



**TOGETHER**  
*for a sustainable future*

## OCCASION

This publication has been made available to the public on the occasion of the 50<sup>th</sup> anniversary of the United Nations Industrial Development Organisation.



**TOGETHER**  
*for a sustainable future*

## DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

## FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

## CONTACT

Please contact [publications@unido.org](mailto:publications@unido.org) for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at [www.unido.org](http://www.unido.org)

RESTRICTED

SP/1002/4/68  
10 March 1968  
Original English

07058

**COTTON TEXTILE  
INDUSTRY  
DEVELOPMENT  
CENTRE,  
KARACHI**

ED/P&E/71/68

**PAKISTAN.**

**Technical report:  
THE MARKETING EFFICIENCY OF  
THE PAKISTAN COTTON TEXTILE INDUSTRY.**

**Prepared for the Government of Pakistan by the  
United Nations Industrial Development Organization,  
Executive Agency for the  
United Nations Development Programme**

United Nations Development Programme

COTTON TEXTILE INDUSTRY DEVELOPMENT CENTRE,

KARACHI

DP/PAK/71/562

PAKISTAN

Technical report: The marketing efficiency of  
the Pakistan cotton textile industry

Prepared for the Government of Pakistan by the  
United Nations Industrial Development Organization,  
executing agency for the United Nations Development Programme

Based on the work of Kalervo V. Vahtokari, marketing expert

United Nations Industrial Development Organization  
Vienna, 1976

### Explanatory notes

References to dollars (\$) are to United States dollars, unless otherwise stated.

The monetary unit in Pakistan is the Pakistan rupee (PRs). During the period covered by the report, the value of the PRs in relation to the United States dollar was \$US 1 = PRs 9.90.

A slash between dates (e.g. 1973/74) indicates a crop year or financial year.

Use of a hyphen between dates (e.g. 1972-1974) indicates the full period involved, including the beginning and end years.

The yarn count is the English cotton count No.

A dash (-) used in tables indicates that the amount is nil or negligible.

APTMA refers to the All Pakistan Textile Mills Association.

---

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country or territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Mention of company firm names and commercial products does not imply endorsement by the United Nations Industrial Development Organization (UNIDO).

CONTENTS

<u>Chapter</u>	<u>Page</u>
SUMMARY .....	4
INTRODUCTION .....	5
I. FINDINGS .....	7
A. The cotton textile industry in Pakistan .....	7
B. Main marketing problems .....	8
II. RECOMMENDATIONS .....	12

Annex

Training sessions .....	14
-------------------------	----

#### SUMMARY

The expert's mission was part of the larger project "Cotton Textile Industry Development Centre, Karachi" (DP/PAK/71/562). The request for assistance was made by the Government of Pakistan on 2 April 1970, and approved by the United Nations Development Programme (UNDP). The United Nations Industrial Development Organization (UNIDO) is the executing agency. The project commenced on 1 January 1973 and is scheduled to last for three years and seven months. The expert arrived in Karachi on 23 December 1973 and stayed until 15 March 1976. The UNDP contribution was \$710,300 and the Government of Pakistan contributed PRs. 3,943,402.

Earnings from the export of cotton goods have played an important role in the general development of Pakistan's economy and the Government is anxious to expand the cotton textile industry and to increase its productivity and efficiency.

The long range objectives, as set out in the project document, were to assist in the reorganization of the textile industry, to improve its productivity and labour efficiency and to advise on quality and cost control, modern marketing methods, product development and export promotion.

The immediate objectives included development of specialist expertise in marketing and promotion of cotton textiles for export. The expert's mission was primarily consultancy and secondarily training research and oriented. The consultancy and training objectives were amply met as the expert visited sixty customers and arranged or attended twelve seminars and export marketing courses in six different cities in the country. He also, on request from the Export Promotion Bureau, wrote a memorandum on yarn exports and discussed the subject with the chairman of that governmental organization. Some research was undertaken.

Recommendations were made on how to improve the efficiency of cotton textile mills in export marketing.

## INTRODUCTION

This expert on the marketing efficiency of the Pakistan cotton textile industry is part of the larger project "Cotton Textile Industry Development Centre, Karachi" (DP/PAK/71/562) of the United Nations Development Programme (UNDP). The executing agency of the project is the United Nations Industrial Development Organization (UNIDO). The project started on 1 January 1973 and is scheduled to last for approximately four years. The UNDP contribution was \$ 110,300 and the Government of Pakistan contributed PRs 3,943,402.

Pakistan is the biggest exporter of cotton yarn in the world and one of the top exporters of cotton cloth. Consequently, cotton textiles account for a major share of the country's exports, during the last three fiscal years, from 1972/73 to 1974/75, their share has been 35%, 36% and 21% respectively. Even with decreased exports, due to a world-wide recession, the cotton textile industry remained the biggest earner of foreign currency in Pakistan.

The cotton textile industry has been successful in its export efforts but there is still scope for improvement in many respects. Up till now, the industry has concentrated on exporting yarns and grey cloth or items with low added value. In other words, it has mainly acted as a supplier to the cotton textile industry in foreign countries. The export of highly finished goods has been negligible.

Besides the so-called organized sector of the cotton textile industry that consists mainly of members of the All Pakistan Textile Mills Association (APTMA), the small-scale power loom industry forms an essential part of the Pakistan cotton economy. With its 70,000 looms, it produces at least the same amount of cloth (700 million yards) as the member mills of APTMA with their 30,000 looms. As the power loom industry has no finishing capacity of its own, it produces grey cloth only. For further finishing there are specialized finishing units erected to serve the power loom industry. Some member mills of APTMA also offer their services in this respect.

Less than one-tenth of the power loom products reaches foreign markets. As the power loom owners have little knowledge about the export business, commercial exporters and other professional export traders handle nearly all of these exports.

It is recommended that the cotton textile mills should invest in finishing facilities in order to raise the value of exports, install quality control and ensure faster, more reliable, deliveries of cloth. An executive should be appointed to organize all marketing activities including recruitment and training of personnel, and make a study of foreign markets, advertising and budgeting.



## I. FINDINGS

### A. The cotton textile industry in Pakistan

The organized sector of the Pakistan cotton textile industry has an estimated 3.3 million spindles and an estimated 30,000 looms. Its yearly production reaches approximately 800 million lb of yarn and approximately 700 million yd of cloth of which approximately 30% and 60% respectively is exported.

Pakistan has also got a large small-scale power loom industry that employs an estimated 70,000 looms and equals in production the organized mills. Most of the power loom products go to the local market of which the small-scale industry has got a share of approximately 75%. Less than 10% of total production is exported.

Pakistan is the biggest exporter of cotton textiles in the world. In yarn exports, it is far ahead of its competitors, and in cloth exports, it is among the top five. Many of its closest competitors use Pakistani yarn, especially for weaving coarse varieties of cloth. Exports of cloth consist mainly of grey cloth, and a considerable part of it is re-exported by the importing countries as grey cloth or in a more finished form.

More than half of the yarn exports traditionally go to the Hong Kong market. The other markets are much smaller, only two or three of them reaching a share of 5-10%. On the cloth export side, the United Kingdom usually holds the top position with a share of 20-25%. In 1975, 98% of it was grey cloth. On the whole, bleached, dyed and printed fabrics are not exported in large quantities.

Cotton textiles constitute approximately 30% of all export earnings in Pakistan; this industry is the biggest single earner of foreign currency in the country.

## B. Main marketing problems

The industry faces many difficulties and handicaps in the export trade. Many of them are typical for developing countries with an insufficient infrastructure of vital services. It must be stressed, too, that during the review period textile exporters were having a hard time owing to a severe world-wide recession.

The difficulties faced by the industry have been divided into seven categories, namely, economic infrastructure, markets, products, marketing system, marketing organization, sales promotion and marketing management. Each of them will be described briefly in this chapter.

### Economic infrastructure

#### Transport

Transport difficulties originate mainly from insufficient facilities at the port of Karachi. Plans for further construction have been made and partly executed resulting in a better performance, but as traffic is on the increase, greater capacity is badly needed. For example, for the new port of Oasim 35 miles east of the present port of Karachi, the imports exceed the value of \$ 60 million. Probably the main reason for the delay in improvements lies in the paucity of funds and foreign exchange to finance new building operations.

#### Communication

Mail and telegraph services are reasonably good but telex machines are sparsely installed causing delays in business contacts to and from Pakistan. A limited supply of foreign exchange for business trips, and other travel restrictions, hamper the cultivation of good business relations, personal contacts in foreign markets, market research and promotion of sales.

### Markets

Pakistan is traditionally dependent on a few markets with regard to commodities and areas. Diversification would make the cotton textile industry less sensitive to market slowdowns, changes in consumption habits and preferences etc. It would also increase the chances to sell more for a higher profit.

Compared with their colleagues in developed countries, Pakistani businessmen receive little information on export markets from their trade organizations, government offices and other sources. Often, therefore, business decisions must be based on intuition and guesswork rather than on facts. As commercial knowledge is one of the basic tools in export marketing, lack of it easily becomes a severe handicap.

Basic information on export markets could be collected and distributed centrally. The more specific the information needed the more a businessman has to rely on his own efforts to acquire it. Lack of detailed information is the complaint most often voiced by Pakistani exporters. In view of the fast-changing trends and preferences in the textile trade this problem does not come as a surprise.

#### Products

##### Variable quality

For successful marketing, it is imperative that deliveries are of equal standard with the sales sample accepted by the buyer. Unfortunately, Pakistani exporters often meet difficulties in this respect. Labour unrest is usually given as the reason for them and there is no doubt that good labour relations are a must for maintenance of quality. Proper control is another equally important prerequisite for maintaining quality.

##### Low added value

Pakistan is a huge exporter of some standard items e.g. coarse yarn and grey cloth with low added value in manufacturing. Very often this makes good production economy for the most efficient producers. On the other hand, concentration on standard items with low added value is bound to make the producer rather sensitive to price fluctuations in international markets.

#### Marketing system

In the best companies marketing operations are handled systematically and successfully but most of the exporters have not been able to build up reliable working marketing systems and routines. Often, too little attention is paid to details or to fulfilling obligations. Promises are not kept and contracts are dishonoured. All of this creates a bad impression and makes

buyers hesitant and suspicious in doing business with Pakistani suppliers to the point where they might even discontinue buying from this country and turn to other sources. It is most unfortunate that in such circumstances even well organized and reputable exporters suffer as their reputation is tarnished by the defaulters.

#### Marketing organization

As textile producers in Pakistan tend to be more production than marketing oriented, marketing departments usually are sparsely manned and there is a significant lack of well-trained people capable of taking responsibility for sophisticated marketing operations. These problems have been clearly recognized but it will take several years to arrange further education and training facilities for marketing personnel.

#### Sales promotion

##### Narrow marketing mix

On the whole, Pakistani exporters of cotton textiles use a narrow marketing mix. Price is the dominant means of competition, little is invested internationally in promotion activities, and clear target-minded promotions are rare. In the long run, it will be impossible to sell successfully in international textile markets without considerable investment in sales promotion. The need is bound to increase following the trend of more added value in manufacturing.

##### Poor image

Because of default practices and lack of efficient promotions, the image of Pakistan in international markets does not give much support to textile exporters. This is a pity because Pakistan belongs, without a doubt, with the major world producers of raw cotton and cotton textiles. However, as even with a poor image Pakistan has been able to become the top exporter of cotton textiles, future prospects for an improved image are good. To meet the objective, strong and target-minded promotions are needed.

#### Marketing management

##### Lack of capable managers

Management talent is in short supply in any country and as marketing is a comparatively new professional field in Pakistan, the shortage of capable marketing directors and managers is deeply felt. Because of this, the

work-load of the existing top management in marketing tends to be rather high. More appointments of specialized marketing directors with full responsibility for all marketing operations are needed by business organizations.

#### Budgeting

Budgeting in marketing is not well-developed and, therefore, top management faces difficulties in controlling marketing activities. For successful implementation of budgeting, reliable cost and management accounting procedures must first be established.

## II. RECOMMENDATIONS

As the expert has prepared a separate study on the marketing problems of the small-scale power loom industry, the following recommendations refer mainly to the organized mill sector. To increase the efficiency of export marketing, the cotton textile mills should:

1. Assume a more vigorous and target-minded marketing approach to business.
2. Study the requirements of foreign markets closely and continually, and adopt product policies suitable for these requirements in the framework of the marketing strategy adopted individually by the mills.
3. Pay more attention to and invest more money in quality control in order to maintain quality in accordance with the samples accepted by the buyers. This is one of the basic requirements and it calls for close co-operation between the technical and commercial department of the mills.
4. Invest heavily in finishing capacity in order to be able to export items with more added value, and pay careful attention to quality in the finishing process to ensure entry into new, demanding markets.
5. Recruit more people to marketing departments and arrange proper training for them in order to create more powerful departments capable of taking care of responsibilities that are bound to increase as Pakistan gains access to new and competitive markets.
6. Invest more in publicity and sales promotions in order to build up a favourable image of Pakistani cotton textiles in foreign markets.
7. Increase efforts to make deliveries from Pakistan faster and more reliable. This is a basic requirement for success in export marketing.
8. Give one member of top management full responsibility for all marketing activities and authority to carry them through. This organizational change should be accompanied by the necessary rearrangements at the lower levels of the marketing organization.

9. Make better use of budgeting in marketing management followed by a more deliberated use of clearly stated marketing objectives.

10. Use more incentives to create interest in meeting the company objectives set by management, and in other ways try to create a co-operative and friction-free working atmosphere.

It should be possible to meet all of these objectives reasonably well in the course of five years.

Annex

TRAINING SESSIONS

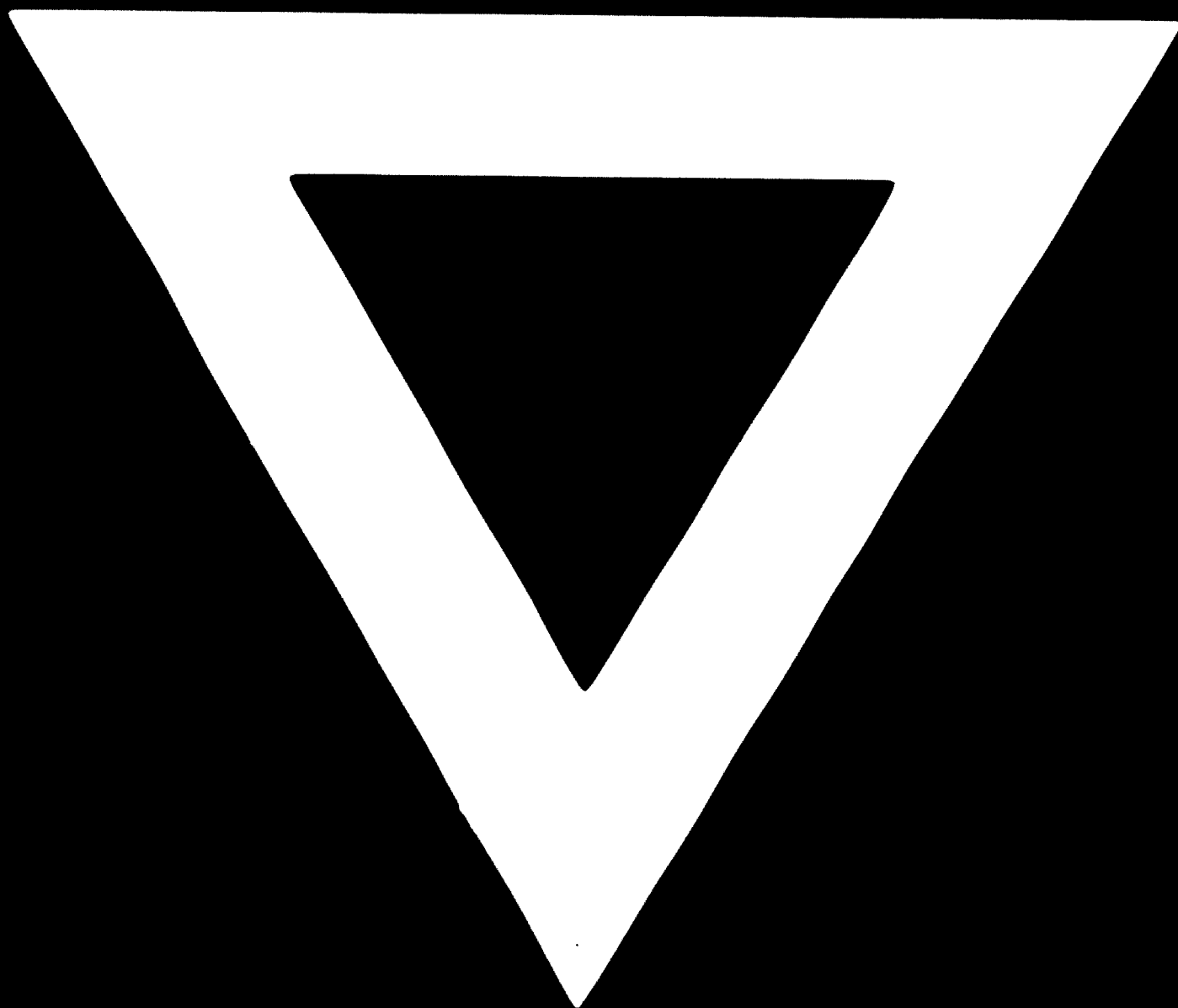
<u>Title of lecture</u>	<u>Organizer</u>	<u>Type of meeting/place</u>	<u>Date</u>	<u>Persons attending</u> <sup>b/</sup>
Evaluation of Pakistan's present marketing techniques	Karachi Chamber of Commerce and Industry	Export Marketing Seminar, Karachi	30/8/74	77
Marketing in a buyer's market <sup>a/</sup>	Export Promotion Bureau	Seminar on Leather and Leather Goods, Karachi	7/8/75	40
Some marketing problems facing the cotton textile industry of Pakistan	Rotary Club	Rotary Club Meeting, Karachi	17/2/75	40
The export marketing system at Kohinoor		Seminar in Lyallpur	15/5/75	12
Exporting to developed countries		Export Promotion Seminar, Quetta	20/6/75	60
Exporting to developed markets		Export Marketing Clinics for Textiles: Lahore 5/7/75 Peshawar 19/7/75 Hyderabad 1/8/75 Lyallpur 5/9/75 Malta 30/10/75		130
Marketing to developed countries		Export Marketing Course, Lyallpur	19/8/75	60

<sup>a/</sup> An extract of this lecture was published in the Pakistan Economist on 28/4/75.

<sup>b/</sup> Some participants attended more than one lecture.



**C - 279**



**77 .07.13**