important to improve the demand of the material. Right now as per the study results, consumers are preferring handlooms because of its attractive colours and the comfort it offers.

### *Price*

The average cost of cotton textiles during 2006 was Rs 47.87 per meter. In urban areas it was Rs 65.26 and rural Rs 36.26 per meter. The cost difference in urban and rural areas is due to – logistics, quality, value-addition and higher cost of storage. The cotton handloom fabrics have to compete with lower costs of man made fibre as the excise tax and tariff rates have been reduced. Therefore, deriving cost competitiveness for the handlooms will mean experimentation with blended fabrics in future. From the study results it has been found that there is high price sensitivity in lower incomes group. The middle income group are relatively evenly spread out across the price ranges. The frequency of purchase (more than 4 times in a year) is higher in the high income groups as compared to lower income groups who purchase low priced textiles less frequently.

Products from Pochampally, Mangalagiri and Chirala, which are most preferred, had wide ranges of prices. According to all India textile markets the maximum sales occurs in price ranges Rs. 250 – 500 across all products in both rural and urban areas. Therefore this particular segment is the most important to ensure enough markets for large number of weavers.

### *Place*

The handloom clothes are still more often purchased from local low cost shops. In urban areas the higher income groups preferred exclusive boutiques and emerging retail outlets. Otherwise, handlooms have often been purchased in the traditional stores. Festivals, marriages and summer seasons are the peak periods when the sales of handloom fabrics go up. More than 50% of sales occur during the summer. Considerable respondents also said that they buy cotton handlooms all through out the year.

### *Promotion*

Handloom products are most often promoted by word of mouth. However, the consumers and traders have identified that using television, print media and distributing pamphlets will be effective to communicate about handloom products. Sales from exhibitions still are very high. Exhibitions are encouraged by Government and Private Players equally. High income group consumers seem to still rely on word of mouth.

Promotion is often narrowly interpreted as market communication mechanism. But the textile industry uses many innovative ways to provide incentives and to attract consumers. Man made fibre industry uses discounts, exchange offers, off season sales, end of season sales, gift and lottery schemes and many other measures to attract and retain consumers. They also provide attractive buying experience to promote sales. Handloom industry is yet to adopt these measures in great deal. All traders favoured word of mouth as the best message communication media. It is interesting to note that the other low cost media like television strips, radio are working as effectively as the exhibitions, banners and other conventional modes according to them.

### **Emerging Market Opportunities**

#### ***E-Commerce***

E-commerce is nothing but the trade transactions carried out using personal computers via internet. It is picking-up rapidly in India and today it is considered an important driver in our economy. It is convenient and time saving. The convenience associated with shopping at home and the availability of a range of products has made it popular among the consumers and traders. Major sub segments within this category are travel, online classifieds, e-Tailing and paid downloads. However, there are hurdles to growth such as product quality, the ability to bargain and security issues with regard to e-transactions. Now the trend is to use 3G mobiles for such transactions and this may give a boost to this segment.

#### ***Local Rural Markets***

Fast growing rural markets offer immense potential for the weavers or their collectives to access the consumers directly. As we have pointed out else where in this report, there are consumers for handloom products every where. Consumption of handloom products in rural areas is high and needs economy class products for low and medium income category consumers. DESI in Karnataka has done a novel experiment in this regard and is being hailed as a success story. What is required is inquisitiveness to understand who your consumers are and what he/she needs. DESI understood the pulse of major consumer segment, i.e. the rising middle class and came up with ready to wear products with natural dyes and at affordable price range. They have retail outlets both in rural and

urban areas where there is no fan fare and depends mostly on word of mouth communication. Within three years, they have started sourcing from distant weaver groups and opened stores in northern Karnataka. There is demand from other metros also, but their policy is to build the markets only when the production is matched in terms of volume and quality. Thus, consciousness about quality, price range, niche products with environment friendly dyes, low cost promotion tools and concern about the welfare of women weavers have all contributed for its success. Tapping the local markets for keeping the overheads low and reaching the middle-class segment has worked in this case. The increasing purchasing power of rural consumers has opened new avenues for marketing rural products. Most of the essential commodities and niche rural products are now finding their market space within the rural areas. Mulakanoor Women Cooperative Dairy has set an example to prove that producer organizations can be run successfully even by catering to rural and semi urban markets that are near to the point of production itself.

### ***Fair Trade***

Fair trade is an organized social movement that is gaining ground in recent times with increasing awareness of the consumers and institutions about the exploitative conditions existing in farm and non-farm sector. Providing fair market conditions for improving the producers' position in the market is the basic principle of fair trade. The movement specially focuses on exports from developing nations to developed nations. In crafts sector with middlemen eating a larger pie in the profits, craft persons are unable to take advantage of the growing economy in India. Fair wages, fair process of production, no child labour and fair conditions of working- are some of the practices to be followed by fair trade organizations. Advocates of fair trade are international organizations like Oxfam, Amnesty International.

### **Conclusion**

The study has helped Chitrika is to reaffirm the various well known marketing short falls of handlooms systematically across the value chain. It has helped Chitrika to realize that there is enough scope for handlooms to coexist with the man made fibres provided, some of the features in

man-made fibre that has contributed to the ease of maintenance as well as correction of the complaints on handlooms can be made. Simple improvements in marketing mix – product features, pricing, place and promotion can drastically improve the handlooms market. The critical points identified from the study are –

1. Handloom products are still considered as important choice for clothing. Consumers of different age groups, income classes, sex and geographical location do still value handloom clothes.
2. Most consumers are confident in identification of the handloom clothes but providing distinctive features through certification or unique product features is important to ensure that they are not fooled in the market space.
3. The sales of Handloom products is coming down, however the demand in future can be improved if the major barriers for consumers like high cost, high maintenance, poor colours and shrinkage of clothes are addressed.
4. The price range of the handlooms has to cater more to the needs of medium income groups. The demand for medium income groups is going to increase drastically keeping in view the demographic trends and economic progress of India.
5. Handlooms need to expand its promotion practices drastically. Using new techniques they should attract consumers and provide quality products. Awareness of eco friendliness and the benefits of handloom clothes have to be used for advantage.

Finally, the pride of weavers and the profession can be revived only when the producers are directly linked with consumers helping them derive better value, develop better understanding of their changing needs and promote innovation based on contemporary needs.

### **1.1. Introduction**

The face of handloom markets has been changing over the years. Liberalization of the economy and access to global markets has not only affected the handloom industry directly in terms of available export opportunities but also indirectly through the changes in consumer preferences. On the other hand the handloom sector has also kept pace with the changing times by bringing a lot of innovation in terms of material quality, designs, colours and product range. It is not only the designers catering to the high-end market segment but also traditional cooperatives in some pockets, which have tried such experiments, aimed at catering to the changing market trends.

Many argue that though the demand for some handloom pockets and products has been shrinking, for many it may have been increasing too. However, no data is available to substantiate the argument. Hence a more detailed analysis of the so-called 'growing' and 'declining' pockets of the handloom sector is required to comprehend the current and future trends within the handloom sector and thereby plan and design useful marketing programmes and policies for the growth of the sector. *Pan Andhra Pradesh Handloom Market Study* of the select clusters of handlooms in Andhra Pradesh is designed to identify the factors affecting the growth of handlooms as well as to understand the potential of the handloom sub-sector. The study aims to understand the gaps in handloom/khadi marketing on the following aspects - market infrastructure, consumer preferences, market demand patterns and production systems. Though there has been an increase in the purchasing power of the consumers and preference for better products, the handloom market is not able to cash in on the current favourable market trends. Even if the big retailers are able to profit from the boom, the producers' toil has remained the same due to supply chain anomalies as well as lack of linkages at producers' end. This study is an attempt to collect data on handlooms and use the data for strategising the growth of the sector. The present report is an outcome of the study. The report has been structured to include the larger macro economic context, the methodology, study findings, and a conclusion that should in turn inspire a new beginning.

**Table 1 (a): Phases of Study**

Phase No.	Name	Particulars
Phase I	<ul style="list-style-type: none"> <li>→ Secondary Data Analysis</li> <li>→ Selection of the products</li> <li>→ Preparation of questionnaires &amp; checklist</li> <li>→ Piloting</li> </ul>	<ul style="list-style-type: none"> <li>→ Analysis of the existing data on sales from government and private players</li> <li>→ Analysing the government schemes</li> <li>→ Analysing the existing studies on handlooms</li> </ul>
Phase II	<ul style="list-style-type: none"> <li>→ Conducting the Study</li> </ul>	<ul style="list-style-type: none"> <li>→ Consumer Study</li> <li>→ Channel Study</li> <li>→ Cluster Study</li> <li>→ Study of various support organization.</li> </ul>
Phase II	<ul style="list-style-type: none"> <li>→ Study Analysis and Dissemination</li> </ul>	<ul style="list-style-type: none"> <li>→ Report Writing – English and Telugu</li> <li>→ Final Workshop</li> <li>→ Dissemination of the study to weavers and related institutions</li> </ul>

**Table 1(b): The Process**

#	Aspect	Activity	Result	Actors
1	Workshop on developing the design of the study	<ul style="list-style-type: none"> <li>• Piloting</li> <li>• Approach Paper development</li> <li>• Sample questionnaires</li> </ul>	<ul style="list-style-type: none"> <li>• Design of the workshop</li> <li>• Survey Instruments</li> </ul>	<ul style="list-style-type: none"> <li>• Chitrika</li> <li>• Panel Members</li> </ul>
2	Study	<ul style="list-style-type: none"> <li>• Consumer Survey</li> <li>• Trader Survey</li> <li>• Institutional Survey</li> </ul>	<ul style="list-style-type: none"> <li>• Findings on market</li> </ul>	<ul style="list-style-type: none"> <li>• Chitrika team</li> <li>• College students/weavers</li> </ul>
3	Dissemination	<ul style="list-style-type: none"> <li>• Report writing</li> <li>• Dissemination Workshop</li> </ul>	Increased knowledge about the market to weavers, consumers, institutions	<ul style="list-style-type: none"> <li>• Chitrika team</li> <li>• Weavers</li> </ul>

## **1.2. The Study**

### Study Objectives

The objectives of the study are as follows:

- To study the current market consumption scenario of 10 cotton handloom products of Andhra Pradesh
- To study the factors affecting the current scenario
- To estimate the future trends
- To suggest the key drivers (micro and macro) for future growth
- To identify the constraints and challenges

### Study Design

The study proceeds from the analysis of the market to the relevant clusters and hence is market oriented. The study is divided into three phases, and the same is presented as part of Table 1 (a) alongside. Simultaneously, the process is presented as part of Table 1 (b).

The factors affecting the marketing of handlooms/khadi can be broadly classified into those affecting 1) Consumer preferences – quality, variety, ease of maintenance, awareness and availability, 2) Trader preferences – time for delivery, length of the supply chain, payment terms, competition and traditional social arrangements with the weavers, 3) Institutional and policy implications – legal structure, focus of the interventions and process of implementation. The main bottlenecks created by these factors are – mismatch in consumer preference and product, lack of suitable technology to reduce the cost of production and in turn price, image of handlooms being old-fashioned, erratic supply chain and unfavourable market structure.

### Selection of the Clusters

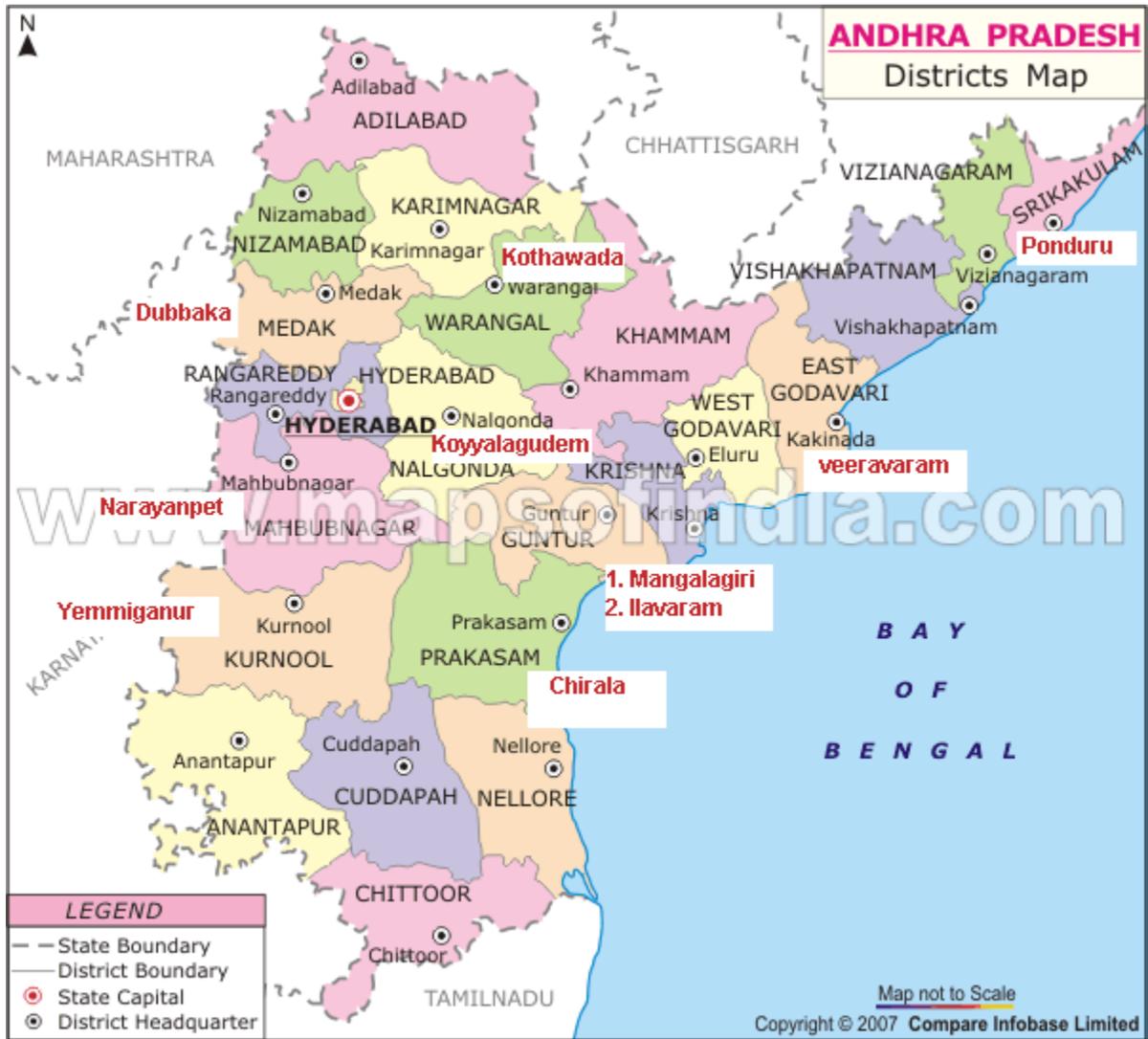
After the initial round of piloting and consumers giving their choice of Andhra Pradesh handlooms and the recall value of these clusters, 10 clusters have been chosen to be included in the study. Andhra Pradesh has weaving in almost all of its districts with many local variations. In some of the villages, the local cooperative societies produce only for local consumption with consumers ranging from farmers to weavers. These low cost products have good local demand with very little

emphasis on consumers' preferences like colour, quality and good design. They are sold in local shandies. The clusters chosen for the study are larger and well-known clusters with products reaching outside Andhra Pradesh as well as local best selling clusters based on the feedback received during piloting. Details of the weaving clusters covered as part of the study are encapsulated in Table (2).

**Table 2: Weaver Cluster Information**

Sl.	Weaver Cluster	Number of looms	Annual Production	Type of Products	Number of Traders/ Shops selling handlooms	Cooperatives
1.	Koyyalagudem, Nalgonda	600	Rs. 4 crores	Ikkat - dress material, bed sheets, duppatas, cushion covers, divan sets and bags	40	1
2.	Mangalagiri, Guntur	10,000	Rs. 75 crores	Sarees, dress material, fabric	100 of which nearly 50 are big wholesalers	2
3.	Chirala, Prakasam	18,000	180 crores	Dress material, sarees, red Madras handkerchiefs (rmhk).	Master weavers/traders: 300; ancillary service provider: 50	13
4.	Yemmiganur, Kurnool	12000	Rs. 80 crores	Sarees – cotton and silk, lungis, towels, bedsheets,	14	1
5.	Ponduru, Srikakulam	200	Rs. 75 lakhs	Khadi, handloom dhotis, shirting fabric, sarees and dress material	10	1
6.	Kothawada, Warangal	500	NA	Durries		1
7.	Dubbaka, Medak	350	Rs. 40 lakhs	Sarees, Livery	4	3
8.	Veeravaram, East Godavari	200	Rs. 1.25 crores	Sarees, lungis, dhoties, towels, shirtings and dress material	4 master weavers, no local shops	1
9.	Narayanpet, Mehbubnagar	325	Rs. 3 crores	Silk/Sico and cotton sarees, towels, lungis, dhotis and handkerchiefs	100 including wholesalers and retailers. Out of this 12 are exclusive handlooms wholesalers/master weavers	1
10.	Illavaram, Guntur	390	Rs. 4 crores	Mangalagiri Varieties	15	1

Figure 1: Location of clusters selected for the study



### Scope

- *Region*: The study will cover key markets in Andhra Pradesh and other current large markets in the country. Local markets, second-tier city markets, major cities within Andhra Pradesh will be covered. Details of the same are presented in the sampling plan.
- *Product*: The product portfolio will be limited to cotton handloom and khadi products and maximum of 10 products will be selected based on the product portfolio analysis results
- *Functions in value-chain*: Though production factors too influence handlooms, the study will focus on the marketing aspects in the value-chain. The cluster level production details will be covered to the extent it is relevant to marketing and also to cross check the production with the sales details given by the trader.

### Output

The study would produce the following outputs:

- Study report
- Book in English and Telugu on the findings of the report in a weaver friendly format
- Database of the key traders at the cluster, city and national level dealing in Andhra Pradesh handloom products who have been covered in the study.
- Enhanced knowledge of Chitrika staff, students and the weavers involved in the study on handloom market structures

### Limitations

As the study extensively depends on the primary data, the following aspects may affect the results of the study:

- Lack of product-wise sales details in government departments and retail outlets
- Non-disclosure of correct sales data by private players
- Difficulty in establishing the exact link between government programs and its benefits to handloom marketing due to unavailability of data

**Table 3 (a): Sample Size Handlooms**

#	Sample	Sample Size
1	Total Sample Size	1375
2	Male	604
3	Female	771
4	Income Group 1	466
5	Income Group 2	461
6	Income Group 3	448
7	Age Group 1	452
8	Age Group 2	469
9	Age Group 3	454
10	Buyers	682
11	Non-Buyers	693
12	Cities	5
13	Clusters	10
14	Cooperatives	10
15	Government Departments	10
16	Traders	202

**Table 3 (b): Sample Size Khadi**

#	Aspect	Number
1	Consumers	45
2	Non-Consumers	45
3	Traders	11
4	Non-Traders	1

**Table 4 (a): Socio-Economic Grid for Rural Households (Housing)**

Type of House	Pucca	Semi-Pucca	Kutcha
<b>Education of the Chief Wage Earner</b>			
Illiterate	3	3	3
Self Learning/ No School	2	3	3
Up to Class 4	2	2	2
Class 4-9	2	2	2
SSC/HSC	2	2	2
College	1	2	2
Graduation/PG-Gen	1	2	2
Professional Degree	1	2	2

**Table 4(b): Socio-Economic Grid for Rural Households (Education)**

Occupation/Literacy	Illiterate	School up to 4 years/ Literate but no formal Schooling	School 5-9 years	SSC/ HSC	Some College but not graduate	Graduate/ Post Graduate General	Graduate/ Post graduate professional
Unskilled Workers	3	3	3	3	3	3	3
Skilled Workers	3	3	3	2	2	2	2
Petty Traders	3	3	3	2	2	2	2
Shop owners	3	3	2	2	1	1	1
Entrepreneur- 0 employees	3	2	2	1	1	1	1
Entrepreneur-1-9 employees	2	2	2	1	1	1	1
Entrepreneur- more than 10 Employees	1	1	1	1	1	1	1
Self employed Professionals	3	3	3	2	1	1	1
Clerical Salesman	3	3	3	2	2	1	1
Supervisory Level	3	3	2	2	2	1	1
Officers Executives: Junior	2	2	2	2	1	1	1
Officers Executives: Senior	1	1	1	1	1	1	1

### Assumptions

- Consumers are the key drivers of demand and hence the study primarily focuses on them
- Limited focus on the production factors affecting handloom as adequate data exists on product cluster studies and problems with the production system

### **1.3 Sampling**

Two separate sampling plans were prepared – one for consumers and other for traders. Consumer sampling plan was developed based on minimum cell size approach wherein classification based on age, income and sex with at least 30 samples were covered under each category. The overall categories and sample size in each category is presented in Table 3. The overall sample size is more than the proposed sample **to compensate for** data collection errors. The sampling method used is stratified random sampling where in the entire sample has been divided into buyer and non-buyer

of handlooms. Within these two categories, age-income-sex categories were covered using minimum cell size approach.

### Categorization

*Income:* Income classification has been based on assets, education and occupational details. This method has been followed to get more accurate information on economic status as there is a tendency to over or understate income. Grids that have been used to classify the consumers into three income categories are presented as part of Table 4(a) and (b).

*Age:* The sample has been divided into three age categories based on youth, middle-age and old-age classification

*Sex:* Male and female ratio has been taken as 60:40 based on the pilot done in Hyderabad and Pochampally. Women have been given more representation as in some households women buy for the family/men in the family and influence the purchase behaviour more.

*Buyers/Non buyers:* The study has covered both buyers and non-buyers equally rather than keeping the non-buyers as a control group. For factors of age, sex and buyers and non buyers, one may refer to detailed classification tables in the annexure.

*Cities:* Based on the information collected from the traders and clusters about the volume of the AP handloom products sold to different cities, five major handloom consumption cities have been chosen for the survey.

Cities have been chosen based on the information collected from the clusters and traders as to which are the places the AP handloom products are supplied more.

*Cooperatives:* The related product cooperative society has been covered to understand the government schemes' reach.

*Traders:* Traders are classified into wholesalers/, master weavers, retailers and non-sellers of handlooms. Overall the study sample has increased from initial 200 consumer and 30 traders to more than 1350 consumers across India and 180 traders. Total trader samples and those pertaining to each weaver cluster and city are presented as part of Table 5 (a) and (b)

**Table 5 (a): Total Trader Samples**

Place	Exporters	Master weaver	Retailer	Whole seller	All the above	Total
Bangalore			6	2		8
Chirala	10	8	14	15	7	54
Delhi	1		6	3		10
Guntur		7	11	6		24
Hyderabad	1		10	4		15
Kolkata	1		10	4		15
Mangalagiri	1	5	10	8	1	25
Mumbai			7	2		9
Narayanpet		3	8	6		17
Pochampally	1	6	11	5	1	24
Siddipet		2	2		4	8
Warangal		2	2	2	2	8
Yemmiganur		6	11	6		23
<b>Total</b>	<b>15</b>	<b>39</b>	<b>108</b>	<b>63</b>	<b>15</b>	<b>240</b>

**Table 5 (b) : Total sample per cluster/city (12 nos.)**

Sellers-10			Non-Sellers 2
Master weavers/Wholesalers-4		Retailers-6	
1-Supplying to High income areas 2-Middle and low income segment 1-Exporters	Exclusive-2 High income	Mixed-4 Middle income and low income	

#### 1.4 Process of Developing the Questionnaires and Checklist

The questionnaires were developed for consumers and traders for quantitative analysis. Checklists were prepared for weavers and institutions to get qualitative inputs. Initially, questionnaires were developed without options. After one round of field survey, options were developed for each question and questionnaire structured into different heads. Each section of different questionnaires

will be vetted to bring them inline with the study objective. Documents related to marketing studies on branding khadi, growth prospects of handloom sector, market studies by CHIP were examined while developing the questionnaires. The producer checklist was not given a questionnaire form as it will feed into only the qualitative aspect of the study.

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### **1.5 Pilot**

Pilot was done in two phases with initial online feedback on the questionnaires from different target groups – consumers, experts and traders and in the second phase modified checklist and questionnaires were tested in the field. The primary objective of pilot study was correction of survey instruments and secondly to get a preliminary understanding about the market trends. Though the data collected through pilot study is not substantial to yield results, a cursory analysis of the same has been done to present it before the panel<sup>4</sup> for suggestions on information collected as well as presentation and structure of the report. Following steps were undertaken for pilot study:

- Online pilot of the questionnaire and feedback from two panel members on the design
- Visiting APCO, Ministry of textiles for product portfolio analysis
- Consumer questionnaire pilot
- Trader questionnaire pilot
- Cluster pilot

Pochampally and Koyyalagudem has been selected for cluster study as the product has substantial presence in Andhra Pradesh and other states. Though getting exact sales data from government departments was difficult as their management information systems do not give product-wise details. We tried to draw some inference from the procurement details provided by APCO. Similarly, to analyse marketing schemes of the government, details regarding increase in sales under the schemes are difficult to obtain. The detailed results are presented separately in the piloting report.

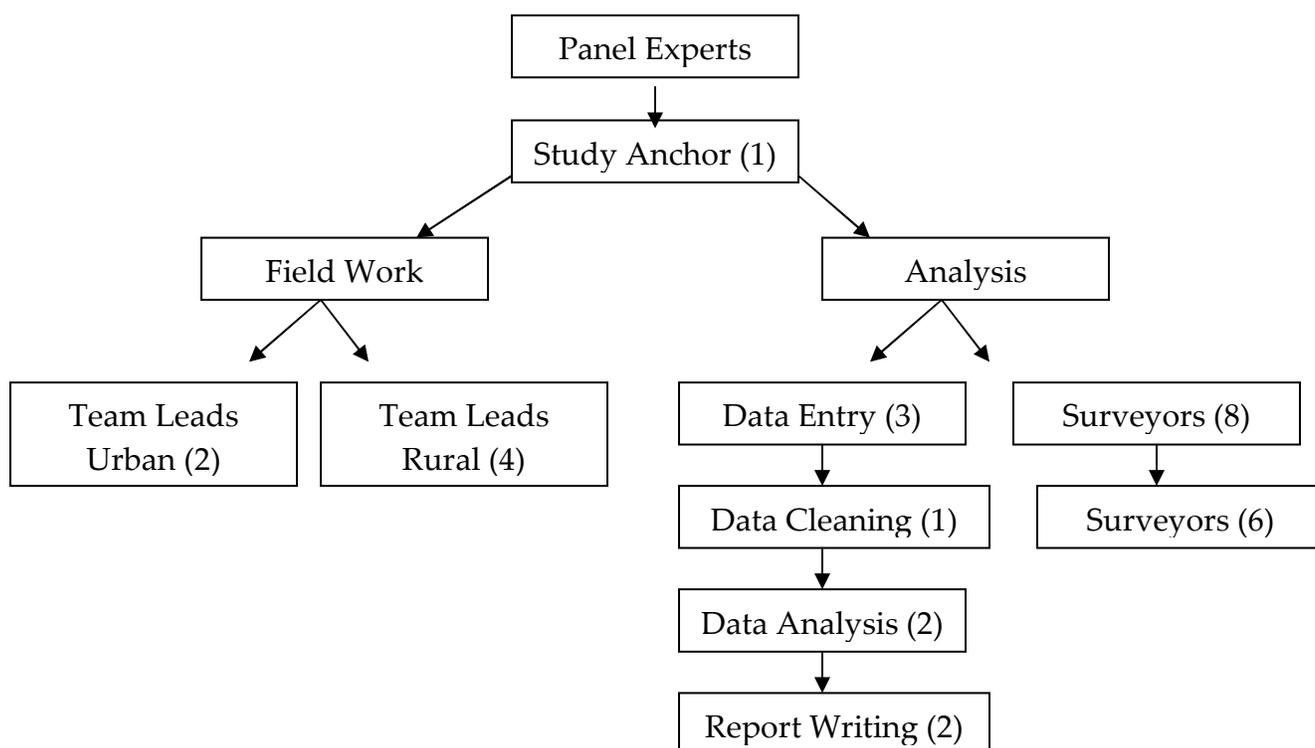
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<sup>4</sup> Mr. Narasimha Reddy (CHIP), Mr. Prasann Thatte (CGG) and Mr. Krishnagopal (ALC India) were the panel members.

## 1.6 Team Structure

The study is anchored by a team member in Chitrika. The anchor was guided by the three panel experts. The anchor selected the team leads to conduct surveys in cities and clusters based on the expertise as well as the knowledge of the surveying areas. Each team lead in turn was supported by two to three surveyors depending on the whether it is a city or a village. The structure and members of the team are presented in Figure 2.

**Figure 2: Team Structure**



## Other Studies

Table 6, summarizes the studies undertaken so far on marketing handlooms. Reports in general related to handlooms and shorter articles have not been included. Though plethora of articles and reports on handloom sub-sector as such are available, reports directly addressing issues in marketing are handful.

**Table 6: Select Studies/Reports on Handlooms Market-Marketing in India**

#	Study	Organization	Objective
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1	Growth and Prospects of Handloom Industry , 2001	Planning Commission-Dastkar Andhra	Collect field data and perspectives of different stakeholders in AP Handlooms to influence policy and design future interventions
2	Indian Handloom Market – Facts, Issues and Strategies, 2004	Centre for Handloom Information and Policy Advocacy (CHIP)	To understand handloom market and consumer opinion
3	Indian Handloom Market – Characteristics and Practices, 2005	Centre for Handloom Information and Policy Advocacy (CHIP)	Enlisting current markets where Ikkat and Kalamkari products are sold, getting consumer opinion and understanding the future prospects for these products
2	National Household Survey, Market for Textiles and Clothing, 2006	Ministry of Textiles	Market Data on entire textile industry covering current growth and markets shares across different segments of clothing, consumers, geographies
3	Traditional Industry in the New Market Economy – The Cotton Handlooms of Andhra Pradesh, 2001	Mukund and Syamasundari	Study of weavers, trader and government
6	Marketing Handlooms, Perspectives from practices, 2007		Occasional Paper – to develop a framework for analysis of handloom marketing

### 2.1 Profile of the Indian Textile Industry

India is next only to china as the worlds' largest producer of cotton yarn and fabrics. It is also a major global giant in production of synthetic fibres and fabric occupying 5<sup>th</sup> position in the world (USDA 2005). The textile industry in India occupies a pivotal position in economy by contributing to 14% of the industrial production, 4% to GDP and providing employment to 35 million people constituting 18% of the jobs in industrial sector. It produced 57 billion square meters of fabrics during the year 2007-08. Cotton fabrics constituted 48% of this output. This is showing decreasing trends from 64% during 1992-93 (Textile Committee Report 2005). Now, due to various policy supports initiated by the Government the pace of growth has accelerated from 3-4% during the past 6 decades to 16% in 2007 and in terms of value it was US \$ 52 billions in 2007-08. This is expected to cross US \$ 115 billion (exports US \$55 billion and domestic US \$ 60 billion) by 2012. Thus the proportion of exports in the total textile market would increase from 34% in 2005 to the projected 47.82% by 2012. Textiles are now contributing to 13.5% of the export earnings (Textile Ministry Review Jan 2009), and is growing at 7.7% per annum.

Bulk of the exports is cotton yarn, apparels and household furnishings. Although domestic demand accounts for most of the Indian cotton consumption, growth in exports of textiles and clothing is outpacing domestic demand. Added to this, there is rise in the domestic use of manmade fibres to the extent of 6.8% with negligible rise in cotton. Also the government policy interventions that influence raw material and product prices, industry structure, and technology significantly affect both the growth in domestic demand for cotton and the competitiveness of India's textile export sector (USDA 2005). The investments have also increased in the sector and between 2004-08, Rs 104506 Crores has been added. This is expected to reach Rs 1,50,000 Crores by 2012 which generates additional 173.7 crore jobs. These buoyant trends are the result of factors like resilient domestic economy, substantial increase in cotton production, various export promotion measures and

removal of Multi Fibre Agreement (MFA), 1974<sup>5</sup>. The rationalization of fiscal duties during the last four years has also provided a level playing field for all segments of the industry, resulting in holistic growth. This growth is exhibited by indicators like production and per capita availability. Thus a strong foundation is being built-up on which good manufacturing units can realize their full potential and make a mark in the international economy.

**Table 7 (a): Growth in Fabric Consumption**

India: Growth in fabric consumption by type, 1972-2002				
Period	Cotton	Manmade and blended	Total	Real gross domestic product/capita
	-----Square meters-----			1993/94 Rs
Average for:				
1972-74	17.4	2.8	20.2	5,255
1979-81	14.5	6.4	20.9	5,782
1989-91	14.4	8.2	22.6	7,823
2000-02	14.5	16.9	31.3	12,166
	Percent			
Growth rates: <sup>1</sup>				
1973-80	-2.6	12.4	.5	1.4
1980-90	-.1	2.5	.8	3.1
1990-2001	0	6.8	3.0	3.7

<sup>1</sup>Growth rates between period average centered on years indicated.

Source: Government of India, Ministry of Textiles, Office of the Textile Commissioner, 2004, *Compendium of Textile Statistics*.

**Table 7 (b): World Per Capita Consumption of Fibre (During 1950 to 2005)**

#	Year	Population (Billions)	Total Fibre (Billion Kg.)	Synthetic Fibre (Billion Kg.)	Per Capita Total Fibre Consumption (Kg.)	Per Capita synthetic Fibre Consumption (Kg.)
1	1950	2.5	10.4	0.1	4.1	0.04
2	1960	3	14.9	0.7	5	0.2
3	1970	3.7	22.1	5	6	1.4
4	1980	4.4	30.8	11.6	6.9	2.6
5	1990	5.2	40.9	17.6	7.8	3.4
6	2000(P)	6.2	52.7	26.5	8.5	4.3
7	2005(Est.)	6.8	60.5	32	8.9	4.7

Source: Compendium of International Textile Statistics, 2002

<sup>5</sup> The **Multi Fiber Arrangement** (MFA), introduced in 1974 had implications for world trade in textiles and garments. It sought to impose quotas on the amount developing countries could export to developed countries. The agreement expired in early 2005.

### Demand and Spending Patterns for Textile Products

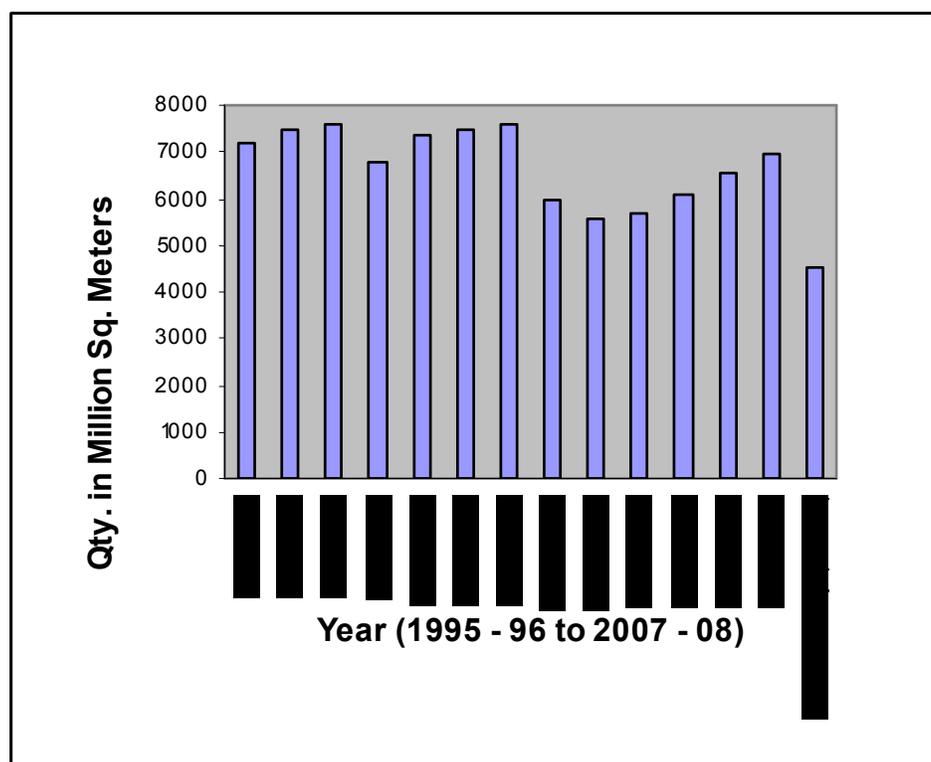
Demand for manmade and blended textile products in India is relatively high in rural areas (61% of rural buyers) compared to the urban areas (54% of urban buyers). Consumers in both urban and rural areas prefer man-made fabrics due to their durability and ease in maintenance. A cursory glance of the world per capita fibre consumption figures (Table 7b) reveals a somewhat similar trend. Faster economic growth beginning in the early 1990s has led to the emergence of an expanding middle class of 150-200 million consumers, with the capacity and propensity to purchase higher priced items. But price-sensitive, lower income households continue to account for the bulk of India's more than 1 billion consumers. The patterns for spending on necessities like food and apparel are dependent on the house hold incomes. McKinsey Global Institute's data shows that as income increases, consumers tend to spend less on basic amenities like food and clothing and more on discretionary items. This is true for all economies in the world (The BW marketing white book 2007-08; p. 161). The share of average spending on food and apparel has declined from 65% in 1985 to 48% in 2005. The apparel component within this constitutes 6% in 2005 is expected to decline marginally by 1% till 2025. This being one of the product categories in 'feeling and looking good' segment, the impact of increasing income is not predominant as in the case of food and beverages. This is because the emerging middle class consumers would like to buy more of high price clothing. Hence the Indian consumers' share of spending on apparel and personal items will be on par with that of consumers in other economies. Between urban and rural consumers, spending on these items by rural consumers is expected to increase because of lower housing expenses and hence more available income compared to similar income group consumers from urban areas.

**Table 8: Production of Cloth by Handloom Sector in India**

Financial Year	Qty. Million in Sq. Mtrs	Growth Rate %	% Share
1995-1996	7202	17	23
1996-1997	7457	4	22
1997-1998	7604	2	21
1998-1999	6792	-11	19
1999-2000	7353	8	19
2000-2001	7472	2	19
2001-2002	7585	2	18
2002-2003	5989	-21	14
2003-2004	5581	-7	13
2004-2005	5705	2	13
2005-2006	6108	7	13
2006-2007	6535	7	12
2007-2008	6947	6	13
2008-2009 (Apr-Nov)	4496	-2	13

Source: Ministry of Textiles, GOI

**Graph 1: Table 8 Depicted as a Graph**



## **2.2 The Indian Handloom Sector**

The Indian handloom sector has an overwhelming presence in the economic life of the country primarily because it employs largest number of rural people only after agriculture. Apart from providing one of the basic necessities of life, the sector also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country. The sector represents the legacy of our nationalist ethos, rich cultural diversities and socioeconomic traditions.

Textile was one of the first industries to develop world wide in the form of industrial revolution. The transition of cloth making industry in terms of technology and mass production capabilities started to spell the blow to handloom sector. The modern textiles captured major chunk of the consumer markets during the last century. At the national aggregate levels, the total production of cloth has increased from 50 billion sq. meters in 2005-06 to 57 billion sq. meters in 2007-08. However, the production of handloom sector has fluctuated widely from 4 billion square meters in 1990 to 8 billion in 1996-97 to 6 billion again in 2004-05 (CHIP 2005). This contributed to around 13% of the Indian cloth market. In real terms, while it is growing at the rate of 3%, it lost the ground from 22% in 1996-97 to the power looms. This is mainly because of the decline in number of handloom units from 29.97 lakhs in 1987-88 to 25.46 lakhs during 1995-96. Another reason for this downward trend is the dominance of low cost and highly substitutable cloth (75%) and only 25% constitutes high value niche products which can not be produced by power looms (ICRA 2005). Per capita consumption of handloom textiles is around 0.88 meters.

As per the last Handloom Census (1995-96) there are 38 lakh looms providing direct employment to over 124 lakh persons in India, of which 60% are women, 12% from Schedule Caste and 20% from Schedule Tribes. This is apart from the loom and reel-makers, dyers, warp-winders, sizers and other support specialists. The industry is not confined to traditional weaving castes either. When handloom thrives in a region, many non-weaving castes tend to take it up. For example, in Yemmiganur mandal of Kurnool district, Andhra Pradesh, after a natural calamity in the 1950s, weaving was introduced to farmers as an income-generating activity. Today, weaving is the main

occupation of fishermen and toddy-tappers there. It is a major household-based cotton textile industry in the world. Handloom is the most diversified, flexible, decentralised and the least capital and energy-requiring livelihood system in India.

The number of weavers in Andhra Pradesh stood at 7% of the National labour engaged in the handloom industry. Of this, 219,100 were employed in full time weaving labour; 33,000 in part time weaving; 148,400 in full-time preparatory work and 52,400 in part time preparatory work.



This consistent decline in the number of weavers, looms and production (as brought out through handlooms census and the report of various NGOs working across AP) pushed the traditional weaving sector to a moribund state and endangered their livelihoods. Factors like unorganized nature of weavers, vulnerability to market fluctuations, lack of market information and access to financial resources have strangled the impoverished weavers. Today, the issue of weavers

migrating to large cities in search of alternative sources of livelihood and ending up as unskilled labour for other sectors, in stray cases resorting to suicides has been sensationalized by the media. The sub-sector is passing through difficult days and the irony is that much of the maladies have roots in the policies that have largely failed to address constraints plaguing it.

Though the industry has been able to withstand the onslaught and survive due to its innate strengths, most of the advantages are stage managed by the preferential protectionist measures initiated by the Government for obvious social concerns. The brand image as 'hand made' adds value for consumers. There are craftsmen engaged in production of looms and accessories supporting livelihoods for millions. The sub-sector does not depend upon import of technology and raw materials. These are the areas which provide scope for revitalizing the sub-sector flexibility to produce in small quantities, low level of capital investment and designing flexibility for the fabrics and the most environmental friendly way of cloth production.

### The Bottlenecks

The major constraints of the handloom sub-sector have been the unorganized nature of weavers, vulnerability to market fluctuations, lack of market information, lack of access and control over financial resources and increasing distance between producer and consumer. Real weavers hardly engage in independent production, instead work under master weavers as wage earners. The sub sector is the game play of who controls the markets, a crucial aspect in supply chain. The fact that master weavers, owing to their entrepreneurial capabilities have adapted to the changing market demands, diversified their portfolio of products, coaxed weavers to adapt to new design trends, in a way ensured that they exercise full control over the entire supply chain by giving end to end services. Thus it is the capability to meet the consumer needs, market suaveness, and capability to control the supply chain that has ensured their enterprise flourish (Vijaya Switha 2007). The institutional approach to tackle these various issues has been experimented widely in the sector but with varied impacts. Only one third of the weavers are organized in to co-operatives, the industry still functions with either independent weaving at home or a combination of home and collective weaving at master weaver sheds. The cooperatives and the state sponsored marketing bodies by and large have failed miserably in promoting the interests of the weavers, rather became tools in

the hands of traders. Many of the weavers' cooperatives exist on paper for the sake of Government schemes (M. Madan Gopal 2005).

Most of the committees that were constituted to examine the issues in handloom sub-sector, spoke about the production constraints and the supply chain. The real issues arising at the market level were hardly addressed for policy advocacy. Instead, some measures to absorb the products to state owned units like railways were brought under reserve purchase of handloom products as policy frame work to boost sales. However, the real issues concerning the declining sales at household consumer level were not looked at in the beginning. There were many issues in marketing like changing consumer preferences both in urban and rural areas that were influenced by rising income and the whole outlook of the economy. The product features were losing competitive edge over the man made fibre clothing. The design trends, although the sector was highly flexible to accommodate new designs to suit new generation consumers, were also not streamlined to reach weavers. Some of these are put forth in relevant chapters of this study by secondary data comprehension and analysis.

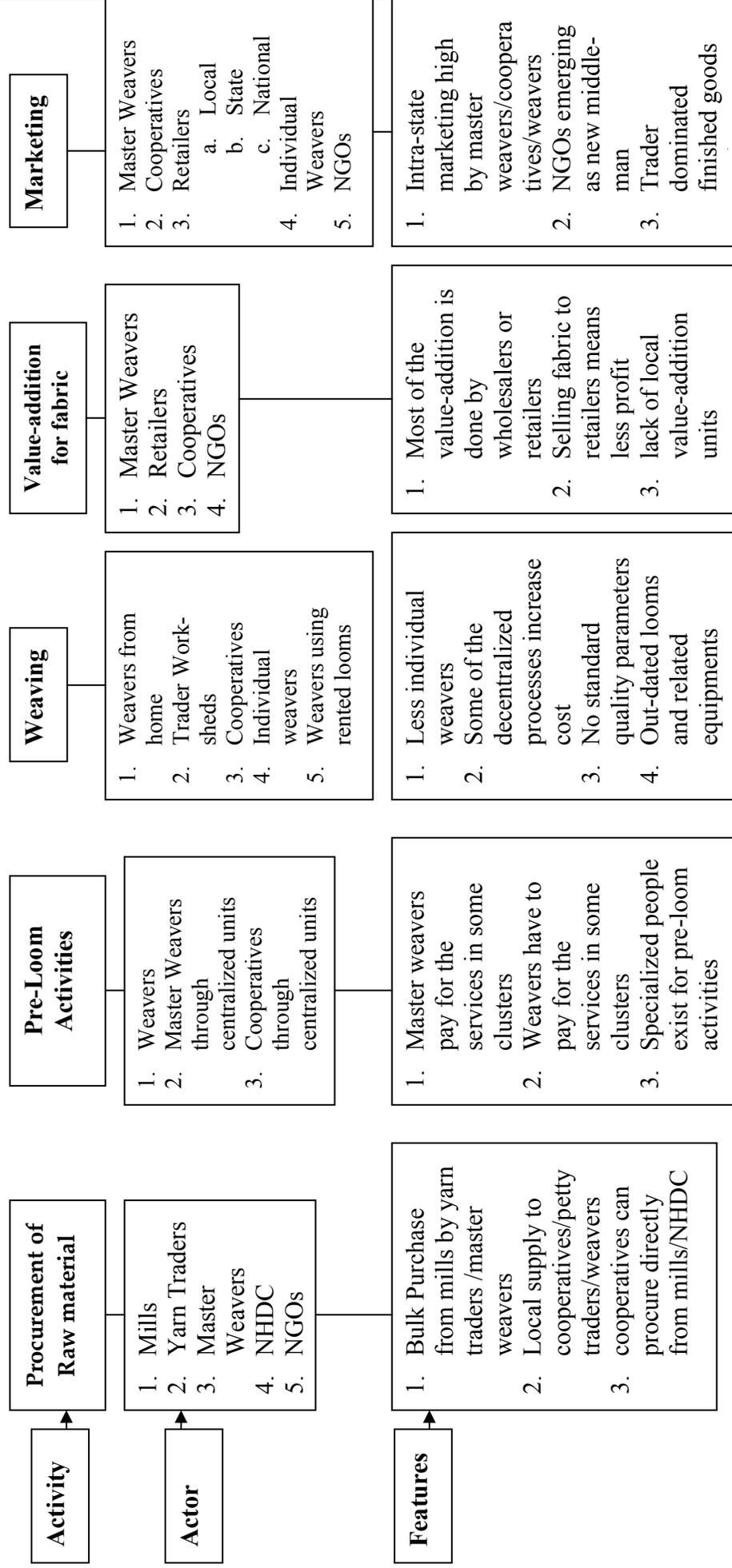
Looking at the scope to venture through new models in value chains including potentials in marketing, various players intervened in this direction to create market access and re-discover market potential of handloom products. Some other players intervene in the supply chain, to link the specific focused segment of the urban consumers to the producers. Players such as Fabindia and Anokhi would fall in this category. However this has its challenges in terms of ensuring that supply channels are streamlined; quality control measures, managing demand and supply cycles, diversity of products and standardizing across the retail chains.

The intervening agencies have also tried to work along the other bottlenecks in the supply chain like sharing working capital requirement by weavers, bulk sourcing from master weavers and co-operatives and directly linking producer to consumer. Many of these have demonstrated ways to link producers with the market in an efficient manner.

Thus, to sum up, the primary issue boils down to bridging the ever changing consumer demands with the distributed traditional weaving sector through correcting the market infrastructure and educating the weavers to understand market. In stead of propping them up with external support, developing their own capacity is crucial for their survival.



Figure 3: Weaving Value-Chain



### Value Chain of Handlooms: in Need of Improvement

It is observed that handlooms are dependent upon several networks for supply of inputs as well as the trade channels where value of the yarn and the product keeps adding up before reaching the end consumer. The cost prices of the products remain at acceptable limits till at weaver level since the wages are also cheaper and generally the weavers work under master weavers as wage labourers. Further onwards along the chain, starting from master weaver, who acts generally as wholesaler, adds to the major chunk of the end consumer prices to the extent of 30-40% for the generic fabrics. Another minimum 100% value addition happens at garmenting stage. Thus the structure of the value chain is lopsided towards the trade. The master weavers are the critical links in the chain ensuring that the production caters to the requirements of the consumer needs which he is well aware of. Depiction of value chain is provided alongside.

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### **2.3 The Government Policies and Initiatives: Schemes and Programs**

The Development Commissioner (Handlooms) is the apex agency for promotion of handloom sector at the national level. Major Schemes/programs are aimed at providing solace to production related issues. However, a few of the important schemes to promote the markets are discussed in Table 9. So far, the GOI has released Rs 1480.81 million for market development assistance to various states during 1997-98 to 2005-06. Of this, Andhra Pradesh has received Rs 148 million during the same period. Various schemes to revitalize handloom sector has benefited 26, 87,780 weavers across India during 2003-04 to 2005-06. The corresponding figures for Andhra Pradesh is 2, 95,196. (Lok Sabha unstarred questions, 2007). The real benefit in terms of increased sales or income has not been assessed so far. GOI figures only represent the reach of the schemes and they do not bring out the what the actual benefits were, the quantum of benefits and impact of the benefits.

**Table 9: Overview of Policy Framework (in specificity to Handloom markets)**

Sl.	Name of Policy	Salient Features/Objectives	Strategic Potential	Criticisms
1.	Rebate scheme (non plan)	To provide for reimbursement of one time rebate at 10 per cent given by the handloom agencies on sale of handloom cloth	Handloom agencies would be in a position to sell their unsold handloom cloth faster by giving rebate to the consumer	Cooperatives tend to inflate their non-existent sales and stock in support with corrupt government officials  Slow service delivery: many state level apex bodies owe rebate money to cooperatives till date
2.	Handloom Export Scheme	To provide “all” support and guidance to the Indian Handloom exporters and International buyers for trade promotion and International marketing	Creating an export market in times of liberalisation  Creating high quality products that can compete in the international market  Leveraging local skills to generate foreign exchange; to enhance local earnings as well	Inability on the part of the HEPC to evolve and introduce an institutoinal set up that will effectively disseminate information regarding prices, availability of raw materials, and most of all the kind of colours and designs that would be received in international markets <sup>6</sup>
3.	Marketing Promotion Program (MPP)	To promote marketing of handlooms to improve levels of awareness among handloom weavers and the general public for overall development of the handloom sector	To indetify and tap into local markets  To optimise both channels of trading, namely (i) rural–urban, and (ii) rural– rual	Failure to instate marketing practices and protocol that can deal with issues such as falling wage rates, high costs, shrinking markets, and duplication by power looms <sup>7</sup> in simultaneity
4.	Handloom Mark Scheme	Distinct identity for genuine handloom products on the pattern of Wool Mark and Silk Mark	Compliance to quality standards  Necessarry in view of ongoing efforts to create brand image for handlooms	No system of certifying authenticiy of a product registered under the Scheme

<sup>6</sup> Refer Proceedings of “Regional Workshop on Globalisation, Economic Liberalisation and Indian Informal Sector”, 7th-8th August, 2003, Ahmedabad

<sup>7</sup> In order to protect Handloom weavers and the Handloom Industry from the onslaught of power looms, the Government of India have enacted Handlooms (Reservation of Articles) for Production) Act 1985 for implementation by all States in the Country. The same has been discussed in greater detail later.

### The National Textile Policy

National Textile Policy was mainly aimed to restrict the number of powerlooms, in order to protect the handloom sector. The two main measures in the national textile policy meant to protect the handloom sector are: (i) The reservation of a number of products exclusively for handlooms, and (ii) Obligation on spinning mills that 50% of the yarn produced should be hank yarn meant for handlooms.

Initially, the Handloom (Reservation of Articles for Production) Act 1985 specified that 22 products were reserved exclusively for handloom production, but the number was brought down to 11 in the 1990s. Recently, in 2000, the Satyam Committee recommended abolition of the Act altogether. Officially, reservation has to be enforced through the Directorate of Handlooms and Textiles, which has an enforcement wing which failed to exercise control over powerlooms. This resulted in flooding of products from powerlooms which are competitive by cost and quality.

The Hank Yarn Obligation Order is also poorly enforced. Although 50% of the yarn production should be hank yarn, in reality it is only half of this. Moreover, a part of the hank yarn is delivered to the powerlooms and rewound. There is also a mismatch between the delivered hank yarn and the types that are required by handlooms. Since 1991, yarn is also increasingly exported. More than 85% of this yarn export is of the hank yarn type (Srinivasulu 1996; p. 3203-4).

### Policies on Regulation of Cooperatives

It is a well-established fact that any intervention in market based development approaches needs institutional mechanism to reduce the distance between the producer and the consumer. This is all the more needed for handloom sector where production is distributed geographically leading to dominance of master weavers who manage to control the supply chain. Now, much has been said about the status of cooperative sector in AP in the earlier section. The other side of the story is necessity for a link institution owned by the producers for the government agencies to administer and channelize scheme benefits intended to revitalize the sector. Although there

are provisions to by pass these structures and reach the beneficiaries, in practice this does not happen because of procedural constraints. Thus, the institutions stayed on, at least for such non-core purposes and the real cause of marketing the produce got side-lined.

### The Government Sponsored Schemes

Various schemes intended to revive handloom sector also have larger implications on the industry environment. Most of these schemes are centrally sponsored schemes and were designed for implementation without much participation from the beneficiary states. As a result, these fail to suit to ground realities of a particular region. For example Deen Dayal Scheme was an amalgamation of several smaller schemes to make it comprehensive and covered most of the supply chain issues including the marketing. However, it required mandatory participation by a national bank for release of the assistance at beneficiary level. Thus most of it remained unutilized by the states. Some of the schemes were so much obsessed with skill development which the weavers never needed and they reluctantly attended the programs for the sake of stipends. Criticizing the schemes, Mukund and Shyama Sundari (2001, p.135) add:

“Because there is a large demand both within India and in foreign countries for the *ikat* fabrics of Nalgonda, tie and dye training workshops have been conducted in several districts. In Muramanda, the cooperative society said that they had had to accept the programme under pressure. ... The attempts to train weavers to produce furnishing fabrics with *jamdani* technique show little understanding of the economics of the cost of production of such fabrics. ... it is doubtful whether any real market research has been undertaken as to the demand for these products or the colors and designs which would sell in different markets before conducting these training programs.”

Thus, the infusion of funds for specific purposes failed to deliver the expected results. Even the existing scheme on rebates is being criticized as they encourage cooperatives doctoring the sales figures to claim rebates. As we have quoted Madangopal as saying ‘many cooperatives exists on paper to claim the government subsidies’ will have lot of implications on the over all market scenario for handlooms, since most of the organized markets are sponsored by the state.

The four important dimensions of consumer segmentation like urban/rural, sex, income and age are considered for our study on marketing of handloom products. It is well known that the cotton handloom cloth is preferred and used by almost all segments of the consumers. It cuts across geographical barriers- rural / urban, social, economic strata of society albeit in different quantities. Though much hype is being created on the prospects of the export markets for cotton handloom textiles, 80% of the fabric produced is consumed within the domestic markets (HEPC). Hence understanding these domestic markets, the consumers, their profiles and preferences are more relevant for growth of the sector. The recent trends in income profiles of the domestic consumer segments offer immense growth opportunities for the textile industry and handloom sub-sector specifically. Let us look at the trends in income levels to arrive at broader perspective of the scenario. Some of the market related schemes are detailed below:

#### *Rebate Scheme (Non Plan)*

The main objective of the scheme is to provide marketing support to the National level handloom organizations/agencies like (i) National Handloom Development Corporation (NHDC), (ii) All India Handloom Fabrics Marketing Cooperative Society (AIHFMCS), (iii) Handicrafts and Handlooms Export Corporation (HHEC), along with State level organizations like (iv) State Handloom Corporations/State Apex Cooperative Societies/Handloom Federations/Regional Handloom organizations and (ii) Primary Handloom Weavers Cooperative Societies etc. by way of reimbursement of 10% rebate on sale of handloom cloth generated by them through their emporia and other sales outlets and/or by organizing/participating in special fairs, exhibitions, participating in National/Special Handloom Expos, District Level events etc. This would supplement their ongoing marketing efforts thereby creating scope for keeping the production cycle alive and employment of handloom weavers. Ironically this scheme has resulted in cooperatives inflating their non-existent sales and stock and supported by corrupt government officials. Also many of the state level apex bodies owe rebate money to the cooperatives even to this date.

### *Handloom Export Scheme*

This is designed to assist handloom agencies for the development of export worthy handloom products and their marketing at the international level by way of participation in international fairs and exhibitions. A total of Rs 26 Crores is ear marked for this scheme. As a result, Handloom Export Promotion Council (HEPC) was set up in 1965 as the nodal agency for export promotion efforts related to the cotton handloom textiles sector. The council provides to its members services like trade information & intelligence, business missions/buyer seller meets and participation in trade fairs abroad etc.

Handloom Export Promotion Council (HEPC) is a statutory body constituted under The Ministry of Textiles, Government of India to promote the exports of all handloom products like fabrics, home furnishings, carpets and floor coverings, etc. HEPC was constituted in the year of 1965 with 65 members and its present membership is around 2000 spread all over the country. The Handloom industry mainly exports fabrics, bed linen, table linen, toilet and kitchen linen, towels, curtains, cushions and pads, tapestries and upholstery's, carpets and floor coverings, etc. The basic objective of HEPC is to provide all support and guidance to the Indian Handloom exporters and International buyers for trade promotion and International marketing. HEPC has its head office at Chennai and regional office at New Delhi.

### *Marketing Promotion Program (MPP)*

The objective of the scheme is to promote marketing of handlooms to improve levels of awareness among handloom weavers and the general public for overall development of the handloom sector. Assistance would be provided for organization of exhibitions and fairs, setting up of urban haats, setting up of marketing complexes, publicity and awareness programs. Weavers are allotted stalls in Dilli Haat, and in various Craft Melas, on a fortnightly basis, to sell their products. Rs 40 Crores has been earmarked for this scheme. Financial assistance ranging from Rs 10 Lakhs to Rs 200 Lakhs is extended for conducting handloom expos, craft melas and district level events in the ratio of 35%-35%-30% shared between the implementing agency, the state and the central government. Assistance for setting up Marketing Complexes is given with a view to create a permanent marketing outlet for

handloom weavers.

### *Handloom Mark Scheme*

This scheme is intended to provide distinct identity for genuine handloom products on the pattern of Wool Mark and Silk Mark<sup>8</sup>. Introduced in June 2006, Handloom Mark will help the weaver market his products for better price realization both in domestic and export markets. The idea is that the 'Handloom Mark' will provide a collective identity to the handloom products and can be used not only for popularizing the hand-woven products but can also serve as a guarantee for the buyer that the product is genuine. This is to address the increasing trend of power loom fabrics being sold as handlooms.

However, as on today we do not have any system of certifying the authenticity of the handloom product exported under any legal provisions. The Handloom Mark system does not require dealers in handloom products to compulsorily enter into a license agreement with the Textile Committee. It is only under the voluntary agreement that provides for licensees that furnishes information on production, manufacture and marketing of handloom products. The Handloom Mark logo is yet to be registered either in India or in countries such as the UK, the USA, Canada, Japan, Egypt and some European countries as a trademark or certification trade mark or collective mark. As on 06-09-2008, 567 Primary Weavers Cooperative Societies, 1 Apex Society, 1 I Weaver, 13 master weavers and 1 Retailer have been registered under this schemes and provided with labels in Andhra Pradesh

#### **Box 1: The Handloom Mark**



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<sup>8</sup> Both the Wool and Silk Mark are registered trademarks that refer to purity. The mark guarantees the use of 100% natural silk/wool in all products that bear the respective label.

## Box 2: Handloom Mark Scheme

### Among other things the handloom mark scheme provides for:

- Periodic surveillance audit by team of officials
- Random verification of Handloom Mark products to be carried out by sample purchase from the market
- Manufacturers while supplying the handloom products to the merchant exporters, retailers etc. are required to enclose along with the other requisite commercial documents, a self-certificate that the product has been manufactured on handlooms.
- Penalty clauses in the agreement entered between Textiles Committee and the Registered user for misuse of the Mark

### State Level Policies

AP has evolved state policies to impact the sector by nurturing it through direct interventions. Some of the highlights of the policies and the strategies relevant to handloom marketing are given below. But how much real attempt has been made in the implementation of these policies is a big question mark.

- Encouraging the production of niche products in handlooms, which cannot be easily copied, or mass produced by powerloom and mill sectors. Encourage manufacture of value added items particularly on handlooms.
- Secured market for certain handloom items through meeting clothing (livery) requirements of Government Departments and Public Sector Undertakings.
- Establishing Common Facility Centres for environment friendly dyeing, testing, sourcing market information and buyer seller interaction
- Organizing exposure visits, buyer seller meets and overseas exhibitions to enhance market awareness of weavers and to enable the weavers understand the emerging consumer tastes and preferences.
- Initiating measures under Intellectual Property Rights (IPRs)/Geographical Property Rights to safeguard the textile design and processes native to the state.
- Setting up Netha Bazaars in all districts to facilitate marketing of products directly to consumers Encouraging National Institutions to establish their outreach centres in all the three regions of the state.

**Table 10 (a): Apparel Exports Parks**

#	Timeframe for Establishment	Name of the Park
1	2003-04	Gundlapochampally [Phase-I & II]
2	2004-05	Visakhapatnam, Garment City, Hyderabad, Warangal
3	2005-06	Kuppam,Chittoor
*Total Outlay: Rs. 123 Crores (GOI: Rs. 92 Crores + GoAP: Rs. 31 Crores)		

**Table 10 (b): Textile Parks**

Timeframe for Establishment	Name of the Park
2004-05	Siricilla, Pochampally, Pashamailaram, Pamidi, Kothur
2005-06	Rayadurg, Chirala, Adilabad, Rajam
2006-07	Nagari, Mangalagiri, Yemmiganur
*Total Outlay: Rs. 93 Crores (GOI : Rs. 70 Crores + GoAP: Rs. 23 Crores)	

- Motivating the Public to patronize handloom cloth and motivating the weavers to produce the product as per the taste of the modern market.
- Upgrading the marketing mechanism on par with branded item showroom.
- Strict implementation of Handloom Reservation Act, 1985. Raw-material Service centres wherever necessary shall be setup and they shall be run on commercial lines.

The policy guidelines for marketing, at the outset, seem to be inadequate. Also these policies have not been implemented as stated. The state intends to aim at new product development to cater to niche markets. As pointed out earlier, niche segment constitutes only 25% of the total volume and there is a strong reason to aim at realizing better price for remaining volume. Developing niche is only one aspect of creating competitive advantage for the products. There are features that are disliked by majority of the consumers and are acting as demand inhibitors.

Another important factor, the price of the products is not looked at. Price should be made comparable with the power-loom products necessarily by reducing cost of production so that major chunk of the general products can compete well in the market. This can attract price sensitive segment of consumers living in both urban and rural areas. Subsidizing is only a temporary solace and not a sustainable solution for the problems faced by the sector. The state envisages achieving exports worth USD 2 billion (Rs. 9,600 crores) and capturing Rs. 20,000 Crores worth domestic market by 2010. As part of its drive to achieve these targets, required infrastructure is being established and is given under.

Careful analysis of the investment of government at central and state level shows that though high investments are made in infrastructure, which is good, investment in marketing aspect has been neglected. In fact it would be more correct to say that though AP has one of the largest population of weavers with diverse skills, has an apex body like APCO that has a good network across India and there are well thought out schemes, then where are we failing?

Overall, the macro picture reveals a picture of un-kept promises, under-utilized opportunities and lack of implementation discipline. As much the responsibility lies in correcting the macro-picture, attempt has to be made in educating the producers about market. Instead of creating solutions that have external locus, attempt has to be made to build producer friendly market infrastructure.

In conclusion, handloom sub-sector is as much a victim of dated mode of production as flawed policy environment. The overall emphasis on marketing in the handlooms schemes designed at central and state level is inadequate. This indicates the understanding (or the lack of it) and the seriousness given to marketing as a key aspect for the survival of the sector. Empty “Neta Bazars”, corrupt exhibitions and unimplemented policies for marketing are as much the culprits. Conceptually also the marketing assistance as defined and implemented in handlooms sector is flawed. Working Capital assistance to cooperatives forms the major chunk of the marketing schemes. Developing the soft-skills of the cooperatives in marketing, improving the marketing infrastructure and restructuring the incentive system are missing. The failure in such

massive investments can also be attributed to the product-focused market strategy. Improved designs and training in new designs alone do not win markets.

## CHAPTER III: MARKET ENVIRONMENT

### 3.1 Background

It may be best to describe here, what has been understood as a “market” for the purpose of the present study. In common parlance a market is taken to be a market *place*, in some conformance to typical imaginations that one may derive from the word. However, as regards the study at hand, market not only encompasses physical-material structures, but the more intangible economic processes of liberalisation, globalisation and related policy that have a decided effect on the availability and demand for handloom products. As part of the study a market not only comprises a confined set of actual buyers and sellers, but even those who constitute segments of potential or probable buyers and sellers. It also includes the agency of State that influences and determines terms of trade.

The role of different individual players such as the weaver, master weaver, trader, wholesaler, exporter, retailer, and the eventual buyer or consumer has been accounted for; just as much as the organisation of production and disbursement in itself. Different institutions attempt to organise trade, and at the level of production the most basic institution is the weaver community in itself. In addition, Government agencies, NGOs, marketing firms have an equally important role to play. Similarly, channels of production/disbursement have been understood to not only include trade as between rural production centres and urban market hubs, but also that which takes place within the rural economy. While village markets such as *shandies* and other traditional modes of rural exchange (that may or may not be monetised) figure prominently as part of intra rural transactions, the rural-urban exchange is facilitated by *haats*, retail outlets, exhibition halls, emporiums etc., all of which contribute to the institutional character of handloom markets.

It is a fallacy to think that handloom markets are static, as in reality they are found to be in a continuous state of flux. The nature of change being rightfully described as rapid, and influencing not just the demand and sale of products, but the very mode of production in itself (Niranjana and Syamasundari 2007; pp. 7). They are found to influence as much as be

influenced by a variety of factors. Considering the dialectics that ensues between a market and the milieu it operates within, Table 12 attempts to highlight different transitioning parameters that have a bearing on handloom markets.

Handlooms as an industry is one of the oldest in India and has been slowly but steadily endeavouring to survive the changing market dynamics. If we trace the history of handloom markets and structures, handlooms as products have undergone change. Some products remained and some perished. Can we attribute the reason for downturn on outdated modes of production/product or the lack of level playing ground for the weavers to sell their products?

The major constraints of the handloom sector have been the unorganized nature of weavers, vulnerability to market fluctuations, lack of market information, lack of access & control over financial resources and increasing distance between the consumer and producer. The traditional handloom weavers are wage earners and are not artisans in any way as they are completely dependent on the master weaver. Loans for consumption, tied sales and buy back arrangements along with input supply from master weavers has ensured that the weavers remain as wage earners. Many weavers due to their natural flair have always innovated on designs however they do not get compensated for the design innovations they do rather they get paid only wages. All this along with growth in competition from the mill made clothes offering wider designs, low cost and durable substitute have only compounded the problems of weavers.

While it is common to hear about weavers committing suicide, it is quiet uncommon to hear the same about the master weavers. And that is where probably the answer to the problems of weavers lies. The master weavers owing to their entrepreneurial capabilities have adapted to the changing market demands, diversified their portfolio of products, coaxed weavers to adapt to new designs according to the latest trends, ensured that they have control over the entire supply chain giving end to end services to weavers and ensured that they enter in to new consumer markets. It is this market suaveness, capability to control the supply chain and flexibility to meet consumer needs that has ensured that the enterprises of master weavers to flourish. This points out not just to market distortions but also to issue of control over supply

chain. Marketing is the key value-generator in the whole value-chain and that is what everybody would like to control. It is proven in the textile industry that the greatest value addition takes place at the post production stage in marketing where the margins are huge. Going by the current trend of retailing or as in any other commodity marketing it is the supply chain consolidation and integrated services to weavers through their own enterprises which will ensure greater pie of final consumer rupee to reach the weavers.

### **Box 3: Myths in Handloom Sector**

**Myths in Handloom Sector** *(these have determined approaches of many civil society organizations and government organizations)*

1. Working on niche with highly specialized products is the only survival strategy for weavers
2. Policies should promote handlooms as power looms are better off.
3. Marketing is the focus area and panacea for all ills plaguing handlooms.
4. Cooperative structures are outdated, tried and failed models for weaver's development.
5. Alternative livelihoods are anathema to weaving. It is akin to killing the skill of the weaver

These myths have throughout defined the direction of the policies and interventions at different levels. Government has donned the role of providing welfare, whereas NGOs and private players are trying to market the product themselves in the name of providing alternate (so called fair trade) channels for marketing. But where is the weaver? The powerloom weaver too suffers from the same ills as handloom weavers. The policy level philosophical distinction between the two is illusory. Though powerlooms have better market, the powerloom weaver is paid less, absence of social security net and is limited by knowledge of the market. This draws our attention to the structure of the production and marketing systems in textiles, that has favoured the trader and not the producer.

Inappropriateness is not in the structure of the cooperative for weaving but with the way the structure has been used by political and trade circles to enhance their prospects. The structure is not susceptible but the vulnerable poor are. Politics is not just the domain of cooperatives but also companies and NGOs. The cooperative structure has not been adequately tested in

weaving sub-sector. If private organizations, institutions and traders are doing well in handloom weaving business, why are the weavers suffering? When there are positive reports of shift-back to cotton as a style statement with people looking for natural fabric with their *fit to bust* pockets, why is the weaver dying? The problem lies not just in the market, production and beauty of weaving, but in the way the value chain is structured.

**Table 11: Government Interventions**

#	NGOs & Private Companies Interventions	Government Interventions
Marketing Services	Predominantly in the control of either NGOs or Private Companies (who in the name doing fair trade) transfer some margins (in non transparent manner) to weavers. Market information gathering and dissemination has remained the function of these players.	Facilitated through apex marketing federations which are inefficient structures mostly running on government subsidies.
Production Support Services	Limited only to providing designs, improving coloring techniques and may be some times technical improvements	Primarily through weavers service centers the programs are not tuned to the changing market demands and primarily driven by subsidies. Subsidies also bring inefficiency in management of all programs.
Social Security Services	Very limited or either directed to providing access to government programs	Heavily subsidized and limited to those who are members of ailing cooperatives
Financial Services	Very limited	Weavers credit cards has to an extent ensured that credit is available at least to those who have availed the opportunity. However, the coverage is limited.
Institutional Structures	Most have replicated the master weaver structures by providing marketing and design input services. While organizing the weavers in to informal groups not suitable to carry business.	Supporting cooperatives which have become bastions of master weavers rather than weavers themselves. These cooperatives are surviving on the subsidies of government and ineffective in moderating the emerging market structures.

The current market infrastructure - production of garments, technology, value-addition services and modes of marketing are all feared towards large-scale production and marketing. Small-scale production and thus small producers are forced to either increase the scale or perish. The price competition is heightened in such scenarios, which works against the small producers. Quality control has become centralized with large retailers demanding standardization that is not possible in hand-made processes. Centralization of marketing knowledge and value-addition processes will further alienate producers from the market.

“Consumer is the king” is only for increasing the product range, new experiences and new comforts and prices in some cases. But at the central of the market is neither the producer nor the consumer. The central actor is the “middle”-man, who is benefiting the most. Also women who undertake fifty percent of the production work, are completely absent at the market end. Though in urban market, as entrepreneurs they run boutiques and specialized handloom shops, the rural markets are dominated by men traders.

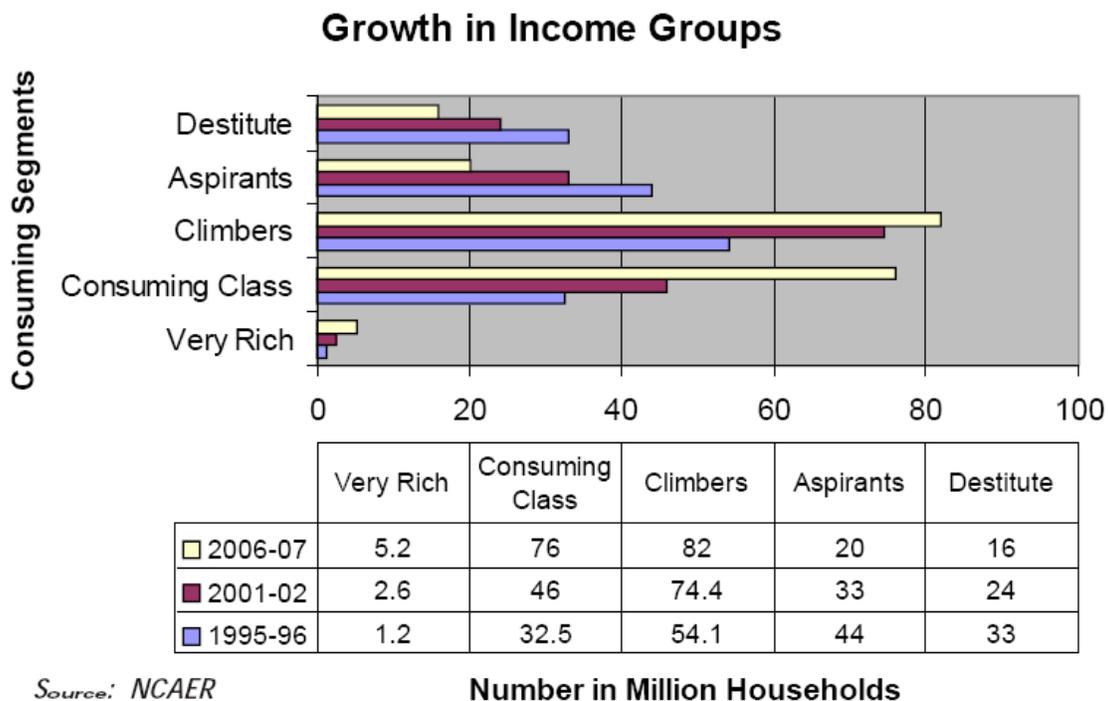
**Table 12: Some Socio-economic indicators having a bearing on Handloom Markets**

#	Parameter	Duration/ Rural- Urban	Details	Interpretation	Source
1	Per capita National Income (Current Prices)	2003 – 04	Rs. 20,871 per annum	Depicts a positive growth of 12.7%	Quick Estimates for 2007-08 released by Central Statistical Organisation (CSO), MoSPI
		2007 – 08	Rs. 33,283 per annum		
2	Per capita Consumption Expenditure (Current Prices)	2003 – 04	Rs. 21,289 per annum	Depicts a growth of 11.3%. This along with the increase Per capita National Income shows promise for Handloom products, especially niche markets.	Urban Statistics Hand Book, 2000
		2007 – 08	Rs. 31,566 per annum		
3	Trend of urbanisation in India (% of Urban Population to Total Population)	1951	17.29%	Definite increase in urban population. Increase in urban population will have an affect on the performance of rural agricultural and non-agricultural sectors <sup>9</sup> . Urbanisation on such scale will also affect tastes and preferences.	Urban Statistics Hand Book, 2000
		2001	27.8%		

4	Markets (towns & villages)	2001 – 02; Urban	3,768 nos.	Even though the terms of trade significantly determines market dynamics, the emergence of market towns and villages (i.e infrastructural arrangements for exchange) have fundamentally important role to play <sup>10</sup> .	Source: Statistical Outline of India (2001-02), NCAER
		2001 – 02; Rural	627,000 nos.		
5	Cotton Production (Area under Production & Output)	1994 - 95	7.87 Mn Ha/ 11.89 Mn Tonne	Handloom industry has a close relationship with the rural farm economy (Reddy 2009). Fluctuations in output, yield, area under cotton have a decided bearing on Handlooms	Ministry of Agriculture, Govt. of India
		2004 – 05	8.79 Mn Ha/ 16.43Mn Tonne		
6	Powerlooms (nos)	1996 – 97	14,15,844	Powerloom products have usurped handloom markets - their increasing numbers are a serious concern.	Ministry of Textile, 2001
		2000 – 01	16,55,367		

The 'Business World' publication titled The Marketing Whitebook 2007-08 refers to the findings from McKinsey Global Institute's (MGI) study on these issues at greater depths. Summing up the findings, it reveals that if India continues on its current progressive growth path over the next two decades, the Indian market will undergo a major transformation. One may refer to Graph 2 in this regard. It predicts that the income levels will triple from Rs 1,13,744 in 2005 to Rs 3,18,896 by 2025 to become the world's fifth largest consumer market. This would create a strong 583 million middle class population. This rising income level will be the biggest driver of increasing consumption. It classifies middle class based on NCAER convention, in to economic segments—seekers with Rs 2 lakhs to 5 lakhs disposable income and strivers having income between 5 lakhs to 10 lakhs per annum. In 2005, Indian middle class comprised 5% of the population (50 million people). If India achieves growth rates as predicted by MGI, middle class will reach 41% of the population by 2025. Similarly, as per the present classification of urban and rural, 30% of people are living in urban areas and account for 52% of the GDP. Places with population greater than 5000, population density greater than 400 per square kilometre and at least 75% of the males working in non agricultural employment are considered urban and the rest all are rural. In fact if the MGI predictions come true, income growths in urban areas (5.8%) will be much faster than rural (3.6%) (BW Marketing White Book 2007-08).

Owing to the dynamic nature of the economy, it is suggested that intermediary marketing firms/institutions develop the ability to “traverse (different) market segments” (Niranjana and Syamasundari 2007; pp. 21). But even though an inherent capacity to be flexible and cater to different tastes at different points of time is desired, the eventual constraint remains: the basic essence of handloom products is their traditionality, and a traditional mode of production cannot be compromised all that easily in the eager hope to satisfy ever changing trends and tastes. In an era of liberalisation and global competitiveness where consumer behaviour is somewhat ‘errant’ and influenced by many more factors, the above problem only gets starker. Furthermore, in the hierarchy of things, weavers are found to become increasingly dependent upon middlemen-traders, who are less cognizant of production intricacies and keener to maximise and isolate profits.



Source: NCAER

**Graph 2: MGI study's take on consumption patterns in India**

Likewise a conceptual construction of handloom markets would be incomplete if one did not account for powerlooms, rather counterfeits produced and passed off by powerlooms as handloom originals. The initial surge in number of powerlooms had raised serious questions for the viability of handlooms products, primarily on account of the technological advantage power looms command, economies of scale that they enjoy, and most of all their near exemption from policy restrictions. In fair testimony, the National Household Survey of 2006 – Market for Textiles and Clothing reveals that per capita purchase of cotton textiles manufactured in mills and power looms in 2006 was 5.61 meters as against 5.43 in 2005, indicative of a growth of 3.31%. On the other hand per capita purchase of cotton textiles produced by handlooms was 0.88 meters in 2006 as against 0.97 meters in 2005, indicative of a negative growth of 9.28%. In the light of such figures one wonders whether the touting of the handloom sector as one that is dynamic and resilient is mere naiveté, or armchair optimism.

However, handlooms markets, as far as the present study is concerned, have been defined to assess the potential demand and sale. Our understanding of markets seeks to encompass processes, as much as the products, and the physical venues of transactions (i.e. market places). Our understanding also accounts for the pervasive force of globalisation and technological advancements, ever changing nature of consumer preferences, and other context specific factors that go to define markets in the long run. It would be important to look at the policy environment that defines the handloom markets. Policies that have an influence on market conditions have been already elaborated in Chapter 2.

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### **3.2 The Domestic Markets and its Structure**

Handloom markets in India can be classified as organized and unorganized markets. The distributed nature of the industry and the complex chain of intermediaries for long have established their own markets in distant places either through retail shop owners across urban and rural areas or petty traders in rural shandies and fairs. Many a times, weavers and master weavers themselves are engaged in direct retailing in nearby areas. In order to provide producers direct access to the markets, the governments and development sector organizations/NGOs took initiatives to market the products directly or through a network of

producer societies and state owned bodies intended to take care of the supply chain problems. They mostly operate through sales in exhibitions and retailing in urban areas. Several producer cooperatives came into existence and started dealing partly with the state agencies or traditional channel and partly with the direct sales to consumers. The primary cooperatives operate under the state level apex bodies that are generally inefficient in market functions and end up with huge accumulated losses and keep running on government subsidies. Market oriented contract production systems were established by private entrepreneurs like Fabindia, Anokhi, Westside, etc who tried to organize weavers in to production contracts to suit market specifications for quality and quantity. They established their own retail chain for different consumer segments and this in a way helped the sector to imprint an image of its own among the new generation consumers. Certain NGOs and private sector operators engage in gathering and disseminating market information and transfer a part of the margins to weavers in an attempt to make Trade fairer.



#### **Box 4: Retailers**

##### **Retailers**

Retailers in Handlooms come in various sizes and shapes, spread across villages, districts and states.

*The local retailer:* Local retailers with stock ranging from Rs.5 lakhs to Rs.10 lakhs and mostly stocking handloom/powerloom and synthetic mix.

*District level:* Depending on the economic development of district and the scale of the cluster, the district level retailers stock in the range of Rs.5 lakhs to Rs. 50 lakhs. In the larger clusters like Pochampally and Mangalagiri, the turnover might be up to Rs. 5 crores per annum.

*State and National level:* Again the range is from few lakhs to Rs.500 crores with increasing activities of value-addition undertaken by giant retailers.

Specialized boutiques in the locality of high-end residential areas in Hyderabad and Vizag are low volume, high margin players catering to select clientele developed through personal contacts. The flexibility in time, quantity and specifications is high with these boutiques.

The distinction between wholesalers and retailers is also blurring with wholesalers undertaking retailing in some cases. Master Weaver is all rolled in to one with his reach extending into international markets. But Master Weavers undertaking value-addition is limited as they see more risk in it. Their holding-capacity is one of the main reasons that they are able to survive in trade. Over the years they have built-up the market knowledge, but majority of them still operate in traditional markets with the exception of those in Mangalagiri, Pochampally and Chirala.

Retailing in local weaving clusters is also dependent on the local economy. In the case of Mangalagiri or Pochampally, the local retailing is good due to proximity to cities like Vijayawada and Hyderabad respectively. Again in the case of Yemmiganur or Narayanpet except the bigger Master Weavers, local retailing of the handloom cloth produced in the cluster is low.

*Home-selling Retailers:* House-wives and enterprising women have been selling from home through their personal network. Though this has been happening for other textiles since many years, this trend is also seen in handlooms. Home-based selling is not organized currently for

handlooms and other textiles. But surely there is an opportunity for exploring and further undertaking the viability of this network.

Coming to the products and production, the variety and price range of cotton handlooms is so wide, from the expensive fine fabrics worn by the elite to household linen and home wear for the ordinary people. The main advantages of using cotton handloom fabrics for home wear are the softness of the texture, the ability to absorb sweat and the fine drape. The greatest potential for handloom market development rests with the products that are used most by the middle class families. Right now these are sold through master weavers and cooperative outlets where the middle class largely remains outside the marketing net. Similarly on the product design count, it is possible and practical to have diversity and specificity in coarse fabrics also at the lower end of the price spectrum. More than complex weaves and fine fabrics, it is these simple fabrics that have good potential in both domestic and foreign markets (Uzramma 2003). Thus the hand loom markets are highly differentiated in terms of products, price, channel and consumer tastes.

From household, self-consumption based activity, handlooms have increasingly become commercial catering to consumers spread across the world. In the case of Andhra Pradesh, the handloom production is more geared towards commercial production and the state is dotted by many weaving clusters catering to local consumption. As brought out in the study, Mangalagiri and Pochampally clusters cater to consumers spread across India and abroad, there are many tiny non-descript clusters producing low-cost, traditional clothing depending on local shandies and mobile sales as important channels to market the products.

Also the success stories of some of the well-known cooperatives in East Godavari like Pasalpudi and Pulagurtha indicate the power of local market. The structure of the handloom market is dominated by Master Weavers are the local traders who control the raw material, market and the producers through rendering basket of services from providing financial, marketing and risk management services. Ironically, though the trader is considered the exploitative link in the value-chain, he/she is the one renders many services to the weavers. If one looks at the traders

across the value-chain, master weavers are the closest link to the market as well as the producers. Giant retailers or shops cannot provide such services to weavers due to proximity and cost factors. This has resulted in master weavers becoming a strong link in the value-chain and retailers procuring from them to reduce their transaction cost.

### **Box 5: Competition**

#### **Competition**

Competition in handlooms can be looked at from two angles – competition within handlooms and competition of handlooms with other textiles. Competition of handlooms with other textiles has been well-documented. With increasing competition from powerlooms on the points of price and range of choice, surely handlooms are facing stiff competition that is threatening their survival. But again this issue of price and choice competition has to be viewed in the context of the targeted segment as price is the defining point for low income groups. On the other hand increasing customization, focus on hand-woven, environmentally friendly clothing that sells at a premium, the competition is less.

Competition among AP handlooms is also interesting to understand. As brought out in the study, 75% of the self-space is occupied by top clusters of Pochampally, Mangalagiri and Chirala/Narayanpet (Urban-Rural), the other clusters have many lessons to learn. Also the sheer diversity of the local varieties being produced in different clusters has varied affects on competition in local, regional and state level. In the local areas price/climate might have an influence on buying the local variety whereas in urban areas versatility of a particular handloom cloth is emerging as the key driver in sales.

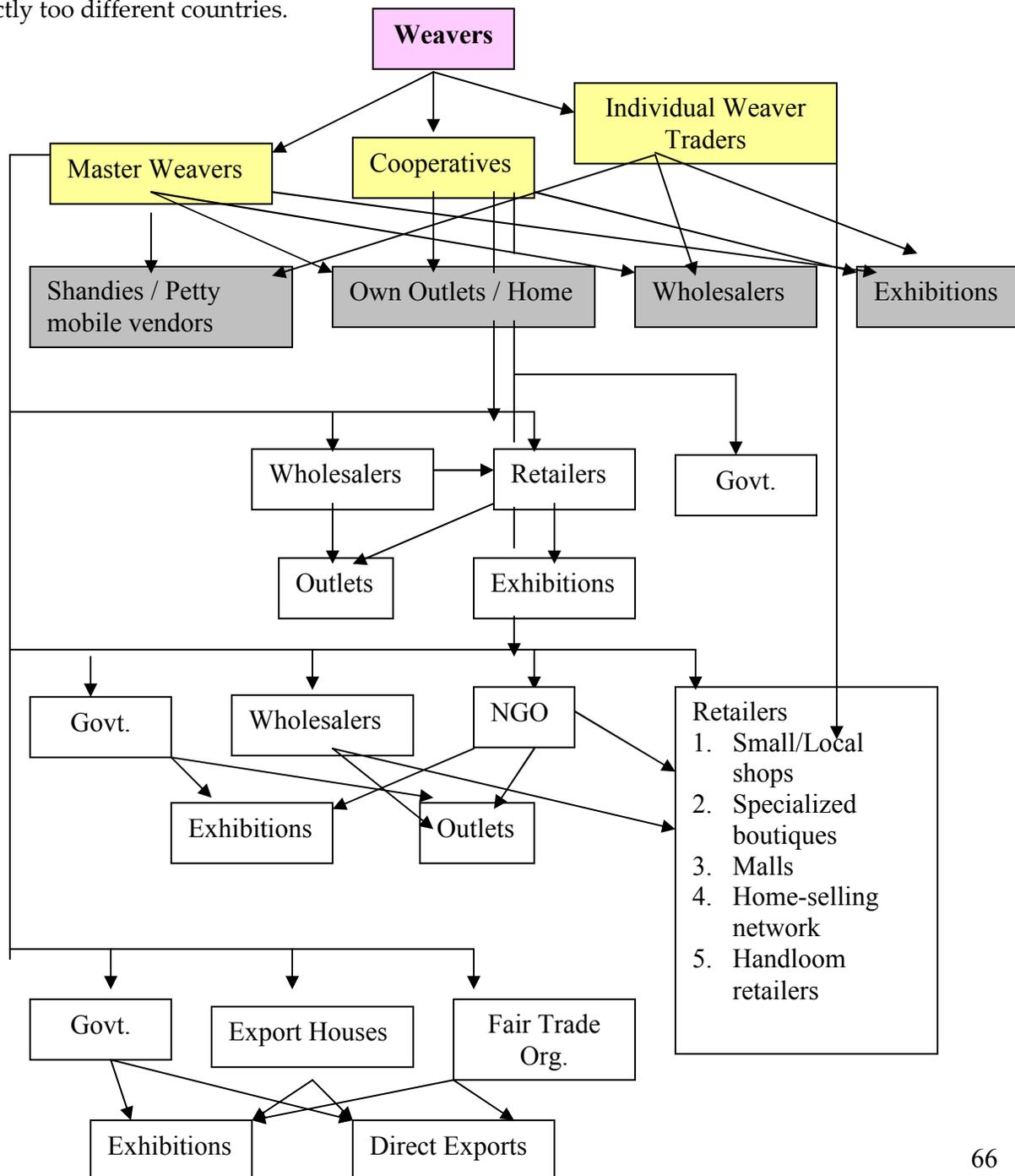
The reasons for asymmetrical market development can be attributed broadly to the following factors:

1. Capital for ability to invest in market exploration, to hold stock or to experiment
2. Lack of access to information as well as skill to interact with the market
3. The above factors building-up a cycle of exclusion, lack of confidence and social insecurity to explore enterprise opportunity

Skill, attitude and resource factors have made the weavers remain wage earners. Interestingly, the stories of some of the master weavers indicate that they were weavers initially and with small financial investment they have moved-up the ladder to become traders. This also requires attitude to take risks, which is again backed by resource base a particular person has.

**Figure 4: Market Channel**

The channels used by different players are not sacrosanct and the definition of wholesalers and retailers are also blurring. Master Weaver has the widest reach and in some clusters they export directly too different countries.



## Box 6: Think a while

### *Think a while*

Fabindia, a leading private initiative has become a leading case study in many business schools. Fabindia's first retail store opened in Delhi in 1976. Today, Fabindia has 65 retail stores across India, Dubai, UAE, Rome, Italy and China. They source fabric from all over India, convert them in to garments and retail them through their own stores across India and abroad. Former World Bank president James Wolfenshon has picked up 6% of stakes in Fabindia, putting its evaluations at Rs 750 Crores. Its annual turnover is Rs 200 Crores. They claim to work with 15,000 artisans spread across 21 states. But the supply chain for Fabindia too is controlled by middlemen as Fabindia buys from master weavers/traders and not directly from the weavers, and hence the intervention was successful in enhancing the wage days for the weaver but the benefits reached only up to the master weaver, and the weavers continue to slog. The greatest benefits go to players like Fabindia who control the market. As a business model, there are many key lessons that can be learnt from Fabindia. The key driver for success: Value addition, supply chain management and ethics based promotion. But is there a chance to replace the private player with the weaver owned company? Can we do it?

*Vijaya Switha, Transforming India, October, 2007.*

### 3.3 Handlooms in Andhra Pradesh

Andhra Pradesh is one of the major handloom producing states in India. There are all together 23 weaving clusters in AP of the total national figure of 470 in 2006. Furthermore the Ministry of Textiles reports that it has reached out to about 3 lakhs weavers as part of its programmes/schemes over the 3 year period of 2003 – 06.

**Table 13: India/Andhra Pradesh overview of Select Details**

#	Details	Amount/ Nos.	
		India (Total)	Andhra Pradesh
1.	Number of Handloom Clusters in India (June, 2006)	470	23
2.	Number of Weavers Assisted under Various	26,87,780	2,95,196

	Handloom Schemes (2003 – 04 to 2005 – 06) <sup>11</sup>		
3.	Releases of Fund under Different Handloom Plan Schemes (2005 – 06)	3,962.49	5,82.55

Source: compiled from various tables on [www.indiastat.com](http://www.indiastat.com)

AP produces one of the most decorated names in Indian handloom sectors like Ikkat, Kalamkari, Chirala, Gadwal, Mangalagiri saris, dress materials and furnishings. The three key regions of Andhra Pradesh – Telangana, Rayalaseema and Coastal Andhra with varying agro-climatic conditions and livelihoods have large number of weavers catering to different markets with different products. The major cotton handloom clusters of Andhra Pradesh are given below:

**Table 14: AP Handloom Clusters**

#	NAME OF THE CLUSTER	MAJOR ITEMS OF PRODUCTION
<b>I</b>	<b>SRIKAKULAM</b>	
1	Rajam	Kuppadam sarees, lattice dooby bed sheets, towels
2	Narasannapeta	Sarees, dhoties, poona border sarees, MLA dhoties
3	Peddaseedhi	Sarees, dhoties, shirtings etc.,
4	Ampolu	Towels, sarees, dhoties, lungis and polyster cloth
5	Ponduru	Khadi, Handloom fabric, dhoties
6	Boddam	Sarees, Towels, Bedsheets
7	Mandarada	Sarees
8	Singupuram	Sarees, Dress material, fabric
9	Akkulapeta	
<b>II</b>	<b>EAST GODAVARI</b>	
10	Hasanbada	Fine sarees with rich pallow, bed sheets, towels, dress materials, polyester suiting, drill cloth.
11	Addampalli	Bed sheet, towels, polyester suiting, gada drill
12	Adivarupupeta	Sarees, dhoties, uppers
13	Uppada	High-end sarees
14	Pulagurtha	Sarees
15	Pasalpudi	Sarees
16	Bandarulanka	Sarees
17	K J puram	
18	Mori	
19	Angara	
<b>III</b>	<b>WEST GODAVARI</b>	
20	Achanta	Jacquard sarees, using higher counts of yarn such as 60s 80s 100s, handloom cotton
21	Ramachandrapuram	Handloom cotton sarees with higher counts of yarn with butas

		and elaborate designs
22	Dagguluru	Pure silk turbans, pure silk shirting, bengali cotton sarees and cotton sarees with elaborate designs.
23	Velpuru	Bed sheets, towels with multi-treadles, sarees with kuppadam borders, buta sarees and jacquard sarees
24	Shivapuram	
<b>IV</b>	<b>KRISHNA</b>	
25	Kappaladoddi	Fancy, petubutas, jacquard
26	Pedana	Petu sarees and half fine jari sarees
27	Polavaram	Petu sarees and half fine jari sarees
28	Machilipatnam	Petu sarees and half fine jari sarees
29	Challapalli	Fancy jari sarees and petu sarees
<b>V</b>	<b>GUNTURU</b>	
30	Mangalagiri	Dress materials, jari sarees, dhoties, shirting cloth
31	Illavaram	Dress materials, towels, dhoties, lungis, sarees, shirting cloth, uppers and bed sheets.
32	Repalle	Dress materials, towels, dhoties, lungis, sarees, shirting cloth, uppers, bed sheets, peteru petu sarees
33	Cherukupalli	Dress materials, towels, dhoties, lungis, sarees, shirting cloth, uppers and bed sheets.
34	Sattenapalli	Dress materials, towels, dhoties, lungis, sarees, shirting cloth, uppers, bed sheets
35	Battiprolu	Sarees, Fabric
<b>VI</b>	<b>PRAKASAM</b>	
36	Vetapalem	Jacquard sarees, dress material, punjabi suits, poly cotton sarees, madras real hand kerchiefs, lungis, etc.,
37	Epurupalem	Jacquard sarees, dress material, punjabi suits, poly cotton sarees, madras real hand kerchiefs, lungis, etc.,
38	Chirala	Jacquard sarees, dress material, punjabi suits, poly cotton sarees, madras real hand kerchiefs, lungis, etc.,
39	Perala	
40	Jandrapeta	
41	Pandillapalli	Jacquard sarees, dress material, punjabi suits, poly cotton sarees, madras real hand kerchiefs, lungis, etc.,
42	Chimakurti	
43	Bestavaripeta	
<b>VII</b>	<b>NELLORE</b>	
44	Venkatagiri	Rich pallav sarees
45	Bangarupeta	
46	Chennur	
47	Buchireddy Palem	
48	Kovuru	
49	Paturu	
50	Sangam	
51	Vinjamuru	
<b>VIII</b>	<b>CHITTOR</b>	
52	Varadiahpalem (ctr)	Kanchi cotton sarees, poly cotton sarees, dress material, lungis,

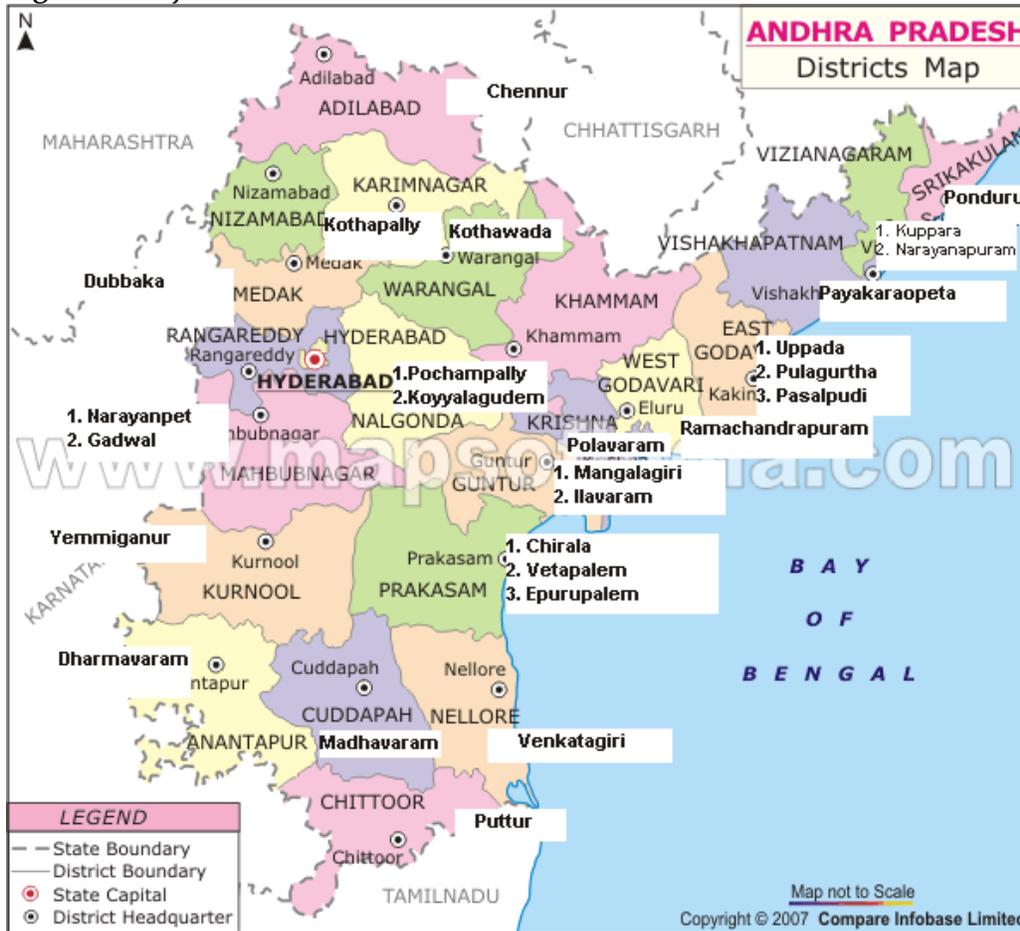
		patte marpu.
53	Satyavedu	Kanchi cotton sarees, poly cotton sarees, dress material, lungis, patte marpu
<b>IX</b>	<b>ANANTHAPUR</b>	
54	Dharmavaram	Silk sarees
55	Peddapappur	Silk sarees
56	Tadipathri	Silk sarees
57	Yadiki	Silk sarees
<b>X</b>	<b>CUDDAPA</b>	
58	New madhavaram (cdp)	Cotton -cotton sarees with pure & hf jari border & buta sarees, cotton-seico jari border sarees, Cotton-silk jari border sarees
59	Pullampeta	Cotton sarees with pure & hf jari border & buta sarees, cotton-seico jari border sarees, cotton-silk jari border sarees
60	Rangapuram	Polyester suiting and shirting cloth, dupion silk cloth
61	Produddur (twon)	Dupion silk cloth
62	Jammalamadugu	Dupion silk cloth, cotton-cotton and silk sarees with half jari
63	Veparala	Dupion silk cloth, cotton-cotton secio sarees with jari border, Cotton shirting and dress material cloth
64	Dommaranandayala	Dupion silk cloth, cotton-cotton and silk, seico sarees with jari border and rich pallaw
<b>XII</b>	<b>KURNOOL</b>	
65	Yemmiganur	Bed sheets, towels, lungis, mosquito nets, silk & jari sarees.
66	Adoni	Carpets and towels
67	Kodumur	Gadwal type zari & silk sarees
<b>XIII</b>	<b>MEHBUBNAGAR</b>	
68	Rajoli	Gadwal sarees, towels, bed sheets
69	Alampur	Towel, bed sheets
70	Gadwal	Gadwal sarees
71	Ghattu	Gadwal sarees
72	Narayanpet	Narayanpet sarees
73	Amarchinta	Gadwal sarees
74	Amangal	Gadwal sarees, pochampally sarees
75	Amistapur	Local kambals
76	Rajapoor(kucherikal dharpally, thirmalpally)	Local kambals
77	Chinnaporia	Narayanpet cotton and silk sarees
78	Kosgi	Local kambals
79	Veltoor	Local kambals
<b>XIV</b>	<b>NALGONDA</b>	
80	Pochampally	Tie & dye silk sarees, cotton sarees, bed sheets, dress materials, furnishings
81	Koyyalagudem	Tie & dye bed sheets, cotton tie & dye sarees, dress materials,

		furnishings
82	Choutuppal	Tie & dye silk sarees, cotton sarees, bed sheets, mercerized tie & dye sarees, dress materials and furnishings
83	Ghattuppal	Tie & dye cotton sarees and silk sarees
84	Narayanpur	Tie & dye cotton sarees, silk sarees and mercerised sarees
85	Chandoor	Tie & dye cotton sarees, silk sarees mercerised sarees and tie & dye bed sheets
86	Nakrekal	Cotton dhoties sarees lungis towels tie & dye bed sheets and dress material
87	Siripuram	Tie & dye bed sheets dress materials furnishings mercerized and silk sarees
88	Bhongir	Tie and dye silk sarees bed sheets dress materials mercerized sarees
89	Mothkur	Tie & dye silk sarees mercerized sarees cotton sarees cotton dhotis, lungis
90	Valigonda	Tie & dye mercerized sarees silk sarees bed sheets dress materials
<b>XV</b>	<b>WARANGAL</b>	
91	Jangaon	Cotton semi gadwal and tie & dye sarees silk tie & dye sarees zari semi gadwal sarees
92	Kothawada(warangal municipality)	Exportable carpets durries towels lungis mosquito nets
93	Parkala	Towels lungis bed sheets shirtings hand kerchiefs
<b>XVI</b>	<b>MEDAK</b>	
94	Siddipet	Tie & dye mercerized sarees, golla bhama butta sarees, towels, bed sheets, woolen blankets, Kambals, mercerized dhoties
95	Dubbaka	Muthyapet sarees, tie and dye mercerized sarees, tie and dye cotton sarees, country woolen blankets, grey country woolen blankets, merino woolen blankets
96	Jogipet	Design towels, lungis, dhotis, Nirmal sarees, semi gadwal sarees, double cloth bed sheets, tom tom bed sheets, shirting, silk sarees, pillow covers
<b>XVII</b>	<b>KARIMNAGAR</b>	
97	Kothapally	Design towels, lungis, dhotis, Nirmal sarees, semi gadwal sarees, double cloth bed sheets, tom tom bed sheets, shirting, silk sarees, pillow covers
98	Kamalapoor	MLA border dhotis, sada lungis, towels, sada sarees, check lungis, pillow covers, carpets, shirting, mosquito nets, hand kerchiefs, door curtains, nawar
99	Huzurabad	Carpets, double cloth bed sheets, MLA border dhotis, nawar, mosquito nets, sada lungis, check lungis, carpets, hand kerchiefs
100	Sultanbad	Check design shirting, dress materials, MLA border dhotis, towels, nawar, hand kerchiefs, check lungis, tomtom bed sheets
101	Jammikunta	Nawar, carpets, dhotis, tie & dye, bed sheets, MLA border dhotis, sada lungis, towels, check lungis, mosquito nets, hand kerchiefs, tom tom bed sheets, double cloth bed sheets.

Source: The list has been compiled from various secondary data sources of government, NGOs and the current study. For some of the clusters product details are not available.

The general market environment is similar to the one at the larger country level. Probably the only unique feature that is shared with some other states is that handloom is a full-time activity and key occupation for people involved in weaving. The state was in the headlines for recent serial suicides by weavers in Karimnagar district. There are larger issues concerning the supply chain and organization of the markets, policy environment, credit supply, etc that impinge upon the livelihoods of the weavers. There has been lot of discussion on the plight of weavers in terms of policies, failure of cooperatives, shrinking handloom sector, etc. However, careful analysis of the clusters reveals that some of the clusters like Pochampally which have adapted to the market needs, brought in new designer wears and are having market friendly practices are in fact growing, where as the others are declining. The Government is trying to improve upon the policies by adopting multi pronged approaches mainly concerning production, product designs, niche products, export promotion and some measures to build awareness among the consumers by holding trade fairs and exhibitions.

**Figure 5: Major Handlooms Cluster in Andhra Pradesh**

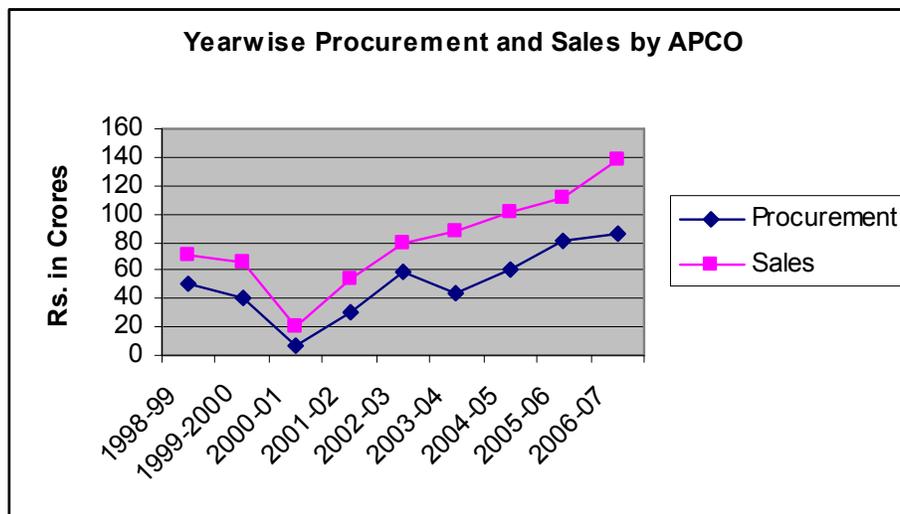


### Andhra Pradesh State Handloom Cooperative Society (APCO)

Andhra Pradesh State Handloom Cooperative Society (APCO) was set-up in 1974 as a state level second tier apex body of primary weavers' cooperative societies. The primary objective was to support weavers primarily in marketing their produce and assist in managing their supply chains. In more than three decades of its existence, accumulated stock, accumulated dues to primary cooperative societies, accumulated losses (101.3 Crores as on March 2007) and over all erosion of net worth (Rs 16 Crores) provides the over all picture of an ailing weaver cooperative apex body. It is a representative sample for the state of handloom industry in the state. As a result, it is stuck in the vicious debt trap with inability to pay producer dues of primary cooperatives. In fact, this backlog is one of the reasons for the crisis in the handloom sector in Andhra Pradesh. The primary cooperatives are reluctant to sell all their produce to

APCO, but they are obliged to provide whatever the APCO demands (Mukund and Sundari 2001; p. 126).

**Graph 3: Procurement sales by APCO**



**Box 7: APCO Highlights**

- APCO's present annual turnover is Rs.135 crores, and during the year, it is proposed to increase by another Rs 10 crores. Of these, government department orders amount to Rs 80 crores. (2006-2007)
- APCO's profit margin is between 12-15% as claimed by its chairman.
- The key costs of APCO are - Rs 12 crore salaries, Rs 4 crore trading costs and Rs 4 crore towards interest.
- In 1982 a loan of Rs 50 crores was taken, the total interest paid on this to date has been Rs. 115 crores.

Working in (for) APCO has many disadvantages for the cooperative – lower margins on the cloth, lower skill requirement due to low margins, payment dues and inflexible wage determination system. Though for some products weavers get better wages, it is off-set by lack of continuous work. Also norms regarding procurement of yarn, costing of the product and quality parameters are decided by APCO. Though cooperatives are involved in the discussions, the final decision will come from APCO. In recent times, with improving markets and increased purchasing ability of the people in villages as well as urban areas, APCO instead of leveraging its supply chain for supplying best products to consumers has played safe in supplying products required by government agencies like endowments department and military agencies. This has not only led to de-skilling of the weavers, but also resulted in lost market opportunities for better prices and working capital of cooperatives getting stuck due to high lead-time.

Many of the weaving clusters covered under the study, have sheds allocated for livery production. The share of livery production supplied to APCO from these cooperatives has been on the rise. Number of looms producing livery has increased from 2500 in 2004 to 6000 in 2006 (Mandate for Growth, Dastkar Andhra-AIACA, 2007). This leaves room for master weavers to experiment and capture better markets. Who is the loser? Not government, not APCO, not traders but the weavers.

Political lobbying from weaver groups forces APCO for lifting their products. These products at the end of the day do not meet the consumer requirements and pile up as unsold stocks. Other reasons like accessing credit from cooperative banks, lack of market focus and stock management systems and political pressure, APCO has landed in to the present crisis. In spite of excellent infrastructure with outlets across AP and select cities in India, APCO is not able to emerge as a strong marketing body. The issue here is the that weavers are not able to identify with any institutional form and left with no alternative but to remain working with master weavers for livelihoods in spite of being members of the cooperatives; just for the sake of government subsidies. In several cases, master weavers themselves are the office bearers of the cooperatives and stage manage the atmosphere to their advantage.

### **3.4 Handlooms and Exports**

Graph 4 shows the trends in exports of handlooms year wise from 1998 to 2003. The graph indicates that exports for handloom have shown an overall increase over the five years from 1998 to 2003. In made-ups, there has been a year-on-year increase ranging from 7 to 14% and consolidated increase in handloom exports by 26% over the five years, from Rs 1414.76 crores in 1998-99 to Rs 1790.33 crores in 2002-03.

**Table 15: Indian Textiles Exports at a Glance (Principal Commodities)**

#	Item	2005 - 06	2006 - 07	2006 - 07 (Apr to Oct)	2007 - 08 (Apr to Oct)
1	Readymade garments	35,358.49	36,541.55	21,293.85	17,957.55
2	Cotton textiles	20,369.27	24,819.54	12,917.52	11,457.72
3	Man-made textiles	9,029.91	10,684.16	6,092.12	6,875.33
4	Wool and woollen textiles	2,018.52	2,015.82	1,243.94	1,535.61
5	Silk	3,069.39	3,120.43	1,812.96	1,565.46
	<b>Total Textiles</b>	<b>69,845.58</b>	<b>7,7181.5</b>	<b>4,3360.39</b>	<b>3,9391.67</b>

**\*Note:** In comparison to the growth of 25% in 2005, in the current financial year, the growth of textiles and clothing exports has been slower, which is being attributed by the Textiles & Clothing industry mainly to the appreciation of the rupee

Source: monthly foreign trade Statistics of India (PC & C), DGCIS, Kolkata / Annual Report, 2007 – 08 of Ministry of Textiles, GoI

**Table 16: Share of Textile Exports in Exports of All Commodities**

#	Year	Textiles*	Overall Exports	Textile Exports as % of Total Export
1.	2000-01	547,978.00	2,013,565.00	27.20%
2.	2001-02	513,373.00	2,090,180.00	24.60%
3.	2002-03	600,717.00	2,551,373.00	23.50%
4.	2003-04	620,173.00	2,933,668.00	21.10%
5.	2004-05	630,242.00	3,753,395.00	16.80%
6.	2005-06	756,207.00	4,564,179.00	16.60%

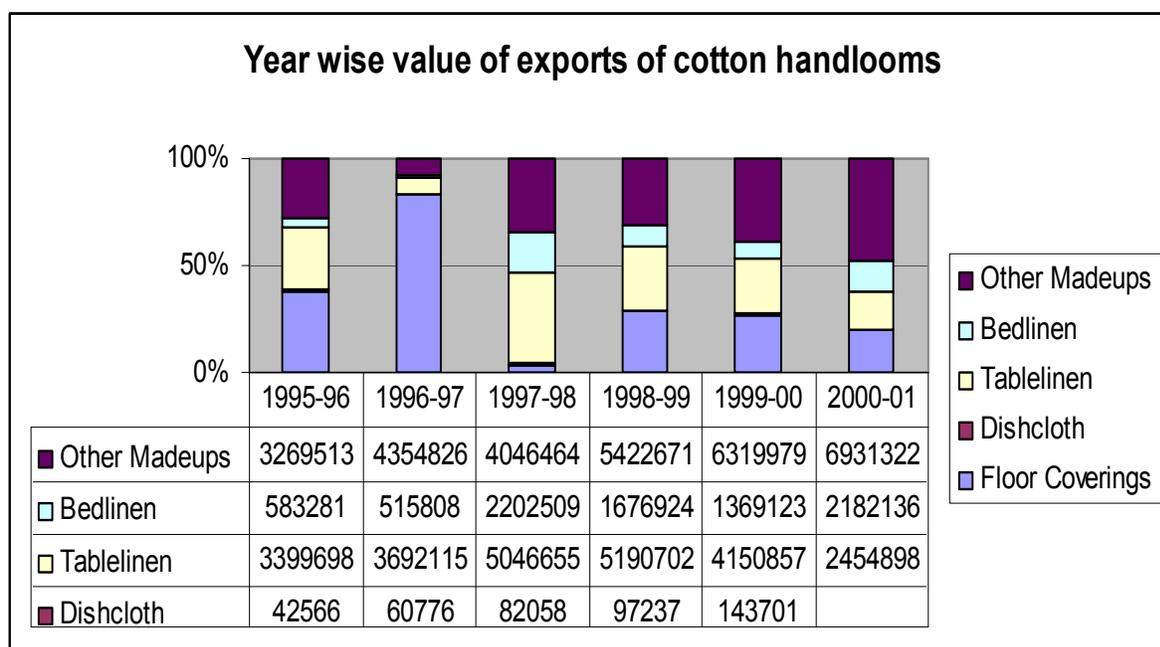
Source: Ministry of Textiles, Government of India

However, there are larger questions being raised on the impact of export promotion on the price realization and livelihoods of the weavers, whether the demand fluctuations are due to inappropriate trade mechanisms, change in taste of the consumers or competition from other countries, etc. Only after thorough analysis of these factors, one can conclude whether exports

can be solution for the market problems faced by the handloom sector. Reliance on export markets is risky but this has to be backed up by a strong domestic presence to take care of demand vagaries in external markets (Seemanthini et al 2001).

Disaggregated figures for Andhra Pradesh handloom products exports are not available. But the discussions with the exports reveal that Ikkat is the most exported handloom product from Andhra Pradesh. USA, UK, Germany, Japan, Italy top destinations of export for handloom products from India. (02-03)

**Graph 4: Value of Exports of Cotton Handlooms**



Source: HEPCI (2001)

**Box 8: Reflections on market structure**

Reflection:

1. Can sales of the product alone define the success of a product?
2. In the balance between standardization on one-end propagated by retailers and diversified handloom products, who is losing the battle?
3. Is not large scale standardized market collapse more dangerous and lead to chain reactions?

4. Is India as a market and handlooms as sub-sector which is endeavouring to prolong its life not due to its localized, small-scale nature of production?
5. How are the current market structures suitable for sustaining any form of livelihood of the poor and specifically the weavers?

## **CHAPTER IV: CONSUMER AND DEMAND: AWARENESS AND PURCHASE**

### **BEHAVIOUR**

The four important dimensions of consumer segmentation considered for the study are urban/rural, sex, income and age. It is well known that the cotton handloom cloth is preferred and used by almost all segments of the consumers. It cuts across geographical barriers- rural / urban, social, economic strata of society albeit in different quantities. Though much hype is being created on the prospects of the export markets for cotton handloom textiles, 80% of the fabric produced is consumed in the domestic markets. Hence understanding these domestic markets, the consumers, their profiles and preferences is more relevant for growth of the sector. The recent trends in income profiles of the domestic consumer segments offer immense growth opportunities for the textile industry and handloom sub-sector specifically. Let us look at the trends in income levels to arrive at a broader perspective of the scenario.

The patterns of consumption for cotton textiles have also varied over time. During 1993, the per capita consumption of cloth was estimated at 2.8 kgs which was lower than the developing country average of 3.8 kgs; and about one-sixth of average developed country per capita consumption levels. Dr. D. Narasimha Reddy of Centre for Handloom Information and Policy Advocacy (CHIP) stresses that although cotton cloth dominates consumption, the share of man-made fibre products is increasing steadily<sup>12</sup>. Per capita non-cotton cloth consumption nearly tripled in the last 15 years to 6.7 sq. meters. Its share of total cloth consumption doubled from 13 percent in 1980-81 to 26 percent in 1993-94 and is currently 40% in 2004-2005. The higher durability associated with man-made fibres, the increased "comfort factor" associated with mixed blends and improvements in relative costs due to reductions in domestic duties on man-made fibres seem to have facilitated substitutions of handloom products with manmade ones.

As part of our study we have tried to ascertain the following:

- 1. Degree of awareness of weaver clusters in Andhra Pradesh**
- 2. The ability of handloom buyers to be able to distinguish handloom products**
- 3. Factors influencing buying decisions as regards handloom products**
- 4. Traders' perspectives on consumer behaviour**

**Table 17: Knowledge of Handloom Clusters (Rural)**

Cluster	Yes	No	Total
Alampur	8%	92%	100%
Chebrol	20%	80%	100%
Chirala	<b>46%</b>	54%	100%
Chittoor	9%	91%	100%
East Godavari	15%	85%	100%
Machilipatnam	10%	90%	100%
Mangalagiri	<b>42%</b>	58%	100%
Narayanpet	21%	79%	100%
Pochampally/Ikkat	<b>41%</b>	59%	100%
Ponduru	18%	82%	100%
Pullampet	5%	95%	100%
Yemmiganur	11%	89%	100%
Dubbaka	16%	84%	100%
Total	20%	80%	100%

**Table 18: Knowledge of Handloom Clusters<sup>13</sup> (Urban)**

Cluster	Yes	No	Total
Alampur	1.22%	98.78%	100.00%
Chebrol	4.07%	95.93%	100.00%
Chirala	15.45%	84.55%	100.00%
Chittoor	12.20%	87.80%	100.00%
Dubbaka	0.41%	99.59%	100.00%
East Godavari	7.32%	92.68%	100.00%
Machilipatnam	6.91%	93.09%	100.00%
Mangalagiri	<b>30.08%</b>	69.92%	100.00%
Narayanpet	19.11%	80.89%	100.00%
Pochampally/Ikkat	<b>43.90%</b>	56.10%	100.00%
Ponduru	<b>38.21%</b>	61.79%	100.00%
Pullampet	2.03%	97.97%	100.00%
Yemmiganur	4.47%	95.53%	100.00%
Total	14.26%	85.74%	100.00%

#### 4.1 Awareness of Weaver Clusters

Our study reveals that in terms of knowledge of weaver clusters only 3 major clusters are enjoying the purchase preference as well as the high recall value among the consumers in both urban and rural areas. These are Pochampally, Mangalagiri and Chirala. Moving out from AP, in cities like Mumbai and Delhi awareness about the names of particular clusters is low. Products from AP are known as south cotton and many traders do not know the place of origin. Ponduru is a surprise inclusion due to its popularity for Khadi in AP.

- Pochampally/Ikkat, Mangalagiri, Ponduru are most popular clusters in urban areas.
- Mangalagiri, Chirala, Pochampally/Ikkat, Narayanpet, Alampur are most popular clusters in rural areas.
- Highest-ranking cluster is Pochampally/Ikkat at 43.90% awareness in urban areas.
- Highest-ranking cluster in rural area is Chirala at 46% awareness.

(Reference: Table 17 & 18)

Awareness about the handloom cluster is an important lesson in branding handlooms. Inherently, handloom products have enjoyed brand recall and loyalty due to uniqueness of the products belonging to different clusters. With decreasing diversity in products and increased standardization, some of the popular products like Ikkat and Mangalagiri are produced in clusters as far flung as Srikakulam. This has resulted in meeting the unmet demand of giant retailers, but at the same time diluted the brand of the clusters that undertook weaving of the popular products.

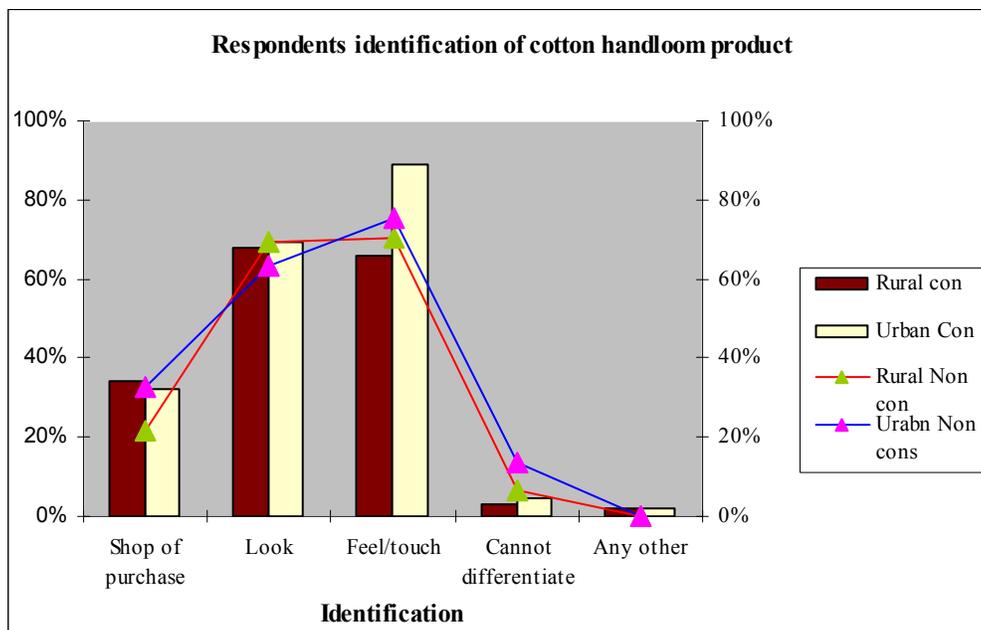
#### Identification of Handloom Products

We have observed the general tendency in several stores to sell mill made clothes as handlooms to consumers. Consumers are unable to differentiate between genuine handlooms and fake products. Mill made clothes offer product features that are similar to handlooms along with the features of mill-made, like no wrinkles and easy maintenance. Imitations range from giving the product a frayed look to attaching a fake handloom look, like a printed border that resembles embroidery. This has erased any uniqueness in handloom clothes. Taking advantage of this factor, mill made clothes are sold under the brand name of handlooms. So, in real terms is the demand for handlooms decreasing or the misrepresentation is showing an untrue demand

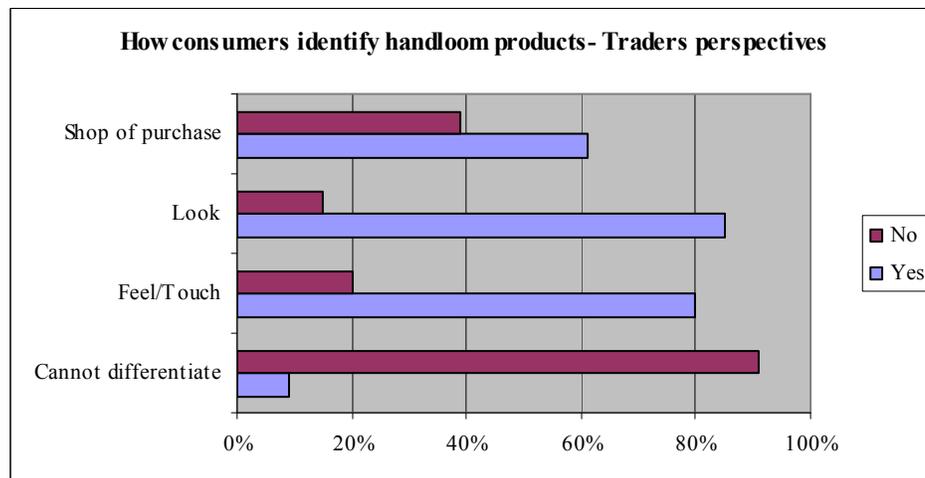
picture? Is it the competition between handloom and powerloom or between the product features?

Market mechanisms, for ensuring purity and quality, in other commodities have introduced standards and certification processes. Diamond and gold councils have done the same thing to protect the consumer interest. The efforts of the Government and certain other stakeholders operating in handlooms to develop Handloom Mark as a

**Graph 5 : Ability to Identify a Handloom Product – Consumer**



**Graph 6: Ability to Identify a Handloom Product - Trader**



process of certifying the true handloom clothes, as discussed earlier is still in nascent stages. Its enforceability and the legal ramifications for imitating handlooms are not clear. Apart from developing the certification process, it has to be supported by strong legal system to punish the imitators. This calls for putting in a functional set-up to deal with the tracking, identification and implementation of penalties/punishments for violation of certification.

Surprisingly in case of handloom products, our study found that most of the consumers (92%) say they can identify and differentiate handloom cloth as given in Table 19 & 20. The features like look, feel and touch form the major factors through which the consumers identify the cloth. More than 60% of the traders say the shops where the consumer purchases are also a testimony for handloom cloth. However, the consumers did not identify this factor. This finding surely points to the dangerous dent made by powerlooms in handloom market by camouflaging their identity, while the consumer is still unaware of it. Consumers think that they can identify handlooms; but is it true? Look, texture and designs have been cleverly imitated by powerlooms.

Let us look deeper along urban and rural categories where 70% of urban consumers and 68% of rural identify handlooms by look, 89% urban and 66% of rural consumers identify handlooms by feel/touch. In comparison, it is also found that women are more confident of being able to identify handloom products than men. In each case, be it rural or urban, around 55% of the total women interviewed were confident of being able to identify handloom products.

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#### **4.2 Purchase Behaviour based on Segments**

Income and age wise, all India statistics show that 51.28% of the textiles consumed are accounted by middle income group followed by 41.68% and 7.04% by higher and lower income groups respectively (*BW Marketing white Book 2007-08*). Age wise, India has young population with nearly 60% of population below 30 years of age. As part of our study we have looked into three aspects of buying decisions, namely Income, Gender and Age

**Table 19: Percentage of Consumers Associating High Importance to Different Factors  
Influencing Purchase Behaviour - Gender**

Factors	Rural		Urban	
	Male (%)	Female (%)	Male (%)	Female (%)
Attractive Colours/Design	21	28	27	30
Attractive easy to carry and packing	8	9	5	6
Comfort	21	30	32	34
Display of product details	4	7	6	7
Easy accessibility of place of purchase	8	13	8	8
Easy to maintain	6	6	12	13
Eco friendliness	9	13	10	9
End of season sale	9	12	NA	NA
Famous brands	6	7	8	11
Fashionable	10	12	13	18
Good service in the shops	5	7	9	12
Healthy	25	27	19	22
High longevity of cloth	16	16	18	28
Low price	18	22	NA	NA
Multiple size and fitting	7	9	11	15

**Table 20: Percentage of Consumers Associating High Importance to Different Factors**

**Influencing Purchase Behavior<sup>14</sup> - Age**

Factors	Rural			Urban		
	Age 1 (%)	Age 2 (%)	Age 3 (%)	Age 1 (%)	Age 2 (%)	Age 3 (%)
Attractive Colours/Design	18	17	14	19	21	17
Attractive easy to carry and packing	5	6	6	3	4	17
Comfort	16	17	18	21	26	20
Display of product details	4	3	3	4	4	4
Easy accessibility of place of purchase	6	9	7	4	8	4
Easy to maintain	5	3	5	9	9	7
Eco friendliness	7	7	9	7	6	6
End of season sale	6	8	7	NA	NA	NA
Famous brands	4	3	5	8	7	5
Fashionable	8	6	7	13	8	11

Good service in the shops	4	4	4	9	7	6
Healthy	<b>14</b>	<b>20</b>	<b>17</b>	<b>14</b>	<b>14</b>	<b>13</b>
High longevity of cloth	<b>9</b>	<b>11</b>	<b>13</b>	<b>17</b>	<b>15</b>	<b>13</b>
Low price	14	13	13	NA	NA	NA
Multiple size and fitting	5	6	5	10	9	7
Promote social cause	5	4	4	NA	NA	NA

In considering the percentage of consumers who associate high importance to different factors influencing purchase behavior, we find that both men and women accord priority to attractive colors and design, longevity of cloth, and comfort. Urban women are the most particular of the lot. Health related factors, or the ability of cloth to ensure good health to its user, are relatively more important to the rural segment (Table 19).

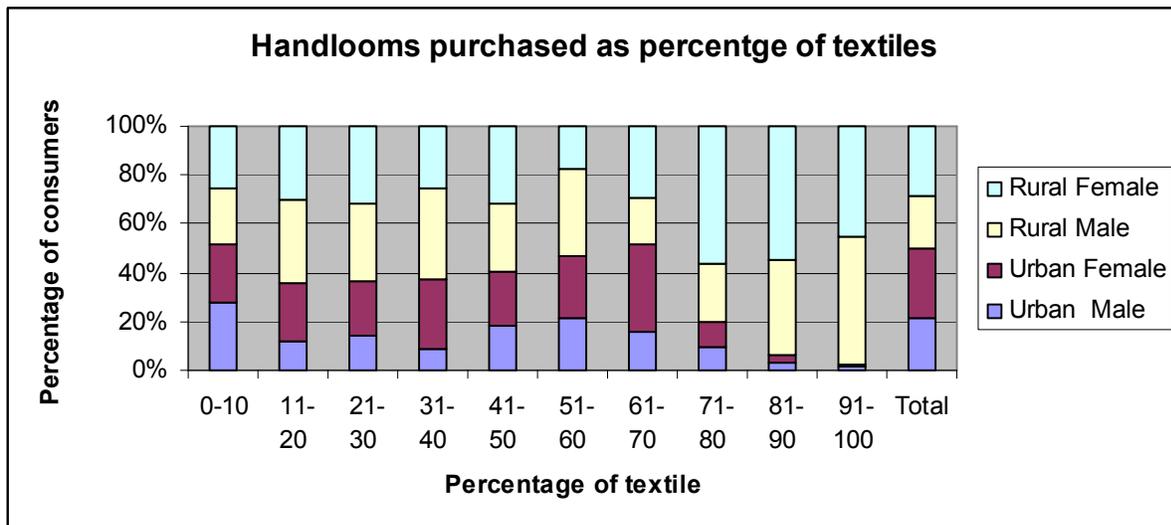
The above-mentioned factors receive higher priority even when the responses across age are considered. Comfort and longevity are most important to the elderly section within the rural segment (18%, 13%). While each of the above-mentioned factors (comfort and longevity) have received a greater response from the middle aged (21%, 26%) and younger lot (17%, 15%) in the urban segment. It is equally interesting to examine the factors that were deemed unimportant by the respondents:

- i. Attractive packing, good sales service and end of season sales were unimportant to both men and women from rural and urban areas alike.
- ii. Accessibility to place, ease of commuting is not considered as much of an impediment for the urban folk. In other words distance and travel seems to matter less to them.
- iii. Though there are many amongst the urban consumer-set who consciously purchase handlooms with the intention of promoting a social cause, the rural youth are far removed from any such intentions.

The study indicates that in the rural areas, 47% of the handloom consumers surveyed purchased less than 30% of their clothing requirement from AP handlooms. In case of urban areas, 67% consumers were using less than 30% of their requirement from handloom materials. However,

in case of rural consumers, about 14% of them use more than 91% of their requirement from handlooms. This indicates that more often than not the challenge is to identify this small sub-segment of 14%. In fact it is mostly members of this group that can be mobilized to increase awareness of handloom products provided they themselves are able to distinguish between handloom and power loom products.

*Graph 7: Proportion of Expenses on handlooms as part of Textiles*



Similarly the purchase habits on gender dimensions are also different across geographical segments. It is seen that rural consumers surveyed prefer handlooms more than urban, especially in the category composing 61% and more of their requirements from handlooms. Rural women purchase more in the category of consumers purchasing 71-90% of textiles from handlooms, than the males. In urban areas, women surveyed purchase more than men in the category comprising 11-40% of the textiles. This inference that men spend less on handlooms could be due to lesser product range available to them.

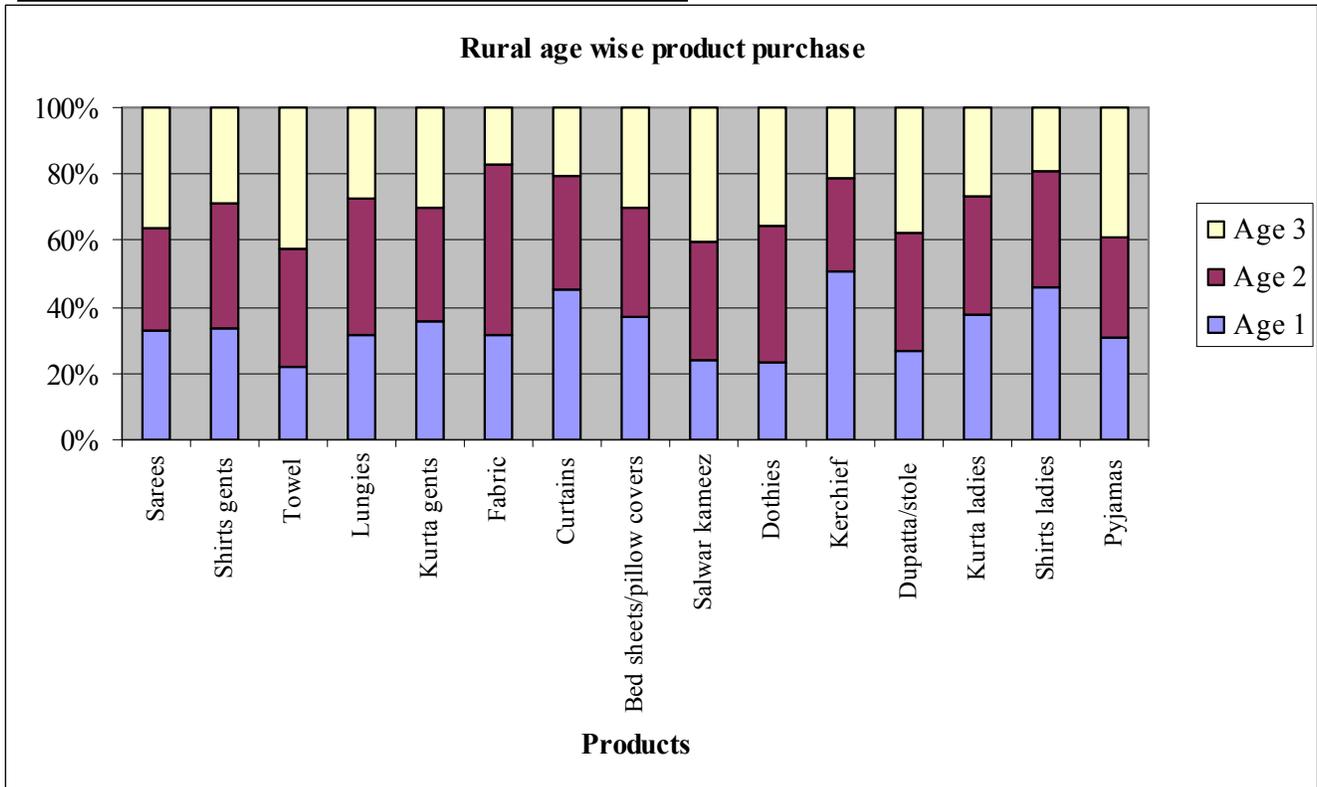
This can be understood by cross comparing with the type of cotton handloom products. The data indicates that most of cotton handlooms belong to the generic products like fabrics, towels, lungis, kerchiefs and dhotis where as powerloom cloth is used in clothing, furnishing and industrial segments indicating that it caters to both generic and specialized market segments.

This is a significant reason why handloom clothes form only small pie of total requirements of consumers. Clothing requirements of people is no longer confined to two pairs for daily use and two pairs for occasions. Daily wear, casual wear, formal wear, party wear, theme wear, children's wear, nightwear ... the list goes on. And as mentioned a while earlier, these lists are fulfilled by the powerloom products. It is the lack of wider utility products in handlooms. However, we have to consider that it is not all that easily possible for handlooms to venture into a wider range, because that may require of them to venture into segments that are already held by powerlooms. Working on price through technology and bettering the product features that satisfy the consumers have to be undertaken for handloom products.

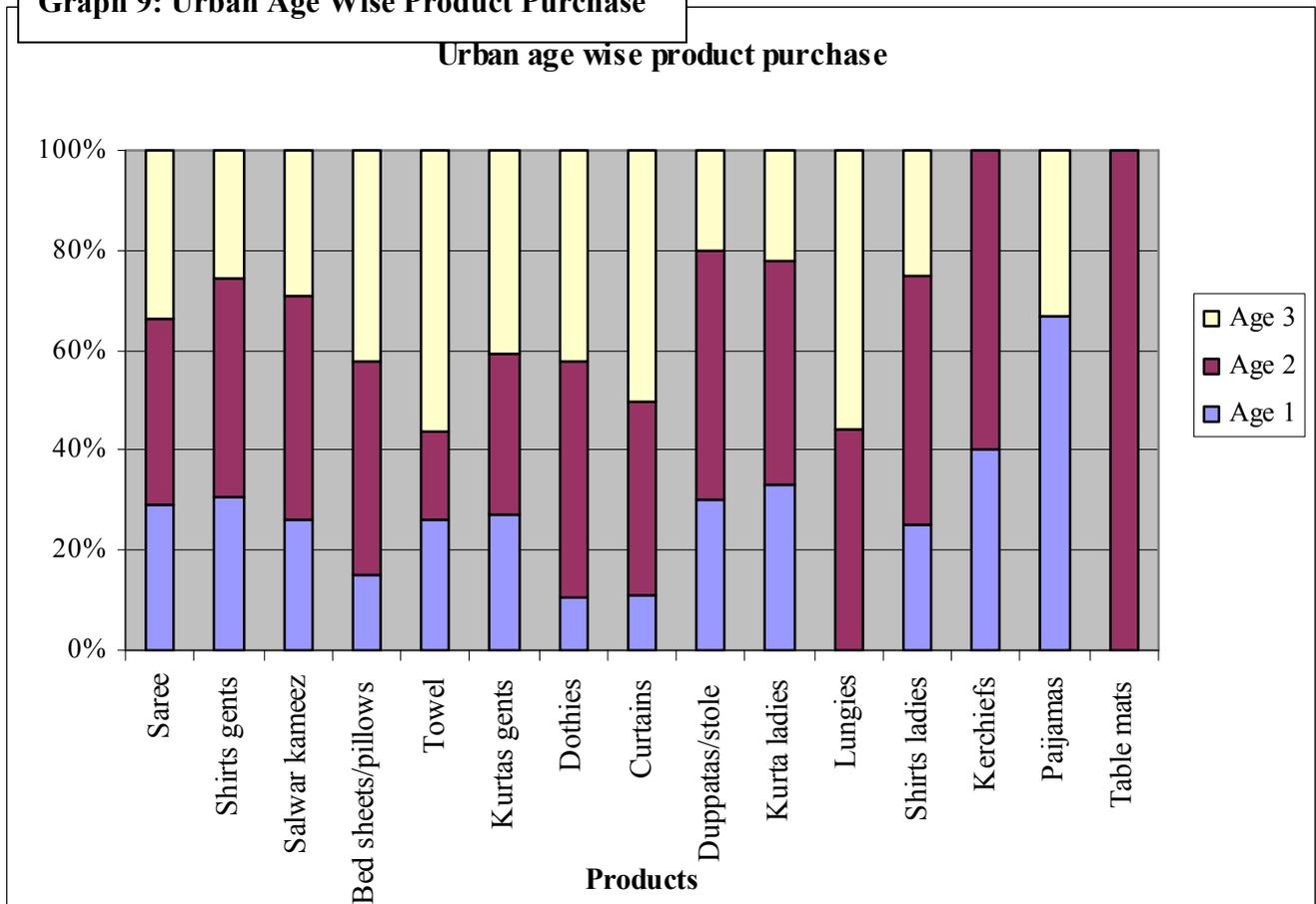
Primary data from the study also suggests that the income has direct correlation with price range of handlooms and the age with type of handlooms purchased. The wealthier were more in to Rs. 501-750 and Rs. 1,250 and above price bands. Youth in the age group of 15 to 29 years preferred garments with fashionable design trends and in the price range of Rs. 500 - Rs. 750. Age-wise variations in the features desired in the products are also noticed and is discussed under relevant chapter on products. Also there is age and income correlation, which influences buying behaviour. Also as discussed in the next chapter, with increasing preference for western outfits and increasing urbanization, handlooms if it has to cater to youth, there is a need for product line extension.

Hence, the greatest potential for development of handloom market rests with the products that are used most by the middle class families. This mostly includes members belonging to the Income Group 2 (IG2). Within the cross cutting segments, wants of the rural and urban female consumers are important and all these have a bearing on product features and price. It is important to identify the features within the product designs that satisfy apparel needs of these consumer segments. Accordingly the positioning strategies for these products would also differ.

**Graph 8: Rural Age Wise Product Purchase**



**Graph 9: Urban Age Wise Product Purchase**



### 4.3 Traders Perspectives on Consumer Behaviour

It is not always possible for a trader to be able to discern the income bracket of a handloom consumer, but as regards age, traders are able to gather a fair idea. If we analyze demand as against the age of the rural consumers, demand for sarees, dupattas and towels is more for the elder lot, whereas in the younger group, demand for ladies suits, kerchiefs and curtains is more. The demand from middle-aged consumers is more or less uniform across products. Similarly the elderly in urban areas demand more of curtains, lungis and towels, where as the younger ones prefer pyjamas and these corroborates the findings mentioned at BW Whitebook on marketing at all India level studies.

However, trader's perspectives on factors that influence purchase behaviour is slightly different for the fact that they count end of season sales as a crucial factor. Nearly 57% of the traders sighted this as a factor that influenced sales substantially. Apart from this they also felt that, display of product details (43%), multiple size fittings (42%) and famous brands (40%) are also important factors.

#### Box 9: Reflections on consumers

Reflections:

1. How to estimate the correct market size of handlooms when powerlooms are sold as handlooms and its brand is used to promote powerlooms?
2. How to educate the consumers in identifying handloom products?
3. How to target youth to buy handloom products and make them the opinion leaders?

#### 4.4 Demand

The MGI study on spending patterns estimates that the consumer's share of spending on apparel remains on par with the developed countries in the next 25 years. Even though it is expected to reduce from 6% in 2005 to 5% by 2015, the compounded annual growth rates are pegged at 6.5%. In absolute terms it would increase by many folds from the present Rs. 931 billion to Rs 3,267 billion. Similarly in another study by CSMM (Customer Satisfaction Management and Measurement) on customer satisfaction during 2006-07, it was found that the marketers are struggling to meet customer expectations of service. In comparison to American Customer Satisfaction Index (ASCI) of 80 for apparels, Indian index scored 55.82, which is very low. This indicates the poor brand loyalty for the products in India. Though different reasons are sighted for the same, it is difficult at this stage to pin point select factors to the exclusion of others.

There are some other interesting findings the Whitebook on Marketing (2007-08) refers to. Different consumer segments exercise different choices and hence the demand pattern for apparel needs is also modifying.

1. *School Goers*: There are 13.9 million children (2006-07) in the age group of 12-16 years in urban areas with 51.7% boys. Their average annual spending is Rs 10,360 of which apparel constitutes 21% even though there are variations among the socio economic classes. Close to 50% of this is spent on western formal wear. It is higher among boys at 55.9% and 42.4% among girls is a visible sign of increasing shift towards western wear. Fabric and ethnic wear is higher among the girls. Inner wear constitutes 15% and the ethnic wear was higher in girls with 18.7% of the spending as against 9.4% in boys. During 2006-07, 47% had purchased western formals and 60% western casuals. Ethnic wear is restricted to 29% and among those who buy most (70%-72%), they buy once in 6 months.
2. *Working Singles*: There are 11.8 mn people in urban areas in the age group of 21-25 years, 58% of them males and 42% females. Average annual expenditure is Rs 17310 of which apparel constitutes 16% (15% men and 19% women) i.e, Rs 2727. Again, 50% constitutes

western wear. Most of them preferred price range of 751-1000 (44%) for western as well as ethnic wear.

3. *Working, Married with dependent Children*: Of the 7.9 mn people belonging to the age group of 31-45 years in urban areas, 83.2% are men and 16.8% women. Average annual expenditure on discretionary items is Rs 19439, of which the apparels constituted 13%. Western formals and fabric accounted for more than half of the expenses on fabric. The share of western wear is substantial for women (35%) indicative of the shift towards western wear for variety of occasions. 62% of the segment bought fabric for outer wear, 47% western formals, 40% western casuals and 37% ethnic wear.
4. *Housewives*: This segment belongs to the one who do not work in the sense of 'being employed', belong to the age group of 26 years to 60 years. They are 15.1 mn in urban areas. Their average annual expenditure on various categories is Rs 14326, of which 16% is spent on apparels. Fabric (58%) and ethnic wear (50%) accounts for a large share among these women. Western wear purchases are also substantial.

Thus, these trends depict increasing tendency for western formal outer wear and the ethnic wear is preferred mostly by the working and married housewives segments. The fashion trends are mostly with the age group of 12-16 years and these are relevant to understand the growing market trends. However, the above data has an inherent urban bias, making consideration of the rural market segment twice as important.

In case of handlooms, during the same periods, a decline of 7.25% and 10.98% is recorded in urban and rural areas; a decline from all India level of 1072 million meters to 989 million meters. Figures for urban corresponds to 423 and 399 million meters (-5.6%) and for rural it is 649 to 590 million meters (-9.09%) (NHS-2006, Textile Committee GOI). The Other Macro figures for India, Urban and Rural markets and across product categories are presented in Table (21 a, b, c & d).

**Table 21 (a) : Key Macro Figures**

#	Area	Quantum		
		India	Urban	Rural
1	Per capita textiles consumption	21.49 Meters	27.23 Meters	19.27 Meters
2	Market Size <sup>15</sup>	Rs. 15,55,835 million	740115	815720
3	Growth	3.37	3.30	3.38
4	Per capita consumption – Handlooms	0.88	1.28	0.73
5	Growth	-7.74%	-5.67%	-9.09%

**Table 21 (b) : Sector wise Cloth Consumption**

#	Sector	Cloth Consumption
1	Domestic Household sector	60%
2	Non-household sector	21%
3	Export	19%

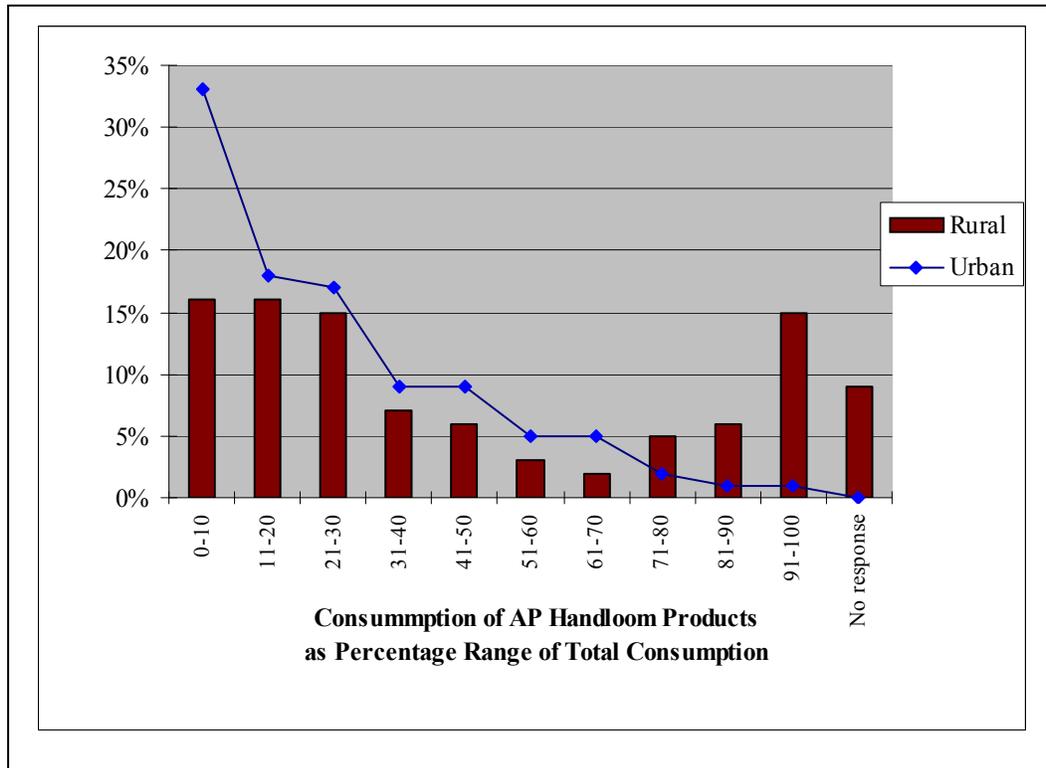
**Table 21 (c) : Share of different fabric in total production**

#	Type of fabric	% in total production	
		2005-2006	1992-1993
1	Complete cotton fabric	48	64
2	Blended fabric	13	11
3	Complete non-cotton fabric	38	24

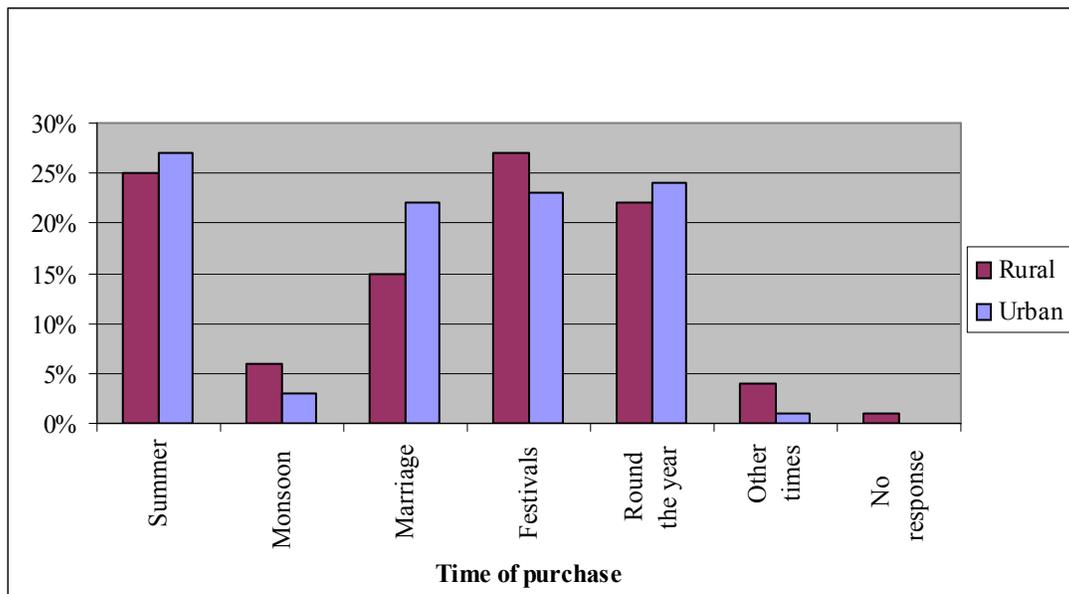
**Table 21 (d) : Market share of products/trends<sup>16</sup>**

#	Product	Market Size	Trend
<i>Clothing</i>		<i>Overall MM</i>	<i>Cotton</i>
1	Ready made cotton shirts	897	260
2	Ready made Kurtas	61	35
3	Salwar Kameez	1433	373
4	Dhoti	510	372
5	Lungi	389	242
6	Saree	8868	2001
7	Dupatta	181	72
<i>Furnishing</i>			
1	Bed sheets	333	139
2	Pillow & cushion cover	36	35

**Graph 10: Rural and Urban Consumption of AP Handlooms**



**Graph 11: Maximum Purchase Time of Cotton Handloom Products**



The primary data collected as part of the *Pan Andhra Pradesh Handloom Market Study* has probed the following factors in this regard:

- 1. Preference for products from AP, and seasonality of demand**
- 2. Popularity of different clusters**
- 3. Share in spending across rural – urban segments, different income groups**
- 4. Reasons why certain segments do not buy Handloom products**
- 5. Prerogatives of sellers dealing with such merchandise, as much as that of non-sellers.**

#### Preference for Products, and Seasonality of Demand

In the previous section we have looked at the ability of consumers (of textiles) to be able to distinguish/identify different handloom products. In this section we begin by examining as to how much of the total consumption (of handlooms) comprises of products from Andhra Pradesh. In the Graph 10 we have attempted to depict the same. A high 33% of the urban consumers seek to fulfill only a marginal 0 to 10% of their total consumption with products from AP. It appears that there is an inverse relationship, as far as the urban segment is concerned, between the number of consumers and the extent of consumption of handloom products. That is to say, greater the consumption basket (of AP handloom products), lesser the number of urban consumers within that bracket. On the other hand, there is a consistent 13-15% of rural consumers fulfilling 0 to 10%, 10 to 20%, and 20 to 30% of their requirements with products from AP. It may be surmised that rural consumption of AP handloom products is far more consistent.

It is just as important to consider the seasonality of demand. Our primary data reveals that most people prefer to do their purchases either during the onset of summer, or during the festive seasons. The period considered auspicious for marriages, influences purchases as well. There isn't much of variation between the time-period of purchase between rural and urban consumers, most interestingly amongst both segments there is a high percent that does not confine it self to any given period for purchases.

**Table 22: Product wise Popularity of Different Weaver Clusters – Rural (%)**

Products	Response to Weaver Clusters (%): (1) Pochampally/Ikkat, (2) E. Godavari, (3) Narayanpet, (4) Mangalagiri , (5) Ponduru, (6) Yamiganur , (7) Chirala , (8) Chebrol, (9) Machilipatnam, (10) Chittoor, (11) Pullampet, (12) Alampur, (13) Dubbaka												
	1	2	3	4	5	6	7	8	9	10	11	12	13
Bed sheets /pillow covers	5	4	3	5	5	17	5	3	10	13	9	11	10
Curtains	6	8	4	5	3	4	7	2	0	0	27	5	1
Dothies	4	6	1	7	8	0	2	2	0	0	0	0	5
Dupatta/stole	3	5	3	3	4	0	3	3	7	3	0	0	8
Fabric	3	5	9	7	13	0	8	0	0	3	0	5	2
Kerchief	5	3	4	5	3	6	3	12	3	0	0		2
Kurta	2	6	4	3	2	0	3	5	7	10	0	0	0
Kurta gents	9	11	10	4	3	0	3	3	3	10	0	5	4
Lungis	6	7	3	15	9	7	7	10	10	10	0	0	13
Pyjama	1	4	0	1	0	0	1	2	0	0	0	0	0
Salwar Kameez	6	1	8	6	3	9	7	12	7	0	0	0	2
Sarees	27	15	27	17	13	28	30	27	24	20	27	47	15
Shirts gents	13	10	11	14	17	19	8	13	10	13	36	16	16
Shirts ladies	3	3	6	1	3	0	3	0	7	3	0	5	2
Towel	8	13	6	8	11	11	9	7	10	13	0	5	19

**Table 23: Product wise Popularity of Different Weaver Clusters – Urban (%)**

Products	Response to Weaver Clusters (%) (1) Pochampally/Ikkat, (2) East Godavari, (3) Narayanpet, (4) Mangalagiri , (5) Ponduru, (6) Yamiganur ,(7) Chirala , (8) Chebrol , (9) Machilipatnam, (10) Chittoor, (11) Alampur										
	1	2	3	4	5	6	7	8	9	10	11
Bed sheets/pillows	39	3	9	12	9	12	3	0	0	6	3
Curtains	50	6	11	6	0	0	11	0	0	11	6
Dothies	26	16	0	26	32	0	0	0	0	0	0
Duppattas/stole	30	0	0	30	20	0	10	0	0	0	10
Kerchiefs	40	0	0	20	0	20	20	0	0	0	0
Kurta	0	0	11	33	22	0	11	0	0	11	11
Kurtas gents	23	9	5	5	27	0	9	0	0	9	14
Lungis	22	0	0	11	22	22	0	0	0	0	22
Pyjamas	0	0	0	33	67	0	0	0	0	0	0
Salwar kameez	26	2	12	26	15	2	3	0	5	3	5

Sarees	29	2	13	14	14	1	10	1	3	10	2
Shirts gents	6	6	6	10	44	0	5	0	1	5	15
Shirts ladies	13	0	0	0	75	0	0	0	0	13	0
Table mats	0	0	50	0	50	0	0	0	0	0	0
Towel	43	4	4	0	13	9	4	0	0	4	13

### Demand across Different Clusters

The popularity of weaver clusters has a marked influence on the demand for different products. In fact consumers, both rural and urban, seek select products from different weaver clusters, in accordance with their pre-determined preferences. A brief preview of both the tables (Table 22 and 23) reveals the following:

As regards the Rural Segment

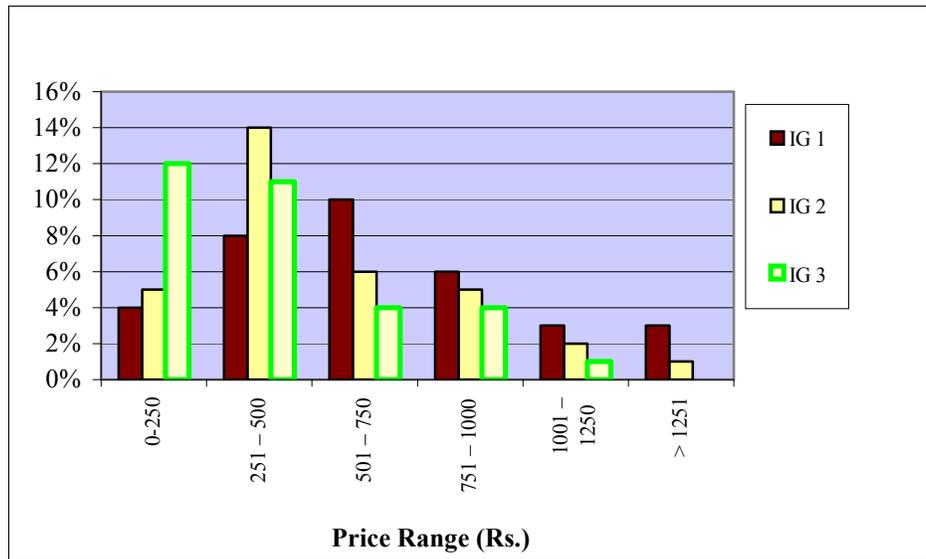
- i. Yamiganur is popular for their bed sheets
- ii. Pullampet remains famous for curtains (with nearly 27% respondents)
- iii. As regards sarees the choice is slightly more widespread.
- iv. There is equal demand for products from Chirala, Yamiganur, Pochampally/Ikkat, and Narayanpet.
- v. Similarly as regards gent's shirts, rural consumers prefer the products of Pullampet.
- vi. Towels from Dubbaka are preferred over those from other weaver clusters.

As regards the urban segment

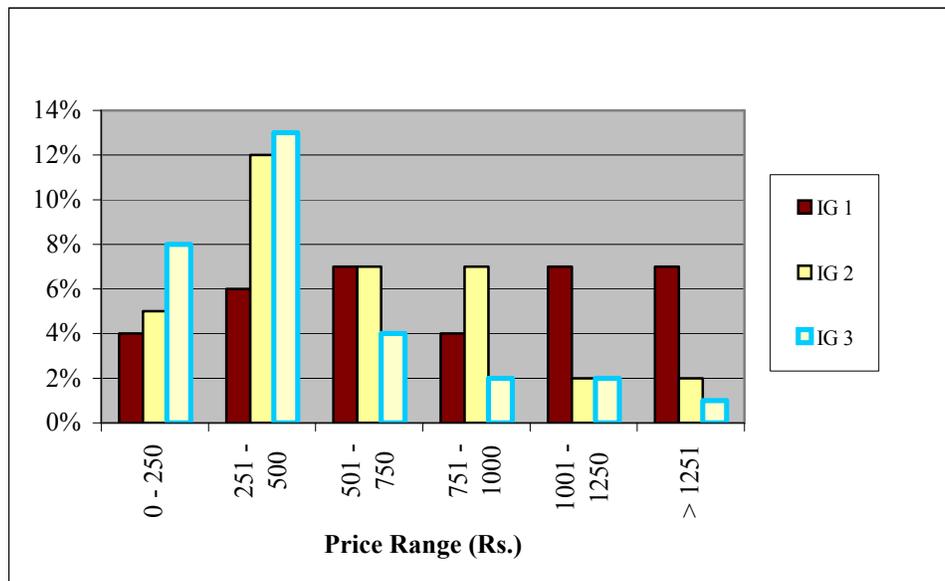
- i. Products from Pochampally/Ikkat are sought especially as regards bed sheets/pillows, curtains, dhothies, kerchieves, salwar kameez, sarees and towels.
- ii. Similarly Ponduru is preferred for products such as gent's kurtas, Pyjamas, gent's and ladies shirts and tablemats.

This analysis reveals that loyalty and preference to a given weaver cluster is far more marked in the case of urban consumers than rural. It appears that while the product portfolio of a rural consumer is far more diverse and spread out, that of an urban consumer is reserved to a few popular types.

**Graph 12(a): Share in Spending across Different Income Groups - Rural**



**Graph 12(b): Share in Spending across Income Groups - Urban<sup>17</sup>**



### Share in Spending across Rural – Urban segments and Different Income Groups

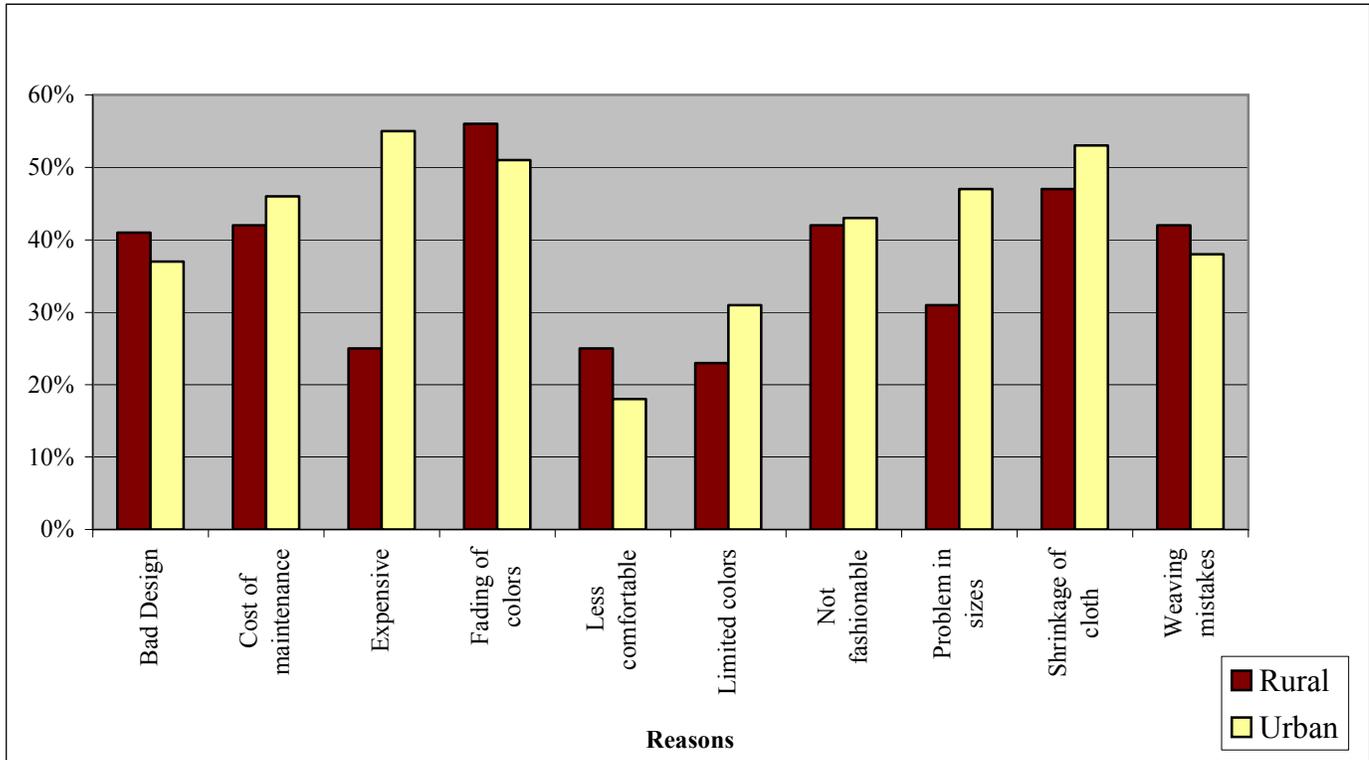
We have attempted to explore the share in spending across different income groups. This has been looked at separately for both the rural and urban areas. With reference to adjoining graphs (Graph 12a and 12b) it is apparent that the upper income group (IG3) in rural areas invests a smaller share in handloom products. This may be on account of the fact that upper class preferences and tastes tend to be modern, on account of which they very often prefer to go in for popular market varieties from towns and cities. However, the middle and lower income groups (IG1 and IG2) dominate the bracket between Rs. 251 to 750 per purchase.

A similar trend is apparent with regard to upper income groups amongst the urban townfolk. Higher share of spending on non handloom products amongst higher income groups could be associated with a variety of reasons, such as branding, ease of availability, urbanized tastes etc. But the lower income groups, and more so the middle-income group shows greater promise for the handloom markets, and a comparatively reasonable percentage (around 6%) of such income groups are found to spend more than Rs. 500 per purchase on handloom clothing. A separate analysis has revealed that purchases ranging between Rs. 251 and 500 record the highest frequency (i.e number of purchases) in both the rural and urban segment.

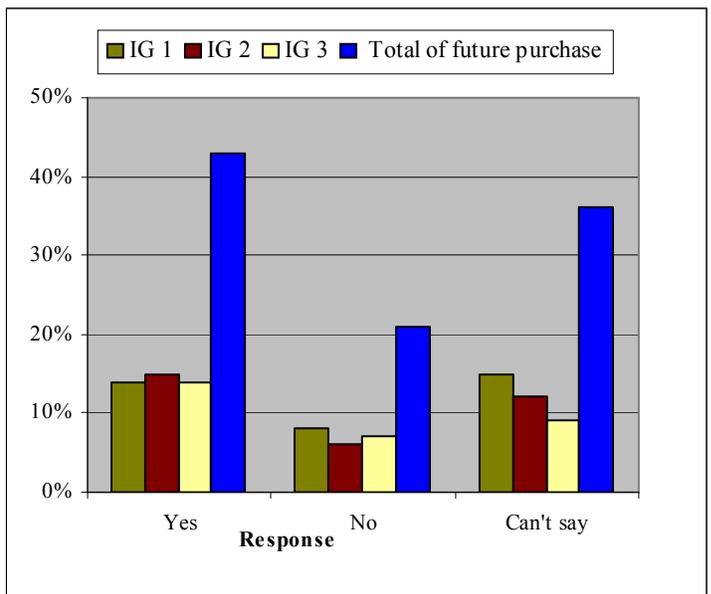
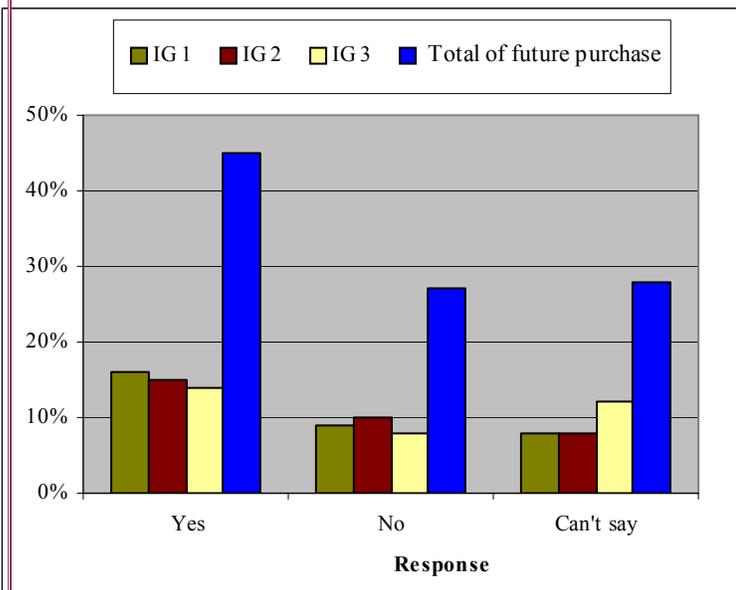
### Factors Impeding Demand: *reasons why some people do not buy handloom products*

Understanding of demand is not possible without looking at the reasons that dissuade people from purchasing handloom products. Our primary survey, which has reached out to non-consumers reveals that fading of colours and shrinkage of cloth are two of the main reasons, across both the rural and urban segment. Surprisingly, high cost of products is more of a disincentive for the urban lot, than the rural masses. This maybe on account of the fact that, despite good intentions, different retailing models have not been able to economise distribution and make handloom products available for the growing middle and lower middle class at affordable prices. High cost of maintenance, weaving mistakes, and the fact that handloom products do not conform to

**Graph 13: Reasons why non-consumers (rural and urban) do not Purchase Handloom products**



**Graph 14(a) and 14(b): Rural (L) and Urban consumers (R) Willingness to increase purchase**



“modern” fashionable tastes, are some of the other reasons that were shared by the respondents. On the other hand present day consumers in the rural areas site the following reasons that dissuade them from increasing their purchases: Cost of maintenance (53%), Limited colours (51%), and Shrinkage of cloth (47%). In the urban areas the chief complaints are: Fading of colors (51 %), and Shrinkage of cloth and Limited colours (32%).

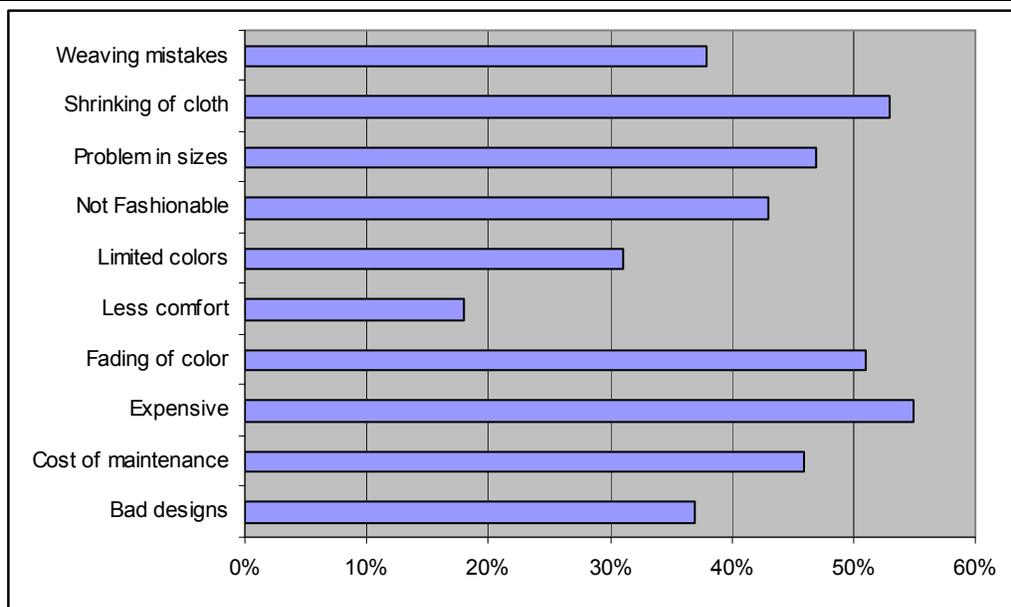
In trying to assess the potential demand we have tried to capture the number of respondents (present day consumers) who are likely to increase their purchases in the future. It is found that in both cases, be it rural or urban consumers, about 10 percent are keen to increase their purchases of handloom products. And roughly 5 to 8 percent are unwilling to. Similarly, amongst the non-consumers it is found that 16, 15 and 14% of the respondents from rural areas belonging to IG1, IG2 and IG3 respectively are willing to go in for handloom products in the future. Likewise, in urban areas it is found that 14, 15 and 14% are willing to invest handlooms in the time to come. It appears that willingness to invest in the future in handlooms, be it in rural or urban areas, among consumers or non-consumers, is not as affected by their income earning capacities.

#### **Box 10: Non-Buyers**

##### **Non Buyers**

Consumers of textiles who do not buy handlooms have been surveyed as part of study. Non-buyers of handlooms can be viewed as consumers, who do not like/want handlooms, who are not aware of handlooms and who do not have access to handlooms. Also when asked about the reasons non-consumers do not buy handlooms, the above mentioned factors – dislike, lack of awareness and inaccessibility emerged as main barriers in purchase of handlooms. The other reasons that inhibit purchase of handlooms are;

- High cost of maintenance
- Lack of quality – shrinkage and lack of colour fastness
- High cost of the cloth



**Graph 15: Non-buyers complaints on Handlooms**

Though the reasons hampering the purchase of handlooms among the buyers of handlooms are similar, awareness and accessibility have emerged as key factors. This might also mean that the non-buyers might be using handlooms without their knowledge. Ability to differentiate between handlooms and powerlooms is higher in urban areas. Also the rural non-consumers use shop of purchase as an identifying factor more than the urban non-consumers. There is no difference in the key factors influencing the purchase of textile and handlooms. This has an implication on introducing specific product features that can be incorporated in handlooms to make it more appealing.

As the buying preferences of handloom and non-handloom buyers are similar, there is a possibility to improve upon the product features desired by the non-buyers and improve the share of handloom markets at least among 45% rural non-consumer and 43% urban non-consumers surveyed who have shown willingness to buy handlooms in the future.

#### Traders Perspectives on demand of Handloom Products

In furtherance to the reasons sighted by consumers and non-consumers above, 55% traders report that shrinkage of cloth is one of the main reasons why customers do not go in for handloom products. Another 49% suggest that it is because of cost of maintenance, and 46% on

account of weaving mistakes. The fact that handloom products are prone to loosing colour and are sometimes more expensive in the urban areas, are some of the other reasons. Despite which more than 43% of the traders report that the average purchase per consumer per day is between Rs. 100 to Rs. 500. And another 22 % report that the figure stands between Rs. 500 and Rs. 1000.

**Table 24(a): Proportion of Cotton Handloom in Total Sale**

<b>Percentage of Cotton Handloom in Total sale</b>	<b>Percentage Response from Traders</b>
0 to 10	12
11 to 20	4
21 to 30	5
31 to 40	2
41 to 50	4
51 to 60	7
61 to 70	4
71 to 80	7
81 to 90	4
91 to 100	<b>51</b>
Total	100

**Table 24(b): Proportion of Handloom sales from AP in overall Handloom Sales**

<b>Percentage of Handloom Sales from Andhra Pradesh in Overall Handloom sales</b>	<b>Percentage Response from Traders</b>
0 to 10	17
11 to 20	5
21 to 30	8
31 to 40	6
41 to 50	2
51 to 60	4
61 to 70	3
71 to 80	4
81 to 90	2
91 to 100	<b>49</b>
Total	100

As regards seasonality, traders report that sales are higher during the winter especially for products from weaver clusters such as Mangalagiri, Pochampally, Dharmavaram and Chirala. Products of Yemmiganur, Ponduru and Chebrol are in greater demand during the summer season. The proportion of cotton handlooms in total sale and more particularly the proportion of handlooms sales from AP in overall handloom sales is presented as part of Tables 24(a) & 24(b). As per Table 24(a), 51% of the total number of traders surveyed, report that 91 to 100% of the total sales is made up of cotton handlooms. Similarly 49% report that no less than 91% of the overall handloom sales are made up of handloom products from Andhra Pradesh. Wholesale traders and the shops in the local weaving cluster exhibit the above characteristics. As one moves to cities and key market centres, the traders mix handloom, powerloom and synthetic products.

#### Non-Sellers of Handlooms

As part of the study, non-sellers of handloom/khadi products were interviewed to understand their reasons for not trading in handlooms. Though the sales, characteristics and preferences is similar in textile trading, some interesting facts stated as reasons for not stocking handlooms are listed below:

1. Lack of product range for different segments of the consumers
2. Lack of versatility and variety in handloom products
3. Expensive when compared to powerlooms/mill-made
4. Lower margins in case of mass products and low priced handlooms
5. Lack of supply chain efficiencies – longer lead time, quality issues and yet to be integrated supply systems
6. Image of handlooms as seasonal, expensive, not-in-fashion product

## **CHAPTER V: MARKETING MIX - PRODUCT, PRICE, PLACE & PROMOTION**

As part of assessing the nature and potential of handloom markets, we have looked at the market mix - the combination of four factors of Product, Price, Place and Promotion for handloom products. More specifically and as depicted in the accompanying diagram, we have made an effort to capture the following details:

### **1. With regard to Products:**

**Most preferred products and the nature of their demand**

**Handlooms product purchase across different income groups**

### **2. Price:**

**Price range purchase of different handloom products**

**Price and Income Group analysis & Price and Frequency of Purchase**

**Related Policies**

### **3. Place:**

**Preferred destinations in accordance with age**

**Preferred destinations for non-consumers**

### **4. Promotion:**

**Exposure to different publicity measures (consumers and non consumers)**

**Traders' perspectives as regards the promotion of handloom products**

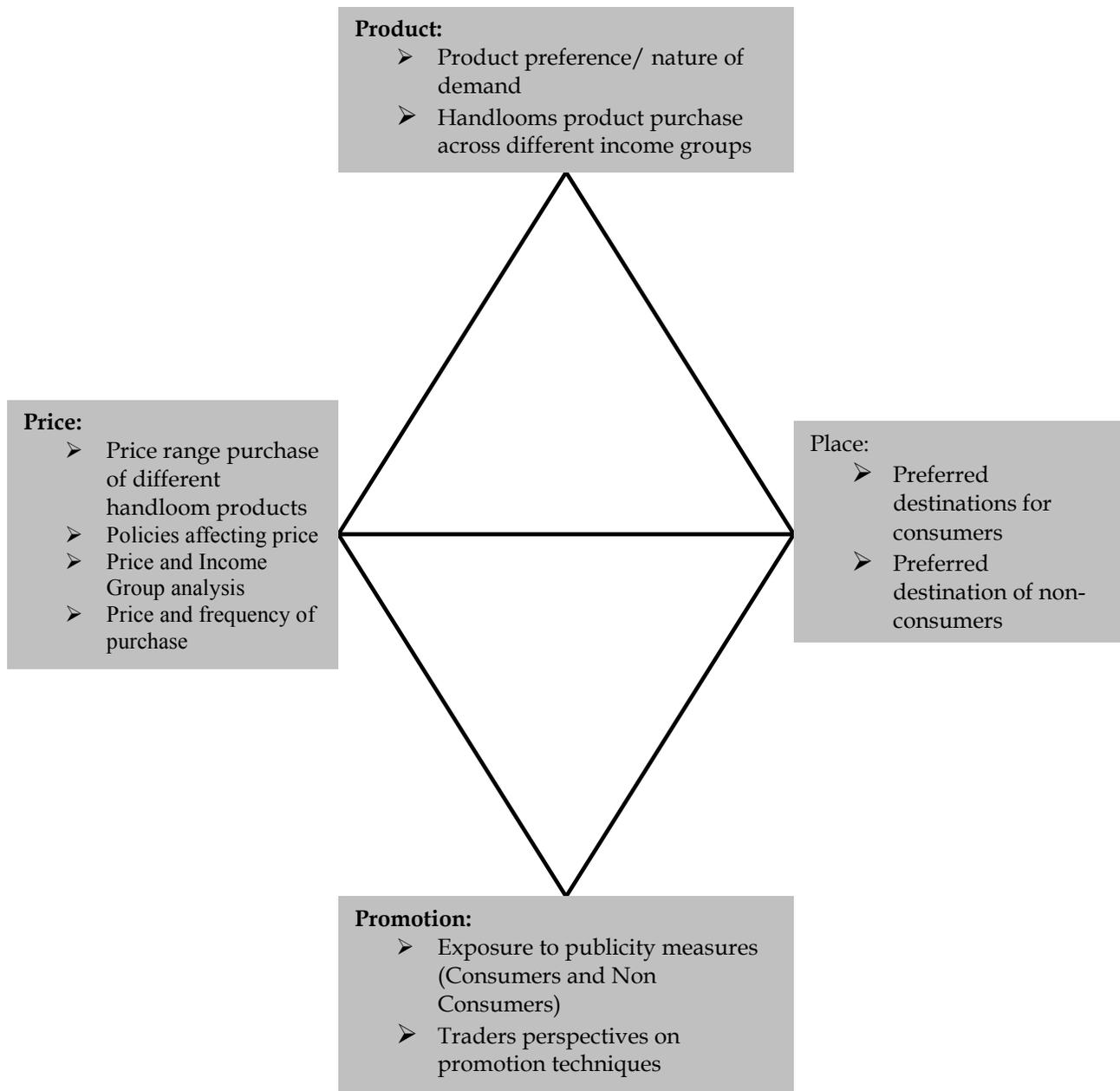
All the above parameters have been looked at, across rural and urban areas

### **5.1 Product**

Ideally, a product is any offering by an enterprise to a market that serves to satisfy the needs and wants of customers. For the success of any product in the market, it is important to have certain niches or the useful features that the other competing products do not have. Then only consumers tend to remember it by name / brand and recall further during subsequent purchases. A name becomes a brand when consumers associate it with a set of tangible and

intangible benefits that they obtain from the product or service. It happens only when consumer gets those benefits consistently.

**Figure 6: Aspects of Marketing Mix covered**



The pie chart presented on the following page shows the top 10 products preferred and purchased by the consumers. The sales of these products constitute 84% of the total handlooms sold from A.P.

### The Most Preferred Products

#### *Sarees*

Sarees are the most preferred handloom products by both urban and rural consumers. The market for cotton sarees has increased by 4.6% during 2006 and stood at 364 million pieces. Study conducted by Textile Committee, 2006 shows that 52.31% of the market is from higher income group consumers followed by 26.9% from lower and 20.79% from middle income group households.

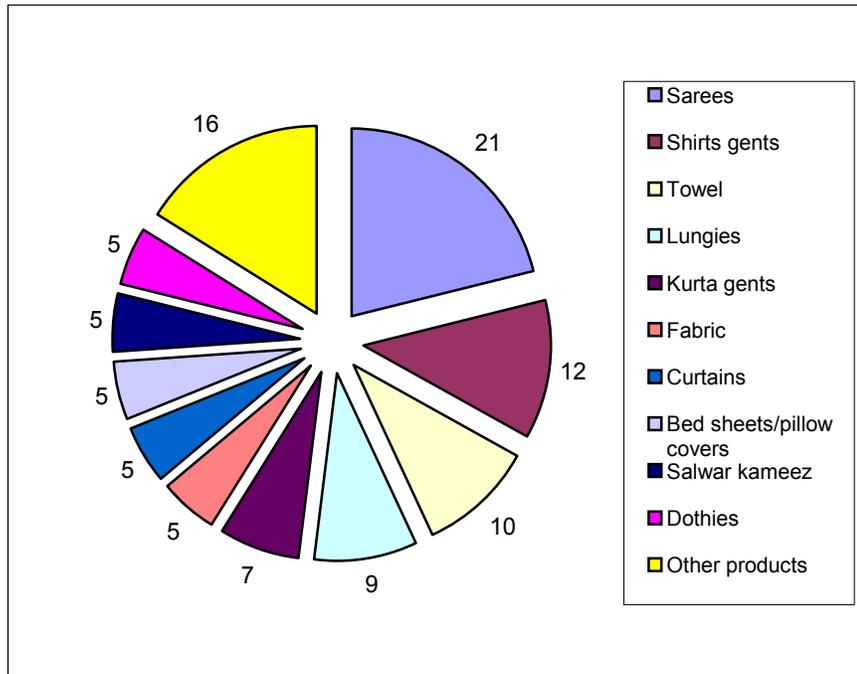
Ikkat or Pochampally as it is known in AP, is one of the most sought after handloom for its intricate design and uniqueness. It is the out put of tie-dye process that requires dyeing, designing and weaving skill. These sarees command 30% urban and 20% rural share of the respondent consumers. Recently these sarees have got recognition under Geographical Indication Act. Narayanpet and Mangalagiri were next in urban consumption, having a share of about 20% each. Ponduru Khadi and Pedana were the least purchased ones. In spite of increasing trend towards wearing salwar kameez in urban areas, saree still holds its forte. Traders also put this product as the highest selling one.

#### *Gents Shirts*

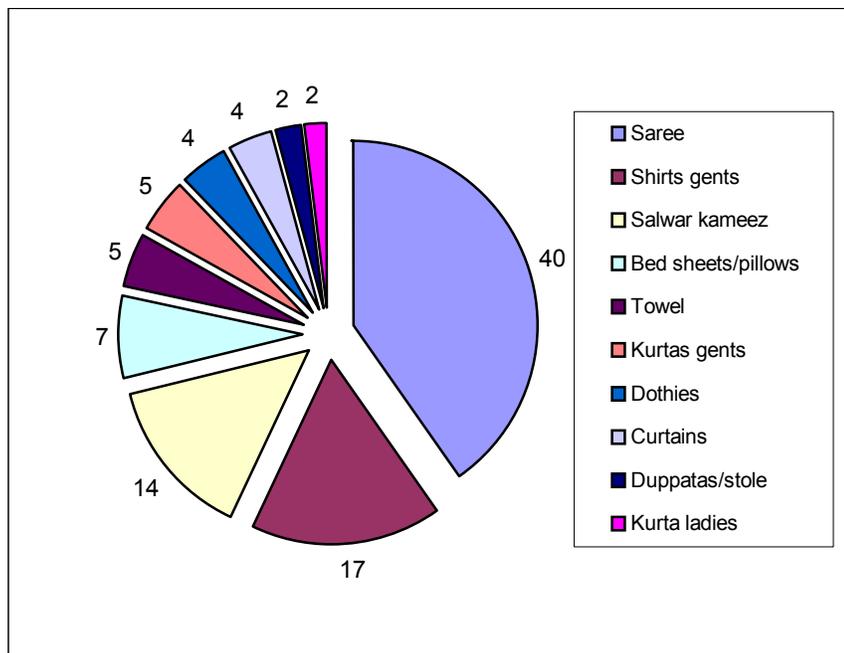
The total market size for readymade shirts in India is 399 million pieces during 2006 which has registered a growth rate of 6.68 percent over the previous year. According to Textile Committee report 2006, 40.25% of market is from higher income group where as 30.42 and 29.33% from middle and low income groups respectively. Human made fabric and blended shirts dominate the scene with 70.93% share against 29.07% for cotton shirts. Within this, the market share for cotton shirts is increasing by 5.45% and stood at 116 million pieces. The preference for cotton

shirts is high among higher income group consumers (57.45%) followed by 23.65% and 18.9% from middle and low-income group consumers respectively.

**Graph 16 (a): Products wise Demand - Urban**



**Graph 16 (b): Product wise demand - Rural**



### Box 11: Men's Apparel Industry Highlights

- Men's apparel industry will increase at a CAGR of 14.86% during the two-year period from 2008 to 2010.
- The demand for ready-made garments in rural India will surge at a CAGR of 16.50% to reach Rs. 42918 Crores by 2010.
- Increasing at a CAGR of 24%, branded apparel industry for men will cross Rs. 25,000 Crores by 2010.
- Per capita GDP spending on apparel increased to 5.8% in 2006 from 4.9% in 2003.
- In 2007, men's apparel industry was mainly dominated by shirts (in value terms) accounting for 36.5% of total men's segment.
- The Indian fashion industry is expected to rise at a stupendous pace of 22.67% through 2012 from 2007.

Ref: "Booming Men Apparel Market in India", Bharat Book Bureau, Feb 2008

Among A.P cotton handloom shirts, Ponduru Khadi has a dominant share of over 40% of the respondents in urban areas. Ponduru Khadi is considered one of the few remaining weaving traditions in India. Men's shirting products put together are only next to sarees in terms of popularity among consumers surveyed. Mangalagiri and Ilavaram are other popular clusters. Though men's handloom/khadi shirts are not visible in urban areas, in rural areas there are many not-so-known clusters making plain, striped and chequered shirting material for men. This is second ranking product, both in urban and rural areas. Traders' data indicates that the shirts are 6<sup>th</sup> highest selling among handloom products. If we look at the production side, production of shirting material of Khadi in Ponduru is too less. But many handloom and powerloom products fill the gap. Though Ponduru emerges as the most popular cluster, it is the name and not the actual product. Khadi Bhandars across AP stock fake Khadi products. Also there is a gap in the handloom/khadi product portfolio for catering to middle and lower income groups. Though to some extent handloom shirting material is affordable, the availability is less in cities. Bigger retail players like Fabindia and Khadi Bhandars occupy the high-end market for shirting material.

## Box 12: Khadi

### Khadi

- Customer spends maximum Rs. 600 on an average on one time purchase of Khadi
- The per meter average price of Khadi is Rs.180
- Male : Female consumer ratio is 80:20 in Khadi
- Ratio of three age-groups in Khadi consumers is 30:50:20. Middle-aged men are purchasing more Khadi
- Sales have been increasing in the last five years as stated by the traders across different segments
- The key issue plaguing Khadi market is the lack of supply and which in turn is due to declining weaver population who can weave Khadi
- Symbolism, politics and comfort are the key reasons why Khadi is purchased.

### Salwar Kameez

Market for cotton salwar kameez is estimated at 83 million pieces in India. Growing at 5.06 %, 49.11% is from higher income group followed by 34.79% in middle-income group and 16.10% lower income categories (*Textile Committee report 2006*). This product is more popular among urban consumers in Andhra Pradesh. Pochampally/Ikkat and Mangalagiri clusters are preferred more by consumers. 25% urban respondents purchased material from these clusters for salwar kameez. Surprisingly Chirala and Ponduru scored the least with less than 6% of the sales. This may be due to the fact that Chirala dress material does not have distinct features like Mangalagiri and hence consumers could not identify them. This is 9<sup>th</sup> ranking product in rural areas and second ranking in trader data.

**Table 25 (a): Preference for products (%) across different Income Groups - Rural**

Product	IG 1	IG 2	IG 3
Sarees	39	32	29
Shirts gents	35	32	33
Towel	42	29	28
Lungis	35	34	30
Kurta gents	35	39	26
Fabric	38	31	31

Curtains	38	<b>34</b>	28
Bed sheets/pillow covers	<b>46</b>	25	29
Salwar kameez	35	23	<b>41</b>
Dothies	34	<b>34</b>	32
Kerchief	<b>43</b>	24	<b>33</b>
Dupatta/stole	<b>46</b>	36	18
Kurta ladies	38	<b>39</b>	22
Shirts ladies	38	<b>35</b>	27
Pyjamas	<b>48</b>	27	25
Total	39	32	30

**Table 25(b): Preference for products (%) across different Income Groups - Urban**

Products	IG 1	IG 2	IG 3
Bed sheets/pillows	27	27	<b>45</b>
Curtains	11	28	<b>61</b>
Dothies	<b>58</b>	32	11
Duppattas/stole	40	<b>60</b>	0
Kerchiefs	<b>60</b>	20	20
Kurta	<b>67</b>	33	0
Kurtas gents	32	36	32
Lungis	<b>44</b>	0	<b>56</b>
Pyjamas	<b>67</b>	33	0
Salwar kameez	46	28	26
Saree	34	37	29
Shirts gents	40	33	27
Shirts ladies	13	<b>63</b>	25
Table mats	0	<b>100</b>	0
Towel	35	17	<b>48</b>
Total	37	33	30

#### *Bed sheets*

Generally cotton bed sheets are preferred under this category. Indian market for cotton bed sheets stood at 139 million pieces and has grown by 6.11% in 2005. There are clusters like Yemmiganur specializing in products in bedding category. These bed sheets are woven on frame-loom and similar varieties are found across AP.

Exquisite designs coupled with ability of cotton to absorb sweat, keep the user cool and comfortable, attracts the upper income group urban consumers than those in the rural. It is fourth ranked product in urban and eighth ranked in rural consumption and trader feedback. Among the various clusters studied, Pochampally/Ikkat commands 40% share of the urban consumers and 15% rural consumers. East Godavari Cluster dominates rural scene with 20% share.

#### *Towels*

Rural consumers rather than the urban consumers purchase handlooms towels more. Pochampally/Ikkat holds dominant position in market, with a share of over 40% followed by 30% from East Godavari cluster. Ponduru Khadi and Mangalagiri held 14-15% share in the markets. In urban areas powerloom towels and terry towels dominate the consumer purchase.

#### *Gents Kurtas*

The total market size of kurta Pyjama has stood at 24 million pieces at all India level. Of this, cotton-made share is 54.17%. In A.P, the largest share of urban market, about 28% of the respondents is for the Ponduru/Khadi cluster. East Godavari cluster dominates the rural segment with 38% respondents preferring the products. Apart from this, unidentified AP clusters cater to about 15% urban consumption.

**Table 26: Traders perspective of Maximum Sales across Clusters**

Handloom Products	Weaver clusters: (1) Pochampally/Ikkat, (2) East Godavari, (3) Narayanpet, (4) Mangalagiri, (5) Ponduru/Khadi, (6) Yamiganur, (7) Chirala, (8) Chebrol, (9) Machilipatnam/Pedana, (10) Chittoor/Kalamkari, (11) Alampur, (12) Dubbaka, (13) Darmavaram, (14) Nalgonda, (15) Karimnagar, (16) Warangal															
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Sarees	34	4	6	21		6	11		3			10	1			
Salwar Kameez	24	1		15	2		8		1							
Fabrics	6	3		12	2	1		9		1						
Kurta	15	3	1	4	3		7									
Lungis	8	5	1	6	3		2	2				2		1		
Shirts Gents	9	2		12	5			1								

Towels	2	4	4	5		2	4	3		1	1	3				
Bedsheets/pillow covers	16	1			1	1	6								1	
Dupattas/stole	8		1	12			4									
Dothies	7	7	1		7									1		
Table mats	7	1					3									8
Shirts ladies	2	3		8	2							2				
Kerchiefs	7	1	1		4											
Kurta Gents	8	2					2									
Curtains	6				3		1					1				
Pyjamas	1	1			1		1									
<b>Total</b>	<b>160</b>	38	15	<b>95</b>	33	10	<b>49</b>	15	4	2	1	18	1	2	1	8

### *Dhotis*

Market for cotton dhoti has decreased by 12.26% during 2006 and has stood at 93 million pieces. 38.6% of the market originates from low-income group, 24.75% from middle income group and 36.65% from the upper income group. Ponduru/Khadi holds over 30% of the urban market share. East Godavari and Mangalagiri clusters hold about 30% of the rural market share each. While East Godavari, Ponduru and Pochampally with 7% share each dominate the market as per traders' ranking. Though there is not much production of handloom dhotis in Pochampally, consumers might have ranked it as, Nalgonda powerloom dhotis are popular across AP. Fake powerloom dhotis passing off as handloom dhotis is gaining good market share.

### *Curtains*

Exquisite designs and colors are sought more by the urban consumers. Naturally, Pochampally/Ikkat commands 50% share in urban markets. Similarly, East Godavari holds 35% in rural market share. The least sold ones are Narayanpet, Chirala and Chittoor/Kalamkari with 10% share in urban markets. Curtains are invisible products in handloom production especially in rural areas. Though many innovative designs using Venkatagiri fabric for curtains are made in urban markets, visibility and demand for handloom curtains is low in rural areas as plastic/synthetic curtains are preferred more.

### *Dupattas*

Dupattas are the ninth ranking product in urban consumption, where Pochampally/Ikkat and Mangalagiri command 30% of the urban markets share each. Ponduru/Khadi is preferred least with 10% sales. Traders rank Mangalagiri as the highest, followed by Pochampally/Ikkat.

### *Ladies Kurtas*

Interestingly, Mangalagiri holds about 32-34% of the urban market. In rural areas, preference for kurtas as a single product is low. Usually preference is given for salwar kameez sets.

### *Lungis*

This product is ranked fourth in rural consumption and over 30% rural market share is commanded by Mangalagiri and Pochampally clusters. The over all Indian market for cotton lungis has increased by 1.5% during 2006 and the size of market stood at 135 million pieces.

### *Generic Fabric*

Fabric is the sixth ranking product in rural markets in which 25% of the market share is enjoyed by East Godavari and Mangalagiri clusters each. Ponduru/Khadi and Chirala clusters also command 15% share each. But again the ranking is lower as this product is converted into garment and hence some of the preferences might have been covered under ready-made forms.

The products surveyed above are traditional. However, there is a need to understand the changing needs of consumers to develop new products. As mentioned earlier, wider the utility base that one creates, the greater is the movement of products. Handloom products do not have any range in formal office wear. Similarly, it does not offer special products for youth and teenage segments whose needs are quite different. May be these are the reasons for decline in the share of handloom products consistently. There is a need to develop products for several occasions, utilities and age groups to improve the acceptability of handloom products.

### ***Box 13: Alternate Products***

#### **Khadi**

As discussed in gents' shirting section, Khadi market is inundated by fake products. Khadi bhandars across AP and North India are the key players dealing with Khadi. Government run Khadi and Village Industries Commission (KVIC) affiliated shops are other key channels for selling Khadi. Khadi available in these stores are no-frills, minimal value-addition with only garmenting and "only for middle-aged, old or political people" kind of air about the shop. Khadi Bhandars seem better off with broader product range but there is a high mix of powerloom products – more than 50% in many cases. Also as with other handloom trading networks, the market is very credit intensive. As the product is highly seasonal, sometimes the credit periods are as high as 1 year. But the margins in Khadi Bhandars are good – due to high value of Khadi and also because fake products are sold as Khadi.

#### **Durries**

Durries of Warangal were part of the study. But the product has very low recall value and visibility. With dwindling weavers in Durries weaving, the production as well as the visibility of the product is decreasing. Even in cities, the recall value of the consumers is low. Warangal Durries are found mostly in government run APCO and Lepakshi stores.

### **Summary of Product Portfolio**

One finds that the demand of sarees is a cut above the rest, despite a growing demand for other products such as salwar kameez and kurtas. In the rural areas there is a strong 21% preference for sarees, and somewhat surprisingly a staggering 41% of the "less traditional" urban respondents prefer sarees when it comes to handloom products (Table 25a. & b).

Similarly when one looks at the demand for each of the products across different rural and urban income groups, it is found that products such as pyjamas (48%), dupattas (46%), towels (42%) and kerchief (43%) are more commonly preferred among the lower income groups within in the rural segment. The middle-income groups, in comparison, prefer products such as kurtas

for both ladies and gents (39% each). The higher income groups prefer to go in for salwar kameez (41%). The demand for sarees is somewhat consistent across each of the income groups (39, 32 and 29% respectively; Table 25 a).

Likewise, in lower income bracket of the urban segment, products such as Pyjamas (68%), Kurtas (67%), Kerchief (60%) and Dhotis (58%) are most preferred. Then again products such as dupattas (60%) and ladies shirts (63%) are more common amongst the middle-income groups. The lower income groups on the other hand prefer to go in for products such as curtains (61%), lungis (56%), towels (48%) and bed sheets (45%). Here also it is found that even though sarees never receive the highest response across different income groups, their overall demand still remains the highest on account of a moderate but consistent demand across different income groups (Table 25b).

Traders' viewpoints as regards clusters and products cannot be overlooked. In the opinion of most of the traders, products from only a few handful of clusters command the required popularity/demand. At aggregate levels the level of totals they feel that products from Pochampally/Ikkat, Mangalagiri and Chirala are more in demand. Then again as regards products - sarees and salwar kameezs are sought mostly from Pochampally/Ikkat and Mangalagiri. Bed sheets are again sought from Pochampally/Ikkat. For further details one may refer to Table 25 a & b.

The study, as discussed earlier, indicates that attractive colours and comfort were the most valued criteria for all the consumers. These were valued relatively more by urban consumers than the rural consumers. Within the rural segment, women were choosier on these factors than the men. Low price was more important for rural buyers. Interestingly, urban women valued longevity of cloth much more than their rural counterparts. The ease in maintaining the cloth was important for urban consumers whereas it was least valued by rural consumers. The consciousness about the cloth being fashionable is remarkable in urban consumer than the rural. Both rural and urban consumers did not consider display of product details important.

However the place of purchase was found to matter for rural women than the other category of consumers. Accessibility and price drive rural women and hence place mattered for them.

In a nutshell, by concentrating further on product improvements in terms of attractive colours, comfort, fashion and longevity demand for handloom products can be driven. Making clothes maintenance-free is also an important factor in improving the handlooms market.

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## **5.2 Price**

The quantum and pattern of consumption in urban areas differ significantly from the rural areas. Even within urban segment, there is variation in consumption pattern in metropolitan cities and smaller cities. The difference in consumption patterns is also due to profession, social status and level of awareness among people. In rural areas, the farming community forms the majority of consumers while the employed class, business and professionals constitute the major chunk of consumers in urban areas. Price of the products is one of the elements of marketing that governs these differing patterns.

The average cost of cotton textiles during 2006 was Rs 47.87 per meter. In urban areas it was Rs 65.26 and in rural Rs 36.26 per meter. The cost difference in urban and rural areas is due to logistics, quality and value-addition. The fact that lower income group consumers prefer low price range products (up to Rs 250), 40% of them purchased handloom products with relatively lower frequency. High end products above Rs 1250 are usually preferred by high income group urban consumers who purchase them often. However, the total volume of such products purchased would be lower than the low priced products. Though the middle class are purchasing less frequently, since their numbers are more, they make up for the volume.

**Tables 27(a): Price Range purchase of Different Handloom Products - Rural**

Product	Price range (Rupees)						Total
	0 – 250	251 – 500	501 – 750	751 - 1000	1001 - 1250	> 1251	
Sarees	21%	<b>29%</b>	16%	20%	8%	7%	100%
Shirts gents	<b>23%</b>	31%	21%	13%	3%	9%	100%
Towel	20%	32%	20%	15%	4%	9%	100%
Lungis	<b>23%</b>	<b>38%</b>	17%	12%	5%	6%	100%
Kurta gents	12%	31%	17%	19%	<b>11%</b>	10%	100%
Fabric	10%	29%	<b>28%</b>	<b>24%</b>	2%	6%	100%
Curtains	9%	25%	17%	<b>25%</b>	<b>12%</b>	<b>13%</b>	100%
Bed sheets/pillow covers	13%	<b>34%</b>	22%	19%	5%	7%	100%
Salwar kameez	18%	<b>27%</b>	<b>28%</b>	19%	8%	0%	100%
Dothies	10%	<b>26%</b>	21%	14%	8%	<b>19%</b>	100%
Kerchief	<b>26%</b>	30%	22%	10%	4%	9%	100%
Dupatta/stole	17%	24%	22%	21%	8%	7%	100%
Kurta	15%	23%	26%	19%	10%	7%	100%
Shirts ladies	22%	17%	<b>30%</b>	<b>26%</b>	3%	3%	100%
Pyjamas	9%	9%	25%	23%	11%	<b>23%</b>	100%
<b>Total</b>	<b>18%</b>	<b>29%</b>	<b>21%</b>	<b>18%</b>	<b>6%</b>	<b>8%</b>	<b>100%</b>

**Tables 27(b): Price Range purchase of Different Handloom Products - Urban**

Product	Price range (Rupees)						Total
	0 – 250	251 - 500	501 – 750	751 - 1000	1001 - 1250	> 1251	
Bed sheets/pillows	2%	1%	2%	1%	0%	0%	7%
Curtains	1%	1%	2%	0%	0%	0%	4%
Dothies	1%	1%	0%	1%	0%	1%	4%
Duppattas/stole	0%	0%	1%	0%	1%	0%	2%
Kerchiefs	0%	0%	0%	0%	0%	0%	1%
Kurta	0%	0%	0%	0%	1%	0%	2%
Kurtas gents	1%	1%	1%	0%	1%	1%	4%
Lungis	1%	0%	0%	0%	0%	0%	2%
Pyjamas	0%	0%	0%	0%	0%	0%	1%
Salwar kameez	2%	2%	3%	2%	2%	2%	13%
Saree	<b>4%</b>	<b>9%</b>	<b>8%</b>	<b>6%</b>	<b>5%</b>	<b>7%</b>	<b>38%</b>
Shirts gents	1%	5%	4%	2%	2%	3%	16%
Shirts ladies	0%	0%	0%	1%	0%	0%	2%

Table mats	0%	0%	0%	0%	0%	0%	0%
Towel	2%	1%	0%	0%	1%	0%	5%
Total	14%	21%	22%	16%	12%	15%	100%

**Table 28: Maximum sale Price Range Cluster wise – Traders’ perspective**

Price range (Rs.)	Chirala	Guntur	Mangalagiri	Pochampally
< 500	80%	90%	99%	86%

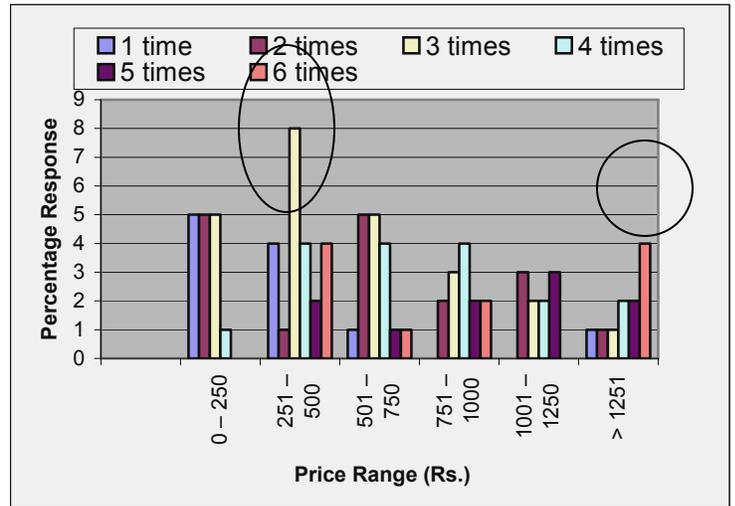
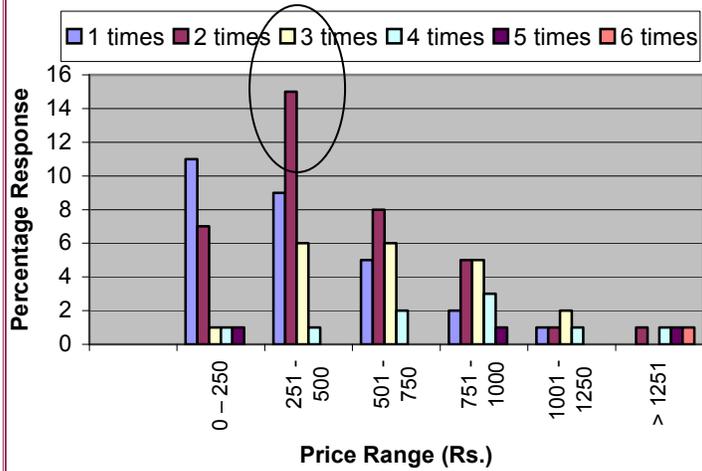
Upon closer examination of the rural segment one finds that products such as gents-shirts, lungis and kerchief are most often purchased within the price range up to Rs. 250. In the price range between Rs. 251 and Rs. 500, products such as lungis, salwar kameezs and sarees are preferred – in that order. In the price range between Rs. 501 and Rs. 750, ladies shirts are in greater demand, followed by products such as salwar kameez and other generic fabric. However, in the higher range of above Rs. 1251, it is surprising to find products such as Pyjamas and dhotis. Curtains are another product, which are preferred within this price range. In any case it is found that demand for select products is much more pronounced within the price ranges of Rs. 251 to 500, and Rs. 501 to 750 (Table 27a.).

In comparison, the urban segment displays a uniform and consistent demand for sarees across all the price ranges, again being most pronounced within the brackets of Rs. 251 to 500 and Rs. 501 to 750 (Table 27b.). This makes the above bracket the most viable to target, considering demand and preference alone. From a traders’ perspective (Table 28) it is found that the maximum sales are recorded for clusters such as Mangalagiri, Pochampally, Guntur and Chirala for the price range below Rs. 500.

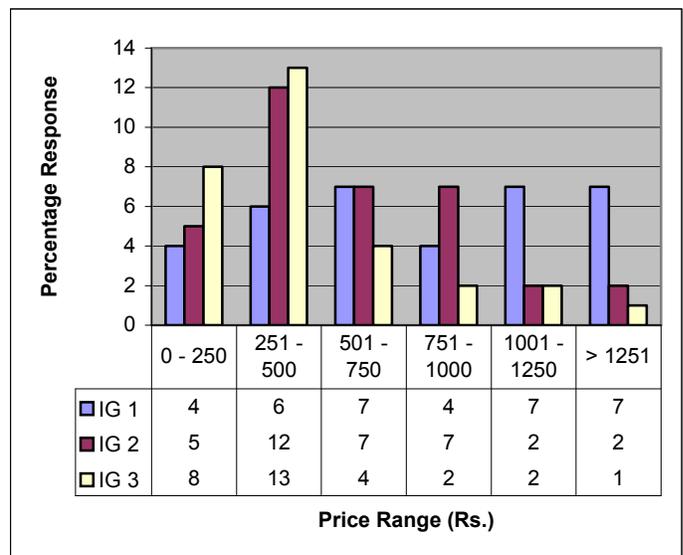
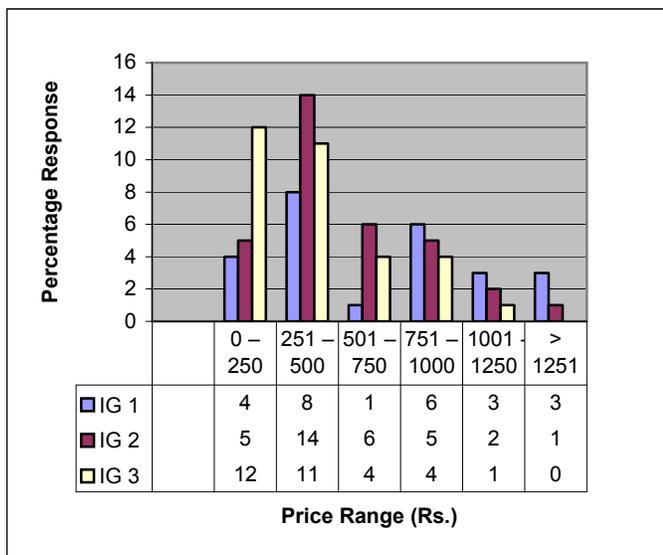
In exploring the relationship between price range and frequency of purchase, it is observed in the rural segment that multiple purchases within a given range is most pronounced within the price range of Rs. 251 to Rs. 500. The frequency however stands at mere 2 times (as circled in Graph 17). The same pattern is observable for the urban segment in the same bracket - here the

frequency is 3 times for at least 8% of the respondents. It is also interesting to note that a frequency of 6 times is observable within the high price range of products above Rs. 1,251.

**Graph 17: Price Range and Frequency of Purchase of AP Cotton Handloom; Rural (L) and Urban (R)**



**Graph 18: Price range of AP Cotton Handloom Purchase Among Different Income Groups; Rural (L) and Urban (R)**



Any assessment of price related factors would be incomplete without considering income categories. The middle and lower income groups within the rural segment are active within the price range of up to Rs. 250 and Rs. 251 to Rs. 500. The urban segment displays a similar pattern. However in the case of both the rural and urban segments, one cannot overlook the fact that the lower income groups are active and consistent across different price ranges (Graph 18).

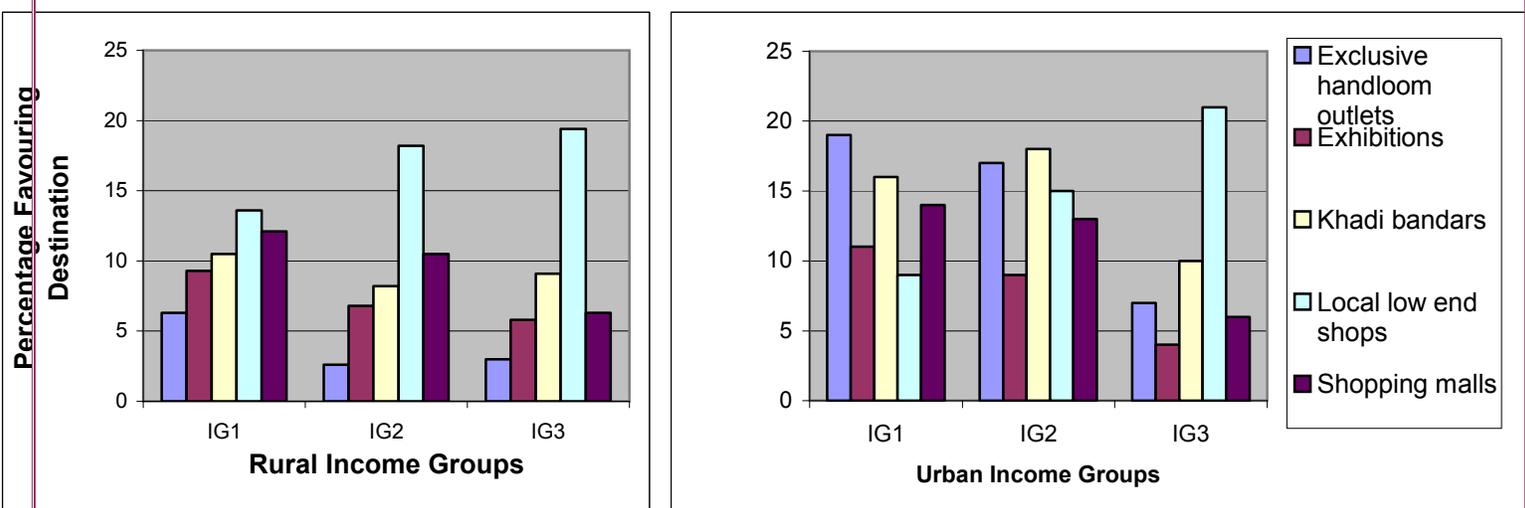
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### **5.3 Place**

The role of retailing and wholesaling consists of bringing goods from point of production to point of use. Retailing includes all activities involved in selling goods directly to final consumer for their personal non-business use. Although goods and services are being sold through retail stores, “non-store” retailing in the form of direct selling, automated vending is also growing rapidly. Shopping malls add finer value additions in terms of ambience, comfort and services to the concept of retailing to attract consumers in upper income groups. The government and development sector organizations usually bank upon conducting exhibitions to encourage sales and visibility.

The study data shows that rural consumers prefer local shops, shopping malls, khadi bhandars and exhibitions in the descending order. For the poor and middle class shopping malls are out of question. Also in villages, large shops such as Chandana Brothers are considered as shopping malls. In urban areas, preference of upper income group consumers was for exclusive handloom outlets, boutiques, khadi bhandars and shopping malls in that order. In contrast, consumers in the lower income group category preferred local low-end shops. Though shandies have not been included in the list, many not-so-known low-end handloom sarees and dhotis are sold during weekly shandies. Both these trends have been depicted in Graph 19.

**Graph 19: Place of Purchase -Rural Non Consumers across different Income Groups**



**Table 29 : Place of Purchase–Urban Non Consumers across different Income Groups**

Places	IG 1			IG 2			IG 3			Total
	Not preferred	Can't say	Preferred	Not preferred	Can't say	Preferred	Not preferred	Can't say	Preferred	
Exclusive outlets/ boutiques	9%	12%	15%	14%	15%	5%	16%	9%	4%	100%
Exhibitions	14%	12%	10%	15%	10%	9%	12%	11%	7%	100%
Local low-end shops	10%	11%	16%	6%	11%	16%	4%	8%	19%	100%
Shopping Malls	8%	9%	19%	7%	11%	16%	14%	6%	10%	100%
<b>Total</b>	<b>10%</b>	<b>11%</b>	<b>15%</b>	<b>10%</b>	<b>12%</b>	<b>11%</b>	<b>11%</b>	<b>9%</b>	<b>10%</b>	<b>100%</b>

Amongst the rural masses that do not consume handloom products, it is found that all the income groups prefer low-end shops. Exhibitions and boutiques are least preferred. Among the urban masses, that do not consume handloom products, the high income groups prefer boutiques and shopping malls. Shopping malls are also preferred by the middle-income groups. The fact however remains that there is no great difference in the preference for place of purchase between both the rural and urban consumers and non-consumers (Table 29). Certain choices do not figure in, like boutiques, because they are not present in the rural areas.

Most of these high-end channels are meant only to add value to the products. The way in which they present them to consumers is highly focused on the target consumers. These stores source the products in ready to wear form from wholesalers/retailers. Some of the large retail stores, have their own value-addition units.

The place of purchase is most often linked to the time of purchase. To reiterate, highest purchase by urban consumer sample is seen to be in summer. However, 29% of consumers say that their maximum purchases take place round the year. Festivals and Marriages are also relatively peak seasons for purchases. Thus, the urban market does not show a very marked seasonality. This denotes changing lifestyle needs of urban consumers, where traditional occasions are not the only time people buy. Clothing has become a luxury item for the rich. Almost similar trends are noticed in rural areas also, where highest purchases of handlooms take place during summers and festival time. Marriage purchases were significantly lower compared to urban consumers. The data from traders also corroborates these observations. The purchases are centred during spring and winter when festivals and marriages are more.

#### 5.4 Promotion

Promotion is one of the four major elements of the marketing mix. The main promotional tools - advertising, public relations and personal selling work together to achieve the objectives of communication. We should first understand who the target audience are, the response sought from communication process and the message source in order to develop the promotion strategy.

**Table 30(a): Effect of Communication on Handloom Purchase - Consumers**

Communication	Rural			Urban		
	Low	Medium	High	Low	Medium	High
Banners and hoardings	32%	34%	23%	52%	37%	12%
Exhibitions	36%	24%	28%	43%	29%	28%
Mobile advertisement	<b>58%</b>	22%	8%	72%	24%	4%

On the back of buses/autos	45%	25%	19%	<b>63%</b>	28%	9%
Print newspapers	36%	24%	<b>29%</b>	49%	36%	15%
Print pamphlets	<b>46%</b>	25%	18%	<b>64%</b>	25%	11%
Radio	44%	25%	19%	<b>63%</b>	28%	9%
Television	32%	28%	<b>29%</b>	40%	27%	<b>33%</b>
Word of mouth	13%	23%	<b>61%</b>	28%	25%	<b>47%</b>

**Table 30(b): Effect of Communication on Handloom Purchase - Non consumers**

Communication	Rural			Urban		
	Low	Medium	High	Low	Medium	High
Banners and hoardings	34%	44%	21%	<b>71%</b>	23%	5%
Exhibitions	37%	38%	25%	43%	38%	19%
Mobile advertisement	<b>58%</b>	35%	8%	34%	41%	26%
On back of autos and buses	<b>51%</b>	37%	12%	<b>79%</b>	15%	6%
Print-Newspapers	32%	32%	<b>36%</b>	44%	35%	22%
Print-Pamphlets	46%	36%	18%	62%	28%	10%
Radio	42%	45%	13%	<b>67%</b>	28%	5%
Television	27%	24%	<b>49%</b>	35%	32%	<b>34%</b>
Word of mouth	12%	29%	<b>59%</b>	26%	30%	<b>44%</b>

Traditionally, handlooms are generally sold as textile commodities. However, organized initiatives are now undertaken to establish them as products with a brand name. Given the nature of the producers and consumers, their spread, their margins - many conventional tools are employed to reach the target consumers.

For both traders and consumers, word of mouth came out as the most preferred or utilized tool in communicating the message for handloom products. This is true for both the rural and the urban segment and for consumers and non-consumers (Table 30a. & b). Television scrolls is second as it is accessible to mass population. Exhibitions are a strong channel for gaining visibility but have limited reach. Pamphlets, banners, advertisements on vehicles and hoardings show lower rank than the others mentioned above. Newspapers still have some appeal in the

rural areas but are comparatively not as effective in the urban segment. Print and television advertising are used by high-end retailers and boutiques. Word of mouth came on the top not just because it is the most preferred but also most employed by the traders. Concentration and visibility of the product is low and hence other modes of communication become costlier. Off late, APCO has been giving advertisements in print on handloom products as well as the benefits of wearing handlooms. It is a good move towards educating the consumers about handlooms and APCO.

The point to be noted, however, is handloom products can be promoted effectively using low cost but efficient tools. For local sales, pamphlets, mobile advertising and TV scrolls are used effectively. Urban stores use print and internet media for advertising. But still traditional word of mouth channel is popular because of high cost involved in other forms of advertising. Also since the customers are scattered, relying on news print advertisement may cost more.

### 5.5 Traders' perspectives

Since traders are an indispensable element of promotion, their perspectives would have to be understood in greater detail. The traders are from the 10 handloom clusters of A.P and 5 metros selected for the study. 73% of these had more than 50% of the sales as cotton handlooms. More than 90% of the handlooms sold by nearly half of these traders were sourced from Andhra Pradesh. Thus, the responses provided by them for various facets of AP handloom products are pertinent. The traders gave some important insights in to the handloom marketing, as to what works there and what does not.

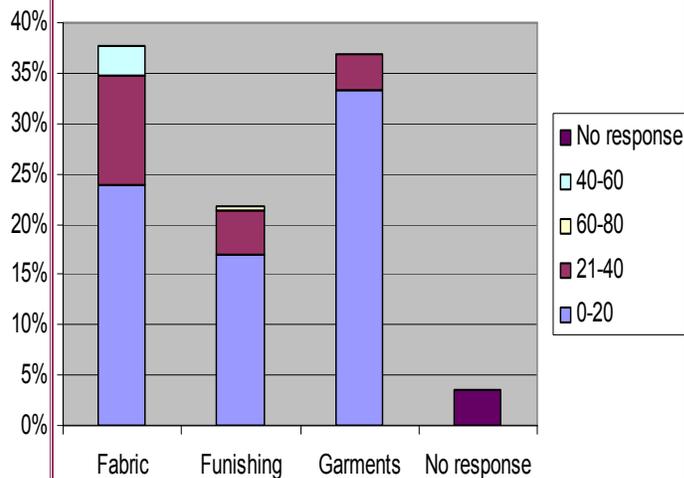
**Table 31: Traders annual Source of Procurement**

Annual procurement (Rupees)	Source of Procurement							
	Cooperative	Government Institution	Individual Weaver	Master Weavers	NGO	Weavers	Whole sellers	Total
Upto 500000	14%	6%	16%	31%	6%	11%	16%	100%
> 500000 to	22%	0%	0%	44%	0%	22%	11%	100%

1000000								
> 1000000 to 2000000	0%	0%	0%	<b>33%</b>	0%	0%	67%	100%
> 2000000 to 3000000	0%	20%	0%	<b>60%</b>	0%	0%	20%	100%
> 3000000 to 4000000	20%	20%	0%	<b>20%</b>	0%	0%	40%	100%
> 4000000 to 5000000	0%	0%	0%	<b>50%</b>	0%	25%	25%	100%
> 5000000	17%	8%	0%	<b>42%</b>	0%	33%	0%	100%
<b>Total</b>	<b>14%</b>	<b>6%</b>	<b>12%</b>	<b>34%</b>	<b>4%</b>	<b>12%</b>	<b>18%</b>	<b>100%</b>

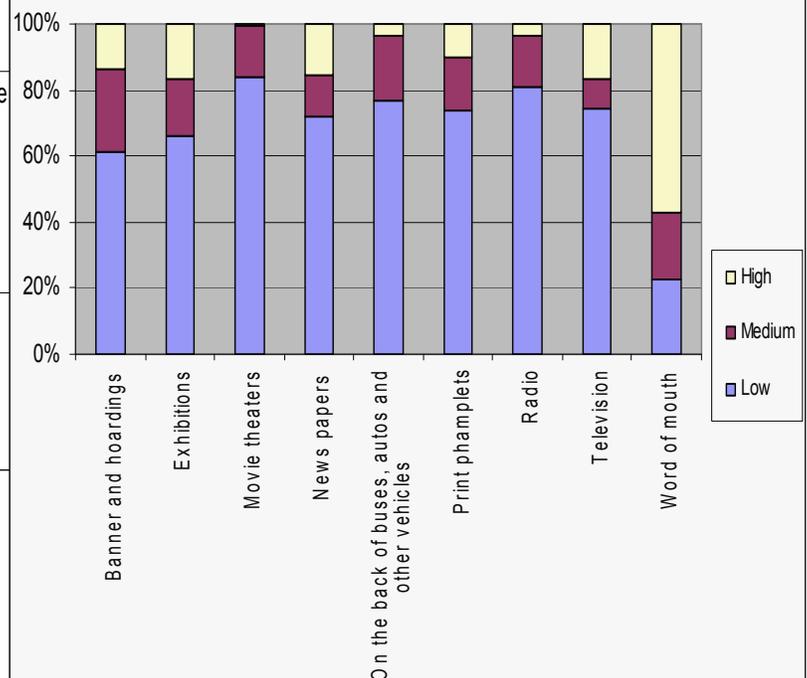
**Graph 20: Profit Margin**

**Profit margins on sales of AP cotton handlooms**



**Graph 21: Media Effectiveness - Traders**

**Effective media from Traders' perspectives**



As pointed out elsewhere under value chain discussions, master weavers play a major role in the

supply chain. They work on forward and backward linkages across the whole supply chain and virtually control it. Traders with Rs.10 to 20 lakhs business turnover procured most from the cooperative institutions compared to the other category traders. Only small traders selling less than Rs. 5 lakhs per annum buy about 15% of requirement directly from weavers. None of the other category traders favoured this (Table 31).

In the rural areas, especially the shops in the clusters selected for the study, the traders are stocking local handloom varieties in higher proportion of total stock. Again it varies across the clusters. In clusters such as Yemmiganur and Guntur, the cooperative society outlets and master weavers stock more than 80% of handloom products that they produce. Coming to towns and urban areas, the product mix among handlooms and powerlooms also undergoes change. At the retail level in towns and cities, the traders keep a mix of handloom products along with powerloom and synthetic material. In urban areas, proportion of handlooms in the overall product range further goes down. Most of the channel sellers earn minimum of 20% margins on the garments and fabrics. Fabric has higher percentage of margins (up to 40%) for the trade channel (Graph 20).

The most preferred handloom products are Pochampally, Chirala, Ponduru and Gadwal sarees. Here again these handloom products are from across the state and give tough competition to local handloom varieties produced in the cluster. The demand for different handloom products also varies across the cities with Kolkata as the major destination for AP cotton handloom products followed by Delhi, Mumbai and Bangalore in that order.

From Graph 21, it becomes all the more evident that word of mouth is a very effective tool for promotion. A high percentage of traders are found to favour word of mouth as the best method to communicate. Traders rate factors such as attraction (65%), comfort (69%), fashion elements (55%) and good sales service (56%) as some of the most important factors that increase sales.

When traders were asked as to what can be the key demand drivers for handlooms, the answers ranged from government support to change in product range. Many of the traders opined that changing the product features can positively contribute to its demand. Introducing variety in the product range and colours were ranked high by the traders. But there were no significant difference between the rankings of these factors. Stressing on branding the product as eco-friendly and providing reasonable profits for the trader are also key drivers. In terms of factors that impede the demand for products, the major complaints received from the traders are bad designs, less fashionable, problem in sizes and limited colours. Lead-time is another factor that

affects the demand. Traders cite factors such as cost of raw materials, introduction of new designs and change in loom arrangements, as those that primarily influence the lead time. Traders claimed that they have benefited from marketing schemes such as intensive handloom training, handloom export scheme, craft melas and district level events (DLEs).

## 5.6 Cluster-Wise Analysis and City Profiles

Table 32 (a): Koyyalagudem

#	Aspect	Details
1	Name of the Cluster	Koyyalagudem, Nalgonda
2	Number of looms	600
3	Annual Production	Rs. 4 crores
4	Type of Products	Dress Material, Sarees, Bed sheets, Duppatas, Cushion Covers, Divan Sets, Bags, Files
5	Number of Traders	40
6	Cooperative	1

Nalgonda district products have a positive image among consumers and traders. With the requirement of varied skill sets, the wages are also higher than many clusters in Andhra Pradesh. During its prosperous period, many weavers from nearby areas migrated to work as skilled laborers in Nalgonda district. The production processes are centralized, with dyeing to post-weaving processes being done by a single weaver in many households.

Koyyalagudem, which is an equally popular cluster as Pochampally, is a cotton handloom production center with a profit making cooperative. It has got the best performing cooperative awards twice. The sales of the traders have shown increase in the last five years but at a diminishing rate. There are nearly 600 handlooms in the village of which 550 are cotton and the rest are silk. The monthly production is around Rs. 70 lakhs. Sales of some of the products of the cooperative society for the year 2007-2008 are given in Table 32(b):

Table 32 (b): Sales – Koyyalagudem Society 2007-08

#	Product	Price (per piece)	Sales
1	Silk Sarees	Rs.1,700	Rs.1,70,000
2	Cotton Sarees	Rs. 700	Rs. 4,90,000
3	Dress material	Rs. 400	Rs. 2,00,000

4	Dupatta	Rs.200	Rs. 10,000
5	Bed sheets	Rs.300	Rs. 1,50,000

The cooperative and traders sell to all the districts in AP and to Chennai, Bangalore, Mumbai and Delhi. Though there has been a steady decline in Koyyalagudem production and sales, it is lesser in comparison to other clusters. With customers' high recall value owing to the product uniqueness and range, the cluster has the potential to adapt to changing market scenario. From fine 80s weaving to thick bed sheets, Ikkat weaving is here to stay in Koyyalagudem.

*Business View:* Though *Ikkat* products have demand all around the year and across different product range, the sales have been increasing at a declining rate. More over proximity to Hyderabad pushes many weavers to migrate for better opportunities.

*Consumers' Take:* The demand and liking for Ikkat is unmatched and the outlook is positive for dress material, bed sheets and sarees.

Table 33: Mangalagiri

#	Aspect	Details
1	Name of the Cluster	Mangalagiri, Guntur
2	Number of looms	10,000 (5000 active)
3	Annual Production	Rs. 75 crores
4	Type of Products	Sarees, dress material, fabric
5	Number of Traders/Shops selling handlooms	100, of which nearly 50 are big wholesalers
6	Cooperatives	2

Mangalagiri cluster has almost bypassed the cooperative structure with transactions both local and international, happening through trader network. It is one of the growing clusters of AP handlooms. With stores like Fabindia, Westside and boutiques patronizing the Mangalagiri fabric and the product being preferred well in both north and south India, the cluster has a good future. The problem with the cluster has more to do with the equity and institutional aspects. As the cluster is now in the growing stage with weavers earning good wages, these

aspects have been relegated to backseat. With institutional buyers looking at powerloom Mangalagiri fabric, the threat of imitations is ever increasing.

Mangalagiri has dyers association and master weavers' association. Lower cost of production due to decentralized processes, use of finer yarn and good dyeing facilities have made the work easy for weavers who just have to weave the cloth and increase their productivity as they are not involved in pre-loom activities. There are two cooperatives in Mangalagiri giving work not only to traditional weavers but to weavers from other castes who are off-late entering into this profession. These societies are located at a distance of 5 kms from Mangalagiri and work on frame looms. These societies do not produce Mangalagiri varieties but instead produce bed-sheets, towels, lungis and fabric.

*Business View:* The sales of the fabric have been good and increasing over the past last five years. In fact one of the master weavers opined that there is demand but not enough weavers to complete the orders. Fabindia is one of the largest buyers of Mangalagiri fabric with Westside coming next. But with increasing demand and focus on standardization, some of the players are shifting to powerlooms. Though currently, the affect is not visible, the demand might decline in future. Nevertheless, it is one of the most sought after fabric and the cluster has ability to re-invent itself. With the production base of Mangalagiri fabric expanding to far flung districts like Srikakulam, there is a possibility of increase in supply. There will be correction in the demand & supply equilibrium, but currently the outlook is positive.

*Consumers' Take:* The most preferred product of the urban crowd, across ages and income groups, the product will continue to grow in its appeal and innovation.

**Table 34 (a) : Chirala**

#	Aspect	Details
1	Name of the Cluster	Chirala, Prakasam
2	Number of looms	18,000
3	Annual Production	Rs.180 crores
4	Type of Products	Dress Material, Sarees, Red Madras Hand Kerchief (RMHK),
5	Number of Traders/Shops selling handlooms	1. Cooperatives: 13 2. Master Weavers/Traders: 300 3. Ancillary Service provider: 50
6	Cooperatives	13

Chirala is the largest handloom cluster in Andhra Pradesh. Products of Chirala have local, national and international market appeal. Chirala products are considered to be value for money products. RMHK are exported to African countries. Chirala is one of the robust clusters supporting more than 60,000 weavers. The ancillary support services like dyeing, pre-loom work, raw material suppliers are well developed in this region because of the sheer size of the weaving business. Like Mangalagiri, the sway of master weavers on weavers is visible in this cluster with 90% of the weavers working for them. Independent weavers, shed weavers/ weavers working under master weavers and loom-less weavers working on rented looms are the broad categories of weavers in Chirala. Also with the increase in jacquard weaving techniques and looms, weavers have shifted to these varieties in the district. The product classification and their percentage production are given below:

**Table 34 (b): production Classification in Chirala**

#	Product	Percentage
1	Saree	60%
2	Dress Material	20%
3	RMHK	10%
4	Lungis, Shirtings	10%

Netha Bazar and Textile Park (proposed) has been constructed in Chirala to assist weaver cooperatives in marketing. There is a dilution in the image of Chirala cluster and authenticity of the product is being questioned. Maintaining the authenticity of the product and the consumer faith is crucial for the cluster to maintain its growth as a handloom sector. The cluster might

grow in the future not as a handloom cluster but as a cluster dubious for mixing powerloom and handloom varieties. The question is whether Chirala will remain a handloom cluster or not?

*Business View:* The traders are prospering with good domestic and export trade. By mixing handlooms and powerlooms, traders are able to make good margins.

*Consumers' Take:* "What is Chirala Handloom?"

**Table 35: Yemmiganur**

#	Aspect	Details
1	Name of the Cluster	Yemmiganur, Kurnool
2	Number of looms	12000
3	Annual Production	Rs. 80 crores
4	Type of Products	Sarees – cotton and silk, lungis, towels, bedsheets,
5	Number of Traders/Shops selling handlooms	14
6	Cooperatives	1

Yemmiganur Weavers' Cooperative Society (YWCS) is one the largest cooperative societies in India with strong local market and sales depot spread across Andhra Pradesh and Karnataka. It has sprawling infrastructure for pre-loom processes and possesses huge fixed assets. The product portfolio of Yemmiganur is diverse from clothing to non-clothing varieties. Sarees, lungis, bandage cloth, mosquito nets and silk sarees (Gadwal) are the major varieties produced here. This is also one of the clusters where the products are in the low to medium category. Only Gadwal sarees are high end. YWCS has played a significant role in building the economy of the place. The society had stopped supplying to APCO and sells through it own network covering AP with fifty outlets and in Karnataka with nine outlets. In recent times, with change in the governing board, wherein there are no strong leaders, the society is going through a period of decline. Low wages in the cooperative has prompted many weavers to shift to master weavers.

The products from the cluster go to Rajahmundry, Vizag, Vijayawada, Hyderabad and Guntur within AP and Bellary, Hubli, Raichur, Davangere, Gulbarga, Mangalore, Dharwar, Delhi, Ahmedabad, Chennai, Jaipur and Mumbai outside AP. But the sarees do not carry the brand of the cluster or the trader. In Karnataka, the traders buy from here and put their own brand name. Hence, the origin of the product to the consumers remains unknown in many cases.

*Business View:* Traders think that Gadwal products manufactured in Yemmiganur will do well. As far as the non-descript cooperative manufactured products are concerned, the future is uncertain.

*Consumers' Take:* Middle-aged and old-aged women segment has growing demand

**Table 36 (a) : Ponduru**

#	Aspect	Details
1	Name of the Cluster	Ponduru, Srikakulam
2	Number of looms	50
3	Annual Production	Rs.75 lakhs
4	Type of Products	Khadi, Handloom dhotis, shirting fabric, sarees and dress material
5	Number of Traders/Shops selling handlooms	10
6	Cooperative	1

Ponduru has a substantial weaving population with approximately 300 weaving families. Ponduru cotton is known for its good cotton production in India and its Khadi is world-renowned. Broadly the weavers in Ponduru can be classified into Khadi, Cotton and Silk categories. But if we further look into the sub-categories and value-chain, the categories that emerge are listed below:

**Table 36 (b) : Weaver classification in Ponduru**

#	Category	Number
1	<i>Cotton Weavers</i>	250
2	Master Weaver	10
3	Individual Weaver - Silk	15
4	Khadi Weaver	30

5	Spinner – Women	120
6	Dyers	3
7	Repair Men	1
8	Loom/Parts Maker	1
9	Cotton Weaver Labour	20

Ponduru is a popular destination for Khadi traders, design students and research scholars to write case studies on dyeing Khadi. Though Srikakulam is dotted with many KVIC affiliated institutions, there has been no support to Khadi in terms of value-addition as well as improving hill cotton cultivation and procurement. Khadi production has dwindled in the last 20 years and the reason is not market. It is one of the few products that is facing supply side constraint rather than demand constraint. Shirt fabric, Dhoties with Zari and Moga, sarees with Moga boarder and Khanduva (upper cloth) are some of the well-known products from the cluster.

Ponduru as a Khadi weaving cluster is declining, but Ponduru as a handlooms weaving cluster that is passed off as Khadi is stagnant. Demand for Khadi is much more than its production. Production of hill cotton on which production of Khadi is dependent is declining. Coupled with unavailability of raw material and KVIC implementation, survival of Khadi is difficult with current flawed structures and younger women not taking to spinning.

*Business View:* Though production of Khadi is declining, traders are reaping high profits by passing of handlooms and powerloom products as Khadi. This trend will further strengthen in the coming years. Already with 80% of self-space being occupied by powerloom and to some extent by handloom products, only the discerning customer will recognize and ask for genuine handloom and khadi.

*Customers' Take:* There is high demand from Khadi from customers, especially middle-aged and older men from the coastal belt of Andhra Pradesh. There is demand from socially conscious and aware customers from metros and high-end designers also. But is the current system geared to meet this demand?

**Table 37: Kothawada**

#	Aspects	Details
1	Name of the Cluster	Kothawada, Warangal
2	Number of looms/artisans	500
3	Annual Production	Rs. 9 cores
4	Type of Products	Durries
5	Number of Traders/Shops selling handlooms	30
6	Cooperative	1

Kothawada in Warangal is world renowned for its Durries. As Warangal is a cotton growing area, weaving flourished in this area during Mughal era. From using locally available short-staple wool, the weavers have shifted to wool procured from Rajasthan.

Durries are exported to places like Germany, Japan, US, France and Canada. With ban on chemical colours, the production and sales of the Durries has hit a low from early 2000 onwards. With number of looms as high as 1500, it has come down to 500 active looms. Many weavers have migrated to powerloom centres such as Surat and Bhiwandi outside AP. APCO and Lepakshi are the major buyers of these Durries. Off late there is experimentation by including Kalamkari prints on the plain durries. These durries are woven in normal paddle looms and with cotton yarn. In the recent past, jute is also being used along with cotton.

*Business View:* Apart from government showrooms like Lepakshi, there is not much visibility within Andhra Pradesh. The product is sold more in North India. The sales and profits are stagnant in the last five years. The cluster has not been receiving much marketing support. Though the cluster has been identified for development under Integrated Cluster Development Project by Commissioner Handlooms, it has not been taken-up by anybody, so far. Without much support from government and narrow marketing channel, the cluster will decline in the future.

*Customers' View:* Not much awareness about the product

**Table 38: Dubbaka**

#	Aspect	Details
1	Name of the Cluster	Dubbaka, Medak
2	Number of looms	350
3	Annual Production	Rs. 40 lakhs
4	Type of Products	Sarees, Livery Material
5	Number of Traders/Shops selling handlooms	4
6	Cooperatives	3

Medak district which was traditionally a handloom cluster is now more known for its powerloom products and unending weaver suicides. Telangana region to which this cluster belongs to, seen a steady migration of weavers to Hyderabad and Maharashtra as unskilled labour. With the introduction of frame-looms and plain weaving in the region and high dependence on APCO, the cluster has been pushed to near extinction. The weaving technique is similar to Pochampally with less intricacy and limited colours. The product differentiation is not high in terms of lending a distinct name to the cluster. The price range of the products is also low ranging from Rs. 300 to Rs. 500 only.

*Business View:* Dubbaka traders supply sarees to different states across Andhra as an imitation of Ikkat with lower cost. Currently the demand is good. But with increasing labour mobility in Telangana region and with no unique identity of the product, the cluster may see a slow decline in the coming years.

*Consumers' Take:* The buying capacity of the local customers in Dubbaka is low to purchase even the low-cost Dubbaka sarees. But even the customers who purchase in other states buy it as Ikkat from Nalgonda/Pochampally and hence this may be a life-line for the cluster in the coming years. But for how long?

**Table 39: Veeravaram**

#	Aspect	Details
1	Name of the Cluster	Veeravaram, East Godavari
2	Number of looms	200
3	Annual Production	Rs. 1.25 crores
4	Type of Products	Sarees, lungis, dhoties, towels, shirting and dress

		material
5	Number of Traders/Shops selling handlooms	4 master weavers, no local shops
6	Cooperatives	1

The cooperative got de-stabilized due to dues from APCO and it is able to give production up to 50 looms only. But now the cooperative is slowly limping back to normalcy. The working condition and the wages have improved in the past few years. The weavers and Assistant Director Handlooms opine that there is no migration in the last 5 years. Also the weavers are feeling that the quality of the products has improved. Dastkar Andhra works with 6 looms in the cooperative.

*Business View:* Veeravaram is one of the clusters that is doing good business due to local consumption of the products. With the introduction of finer count sarees locally, the sales of the cluster have been improving in the last 10 years.

*Customers' Take:* Improving the product range and developing dress material will further improve the cluster as they can reach the younger segment in the market

Table 40: Narayanpet

#	Aspect	Details
1	Name of the Cluster	Narayanpet, Mehbubnagar
2	Number of looms	325
3	Annual Production	Rs. 3 crores
4	Type of Products	Silk/Sico and cotton sarees, Towels. Lungis, dhotis and Handkerchiefs
5	Number of Traders/Shops selling handlooms	100 including wholesalers and retailers. Out of this 12 are exclusive handlooms wholesalers/master weavers
6	Cooperatives	1

Narayanpet has a distinct name in cotton saree market with good sales across Andhra Pradesh. Weavers use frame-loom to weave these sarees. Telangana region and especially Narayanpet cluster is marketed with bogus and non-functioning cooperatives. There are at least 3 cooperatives floated by different master weavers to channel the government schemes for

private benefits. Lower wages, loom-less weavers and alcoholism plague the weavers in Narayanpet. Women are considered better weavers as they are more disciplined in coming to work.

The cooperative society is located far way from the weavers and there are accessibility issues. Domestic sales are good. Karnataka and Maharastra traders dominate the cluster. The traders opine that exporting is a good option but they are not aware of the procedures. The price range of the sarees is Rs. 300 to Rs. 500, which is in direct competition with powerlooms. Narayanpet type of sarees is imitated on powerlooms in a village called Bannati in Karnataka. This has led to lowering of sales and there is no action from the government to prevent imitation.

*Business View:* The production of sarees may decline in the future with increasing demand for dress material. But currently the demand is good and some traders feel that there is supply constraint.

*Customers' Take:* Good price range but product diversification is needed.

**Table 41: Ilavaram**

#	Aspect	Details
1	Name of the Cluster	Ilavaram, Guntur
2	Number of looms	390
3	Annual Production	Rs. 3.9 crores
4	Type of Products	Mangalagiri varieties
5	Number of Traders/Shops selling handlooms	15
6	Cooperative	1

Ilavarm is one of the villages coming under the catchment area of Mangalagiri products being woven to be supplied back to Mangalagiri traders. The products from the cluster go to Mangalagiri, Guntur, Vijayawada, Tadepalligudem, Rajahmandry, Machilipatnam, Vishakapatnam and Eluru within AP and Kolkata, Chennai, Mumbai, Delhi and Lucknow.

About 80% of the weavers in Ilavaram do not work for 3 months during tobacco processing season. These are young weavers in the age group of 35 years. Young married couples are given

an advance up to Rs. 30, 000 from January till April, which is a good season for handlooms. As the weavers are depending on two livelihoods, their economic status is better off. Also some of the weavers depend on agriculture for supplementary income.

*Business View:* The growth of the cluster is dependent on the market for Mangalagiri products. With traders shifting to powerloom Mangalagiri, there is a sign of future decline in demand, which in turn will first affect the catchment areas of Mangalagiri production. But in the near future with positive demand, the cluster will grow.

*Customers' Take:* The most preferred product of the urban crowd, across ages and income groups, the product will continue to grow in its appeal and innovation.

### City Profiles

Major cities in India with over a million population have been covered in the study. Cities within Andhra Pradesh that were covered include – Hyderabad, Rajahmundry, Vishakapatnam and Vijayawada. The figures for population are taken from wikipedia data and the figures for shops are collected from field study and online yellow pages sites. The classification of the cities into different income groups has been based on the study “How India Earns, Spends and Saves” by Max New York Life and NCAER, 2007. If we examine the profiles of these cities, none of them fall into low income category and have large number of textile shops. This corroborates with the data given by the traders in the clusters on the major selling points of their products. Also since the preference for handlooms in low-income groups is less, none of the cities belong to low-income group category cities.

Table 42: Hyderabad

#	Aspect	Details
1	Population	8,944,833 (2001)
2	Income Category	Middle
3	Number of Textile/Clothing Stores/traders	>4000
4	Key Economic Driver	Agriculture, IT, Bio-technology
5	Preference for handlooms	Good with local demand
6	Future Demand	Positive

Table 43: Mumbai

#	Aspect	Details
1	Population	13,922,125 (2008)
2	Income Category	High
3	Number of Textile/Clothing Stores	>6000
4	Key Economic Driver	Financial Capital, Industries
5	Preference for handlooms	Medium with high among high income group
6	Future Demand	Medium Growth

Table 44: Kolkata

#	Aspect	Details
1	Population	7,780,544 (2008)
2	Income Category	Medium
3	Number of Textile/Clothing Stores	>2000
4	Key Economic Driver	Financial capital for north-east, Industries
5	Preference for handlooms	High
6	Future Demand	Good

Table 45: New Delhi

#	Aspect	Details
1	Population	11,680,000 (2001)
2	Income Category	High
3	Number of Textile/Clothing Stores	>5000
4	Key Economic Driver	Political capital
5	Preference for handlooms	High
6	Future Demand	Good

Table 46: Bangalore

#	Aspect	Details
1	Population	6,200,00 (2007)
2	Income Category	Medium
3	Number of Textile/Clothing Stores	>3000
4	Key Economic Driver	Information Technology
5	Preference for handlooms	Medium
6	Future Demand	Positive

## CHAPTER VI: PROSPECTS AND CHALLENGES

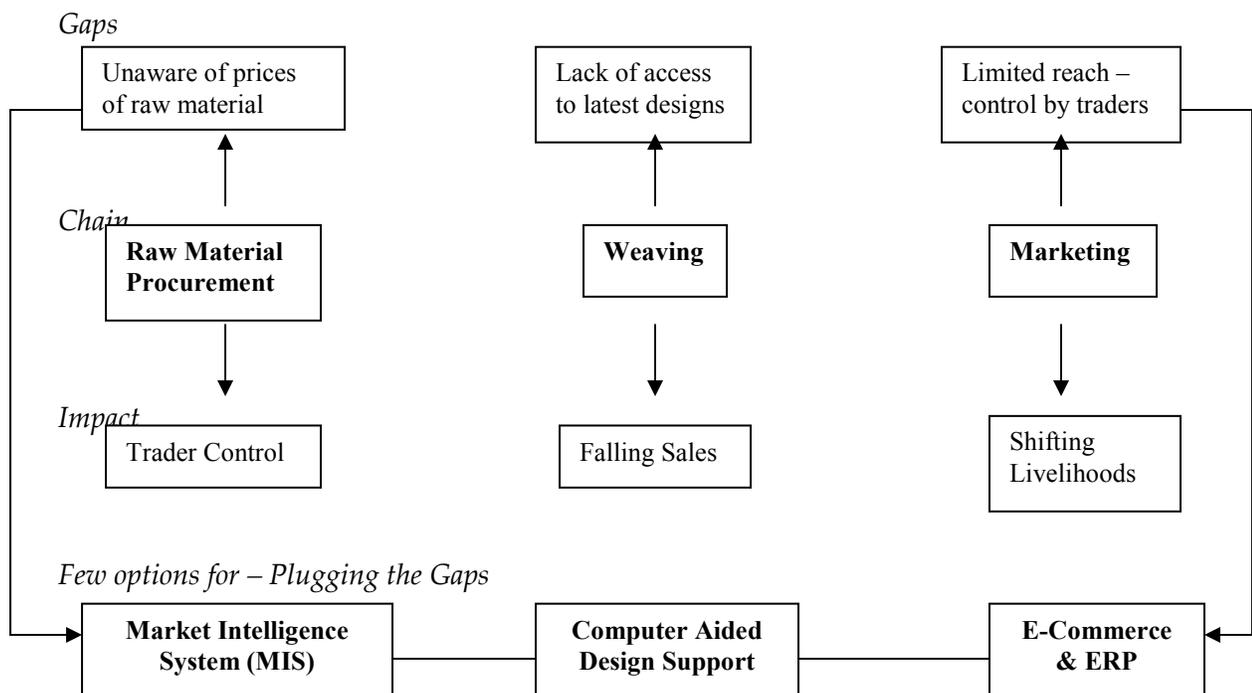
The encouraging trends in some sections of the handloom sub-sector are negated to a large extent by the changing labour, market and natural resources scenario. On one hand with shift in preference of the consumer towards cotton as a new age clothing option, there is a threat to the handloom sub-sector due to increasing price competition and decreasing economic realization for the weavers. Weavers are slowly migrating to other occupations not just for financial reasons but also due to pressure from the changing social milieu where in salaried jobs with fixed timings and time for leisure are preferred upon by the rural youth. Handloom sub-sector may not be in peril just because of shrinking markets, but also due to the changing attitude towards weaving as an occupation.

In the first part of the chapter, few emerging opportunities are cited followed by key challenges that have to be addressed for the survival of the sector.

### 6.1 Technology

Technology has the power to bridge the key gaps in the value-chain. From providing better systems to weavers' institutions to accessing market information, technology will become the key driver for survival. Using technology in reducing cost, improving the cloth and developing better quality assurance systems will contribute in changing the sub-sector as a whole.

**Figure 7: Technology Gaps**



Though there are different ideological moorings of various players in the field about use of technology for weaving, there is a scope for building technologies that improve productivity. Technology is a double-edged sword and has to be used to leverage the existing value-chain for the benefits of the weavers. Resistance to new technology will only push the sub-sector towards its end.

Indigenously developed pre-loom production processes, quality standards can further be explored for scaling-up. These technologies may be contextual but can be adapted to different local practices. Different types of winding machines, charkas and starching processes have been adopted by weavers in some of the progressive clusters and with targeted education and practice such technological practices can be used to reduce cost as well as work-load. Also emerging technologies in the spheres of blending different types of yarn, using wrinkle-free technology, etc can be explored for their feasibility in handlooms sub-sector. In the spheres of production, marketing and institutional systems technology has many applications and will play an important role in the sustainability of the sub-sector. Key applications have been detailed below:

*Market Intelligence System:* The flow of information on prices, trends and markets, is crucial for the survival of traditional livelihoods in the current times. Market Intelligence System will be useful in tracking prices of the raw material, finished products and potential buyers. Availability of information such as expected future trends, cotton and cotton yarn market, latest varieties in yarn and to give technical support to the producer groups, information systems can change the structure of the market.

*Computer-Aided Design Network:* The above-mentioned system has to be combined with enhancing the design knowledge of the weavers through technology. Computer aided designing can restore the control of design with the weavers once they combine it with market knowledge. Though in the initial stages, the investment required is high through this technology external dependence of the weavers for design can be reduced. Customized designing packages for handlooms can be developed for the weavers. In fact, enterprising youth

from weaver community looking for better opportunities can combine their literacy with their inherent designing skills through technology.

*E-Commerce:* E-commerce refers to the trade transactions carried out using computers via internet. It is emerging rapidly in India and today it is considered as an important driver in our economy. The convenience associated with shopping at home and the availability of a range of products has made it popular among the consumers and traders. Major sub segments within this category are travel, online classifieds, e-tailing and paid downloads. However, there are hurdles to growth of e-commerce such as product quality, inability to bargain and security issues with regard to e-transactions. Now the emerging trend is to use mobiles for such transactions and this may give a boost to this segment.

Handloom products can be sold directly using this platform and opens a new vista for the weavers to access up-market segment directly. Big players in handloom retailing and scores of medium sized, stand alone boutiques are already using e-commerce platform to reach overseas customers.

*Internal Stock management:* Resource planning and management systems in local language for producer enterprises can help in reducing the cost, stock loss and misappropriation. These systems will help in bettering the inventory management systems in producer enterprises.

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## **6.2 Local rural markets**

Fast growing rural markets offer immense potential for the weavers and their collectives to access the consumers directly. As was pointed out elsewhere in the report, there are consumers for handloom products every where. Consumption of handloom products in rural areas is high and needs economy class products for low and medium income category consumers. DESI in Karnataka has done a novel experiment in this regard and is being hailed as a success story. What is required is inquisitiveness to understand who your consumers are and what he/she needs. DESI understood the pulse of major consumer segment, i.e. the rising middle class and

came up with ready to wear products with natural dyes and at affordable price range. They have retail outlets both in rural and urban areas where there is no fan fare and depends mostly on word of mouth communication. Within three years, they have started sourcing from distant weaver groups and opened stores in northern Karnataka. There is demand from other metros also, but their policy is to build the markets only when the production is matched in terms of volume and quality. Thus, consciousness about quality, price range, niche products with environment friendly dyes, low cost promotion tools and concern about the welfare of women weavers have all contributed for its success. Tapping the local markets for keeping the overheads low and reaching the middle-class segment has worked in this case. The increasing purchasing power of rural consumers has opened new avenues for marketing rural products. Most of the essential commodities and niche rural products are now finding their market space within the rural areas. Mulakanoor Women Cooperative Dairy has set an example to prove that producer organizations can be run successfully even by catering to rural and semi urban markets that are near to the point of production itself.

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### **6.3 Fair Trade**

Fair trade is an organized social movement that is gaining ground in recent times with increasing awareness of the consumers and institutions about the exploitative conditions existing in farm and non-farm sector. The movement specially focuses on exports from developing nations to developed nations and has its origins in Europe. In the initial stages of the fair trade movement, handicrafts have been one of the prominent product groups. But the agriculture crisis in the poorer part of the world had forced the initiators of the movement to look at working with farmers in developing nations. In 2007, according to *Fair Trade Labelling Organizations International*, fair trade goods amounted to USD 3.62 billion worldwide covering 632 producer organizations in 58 developing countries.

In the crafts sector with middlemen eating a larger pie in the profits, craft persons are unable to take advantage of the growing economy in India. Fair wages, fair process of production, no child labour and fair conditions of working are some of the practices to be followed by fair trade organizations. Advocates of fair trade are international organizations like Oxfam and Amnesty

International. Organizations involved with fair trade have to be registered with some national or international fair trade certifying organizations.

But the efficacy and the intent of the movement has come under scanner as many organizations in the name of fair trade have been availing benefits but not adhering to the standards of fair trade. Also the efficacy of enforcing such a system and the functional set-up for the same is not complete. The critics of fair trade think that the business model of fair trade encourages more production and this in turn leading to keeping the prices artificially high when the price go southwards during excess supply. But also some of the academicians counter-argue that as the product diversity is high and in each single product category there is variation based on region, season and production techniques, fair trade is an innovative approach as it supports in increasing the market power of the producers which is otherwise artificially kept low.

Surely, fair trade movement has effected a new thought process and helped in expanding the segment of consumers who are willing, conscious and are socially responsible to buy such products.

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#### **6.4 Challenges**

Key challenges facing the weaving sub-sector are changing *labour markets, changing social context and aspirations of the youth and depleting natural resources*. Also these factors are influencing other traditional, labour intensive livelihoods; there is an urgent need to address them as they have direct impact on the production and thereby the marketing aspects.

Primary sector supports about 70% of the population of the country but the growth rate in the services industry is outpacing the growth in agriculture, fisheries, livestock and artisan sectors. Natural calamities, inadequate financing mechanisms, challenges in exploring and accessing markets and high cost of capital accessed from intermediaries, are discouraging the rural population particularly youth from continuing in these sectors. While various efforts are being made to promote the primary sectors, there is inadequate focus on the youth in these sectors.

The population of rural youth is supposed to be 2.5 times the urban youth population. ([http://www.youthforhab.org.tr/network/docs/cont\\_nrin.htm](http://www.youthforhab.org.tr/network/docs/cont_nrin.htm)). There is a continuous out-migration of rural youth to urban areas. Delhi and Mumbai each reported net in-migration of 500,000 people in 2004. 89% are from rural areas and over 50% of migrants, both male and female, are between 15-25 years old (Source: National Labour Institute, "Migration and Vulnerability to HIV/AIDS", 2005; Ministry of Labour). The out-migration of youth can be attributed to many reasons like emergence of new economy jobs, perception of decreasing returns in traditional occupations and risks involved in primary occupations at the village level, lure of better facilities in urban areas, fewer opportunities for education and apathy of the government towards these sectors.

Depleting natural resources directly affect the primary sector. Availability of raw cotton, its increasing/fluctuating price and inadequate availability of natural dyes have also forced a shift towards chemical dyes and man-made fibre. Agriculture sector will have a primary impact on weaving sub-sector too as the weavers are dependent on cotton yarn for handlooms. So any positive change in the weaving sub-sector has to be first affected on cotton farmers also. This link is currently missing in many interventions by government, NGOs and private sector initiatives.

The other challenges are:

1. Balancing the use of technology and employment generation.
2. Balancing cost reduction and retaining the flavour of handlooms
3. Support in safe migration of weavers to other occupations or providing opportunities within weaving value-chain as marketers or other service providers
4. Developing the trust of the government and promoting organizations to support weavers in owning the marketing function
5. Building flexibility in production systems that are currently geared towards mass production and high standardization which are not suitable for handloom production
6. Developing quality assurance systems customized according to each weaving technique

All these have direct implication on the pricing, product features and process of marketing that directly influence the competitiveness of the handloom cloth.

## 6.5 CONCLUSION

*“Who has control over the market - the weaver, the intermediary or the promoting organization?”*

The market study indicates that though there are certain negatives going for handlooms, there are many supply chain, market infrastructure anomalies that have to be corrected. The current sorry state is not about the failure of cotton handloom as a cloth. It is also the fault of misrepresentation, unsuitable market infrastructure and unfair ways of marketing. Or may be handloom promotion is not as blatant and as “in the face” like its competitors. To sum it up, the following issues need to be considered carefully:

1. Can the cost of the cotton handloom product be brought down through better *technology* to compete in the market?
2. Can certain minimum *quality standards* as well as quality testing equipments be developed for cotton handlooms?
3. Can more *local marketing* avenues be explored for handloom products to reach out to middle and lower income groups?
4. Can *low cost marketing* outlets in the rural areas be established rather than high-end boutiques for handlooms?
5. Can the *utility* of the product as well as the *diversity of the form* of cotton handloom fabric be increased?
6. Can appropriate, *weaver-owned*, weaver-controlled marketing institutions where weavers think and make the decisions be developed?
7. Can *value-addition* be brought to the weaving villages instead of housing them in cities?
8. Can we trust weavers and support them in becoming key players in the *market*?

With market surely showing a declining trend at macro-level, but at the same time some of the clusters showing positive growth, it is difficult to conclude that the whole sub-sector will be wiped off in the next few decades. Apart from market factors, on one side there are changing cultural and social factors and on the other the environmental factors. Responsible clothing is assuming even more importance than before because of changing climatic conditions and threat of global warming. Though powerlooms too produce cotton, where is the “power” to run them

will come? Though market may dwindle further, time is not far when only environmental friendly processes have to be adopted from clothing to living. Key factors listed below will play a crucial role in the sustainability of weaving as a livelihood. The following pages contain suggestions grouped under different players and aspects. These changes, at both micro and macro level, can influence the way handloom is perceived, made and sold.

### The knowledge

1. Producer knowledge: Creating a systematic means to educate and transfer the market knowledge to producer is the only way to remove/reduce the divide between how the market is rewarding different players. As information asymmetry is playing a key role in defining the margins across the value-chain and in between the traders too, filling these gaps will address the equity and fair trade concerns in the chain
2. Consumer knowledge: Consumers knowing the product rightly is crucial in pitching the product. Misrepresentations, emotion-based marketing and misconceptions have always inundated handloom marketing. Not just the plight of weavers, but the utility of handlooms as well as making them understand the costing issues is the right approach.
3. Market infrastructure has to be restructured for free information flow about prices as well as the terms of engagement. Many times, the information on the prices and terms are controlled by traders or the promoting organizations leading to lack of systematic knowledge building of the community. At least in the case of government and promoting NGOs, clear documentation of the terms, prices and market conditions have to be periodically shared with the community in the form of monthly/quarterly reports.



### Government

1. Increasing investment in marketing of the products for weavers, shift is needed from production bias in investment
2. Provide adequate finance for working capital not only to cooperatives but also to weavers outside cooperatives. Also providing term loans for investment in value-addition and marketing to weaver institutions is crucial at this juncture
3. Restructuring procurement and payment systems in APCO with focus on minimum quality and shifting from welfare approach. Making each APCO outlet, a profit center and closing down loss-making units and making procurement in-charge responsible for the quality will drastically reduce defective stock and improve profits. Also making the employees and sales persons in APCO outlets accountable for sales will improve services and distribute the responsibility of profit equitably among different players.
4. Improving the literacy of the government functionaries on new institutional structures such as Mutually Aided Cooperative Societies (MACS) in weaving and Producer Companies

5. Providing small quantity loans for weavers to up-grade the existing pit-loom and installing new parts to the looms
6. Support in developing low cost, localized quality testing equipments to be used in cooperatives and other weaver institutions

### The Business

1. Costing of the product is emerging as the crucial buying preference or majority of the consumers. If handlooms have to be sustained, localized mass production is important. And also decentralizing certain pre-loom activities with technology up-gradation will help in reducing the cost
2. Making the supply chain shorter with majority of the activities undertaken by the producer collectives
3. *Products:* Developing the product portfolio of handlooms to occupy more shelf-space and consumer rupee can improve the share of handlooms in consumer wardrobe. Clothing for children, clothing for youth and for different occasions has to be developed. Formal wear segment is yet unoccupied by any handloom cluster and this segment has a potential. As demonstrated by linen, which made wrinkles a fashion statement in formal wear. Experimenting with different blends of yarn, improving the product features – less shrinkage, good colour, design and developing end-products ready to be delivered to customers will improve price realization for weavers. Hence, the product form, product categories and product consumers require diversification.
4. *Promotion:* Promoting handlooms as responsible clothing and making the promotion process education oriented will help consumer relate to the product better.



5. *Place:* From space in the virtual world to shandies, handlooms already occupy different market spaces. But the challenge is to develop low-cost marketing channels and outlets suitable for consumers with small pockets. Also, this will enable the weaver to take active interest in marketing due to proximity of the market. This kind of decentralized approach will also reduce the cost of marketing, transport and promotion.
6. *Price:* Though there are no uniform price preferences across different segments, surely there is a general perception of handlooms being expensive. Various stakeholders from promoting NGOs to retailers contribute to this cost spiralling. Nevertheless, a clothing item in the vicinity of Rs.250-Rs.500 is going to rule the market. Even some of the newly launched brands for women clothing for middle and high-end consumers have Kurta range from Rs.400 to Rs.700, which has become a good hit with the youth. Cost cutting or cost reduction does not always result in exploitation or lower margins. Improving the work-efficiency, using technology and localized value-addition can bring down the costs. Though scale-wise, currently handlooms cannot compete with powerlooms, but in terms of bringing value-chain efficiency, removing middle-men and decentralized marketing can improve its market reach.

## **6.6 Way forward for the Study**

The study is a starting point for a deeper engagement with the business information in the handloom sub-sector that will be used for furthering the interest of the weavers. Through this initial attempt we tried to cover some of the major cotton handloom clusters and there is a definite need to expand the scope of the study geographically and devising a robust tool to get further information from the traders especially the master weavers. Unless attempt is made to collect the information systematically from the players in both organized and unorganized markets, the validity of the information becomes doubtful.

The study brought out crucial information requirements for putting across the plight of the weavers as well as for developing systematic case for supporting the handlooms. To capture trends in different clusters such as sales, weaver productivity, overall increase/decline in the livelihood, systematic data on the cluster is required. The study points out that some clusters are declining whereas some are doing exceedingly well. Instead of generalizing the decline there is a need to provide specific solutions working along with the community. Various organizations working across Andhra Pradesh need such data to convince the community, government and for planning development interventions.

Learning from the experience of the study and with the desire to deepen the study further and make it more relevant to each cluster, Chitrika plans to take-up the study once in few years with the support of funders and the community. In the year 2009-10, Chitrika plans to take-up one cluster, conduct a deeper data collection exercise and evolve a scientific model for collecting the data for different clusters across different time periods. Such a study will not only help in bringing sectoral changes but will also become an important tool for the community, NGOs and even people from business community who are interested in investing in the handloom sub-sector.

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