

The Competitiveness of the Spanish Clothing Industry

Behavior of clothing companies in Valencia

Antonia Blas

Master's thesis

May 2018

School of Business

Degree Programme in International Business Management

Author(s) Blas, Antonia	Type of publication Master's thesis	Date May 2018 Language of publication: English
	Number of pages 78	Permission for web publication: x
Title of publication The Competitiveness of Spanish Clothing Industry Behavior of clothing companies in Valencia		
Degree programme International Business Management		
Supervisor(s) Akpinar, Murat		
Assigned by JAMK Centre for Competitiveness		
<p>As a consequence of the current economic crisis which has affected the industry and the economy in Europe, many companies are compelled to internationalize their businesses in order to survive .Many firms try to increase their potential through exportations opening new markets .The purpose of this study is to analyze the Spanish clothing industry specifically Valencia region for a feasible entry of Finnish clothing retailers.</p> <p>Research questions that the thesis has considered include;</p> <ol style="list-style-type: none"> 1. What characterizes the competition in the Spanish clothing industry? 2. How attractive Valencian Community market is? <p>To answer these questions, the current status of the Spanish clothing market has been studied. Porter's five forces model and Swot analysis have been used in this thesis in order to make the industry analysis.</p> <p>The empirical part has been analyzed through different secondary data focused on the market research and the competitor analysis to answer the main research questions of this project.</p> <p>Finally , to conclude the potential findings of this thesis proposal have been the status of the Spanish market and specifically the Valencia region market. The entry of Asian products have made it difficult for new entrants in the market. Also due to the recession and the current situation, the consumer power of Spanish customers is not very high. The rivalry between very powerful competitors and with a high experience in the sector makes complex and strong the competitiveness in the sector both in Spain and in the Valencian region. This thesis proposes new and future research at a level company but always attending the situation of the country and with a focus on innovation.</p>		
Keywords/tags (subjects) Competition, Porter's five forces, Industry analysis, Clothing, Spain		
Miscellaneous (Confidential information)		

Contents

1.INTRODUCTION	3
1.1 Background and motivation for the research.....	3
1.2 Research question	4
1.3 Structure of the thesis	5
2. LITERATURE REVIEW	6
2.1 Key Concepts	6
2.2 Industry Analysis.....	13
2.3 SWOT	22
2.4 Theoretical Framework.....	24
3.METHODOLOGY.....	25
3.1 Research approach	26
3.2 Research design	26
3.3 Research context	27
3.4 Data collection	34
3.5 Data analysis	37
3.6 Verification of the results	38
4.RESULTS	39
4.1 Spanish clothing industry.....	39
4.2 Consumer trends	46
4.3 Childrenswear	46
4.4 Valencian Community Clothing Industry	51
4.5 Analysis of results according to Porter´s model	56
4.6 Swot analysis results.....	62
5.DISCUSSION.....	65
5.1 Answers to the research questions	65
5.2 Practical managerial implications.....	67
5.3 Assesment of the result in the light of literature.	68
5.4 Limitations	68
5.5 Recommendations.....	69
REFERENCES.....	70
FIGURES	
Figure 1. Structure of the thesis.....	6
Figure 2. The value chain.....	11
Figure 3. Five Competitive Forces	15
Figure 4. SWOT analysis	23
Figure 5. Research Design	27
Figure 6. The supply chain in the textile and clothing sector	30
Figure 7. The most important textil Spanish companies	49
Figure 8. Market Size Childrenwear	65
TABLES	
Table 1. Leading exporters and importers of clothing.....	33
Table 2. General Facts of Spanish textile/Clothing Sector 2013.....	39
Table 3. Spanish textile/Clothing Sector 2013.....	40
Table 4. Comparative EU 28/Spain.....	41
Table 5. Data from Ministry of Industry, Energy and Tourism of Spanish Government.....	42
Table 6. Sales of Apparel and Footwear by Category: Value 2009-2014.....	45

Table 7. Forecast Sales of Apparel and Footwear by Category: Value 2014-2019.....	45
Table 8. Sales of Childrenswear by Category: Volume 2009-2014.....	47
Table 9. Sales of Childrenswear by Category: Value 2009-2014.....	49
Table 10. LBN Brand Shares of Childrenswear: % Value 2011-2014. Euromonitor.....	50
Table 11. Countries of export in mill. of euros in 2016.....	54
Table 12. Composition of the Valencian Community Textil Cluster (Plan Estratégico Cluster Textil Comunidad Valencia, 2016-2020).....	55

1.INTRODUCTION

1.1 Background and motivation for the research

The clothing industry has had traditionally a significant weight in the models of production in the developed countries and especially in the European and Spanish context. According to the European Commission in 2013 there were 185000 companies in the industry employing 1.7 million people and generating a turnover of EUR 166 billion. Its total share in Europe in terms of employment is 6% and the businesses are especially small business with less than 50 employees (Europa.eu, 2015).

On the other hand, it also represents one of the economic sectors more affected by the behaviour of the market and the competitiveness of the new emerging countries. However, at the same time, the clothing sector has been one of the more adaptive industries in globalization.

Existing research of the European Sector Skills Council Textile Clothing Leather Footwear (ESSC TCLF) (2014,23) reminds that the main exporters are Italy, Germany, France, Spain, UK and Belgium. They represent around 80% of total exports of textile and clothing products. The predicted increase in the economy and in the demand of clothing industry and the anticipation the changes (Porter 2008, 80) in a country, such as Spain, may generate new possibilities for businesses in other parts of Europe as Finland. Therefore, the companies should consider launching alternatives that help their competitive positioning. However, when a company initiates a process of improvement it should not rush otherwise a detailed analysis that benefits the decisión making process.

The motivation behind this study was to improve understanding of the clothing industry in Spain, and reach a wide view of the companies which are entering this market. Entering a new market involves a potential risk for a Finnish company which does not have international business experience but at the same time it would generate a wide range of possibilities in order to grow in a bigger market as Spanish market. Moreover, the clothing industry might benefit from this study because there is not enough existing academic research of the Valencian Community area. This will bring to the industry a better understanding and at the same time a better and more international presence. In addition, a Finnish company might reduce its risks and make its business more sustainable.

It is important to highlight the economic period that we are living in as a determinant factor that offers understanding and a challenge for this study. It means that this study could also provide a useful account of the current economic crisis period that Europe is undergoing (Jolly 2015). Its impact brings a different view. The tools to analyse the market facilitate this task and it would be interesting that the clothing companies can have a tool with which to reflect on the target market. Although this thesis was created for a Finnish company its results might be used by any other company interested in the textil sector of the Spanish context and its competition.

1.2 Research question

This study was hoped to company the assignor with an insight on the profitability of the Spanish market by contextualizing its variability regarding the buyers' and suppliers' power, competition, barriers and substitutes. Therefore, the following research questions were created for the study:

Q1: What characterizes the competition in the Spanish clothing industry?

Q2: How attractive is Valencian Community market?

In order to answer these questions and accomplish the goal of this study, the current environment of the Spanish clothing industry needed to be analyzed. A set of objectives was designed to guide this process and answer the research questions. The objectives included defining the industry, recognizing the customers, examining the suppliers and determining the substitutes.

1.3 Structure of the thesis

The structure of the thesis is as follows: Chapter one the audience provides a general introduction explaining the aims of this study and the research questions designed for it. Chapter two discusses the different understand the models used in this research and establishing a theoretical framework for analyzing the advantages and disadvantages of these models and their limitations.

Chapter three explains how the data was obtained and analyzed them and why a qualitative approach was chosen.

The results are provided, analyzed and contrasted against the reference literature in Chapter four. Finally, Chapter five answers the research questions by taking the practical indications and the recommendations for future research into account (See Figure 1).



Figure 1. Structure of the thesis

2. LITERATURE REVIEW

This chapter describes firstly the key concepts for understanding the theory of this research. Secondly, it explores the current literature on the research topic. Thirdly, it concludes with a theoretical framework for analyzing the advantages and disadvantages of the analyzed models and their limitations.

2.1 Key Concepts

INDUSTRY ANALYSIS

The industry analysis aims to analyze in detail the size and rules of the game in the market. It also focuses on the products and the companies competing against each other, as well as the suppliers and other companies interested in entering the market.

According to Jeyarathmm (2008, 65-67), the framework for analyzing an industry consists of: the basic conditions or general features, industry structure which is concerned the with number of players, the total market size, the market shares of the players, nature of competition, barriers, differentiation and cost structure of players. It also discusses the industry attractiveness that

includes the industry potential in an external environment. The industry's growth and profitability and forces shaping competition mainly determine all this. On the other hand, it also comprehends the industry performance. This part is studied in terms of sales, profitability, production and technological advancement. In addition, the framework focuses on the industry practices, which refers to what the majority of the players in the industry do with distribution, pricing and R&D. Lastly, the analysis deals with the emerging trends.

COMPETITION-COMPETITIVENESS

The Merriam Webster Online Dictionary (2015) offers the following definition of Competitive “: of or relating to a situation in which people or groups are trying to win a contest or be more successful than others: relating to or involving competition

: having a strong desire to win or be the best at something

: as good as or better than others of the same kind: able to compete successfully with others” (Merriam-Webster, Competitive).

However, Organization for Economic Co-operation and Development (OECD) (2001) defines Competitiveness as “a measure of a country's advantage or disadvantage in selling its products in international markets”.

As Cho says (2013, p.52) “The competitiveness approach poses a sensible question: How are we doing as an economy? No single number sums it all up, especially given the follow-up: How are we doing compared to the other guys? And why?”. Therefore, competitiveness is a review of a group of players who would make sense by themselves but together provide a consistent target. In this line, Magretta (2011, 33) considers competition as a multidimensional fact where the company plays a decision maker role.

Competitiveness has different meanings for a company and for the national economy. The European Commission (2016) states that “Industrial competitiveness refers on one side to the ability of companies to compete in

domestic and global markets. On the other side, it relates to the capacity of EU countries to support the development of businesses. Competitiveness is a key determinant for growth and jobs in Europe and it is very important for small and medium-sized companies (SMEs), the backbone of the EU economy."To control competitiveness, the Commission publishes two competitiveness reports: the EU Competitiveness Report and the Member States Competitiveness Report.

In this study, competitiveness it was examined on a company level. This meant studying individual companies, their transfers and their processes better understand the current state of the competition for this research. Because these processes are dependent, and they could not survive without the rest of the actors. This means it occurs due to an interaction (Bengtsson 1998, 10) and its importance resides there.

Porter, a strategy management theorist, perceives competition as a positive influence that drives to creativity and innovation (Porter 2008, 89). Moreover, he differentiates between zero-sum competitions when a competitor wins thanks to others. It happens when competitors pursue the same strategy and try to emulate it with the same services and items. Moreover, positive-sum competition refers to a situation in which all the competitors win because they distinguish themselves (Porter 2008, 86).

Current literature recommends as essential analyzing the actions and the behavior of competitors." Unless a company knows what competitors are doing, it ends up "flying blind" into battle." (Rao 2010,69). This activity follows different actions that are discussed in the following chapters.

BUSINESS ENVIRONMENT-ENVIRONMENTAL ANALYSIS

When we refer to environment in business, it means the activities that take place around the business. Those activities are uninterrupted. In other words, according to Surendar Appannaiah and Madhavi (2010, 18) " the process by which strategists monitor the economic, governmental legal,

market/competitive, supplier/technological, geographic and social settings to determine opportunities and threats to their firms." (William. F. Glueck - Business Policy and Strategic Management). Therefore, there is a basic requirement for every organization to understand the threats that they could have and know the opportunities that they might reach. In this way they could become their different resources in profitable activities (Surendar Appannaiah and Madhavi, 2010,18).

A company can gather input from the external environment and transform it to new opportunities. If the environment is formed by threats, and the company does not realize this, then it will face losses (Rao 2010, 53-54).

This research focused on the Spanish business environment, and more specifically on the companies located in the Valencian Community area. Hence, not just the geographic sector but also the legal and governmental as well as its social characteristics were studied.

COMPETITIVE ADVANTAGE

Competitive advantage is a core concept in the academic field of strategic management (Wang 2014, 33). The concept was developed by Michael Porter, and it consists of developing a wide set of methods for how the company is going to compete, what their goals should be and what policy will be necessary to achieve such goals (1993,121). It is referred to as the ability of a person, company or a country to produce particular goods with a lower cost compared to another person, company or country. In addition, it explains how both parties can create value (Porter 1998, 28).

However, Barney (1991,102) says a firm has a competitive advantage when it is putting in practice something that creates value. Additionally, it means that the current competitors are not using it at that moment because Porter considers that all the firms of the same sector have similar resources. However, Barney differs from this view by accepting that those resources are different and not interchangeable between companies (1991,116).

The key issue in this research was the competitive advantage acquired in an environment encouraging companies to innovate (Porter 1990, 90). In addition, in this thesis the Spanish environment was studied in order to understand how this ability might be obtained by a Finnish company.

IMPERFECT MARKET

According to Financial Times an imperfect market is defined as one or few vendors or companies which operate in the market and take control of a product and affect the formation of prices. The opposite situation is a perfect market, but actually all the markets are imperfect markets. Monopoly, oligopoly or duopoly are examples of it.

VALUE CHAIN

Value chain is an economic concept introduced by Michael E. Porter in 1985 as a method of analysis to optimize the profitability of a firm (Kaplinsky & Morris 2001, 4-6). It was introduced in his book *Competitive Advantage* as a tool which allows to analyze the sources of competitive advantage. It means, that the Value Chain divides a firm in its relevant strategic activities to understand its behavior, its current resources and future ones for differentiation. It examines the firm as an ensemble of activities or as Magretta says (2012,74) as “part of a larger value system” which affects the costs and the prices.

The starting point of the analysis of Porter’s value chain was founded in his first book *Competitive Strategy* (1980) where there are two separate sources of competitive advantage: costs leadership and differentiation. These sources depend on the activities that a company develops. By separating them in

strategic groups, the management can understand the behaviour of costs and identify the existent sources or potential ones for differentiation.

Porter defines value as a set of perceived benefits that the client receives minus the perceived costs when the client uses for the product or service. The value chain is essentially a way of analysing of a company's activities which divide the company in different parts looking for sources of competitive advantage in activities that generate value. Those sources are achieved when the company develops its activities of the value chain in a smaller cost way and better differentiation than the rivals.

With respect to the clothing sector, the value chain operates in the same way being independent from the production of the company. Moreover, in this case the differentiation among products and segments is very fine line making the assignation difficult to find.

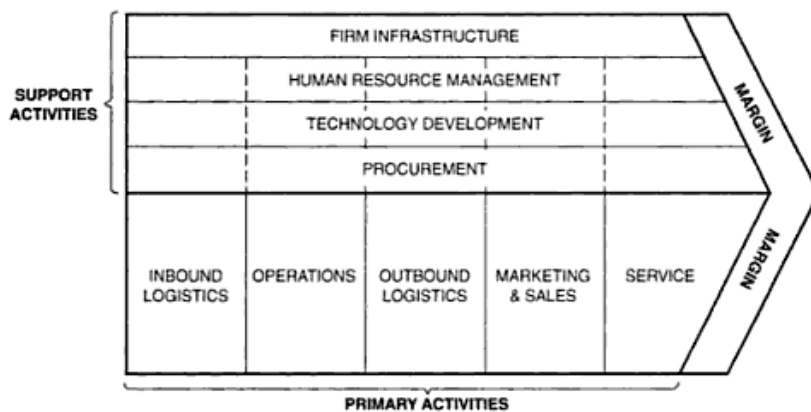


Figure 2. The value chain

(Porter 1990, 41)

Figure 2 shows a flow chart with blocks of activities that generate value, and it has an associated cost according to the consumed resources to implement it.

CLOTHING

While a variety of definitions of the term clothing have been suggested, this thesis used the concepts apparel clothing and garments as synonymous concepts as well as the word textile. Their use refers to textiles ready to be worn by or sold to the end user due. The right definition of clothing is “the things that people wear to cover their bodies” (Merriam-Webster, Clothing).

Textiles and fabric were also considered synonymous terms in this study because they contain fibers and they can be modified or woven.

INNOVATION

The simple definition of innovation is:” a new idea, device or method” and “the act or process of providing new ideas, devices or methods” (Merriam-Webster, Innovation, 2016). One of the main challenges faced by the clothing sector is the insertion of innovations. All the research so far on this sector in Spain as also in the international markets has pointed out the importance that innovation technological or not should be able to compete in the local and international markets. Its importance is such that the European Commission thinks it plays an important role in the competitiveness of the European economy and, therefore, also in the textile and clothing industry.

Innovation is the best tool for survival in globalization. Porter points out its importance that Magretta explains as follows “Competing to be unique thrives on innovation” (2012,31). It promotes and increases the competitiveness and positioning of the textile sector. Creativity and technological research are now more than ever the ingredients of success in the current complex economic situation that we are living.

According to Jeyarathmm (2008, 78) innovation changes and reshapes industry structures. Therefore, there are some industries in which the weight of innovation is very high, and it marks the rhythm of the industry. Consequently, the features of innovation in the clothing industry are discussed in the next chapters as definition issues of the behavior and weight that it has in the Spanish clothing sector.

2.2 Industry Analysis

The current project aims to do an analysis of the company's environment using the Porter's competitive model. The reason to use this model comes from Porter's contribution to strategic planning (Stonehouse and Snowdon 2007, 260) and it is also a model widely used in terms of managers (McMillan 2010, 11). Moreover, according to Magretta (2012, 8) Porter's framework is the basic foundation of strategic field. Therefore, Porter's model offers since 80's a fundamental tool both for Academia and for companies that has become popular since then (Chevalier-Roignant and Trigeorgis 2012, 60).

It shows the forces that are in it directly influenced in the working of the companies. It determines their strategies and at the same time it influences in the results. Accordingly, it is highly necessary to understand the working of the environment and the forces have related each other with the organizations. Moreover, this model could answer the two main questions of this research: What characterizes the competition in the Spanish clothing industry? And how attractive is the Valencian Community market?

The activities of a company are frame worked in different technological activities and they are developed in physical and social environments that could have been previously ordered. The companies are not isolated between them. On the contrary, they are an open system that is in a constant interaction with its environment. As Magretta declares (2012, 31) "Competition

takes almost as many forms as there are industries” and Porter’s contributions explains how the industry “works” (ibid.,2011, 36).

The internal dynamics of the company and the speed and shape of the context must be treated as a whole when we do an analysis. From it we achieve the strategies to be competitive in a more complex market. The internal results of a company depend on a high percentage of the features of the company’s environment and its capacity to integrate and to handle efficiently.

It means the variables are not easily quantifiable and each of forces has a direct link with the industry. At the same time the industry analysis should be done from perspective of companies is in. Porter understood that industry usually is very stable over time. Many details change along time, but the profitability of the industry takes a long time to be modified (Magretta 2012, 38-39).

According to Porter (1998, 43) “essence of strategy is in the activities choosing to perform activities differently or to perform different activities than rivals”.

Porter’s Five Forces form a holistic model that allows analyzing every industry in terms of profitability (ibid, 1998, 39). Therefore, it constitutes a management tool to do an external analysis of the company.

On this basis the company can determine its current position to select the strategies wants to follow (Magretta 2012, 38). According to this approach it would be ideal to compete in an attractive market with high barriers to enter, weak suppliers, atomized clients, few competitors and without important substitutes.

Porter’s model postulates there are five forces that basically conforms the structure of the industry. These five forces delimit price costs and investment requirements that constitute the basic factors to the profitability in short term.

In addition to this is the attractiveness of the industry. The rivalry of the competitors comes from four forces that combined creating it as the fifth force (Porter 1998, 30).

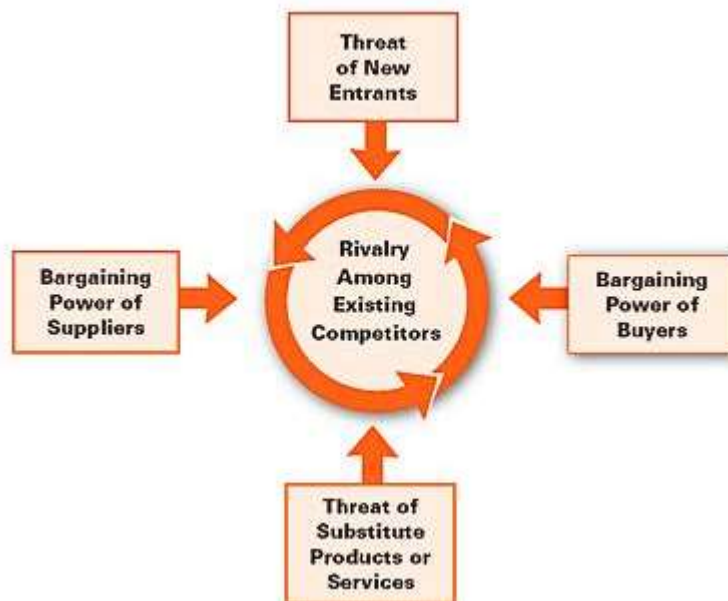


Figure 3. Five Competitive Forces (Porter 2008, 80)

To begin Porter's Five Forces the first one to take account is there are two dimensions of corporate environment. The first is the macro environment, which has the forces with implications on the sector behavior and the company. It means economic, political, cultural, social, legal, ecological, demographic and technological forces. The second is the sector of the company or group of companies producing the same type of goods or services. This last analysis studies the forces that determine the competitiveness of the sector (ibid., 1998, 5).

It is also important to know the main elements of the market work as a base of the five forces that take part in the industrial sector:

- 1) Direct Competitors: Are those that offer the market to which we address a product or service with the same characteristics as ours
- 2) Clients: Group of buyers of goods and services.
- 3) Suppliers: Group of companies that supply to the producers of the sector their needs to offer their services.
- 4) Substitutive products: Those who can perform the same function as another.
- 5) Potential Competitors: Those companies with magnitude to enter in the competition with the competitors of a determined sector.

Knowing the elements of the markets that work as a base of Porter's five forces then it is possible to do the individual analysis of each one:

Threat of new entrants

It considers there will be interested companies to participate in a sector to take advantage of the opportunities of the market. These companies increase the productive capacity of the sector. If there are profits upper to the average of the sector, then it attracts much more investors increasing the competition. Consequently, it decreases sector's profitability.

A new company might have barriers to enter in an industry such as lack of experience, client's loyalty, high-required capital, lack of distribution channels, market saturation etc. but it might also easily enter if it has higher quality products than existed ones or lower prices.

There are some barriers to enter that we must consider (Porter 2008, 81-82):

Capital Requirements: they are minimum needs to invest capital in the infrastructure of production, research and development, stock, advertising or the commercialization.

Economies of scale: These economies are produced when the unit cost of a determined activity is reduced increasing the volume of the production during a concrete period. Therefore, the small production is not efficient for a

company. It should produce in a big scale. Then a company willing to enter in a market must decide if it enters with a small scale of production or with a great capacity of production. It should know the risks.

Curve of experience: It is the know-how of the company during a period developing an activity. Moreover, it also refers the group of activities of the company with all the aspects of the organization: management, technology, process etc.

Cost advantage: The fact to be the first in a sector joined to other factors as the provision of raw materials or knowledge economy cause the company is already in the sector has advantages of costs. It means an important impediment to those companies that want to be in the same sector.

Product differentiation: It is the grade of consumers distinguishes a product from other. It can deal attributes of design presentation or customer service etc. It is difficult to a company that enters in a new sector competing against others already established. These companies already have brand recognition with loyal clients and it makes the new companies to invest highly in advertising. But there is another way for these companies and it is to compete with the established companies by prices or to achieve new niches market that the competitors do not care.

Distribution channels: It is the approval of new competitors' commercialization of the product in the existing channels. This is very important because for new companies are very difficult to enter in these channels and it is very difficult to establish confidence with the client if the product cannot be sold through them.

Brand recognition: It is a barrier related with image credibility seriousness and reliability that the company has in the market because of its actions and features of its product.

Governmental Barriers: These are the barriers impose by Governments and Institutions. They are linked with patents, copyrights, license and requirements expedite by public authorities. These barriers pose important costs the company enters.

Retaliation: Refers to the retaliation that some companies already existing in the sector might take when a new company enters to the competition. This might consist in aggressive advertising or sudden lowering of prices till strangling the new company which profit margin is lower because it is starting. It is depending on the reaction of the established companies entering pretty much company.

The threat of new competitors enter mainly depends on barriers to enter and the reaction of the established companies. On the other hand, the effectiveness of these barriers to dissuade the entering companies depends on the resources of them.

Power of suppliers

This force refers to the capacity of negotiation of suppliers who define the positioning of a company in the market according to its power of negotiation with those supplies the goods to produce its products. For instance, as lower quantity of suppliers exist as long the capacity of negotiation will be. Because if there are too much offers of goods then they can easily increase the prices.

Usually the analysis of supplier power is based on the concentration of suppliers and the degree of differentiation in the contributions supplied (Karagiannopoulos et al. 2005, 69.)

In addition to the quantity of existing suppliers its negotiation power also might depend on the volume of purchasing, quantity of substitute raw materials, costs to change the raw materials etc.

Having capacity of negotiation allows the suppliers could have better prices but also better delivery times, payment terms and compensations. In a company the capacity of negotiation of suppliers can spoil the competitiveness so it is another factor to consider.

The negotiation power of the suppliers will depend on the conditions of the market the rest of suppliers and the importance of the product that they provide. Moreover, the most significant variables of this force are the following (Porter 2008, 82-83):

- Concentration of suppliers: It requires to identify if the most part of the provision of good and resources for the companies in the sector are made by a lot of companies or few companies.
- Importance of the volume for the suppliers: It is the importance of the volume of purchasing that the companies do in the sector to the suppliers. It means the sale in the sector link with the total sale of the suppliers.
- Differentiation of goods: If the offered products of the suppliers are or not differentiated.
- Costs of change: It refers to the buyer's costs have when change the supplier.
- Availability of substituted goods: It is the existence availability and access to substitutes which their features can substitute the traditional ones.
- Impact of goods: It deals to identify if the offered goods keep increase or improve the quality of the good.

All these variables make us to understand the supplier will be in a beneficial position if the offered product is limited. On the contrary, if the offered product is standard and it can easily be obtained in the market then its influence will be diminished. In this case the buyer will be in a good position to choose the best offer.

Power of buyers

The competition in a sector is determined to the power of negotiation of the clients have with the companies which produce a good or a service. According

to Karagiannopoulos et al. (2005, 69) “The most important determinants of buyer power are the size and the concentration of customers”.

In the markets there are two factors that influence to determine strengthens of the power of negotiation of a company face up to the clients: the price and the power of negotiation. The main variables that define these factors are (Porter 2008, 83-84):

- The gathering of clients: To identify the number of clients that demands the most part of the sale of the sector. If the number of clients is not raised, then it affects the negotiation because the company can require more.
- Purchasing volume: As higher economic value the client could force better conditions with his or her suppliers.
- Differentiation: As much the negotiation power of the clients will be as the products or services are less differentiate. The differentiated products are the client identifies due to the brand design and higher quality compared with the rest.
- Information about the supplier: If the client has right information about the products quality and prices that allows to compare with the competitors then the client could have more important arguments negotiation with the supplier.
- Brand recognition: It is the connection that the buyer does with the existing brands in the market. It refers to identify a product with a brand.
- Substitute product: It allows to the buyer to press for the prices.

According to Magretta (2012, 44-45) the power of suppliers and buyers can assess in the same way. It means they are powerful if they are concentrated to a fragmented industry. They are more necessary than the industry itself. If the degree of rivalry is high, it would be easy to see how a client change the supplier. Then the costs play in their favor and the differentiation also.

Threat of substitute products or services

The substitute products are those that make the same functions of the considered product. They also set up a force to determinate the attractiveness of the industry because they can replace the products and services offered or to represent an alternative to satisfy the demand. They are a serious threat for the sector if they cover the same needs by a lower price with a better quality and output (Porter, 2008, 85-86).

The companies of an industrial sector can be direct competitors in a different sector if the products can substitute other goods.

A company should be alert of those substitute products produce by it. There must be taken account according to Magretta (2012, 46) “the substitutes are not direct rivals and they are difficult to anticipate”.

Rivalry among existing competitors

The rivalry between competitors is in the center of forces and it is the element more decisive of Porter´s model. It is the force provided that the companies undertake actions to strengthen their positioning in the market and in this way to protect the competitive position. This variable is that determines the market competition and that is why we decide the number of the main competitors (Cho 2013, 230).

The current situation of the market in every sector comes from the competition between companies and their influence to generate profit. If the companies compete in prices they just generate less profit and the sector is also damaged and it is not attractive for new companies.

There are sectors where companies compete in advertising innovation or quality of product or service. Then the rivalry between competitors defines the profitability of a sector. The less competitive sector it will normally be more profitable (Porter 1998, 18-21).

The analysis of this force can be deduced that the degree of rivalry among competitors will increase as the quantity of waste is raised, equaling in size and capacity, reduce product demand, prices fall etc. (Porter 2001, 67).

According to Bengtsson (1998, 4) this is the main variable in Porter's analysis. It is due to burden of the demand which encourages to create new and different actions and generates the development of companies and industries." Companies develop strength and competitiveness by exploiting specific and advanced national factor endowments, by satisfying sophisticated and demanding home buyers, by establishing relationships with internationally competitive suppliers in a nation, by sharing activities in technology development, and by manufacturing with related industries".

2.3 SWOT

This model allows to evaluate the company's strengths and determine how to allocate its resources in a manner that can be clear straightforward and very effective being used for an assorted audience.

Moreover, Porter's Five Forces and SWOT are chosen due to the popularity as Ormanidhi and Stringa (2008, 62) and Helms and Nixon (2010, 216) point out and their ease to treat secondary data. Moreover, Porter's Five Forces is a comprehensible way of analyzing firms and the model can be understood for a wide and vary audience (ibid., 2008, 62).

The SWOT analysis was described by Marion Doshier, Otis Benepe, Robert Stewart and Birger Lie being Albert S. Humphrey as specialist in managerial administration and the main person, but its origin is unknown. The researches were developing by Standford Research Institute among 60' and 70' (Helms & Nixon, 2010, 216).

SWOT analysis is an analytical tool that facilitates to systematize the information an organization has about the market and its variables. The aim is to define the competitive capacity in a specific period. The tool gathers

external and information for the purpose to establish strengths, weaknesses, opportunities and threats.



Figure 4. SWOT analysis
(Parkhurst Consulting CPA PC, 2013)

The analysis combines the interior of a company (strengths and weaknesses) with the external forces (opportunities and threats).

The strengths are the features of the company that differentiate in a positive way to compare with others and therefore they fortify the possibilities of growth and development. The weaknesses are its lacks. The aspects are necessary to act quickly to not be in a critical situation. We take account the weaknesses are the door to let the threats enter. The opportunities are the possibilities of the market and they could be used if the company has **strengths** for that. The threats are composed for several conditions that can affect the development of the company.

Then the **strengths** make the opportunities can be taken and at the same time if the weaknesses become quickly in threats then these can let the company out. It is obvious that it is necessary taking the advantages of the opportunities that market presents and then it results to promote **strengths**

and to lead the weaknesses becoming them in **strengths** to not become in threats.

The realization of this technique is the SWOT analysis that allows to do exercises for achieving the objectives of the organization sets out. Moreover, it prepares for the development of the mental process that allows the handle and transformation of the information. It is always through the exercising of analytical and creative skills of the thought (Joint Research Center, 2005).

The popularity of SWOT is due to its simplicity and ease to use it because it is a tool very clear. It capacities to the company for finding its potential and at the same time it might generate more value. (Coman and Ronen 2009, 5678-5679). But it is not a perfect tool and has weak points. Therefore, it is necessary to find another tool to compensate those scarcities (ibid., 2009, 5688). Helms & Nixon (2010, 236) explains that simplicity determining it does not offer strategies to implement and it does difficult the interpretation of some points. Then its combination with Porter's Model offers the possibility to understand the market opportunities and the threats and at the same time recognize if the producers might compete in an efficient way in a given market.

2.4 Theoretical Framework

The theoretical framework is the support to comprehend the phenomena of the research from a different angle and at the same time it helps to understand it (Wellington and Szczerbinski., 2007, p.38). It means it makes sense the object of the research.

It can be concluded from the current literature that the competitiveness of an industry is its behavior and at the same time its structure or in other words, its characteristics and its performance. It is the ability of each actor or competitor to be better than others. Therefore, it is a comparison of the interaction within a context. Those interactions should be studied according to the current

literature. For this, the environment or business context should be understood comparing abilities understanding treats and taking advantage of opportunities regarding its resources. In this way the competitive advantage of the studied company and its value might be obtained. What the company is able to produce related with the competitors and how it is differentiated. And at the same time to know if the environment is attractive.

To understand the industry the behavior should be researched taking account the criteria established for the different tools obtained. Being recommended the company controls the forces and competitors because it should have a direct impact over the business and hence over the profitability. In addition, the tools allow highlighting what the competitive advantages are becoming them in the bases of the corporate strategy. It means it is important to consider the negative impact the weaknesses represent and try to minimize them. Moreover, to take advantages of the opportunities presented in the environment.

The need to understand external analysis generates Porter's five forces is used. In addition to the achievement of the competitive advantage will be obtained of SWOT analysis in a specific moment. Everything together will present the efficiency that a company will have competing.

3.METHODOLOGY

This section deals with the research approach and how the data was collected for this research. Thus, it explains the path followed to establish the link between the theory and the empirical part. This chapter presents six points: The research approach, research design, and context, as well as data collection, data analysis and verification of the results.

3.1 Research approach

A research approach is a group of methods used when working on a thesis (Kananen 2015, 54). In the case of this thesis, qualitative methods were used. It means that its aim was to understand a phenomenon by explaining aspects of that phenomenon, such as its dependencies and its architecture. The main question in qualitative research is “What is the phenomenon about?” (ibid., 2015, 59). This will generate an answer that comes from practice and it is called induction. Therefore, the aim of this research was to evaluate the quality of the competitors and to determine the critical competitive factors that determined the position of the case company.

The main features of qualitative research are explained by Kananen (2015, 65-66) through Creswell (2007):

“

- Research is conducted in its natural context (environment).
- Material is gathered from relevant research subjects face-to-face.
- The researcher is an actor and a collector of material.
- Research materials are come from diverse sources: text, images, interviews etc.
- Analyses of the materials are inductive, recursive and interactive.
- Focus is aimed at the research subjects’ views, meanings and opinions.
- The objective is to form a holistic understanding of the phenomenon subject to research.”

Therefore, this research was applied, and the style used was descriptive due to the nature of the sources of the data.

3.2 Research design

The research design is the plan of a research project. It discussed what is going to be done during this process (Myers 2013,19). Therefore, the plan followed for this thesis to test theory was as follows:

Firstly, the research questions were identified. Secondly, the suitable theories and studies were determined. The next step was the selection of data collection methods and the types of data. This was followed by the collection of the data. The fifth phase was to connect the data and literature. This was way the author could write the results for creating the conclusions. This type of design tends to be inductive. It starts from the top to the bottom exploring and confirming the theory used (ibid., 2013, 23).

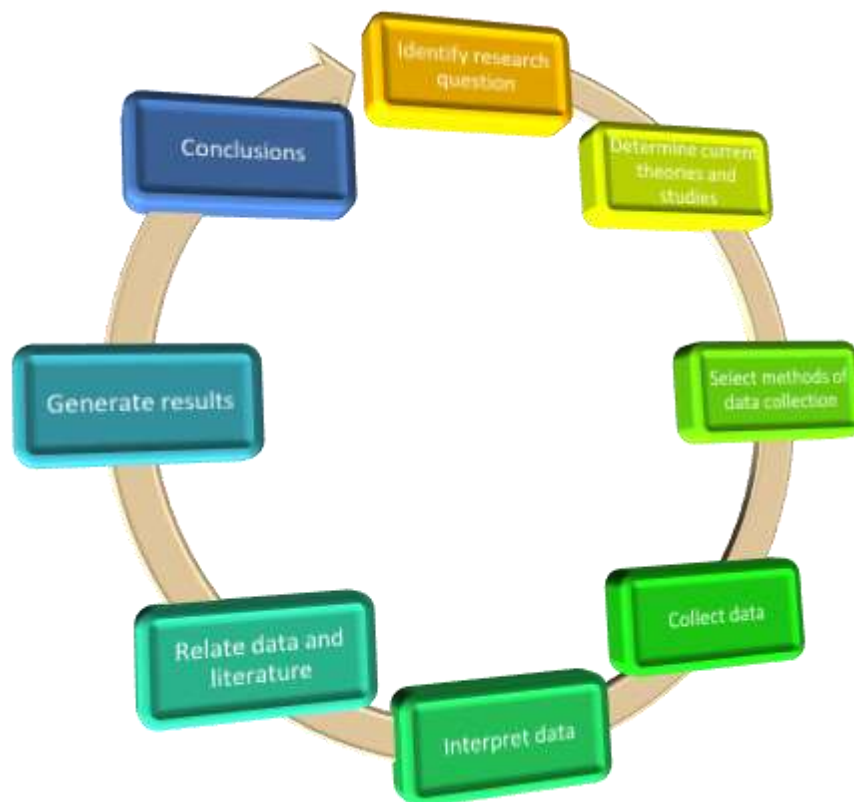


Figure 5. Research Design

3.3 Research context

The context of this research was understood as a natural environment. It means the researcher studies the phenomenon through its natural sources and in the place in which the phenomenon is having effect (Kananen 2015,

66). In this case the context was Spain and specifically the Valencian Community.

The textil sector has experienced different changes in the last years. From the recession in Spain in 2008 this sector has gone down in terms of added value, jobs, imports and production due to the level of consumption. Nonetheless, the European Union textile sector keeps being the second industry in the world after China and in Spain is the first industry. This research took the European Union as a reference mainly for two reasons: firstly, 70% of the laws currently in Spain have their origin in Europe. Secondly, the European Union is a good framework for evaluating the Spanish textile case. Along this research the situation of this sector and its prospects were analyzed.

The clothing industry is one of the oldest sectors and that is why is considered a mature industry. Its capacity of adaptation and innovation generates stable features and a strategic dimension to its personality (Gereffi and Frederick 2010, 2). These features are essential for prospering in the market as was shown earlier in this thesis (Magretta 2012,31).

According to the World Trade Organization (WTO) (2004, 3) the clothing sector is labour-intensive, pays low wages and presents entry-level jobs for unskilled labour in the developed as well as the developing countries. Traditionally, this sector has created jobs for women in countries with more poverty. Its technology allows to invest in modern technology at low cost. That is why the developing countries can have access to it. On the other hand, offshoring in the developed countries in the last twenty years has made the developing countries, such as China and those in the Far East the main manufacturers with a share of 50% in all segments of production (Shishoo 2012, 10).

At the same time, the textile industry is a sector with a high level of innovation. This way to be adaptative has made the clothing sector very adjustable to the constant changes of the market conditions (WTO 2004, 3). By contrast, the sector has a high added value where desing and R&D play an important and competitive role. Thus, the human capital is used to design and marketing

especially in fashion in a demanding way. This human capital presents flexible conditions and relatively high salaries.

The competitive advantage (Porter 1998, 28) of this sector is the introduction of products with a high grade of design that achieves the customers' preferences and thrives on besides cost effectiveness.

The retailers play a predominant role in the supply chain of this industry. Especially the low and medium price levels create a concentration of small retailers that letting the multinational retailers lead the trends and consumers' preferences.

Consumers' spend less now and in the past on clothing but they buy larger quantities and more often than before. To summarize there is a large rotation of variety regarding to sizes, designs and trends.

The trade policies of textiles and clothing in terms of technology are related. Textiles generate the main aid to the clothing industry achieving a link between them. The main agreement is the Agreement on Textiles and Clothing (ATC) on multilateral level.

This agreement began after the Second World War due to the decline of the British textile industry and it was partly accelerated by the Indian boycott of the British industry. Therefore, the sector started to shape according to the current parameters of offshoring and outsourcing to poorer countries. The United States and the European Community together with other industrialized countries signed the agreement in 1974. It established the maximum quotas of the import of clothes from the developing countries to developed countries. It was expected that the agreement would combat the competitiveness of countries as China displacing the industry to Sri Lanka, Philippines, Thailand, Indonesia and Bangladesh (WTO, 2016).

Currently, the new agreement is in force from 2005 while there are other agreements more concrete between specific countries (WTO,2005).

Regarding to a local level the two activities are linked by distribution and sales. It was due to the creation of shopping malls in the United States in the 70s. It established the implementation of information technologies to handle

the data, standards and labeled. Which allowed the retailers could offer many options with no big warehouses.

On the other hand, the textile industry is the first activity that appears in the industrialization phase of a country. The intensity in workforce and transportation facilitate its globalization. Currently China is the first manufacturer and exporter in the world. The integration design and distribution drives the global sales of its products.

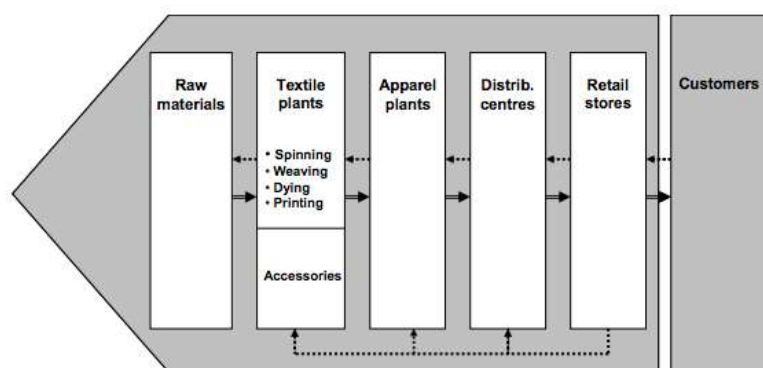


Figure 6. The supply chain in the textile and clothing sector (WTO, 2004, 4)

The value chain is showed in the Figure 6 (WTO, 2004, 4) is representing as a flowchart with boxes where everyone has an activity that generate value and it has associated costs according to the consumed resources. Thus it is confirmed as Magretta affirms (2012, 74) it forms part of a broader system.

In general terms, it can be summarized as follows: raw materials; spinning and waeving; textile finishing; tailoring or assembling; target markets and distribution; moreover, auxiliary servicies as marketing, design, quality control, and planification.

One of the obstacles of the textile industry and specially the manufacturing is the time management that occurs between the creation of a product and to put it on sales point.

Traditionally time was extremely long with long non-productive times: waiting time in the productive phase, interval of warehouses waiting for delivering the product or delivery times requested by the client before the sales. Which add costs but in no case it adds value to the products. Just the process of production from the date of order until to provide the piece ready to delivery on the client. This may last between five and ten weeks but the total from the design of the product until the moment it is sold may be longer than twelve months.

The big manufacturer companies and distributors have provided a good and final solution with chains of stores or franchise through a strategy of a constant renovation of the product. In fact the concept of season is almost disappeared. In addition to the productive process times very brief also known as a “fast response strategy”.

According to European Commission the clothing industry is “Textiles and clothing is a diverse sector that plays an important role in the European manufacturing industry, employing 1.7 million people and producing a turnover of EUR 166 billion. The sector has undergone radical change recently to maintain its competitiveness by moving towards high value-added products.” Therefore this industry wraps a wide extent of activities from transformation of natural and synthetic fibres and fabrics to the production of many different items such as hi-tech synthetic yarns, bed-linens, clothing and industrial products.

The European clothing industry accepts:

- “two types of textile fibres:
 - ✓ 'Natural' fibres including cotton, wool, silk, flax, hemp, and jute;
 - ✓ 'Man-made' fibres including those coming from the transformation of natural polymers (e.g. viscose, acetate, and modal), synthetic fibres (i.e. organic fibres based on petrochemicals such as polyester, nylon/polyamide, acrylic, and polypropylene), and fibres from inorganic materials (e.g. glass, metal, carbon, or ceramic);

- the treatment of raw materials, i.e. the preparation or production of various textile fibres, and/or the manufacture of yarns (e.g. through spinning);
 - ✓ the production of knitted and woven fabrics;
 - ✓ bleaching, printing, dyeing, impregnating, coating, and plasticising;
 - ✓ the transformation of those fabrics into products including:
 - clothes (knitted or woven);
 - carpets and other textile floor coverings;
 - home textiles such as bed, table or kitchen linen, and curtains;
 - technical or industrial textiles.
 - Retail sector”

This industry is an important player in the economy in Europe. Conforming to the European Commission (2013) there are 185000 companies in the industry, 1.7 million of people working on the industry and 166 billion of euros in turnover as I mentioned before. This sector is based mainly on small businesses. The 90% of them have less than 50 employees and it produces 60% of the value added.

The most important countries in the European Union (EU) in this sector are Italy, France, the United Kingdom, Germany, and Spain. Over 20% of EU production is exported outside the EU (see Table 1).

Table 1. Leading exporters and importers of clothing (WTO, 2016)

(Billion dollars and percentage)

	Value	Share in world exports/imports				Annual percentage change			
		2013	1980	1990	2000	2013	005-13	2011	2012	2013
Exporters									
China a	177	4.0	8.9	18.3	38.6	12	18	4	11
European Union (28)	118	-	-	28.7	25.6	4	17	-6	7
extra-EU (28) exports	31	-	-	6.5	6.7	6	26	3	8
Bangladesh	24	0.0	0.6	2.6	5.1	17	29	3	19
Hong Kong, China	22	-	-	-	-	-3	2	-8	-3
domestic exports b	0	11.5	8.6	5.0	0.0	-35	-14	-29	-11
re-exports b	21	-	-	-	-	1	2	-8	-5
Viet Nam b	17	...	...	0.9	3.7	18	27	10	19
India	17	1.7	2.3	3.0	3.7	9	31	-6	22
Turkey	15	0	3	3.3	3.3	3	9	2	8
Indonesia	8	0.2	1.5	2.4	1.7	6	18	-6	2
United States	6	3.1	2.4	4.4	1.3	2	12	7	4
Cambodia b	5	...	...	0.5	1.1	11	31	8	19
Malaysia a	5	0.4	1.2	1.1	1.0	8	18	0	1
Pakistan	5	0.3	0.9	1.1	1.0	3	16	-7	8
Mexico a	5	0.0	0.5	4.4	1.0	-6	6	-4	2
Sri Lanka b	5	0.3	0.6	1.4	1.0	6	21	-5	13
Thailand	4	0.7	2.6	1.9	0.9	0	6	-6	-4
Above 15	410	-	-	79.0	89.0	-	-	-	-
Importers									
European Union (28)	182	-	-	41.1	37.9	4	15	-10	6
extra-EU (28) imports	95	-	-	19.6	19.7	5	15	-11	5
United States	91	16.4	24.0	33.0	18.9	2	8	-1	3
Japan	34	3.6	7.8	9.7	7.0	5	23	3	-1
Hong Kong, China	16	-	-	-	-	-1	4	-5	1
retained imports	...	0.9	0.7	0.9	...	...	...	...	...
Canada c	10	1.7	2.1	1.8	2.1	7	15	-2	6
Russian Federation b, c	9	-	-	0.1	1.9	33	23	0	-2
Korea, Republic of	8	0.0	0.1	0.6	1.6	13	38	3	20
Australia c	6	0.8	0.6	0.9	1.3	9	21	4	3
Switzerland	6	3.4	3.1	1.6	1.2	4	16	-7	3
China a	5	0.1	0.0	0.6	1.1	16	59	13	18
United Arab Emirates b	4	0.6	0.5	0.4	0.8	12	21	13	10
Saudi Arabia, Kingdom of	3	1.6	0.7	0.4	0.7	11	28	5	14
Mexico a, c	3	0.3	0.5	1.8	0.7	3	20	8	9
Turkey	3	0.0	0.0	0.1	0.7	19	15	-18	17
Singapore	3	0.3	0.8	0.9	0.6	4	19	2	22
Above 15 d	368	-	-	93.1	76.4	-	-	-	-
a Includes significant shipments through processing zones.									
b Includes Secretariat estimates.									
c Imports are valued f.o.b.									
d Excludes retained imports of Hong Kong, China.									

After some transformations over last decades the industry has achieved to increase the competitiveness focused on higher value-added products. The European clothing sector is world leader in markets for technical/industrial textiles and non-wovens and for high-quality garments with a high design content. To strength the clothing sector the high value-added should be kept.

Another key factor of the competitiveness has been the outsourcing or offshoring production facilities to countries with lower labour cost specially Euro-Mediterranean area.

As reported by the European Commission although the rate of fashion small business concentration in Europe differs by country but the big brands control at least 40% of the market share in the mediterranean countries´case however the UK and nordic countries is 80% (European Commission 2010, 9).

On the other hand, the clothing industry is considered as an industry with uncertainty because of seasonal change and fluctuation market. It creates an agile environment of continuous change and it obligates to the firms acting with speed. It is one of the factors of competitive advantage in this industry. That agility characterizes Zara; one of the Spanish more recognized brands to reach success in the fashion industry. It combines high quality design with speed to achieve international competitiveness (Cho 2013, 249).

Another important factor is the rate of growth of home demand being often more important than its size to achieve competitive advantage. If domestic buyers demand sophistication and speed it might be due to a higher level of education for instance. Then the demand conditions change adopting new technologies and creating a more demanding market achieving a higher rate of growth (Cho 2013, 132).

3.4 Data collection

The main source of this research is secondary data which are appropriate and cost-effective to answer the main research questions. They are completely adequate to generate conclusions. Its accuracy due to some certain samples are often more complete and designed large scale than the primary data and they would allow a comparative analysis of this research.

The main aim of this research is to understand the behaviour of some competitors in a certain context as Spanish one to promote a decision making.

It means it is an exploratory phase that helps to define the competitors and their structures. Accordingly, the secondary sources play a main role to help in this phase.

This research is based on secondary data to have a deep insight of clothing industry and while insight is valuable and works for the audience of this research. The main criteria to choose secondary data is to achieve a reliable and current research reaching a broader audience. Moreover, the secondary data constitutes a first order source and the researcher can work over it because it is also a research object.

Therefore, it is recommended to understand what the secondary data is. Secondary Data are collected processed and analyzed data published with a different purpose of aim of the research that it is considered (Wilson, 2010,170). Therefore, secondary data include from annual reports, journals, websites, and documentation of a company as well as government printed resources.

There are two classifications of secondary data according to Wilson (2010,172): internal and external data. The internal data are available in the company or organization and the external data are more varied and are located out of the company. These external data cover from advertising to international organizations reports.

Advantages:

- It minimizes the effects that a research might cause obtaining the information.
- It is cost-effective in terms of time human resources and materials.
- It facilitates the comparative analysis and trends and it also enables cross-cultural or international comparative research.
- It enables to formulate a lot of and different questions linked with the research problem.
- It allows engaging longitudinal studies.

(ibid. 2010, 177-178).

Disadvantages:

- The researcher should test the validity and reliability of sources.
- The researcher should test the consistency of the information the design of the samples, the technic to obtain information, the quantity of obtained answers, the date of information obtained and the used concepts and how it makes operational.

(ibid. 2010, 179-180).

According to Kuada (2008, 105). The most important sources to consider in a market analysis are: **International agencies** (UN, EU, the World Bank etc). These data are frequently updated and well worked. **Home governments** that they are ministries of trade or national statistics which offer economic and social information about their countries. **Consulting firms** that provide key resources of key market, but this kind of data should be combined with other sources to corroborate them. **Government agencies and representatives** that provide some trends or growth statistics in specific industries. **Database** that contains international marketing information and last Industry Associations such as Chamber of Commerce or Employers' Associations are also part of this. These sources have different limitations as for instance the developed countries are more reliable than the developing countries information. In many cases the developing countries do not provide all the available information due to their political situation or a lack of resources.

There are some limitations to consider when the secondary data analysis is conducted. The secondary data were generated with a different purpose than the current research. Therefore, it might introduce problems of correspondence between required data and available data. The researcher does not know how data have been collected and does not control them. The secondary data could be out of date and therefore they could not use in the current research.

Thus, the secondary data are precise for a specific time and place and at the same time they can out of date early. There are often differences between indicators across countries because their definitions differ due to different languages or for instance the currency or Gross National Product (GDP) (ibid., 2008, 107).

In order to fulfill data sources were used different data collection and they were identified as following:

Scientific papers (academic papers from scientific journals) e.g Helms, M. M., & Nixon, J. (2010) Capó-Vicedo, J., Expósito-Langa, M., Molina-Morales, FX. (2008). These sources could provide authors with essential data for this research as well as enabling to reach a valuable insight to the overall situation within the textile industry. The sources were founded through Google Scholar and Janet looking for with some criteria the date and the topic.

Database e.g. Euromonitor International (2011), Euromonitor International (2012). This database has been the most used source in the research because of its experience reputation and constant update in industry researchs.

Public documents from international agencies and Governments (companies' annual financial data, reports, press releases, homepages, EU documents, research reports of research companies) - e.g. European Commission (2010), European Commission (2016), WTO (2016), WTO (2013), Data from Ministry of Industry, Energy and Tourism of Spanish Government (2016), etc. Public documents are also very important because they provide the stadistic and empirical data. However, the scientific papers endow just the theoretical part and the combination of both supply the balance of this research.

3.5 Data analysis

Therefore, this research is an applied research (Krishnaswami and Satyaprasad 2010, 11) with secondary data as well as qualitative references.

It generates a new information collected from old information which can influence the entire thinking of an organization (Callingham 2004, 41). Moreover, it was taking the information published from the websites of the companies account. Additionally some reports of consultant companies are included and at the same time data base of associations.

This chapter shows the complexity of the analysis when the research has a large amount of data. The first phase was from the whole to the parts: Separating and grouping every source between journals international organizations and Spanish sources as national institutions or companies. The second one from the particular to the general: re-grouping to know the external environment (current global situation and European context) and after the Spanish situation and its industry. After that decomposing the whole in its parts without losing the whole: integrating and relating. In this way the Valencia region has been related with the global framework.

In order to avoid possible incoherence and maintain a linear structure in the work, it was decided to summarize each part of the extracted information and draw conclusions that would later be discussed later. Finally, the parts that give meaning to everything were related and thus the central ideas could be identified. Therefore, the analysis of each industry strength is punctuated and then the strengths, weaknesses, opportunities and threats are extracted, discussing the findings and using a critical approach to conclude the study.

3.6 Verification of the results

This section is based on the facts of the study and its description. For reliability the estimation procedures will be used. Moreover, for validity the assessment and how it will be constructed. It means the very structure of the work that validates and evaluates the results will help the reliability of the research itself. The choice of different sources and different companies for the study makes the validity and reliability higher. The intensive use of these sources provides sufficient information and the validity of the research.

Although the study is easily repeatable due to the method chosen however, the results of the study may change over time due to market variability (Wilson 2010,177-178).

The evaluation documentation and consistency of the documentation has been maintained throughout the study and implemented in an adequate manner for its reliability and validity according to Kananen (2015, 65-66).

4.RESULTS

This chapter provides an insight to the clothing industry covering the following topics: clothing industry structure background, current situation, market data, industry trends, the Spanish industry and the Valencian Community Clothing Industry.

4.1 Spanish clothing industry

The birth of the industry in Spain as in most of the European countries was strongly linked with the textile sector. During decades it was the engine of the modernization and economical growth, specially in Catalonia. Nowadays the importance of the textile has decreased at the economic national landscape, but it keeps being one of the main industries in the country. Thus, in 2013 the apparel industry supposes 2,7% of Gross Domestic Product (GDP) of Spain. In terms of employment this number increases to 4,2% in the labor market but in the industry 7,6% (see Table 4) of them are linked to the fashion and 18% are in the distributions (see Table 2).

Table 2. General Facts of Spanish textile/Clothing Sector 2013. (Cityc,2014)

GENERAL FACTS						
	2009	2010	2011	2012	2013	UNITS
Industrial Production						
Textile	-20,9	7,1	-2,4	-4,3	1,1	% Year /Year
Clothing	-19,7	-10	-12,2	-4,2	3,6	% Year /Year
Fibre Consumption						
Industrial consumption	275	318	310	305	329,8	000 MT
Final Consumption	764	841	827	689	705,8	000 MT
Per capita	16,3	17,9	17,5	14,6	15,1	Kg./pers.
Industrial Employment						
Employment	163,4	153,3	146,1	136	129	0
Imports						
Fibres	220	269	293	255	355	Millions €
Textiles	2.63	2.999	3.178	2.96	3.087	Millions €
Knitwear & Clothing	8.945	10.037	11.195	10.303	10.771	Millions €
Total	11.795	13.305	14.666	13.518	14.213	Millions €
Exports						
Fibres	112	119	174	171	175	Millions €
Textiles	2.547	2.805	3.03	3.035	3.198	Millions €
Knitwear & Clothing	5.162	5.62	6.362	7.217	8.333	Millions €
Total	7.821	8.544	9.566	10.423	11.706	Millions €
Industrial Prices						
Textile	0,4	2,4	3,4	0	0,6	% Dec / Dec
Clothing	-0,2	0,1	0	0	-1,7	% Dec / Dec
Consumer Prices						
General	0,8	3	2,4	2,9	0,3	% Dec / Dec
Clothing	-0,8	0,6	0,3	0,3	0	% Dec / Dec

Table 3. Spanish textile/Clothing Sector 2013. (Cityc,2014)

SPANISH TEXTILE / CLOTHING SECTOR

	2009	2010	2011	2012	2013
Companies	11.853	10.415	9.389	8.878	8.471
Employment (000)	163	153	146	136	129
Turnover (Millions €)	11.288	11.108	10.782	9.703	9.363

Imports (Millions €)	11.795	13.305	14.666	13.518	14.213
Exports (Millions €)	7.821	8.544	9.566	10.423	11.706
Trade Balance (Millions €)	-3.974	-4.761	-5.1	-3.095	-2.507
Exp /Imp ratio (%)	66	64	65	77	82,4

Table 4. Comparative EU 28/Spain. (Cityc,2014)

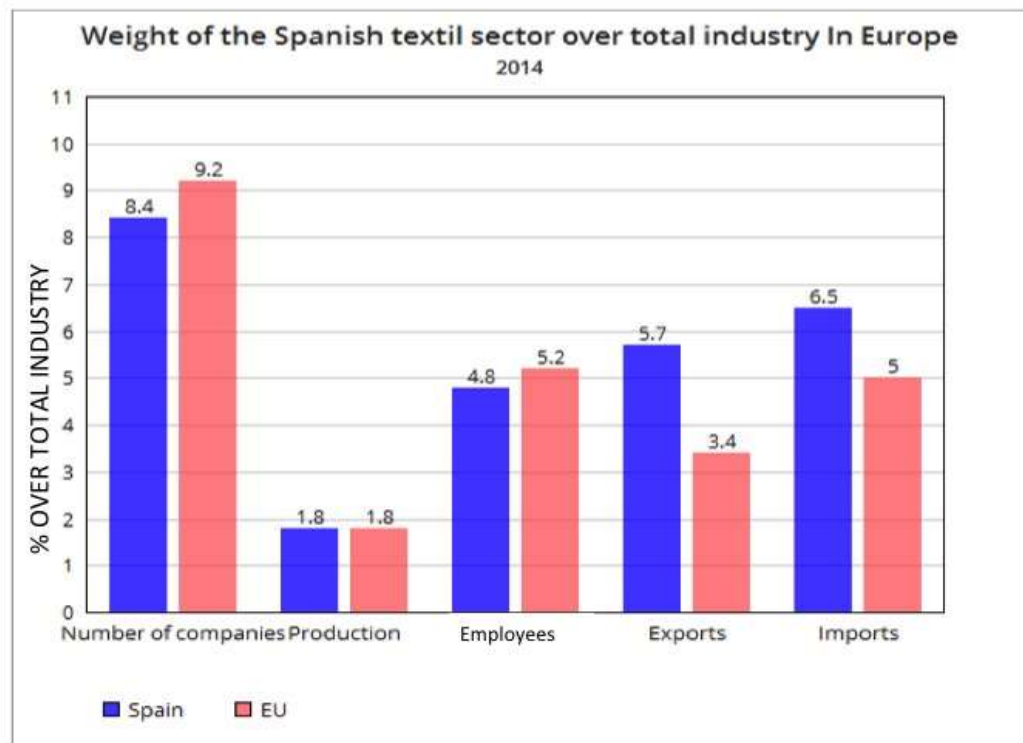
EU 28 / SPAIN

	EU -28	SPAIN	% SPAIN / EU
Employment (000)	1,691	129	7,6
Turnover (Millions €)	153,3	9,363	6,1
-1 Imports (Millions €)	184,85	14,213	7,7
-1 Exports (Millions €)	146,58	11,706	8,0
-1 Trade Balance (Millions €)	-38,27	-2,507	6,6

(1) Intra+Extra. Year 2013

Concerning to the position inside Europe, Spain plays an important role because it occupies the fifth position in Europe over the database of its numbers of sales. As we can observe later and in the Table 5 there are a high number of Spanish companies compared with Europe.

Table 5. Data from Ministry of Industry, Energy and Tourism of Spanish Government (2016, 41).



Regarding to the current situation of the Spanish clothing industry we should highlight different data collecting from Center of textile and manufacturing information (Centro de Información Textil y de la Confección, 2014).

The Spanish clothing industry is quite powerful. Its structure consists of 2910 companies with 3.95€bn of turnover. The sector is highly fragmented the most of business are small and medium-sized enterprises (SMEs) with 34 employees as an average.” The regions with the highest concentration of businesses are Catalonia, Castile-Leon, the Valencian Community, Galicia and Madrid. Export-wise, four regions account for 93% of the total: Galicia (44%), Catalonia (32%), Madrid (9%) and Aragón (8%).”

The companies of this sector obtain half-manufactured and specialized services of national suppliers’ design and funding from local market but technology and machinery from international market according to Strategic

plan for the textile-manufacturing of Extremadura 2009-2013 (Vicepresidencia Segunda y Consejería de Economía, Comercio e Innovación 2009, 10).

Moreover, the textile industry even being one of the more ancient industrial sector has done a significant restructuring and modernization during the last fifteen years improving productivity and reorienting the production through the innovation and investigation.

There is also a good level of qualification regarding to the technical administrative and maintenance staff in this sector.

The labor relations are appropriated except that maybe there is no enough collaboration between unions, entrepreneurs and workers in some points.

The 54% of this sector is just focused on the Spanish markets but the 27% is looking for internationalization and the 24% prefer a smaller market or local market.

It is a strong market from a point of view of quality design competitiveness and prices of the textile product. Moreover, it is characterized by an entrepreneur spirit and the proximity of the main suppliers. As we mentioned before the Euro-Mediterranean area is reconsidered as a low-cost area.

It presents weaknesses regarding to the funding and institutional support because the Government does not invest enough money in this sector and either support from the institutions.

Regarding to kidswear the obtained data comes from the Spanish Association of Manufacturers of Children's Products (ASEPRI - Asociación Española de Fabricantes de Productos para la Infancia) which shows in 2011 the turnover was €1.084bn of which foreign sales accounted for 38% (€407.6m).

The companies have improved thanks to modern production and distribution. They have strengthened the brand image opening their own shops or franchises. Their exports show the main market is on the EU with €322.3m, which accounts for 79.1% of total exports, considerably ahead of North America (6.9%) and the Middle and Far East (4%).

According to Euromonitor (Apparel and Footwear in Spain, 2015) the sector has registered the first positive growth in 2014 after 2008 when the recession started. There has been a reactivation of the economy specially in womenwear. Between 2013 and 2014 popular brands as Desigual Mango and Zara have put special emphasis for sportswears as a new strategy to gain market. At the same time, they have increased the presence of underwear and childrenwear.

The low-cost brands continue gaining popularity. In fact, the leader in this segment is Primark, the Irish retailer. The online stores also keep increasing their growth with special attention in footwear.

This deserves special attention “Euromonitor International’s macroeconomic projections for the next five years are set to be reflected in the performance of apparel and footwear in Spain. Total, GDP is expected to grow by 10% between 2014 and 2019, whilst the unemployment rate is expected to fall from 25% in 2014 to 17% in 2019. On the other hand, average unit prices are expected to steadily increase only from 2016 onwards, determining slower growth in value terms compared with volume terms.”

On the other hand, the birth rate continues falling due to Spaniards postpone the age to have a first child. However, the current emigrated young people will have a positive impact in terms of sales of childrenswear. However, for maternitywear that has had a different development is expected to have a good growth due to new offers of internet retailing.

Another important factor from a retail point of view is the end of the National Law for Urban Rentals of 1965, by 1 January 2015. This will encourage to renegotiate contracts of rents and to have many new opportunities in locations than so far were occupied for the same tenant.

Although Spaniards have always showed few motivations towards online purchases of apparel and footwear, there are somethings that have change lately. The retail channel has growth since 2013 representing 5% of overall value sales of apparel and footwear in 2014 (see Table 4). The improvement of economic conditions, the diffusion of fashion brands on the web with lower prices and the increase of new practices amongst the population have done Spaniards begin to be interesting in best prices and promotions. It has

generated a new environment familiar with online purchases “Many consumers tend to first have a look in stores, try on the product and then make their purchase online. On the other hand, there are consumers who look for products on the web and then purchase them in stores”. Because of that new strategies have appeared such as “click and collect” (buying the product online and picking it up in store) “Shipping from Store” buying the products at store and delivering them at home and “Scan&Shop” (from the smartphone the customer can scan a picture of Mango and locate it in the nearby stores) or buying it directly through the smartphone. Moreover, there is very popular strategy that is to offer limited editions or discounts just in online stores.

Therefore, Internet retailing within apparel and footwear will experience a rapid growth, especially footwear due to ease of buying these products (see Table 6). The small local players inside the Internet retailing will have a good opportunity to reach new consumers reducing stock costs.

Table 6. Sales of Apparel and Footwear by Category: Value 2009-2014 (Euromonitor, 2015)

EUR million	2009	2010	2011	2012	2013	2014
Apparel	20,361.2	19,780.7	19,032.7	18,271.9	17,867.2	18,074.9
Footwear	6,417.4	6,241.8	5,978.3	5,769.5	5,615.7	5,567.6
Sportswear	4,331.3	4,397.3	4,311.0	4,288.6	4,385.7	4,497.1
Apparel and Footwear	26,778.6	26,022.4	25,011.1	24,041.4	23,482.9	23,642.5

Table 7. Forecast Sales of Apparel and Footwear by Category: Value 2014-2019 (Euromonitor, 2015)

EUR million	2014	2015	2016	2017	2018	2019
Apparel	18,074.9	18,378.7	18,733.8	19,131.9	19,574.0	20,052.8
Footwear	5,567.6	5,596.9	5,670.4	5,784.4	5,920.4	6,084.6
Sportswear	4,497.1	4,617.3	4,741.5	4,867.1	4,994.5	5,123.4
Apparel and Footwear	23,642.5	23,975.6	24,404.2	24,916.3	25,494.5	26,137.4

Therefore, the changes in the commercial distribution and especially in the textile-apparel take place dizzily. They are immersed in an economical global

context that is unpredictable focused on diversification and with a stronger competitiveness.

4.2 Consumer trends

According to CBRE Group Inc. (2013, 9) Spanish people prefer to spend their money in more expensive brands than average in Europe. This study is very meaningful because while cheaper brands are 70% of spend in countries as Poland, Hungary or even in Russia other countries as Italy or Spain have a higher percentage. The mid-market brands as H&M or Zara are very popular for Spanish people being 42% of fashion spend.

Currently the Spanish consumer has changed and nowadays the consumer prioritizes quality and honesty. It meant that kind materials organic fabrics and healthy compositions. Healthy is an upward trend. In fact, the health is one of newer concepts that marks consume. It is joined with practicing exercise caring and feeling well. Thus, Spaniards have moved from wasteful spending to responsible purchasing. Moreover, it is not just an individual way otherwise common way. Spaniards are also worried with ethical issues and behavior of the company that produce the goods. Moreover, the price and quantity, the client is interested in the environmental and social impact.

The best consumers in Spain are from the five biggest cities Madrid, Barcelona, Valencia, Sevilla y Bilbao being Madrid the leader city in textile consumption. At the same time, there are many consumers who prefer international brands a bit cheaper but there is a big part of them who prefer buying products "Made in Spain". Inditex and Mango are the favourites brands being 42% of total textile consumption. It also means Spanish people consider footwear and apparel are important and they spend approximately one third of their annual budget in textile products (ibid, 2013, 8).

4.3 Childrenswear

Different trends are founded in Spain in terms of childrenwear of kids clothing. First one is strategies selling multipacks or per outfit that is called in Spanish “conjuntos” that propiate to buy a group of items at once. The second one is the expansion of low cost retailers that obligates to reduce the price to other brands.

The baby and toddle wear decreased in 2014 due to the economic situation that has affected the precarious conditions between young people and the flow of inmigrants. With this situation, the population aged 0-3 fell by 3% in 2014, however the population aged 4-14 continued being stable.

The most significant growth was regarding boys´ apparel as volume as current value terms. Girls´ apparel had a same growth in terms of volume but in current value terms the growth was almost invisible (see Table 8 and Table 9).

Table 8. Sales of Childrenswear by Category: Volume 2009-2014 (Euromonitor, 2015)

mn units	2009	2010	2011	2012	2013	2014
Baby and Toddler Wear	35.6	34.8	34.1	33.9	34.1	34.3
Boys' Apparel	38.6	38.0	37.4	36.0	36.3	36.6
Girls' Apparel	40.0	39.8	39.4	38.2	38.4	38.7
Childrenswear	114.2	112.6	111.0	108.1	108.8	109.6

Table 9. Sales of Childrenswear by Category: Value 2009-2014 (Euromonitor, 2015)

EUR million	2009	2010	2011	2012	2013	2014
Baby and Toddler Wear	508.7	504.1	501.6	498.4	491.0	485.1
Boys' Apparel	1,365.5	1,310.5	1,251.5	1,192.7	1,190.3	1,196.3
Girls' Apparel	1,391.5	1,354.6	1,320.7	1,285.7	1,275.5	1,280.6
Childrenswear	3,265.7	3,169.2	3,073.9	2,976.9	2,956.8	2,961.9

On the other hand, the styles were created by nature and wildlife. The colors more used were pastel color with drawings from fairytale books. The cartoons as Superman, Angry Birds and Frozen were very popular in many collections.

In this category there has been founded new players as Mango or Marks & Spencer launching childrenswear collections. On the other side, fashion brands as Zara launched collections for parents and children with same clothing for both of them.

The main specialist retailers recognized in Spain are Chicco and Prenatal which continued stable. However, it is highlighted the new presence of Mothercare in the biggest department store in the country El Corte Inglés.

Another trend runs significant is online sales its growth around childrenswear is fast being Zara and H&M the most popular and after also multibrands as Vertbaudet and Mamuky.

In respect of the competitive landscape the table 6 describes the most important textil companies in Spain during the last four years. Kiddy´s Class and Zara Kids which belongs to Inditex group have remained the leaders with 6% and 5% value shares respectively followed H&M and the manufacturer Mayoral.

Primark the Irish retailer achieved a fast growth thanks to the low prices and the popularity in Spain. This is exportable to Mango which has also achieved a good growth in a few time because its collection was launched at the end of 2013.

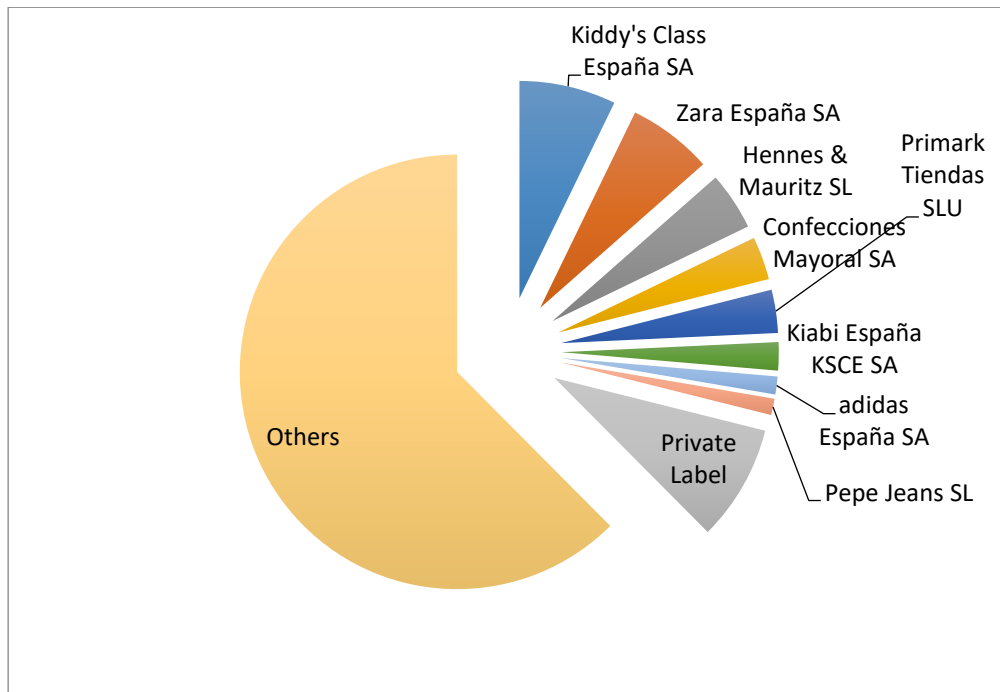


Figure 7. The most important textil Spanish companies (Euromonitor, 2015)

Unfortunately the childrenswear-specific brands had a lower performance except Mayoral reaching 4% growth in 2014. It is especially due to the change of its style and a good management of the internet strategy offering a new web store.

In respect of private label which are very popular in Spain and Decathlon is one of the most popular. Its wide variety of prices have become the private label in the most competitive. There should be highlighted the hypermarket as Carrefour and Alcampo because their growth has remained quite notable in 2014.

Table 10. LBN Brand Shares of Childrenswear: % Value 2011-2014 (Euromonitor, 2015)

% retail value rsp	Company	2011	2012	2013	2014
Kiddy's Class	Kiddy's Class España SA	5.8	5.8	5.7	5.8
Zara Kids	Zara España SA	5.0	5.1	5.1	5.2
H&M	Hennes & Mauritz SL	3.3	3.3	3.4	3.4
Mayoral	Confecciones Mayoral SA	2.6	2.7	2.7	2.8

% retail value rsp	Company	2011	2012	2013	2014
Primark	Primark Tiendas SLU	0.5	1.0	1.5	1.9
Tommy Hilfiger	Pepe Jeans SL	0.9	1.0	1.0	0.9
C&A	C&A Modas SL	1.2	1.1	0.9	0.8
Orchestra	Opi Prendas Infantiles SL	0.7	0.8	0.8	0.8
adidas Kids	adidas España SA	0.8	0.8	0.8	0.8
Ralph Lauren	Ralph Lauren España SL	0.6	0.7	0.7	0.7
Charanga	Milla Med SA	0.6	0.7	0.7	0.7
Neck & Neck	Neck Child SA	0.6	0.7	0.7	0.7
Desigual	Abasic SLU	0.4	0.4	0.5	0.5
Mothercare	Mothercare Ibérica SA	0.4	0.4	0.4	0.5
Massimo Dutti	Grupo Massimo Dutti SA	0.3	0.4	0.4	0.4
Nike	American Nike SA	0.3	0.3	0.3	0.3
Pull & Bear	Pull & Bear España SA	0.1	0.2	0.3	0.3
Boboli	Star Textil SA	0.3	0.3	0.3	0.3
Chicco	Chicco Española SA	0.2	0.3	0.2	0.2
Timberland	CWF España SA	0.2	0.2	0.2	0.2
Pepe Jeans	Pepe Jeans SL	0.2	0.2	0.2	0.2
Decathlon	Decathlon España SA	0.2	0.2	0.2	0.2
Prenatal	Prénatal SA	0.2	0.2	0.2	0.2
Mango Kids	Punto Fa SL (Mango)	-	-	0.1	0.2
Burberry	CWF España SA	0.2	0.2	0.2	0.2
Sfera	Sfera Joven SA	0.1	0.1	0.1	0.1
Boss	CWF España SA	0.1	0.1	0.1	0.1
Private label	Private Label	7.2	7.7	8.3	8.7

% retail value rsp	Company	2011	2012	2013	2014
Others	Others	66.9	65.2	64.1	62.8
Total	Total	100.0	100.0	100.0	100.0

Regarding to the future possibilities in childrenswear although all the forecasts sign there will be a poor birth rate between 2014 and 2019 it is expecting a growth how it is observed in the Figure 8. It is due to the expansion of low cost retailers and the price competition. That growth will be even better than the period between 2008-2014.

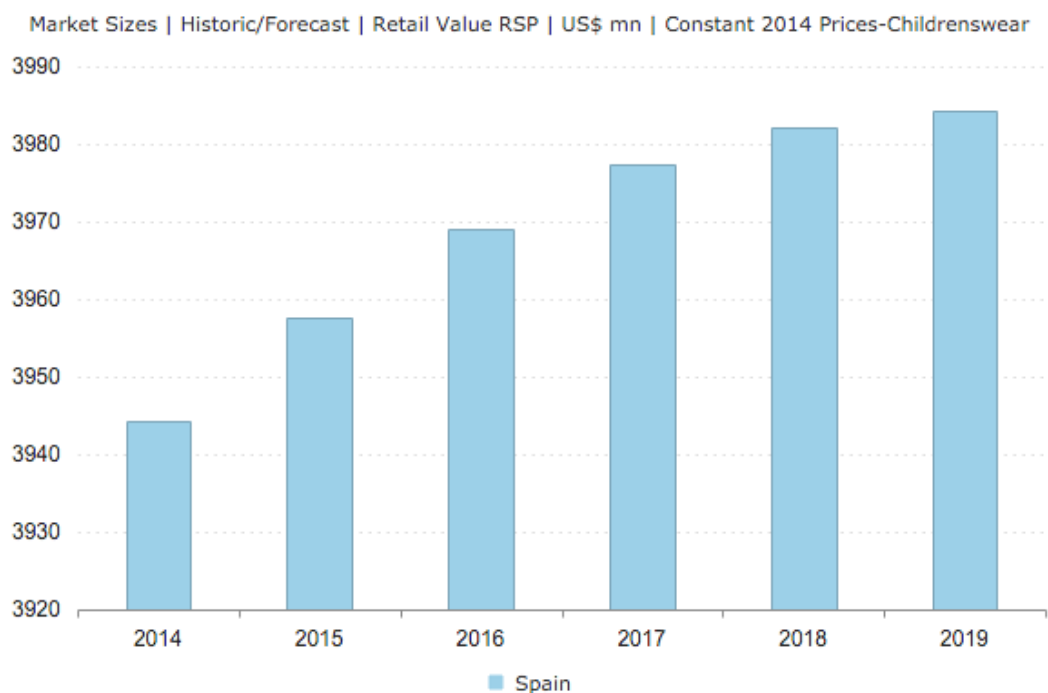


Figure 8. Market Size Childrenswear (Euromonitor, 2015)

4.4 Valencian Community Clothing Industry

The textile sector and dressmaking are one of the bases of the industrialization in the Valencian Community. It keeps a predominant position

together the production of tiles of Castellon or furniture sector and at the same time with emerging sector as nanotechnology biotechnology and aerospace.

The clothing sector had 24000 employed people in 2011. They generated a production superior to 1600 mill. of euros (Asociacion de Empresarios Textiles de la Comunidad Valenciana ATEVAL, 2011).

The clothing companies are basically SMEs allocated in certain geographical zones. The bigger zone is “Comarques Centrals Valencianes” this zone includes L´Alcoià, El Comtat and la Vall d´Albaida.

All the strategic segments are present in the Valencian Clothing industry, but the most specific specialization is in items of households (carpets, bed lines etc.). These items are three quarters of the national production (ATEVAL, 2010).

The industry is full of SMEs because they are able to adapt the fluctuations of the clothing market better than other companies and also the advantages of the geographical concentration. It benefits the complementary relations between companies.

The Valencian clothing as Spanish clothing industry has had a difficult situation due to the crisis of consumption of Spanish market and the international markets. But from 2009 the Valencian clothing industry has recovered the levels of activity to normal one. Although there are still different factors of uncertainty as currency fluctuations, strain of fibers market specially cottons and the difficulties to access of credit.

In the Table 10 is seen the main amounts of valencian textile where it has been included data from 2000 to observe the evolution of the last ten years.

Table 10. Main amounts of Valencian Textile 2000-2010 (ATEVAL, 2011)

	2000	2005	2006	2007	2008	2009	2010
Enterprises (unit)	2655	2320	2150	2050	1950	1785	1658
Employment (unit)	45650	38150	36625	35620	32100	27290	25600
Production(mill.€)	2701	2220	2220	2150	2050	1950	1520
Imports (mill.€)	800	854	945	955	846	650	809
Exports (mill.€)	991	774	779	767	673	561	620

The textile sector of the Valencian Community as the national textile is going through a difficult situation for years derived from the crisis of consumption in the Spanish market and the fall of the markets international. The effects of the crisis have been very intense in the recent years, even more intense than those experienced in 2005 of the liberation of international textile exchanges. For instance, if the regression in the value of employment between the years 2000 and 2005 is analyzed there was a decrease of 7,500 jobs compared to the loss of 11,025 jobs between the years 2006 and 2010.

In the Table 10 is also observed after a special situation in 2009 the valencian textil sector has gone recovering the normal levels of activity. This recovery is based in the dinamism of the exterior markets which is a contrast with the atony of the Spanish market burdened by a high rate of unemployment and standstill of consume.

According to the latest data of 2017 (accumulated during January-June), the textile products of the Valencian Community reached an export value of 459.8 million euros, which corresponds to about 3% of the total exported by the Valencian Community. This figure corresponded to an increase of close to 6% compared to the first half of 2016 (Generalitat Valenciana 2017,2).

The difference of the Valencian Community and the rest of the country is the Valencian Community has a high specialization and very similar to Italian industrial model where some companies are interconnected in the value chain. Moreover, every company is specialized in a part of the production process.

The Valencian Community has been the 5th export region of textile products with 6% of the total exported by Spain. This percentage increases in the case of home textile products: the Valencian Community is the 3rd most exporting Spanish region with 21% of Spain's total exports of these products.

According to the latest annual data of 2016, the sector reached an increase of 6% in exports, compared to the previous year 2015 (with a value of 858 million euros). Cotton fabrics are the most exported textile products since the Valencian Community with 18% of the total exports of the textile sector. Along with home textiles represent 35% of textile exports.

France is the main customer of textiles manufactured in this región with 12%. Together with Italy and Germany they represent 31% of the exported value. The markets of Algeria, the Netherlands, Italy and Germany are the ones that have shown a greater dynamism, with the highest growth rates among the main destinations of the Valencian textiles. Regarding the evolution, since 2009 the trend of textile exports has been growing and in the last five years the value of exports has increased by 52% (See Table 11).

Table 11. Countries of export in mill. of euros in 2016 (Generalitat Valenciana, 2017,4)

COUNTRY	EXPORT
FRANCE	99
ITALY	98
GERMANY	68
PORTUGAL	61
MOROCCO	61
ALGERIA	56
UK	48
NETHERLANDS	35
POLAND	29
MEXICO	24
UNITED STATES	18
TUNICIA	13
BELGIUM	12
ROMANIA	12
SUBTOTAL	633
TOTAL	858

Despite the absence of fibers production machinery and textil chemical industry in the region there are specialized activities in the value chain and it is considered for some authors as a cluster (Capó-Vicedo et al., 2008, 8). The advantages of the cluster are to put in common insight and capacities which are present in the territory reducing the existant rigidity. That configuration around SMEs gives flexibility and capacity to answer faster to changes in the market (Ortega Colomer 2010, p.9).

Table 12. Composition of the Valencian Community Textil Cluster (Plan Estratégico Cluster Textil Comunidad Valencia, 2016-2020)

Total number of members:	368
Number of SME members:	363
Number of larger company members:	3
Number of research organisations/universities/technology centres:	2
Number of other ecosystem actors :	6
Link to the cluster members' list:	http://www.atevalinforma.com/listado_empresas.php

The Table 12 traces the number of associated companies and important actors who play in the cluster in the Valencian Community to see the ecosystem of this región.

To summarize the current situation of clothing industry from its mundial environment to the Valencian area can be established the next clonclusions. The situation is difficult. Traditionally the industry is considered mature and it has a significant weight in the developing countries. However, it also represents one of the economic activities more affected in the las decades for different intense process of productions and its reestructuration that come from the characteristics of demand behaviour of the market and the competence of the new developed countries.

4.5 Analysis of results according to Porter's model

The research provides business analysis of textile industry of Spain using modified Porter's five forces model provided by Michael Porter (1980). This chapter presents the results of the empirical research and analysis of these results.

The first force researched is **threats of new entrants**. As was mentioned in the previous chapter, the number of participants will increase depending of the attractiveness of the sector. This is measured observing the existing barriers of entry. In an industry with few barriers of entry the competitiveness will be high. On the contrary, if there are many barriers the profitability keeps.

The barriers are economies of scale, differentiation of the product, capital requirements, cost of change, accesibility to distribution channels, politics of the Government, reaction of the competitors already existing.

In general, the textile companies are big companies which benefit of scale economies, attractive contracts with the suppliers and the curve of experience that grant know-how. However, the landing of new international players in the national market can represent a threat to take into consideration as Primark or H&M for instance.

The cost of installation to open a new store is low. There is no administrative restriction in open license, the technology is standardized, and the reaction possibilities of the competitors already stablished are reduced.

The brand and the brand image play an important role in this sector so it is difficult the new brands have a fast success in the market. In this case it is deduced the threat of new entrants in the retail distribution market of apparel keep being relatively moderated always taking into consideration the noted presence of asian products.

The following force that determines industry competitiveness is **power of suppliers**. According to Porter (2008) power of suppliers could make a pressure for industry's players increasing prices or reducing the quality of products. The evidence presented in this section suggests that the power of suppliers' negotiation in the clothing industry is low. The clothing industry is characterized by suppliers who are linked to the buyers' decision making through design and commercialization function. There are many suppliers of textil that means the suppliers have a power of negotiation very limited. The distribution chains of certain size are important clients due to orders' volume.

The multitude of suppliers from China (first exporter of the world as it is mentioned in the chapter 3.3) in the sector diminishes their bargaining power, allowing the clients to impose their conditions. Similarly, the information handled by suppliers is broad which allows the increase of their bargaining power.

On the other hand, vertical integration can take place forward, with the supplier to distribute its own products, thus increasing its bargaining power. In terms of the volume of purchase, they are usually large in the case of non-perishable and storable products.

Finally, a higher quality of products offered, less substitutability of them and greater importance for the customer, will increase the bargaining power of suppliers.

The next force under review was **power of buyers**. The clients of this sector are numerous, but they are hardly organized to defend their interests because they buy in an individual way. Although they are concentrated in big groups or they buy big volumes could be a certain power of negotiation. Eventhough the consume power of Spanish population is low.

An important data is in distribution the client is the final consumer accordingly there is no risk to integrate them back; on the contrary it does occur in production.

Another factor Porter (1980) puts forward is when buyers are purchasing

undifferentiated or standard products, so it is easy to change supplier. But it is highlighted the increase of the exports to non european countries. That implies a difficulty the adaptation to each country.

Regarding to the substitutes and its power there is no substitutives products if we consider the items just have one function as wearing. Their main characteristics with more substitution grade are: the products with short life cycle (this is due to the trends wich constanstly change), products with an evolution improving quality and price, and products with high commercial margins. As a conclusion the threat of substitiuion is relatively high but also a factor to consider.

Moving on now to consider **threats of substitute**. The dressing is a basic need therefore it is not should be considered the product substitutes as other items. It should be replaced by brands or other designs. Due to the broad list of companies available in the fashion sector the customer has the possibility to choose a brand or another according to the tastes and the satisfaction that this one reports. In addition, all brands usually manufacture the same garments but with different characteristics and attributes, so the customer will opt for a brand or another mainly according to the price and the quality of the item.

The main characteristics of the products with the highest degree of substitution are usually:

- Short life cycle products
- Products with an evolution towards an improvement in quality / price.
- Products with high commercial margins

In fact due to the internalization of production in low-cost countries brands compete increasingly aggressively to improve the quality of their products.

On the other hand, brands usually have products with a short life cycle, following trends that tend to change rapidly.

Finally the commercial margins of this sector can become quite high, especially when the brand is strong. Therefore, we can conclude that the threat of substitution is relatively high and a factor that can not be neglected.

The last force to conclude in this section was **rivalry among existing competitors.**

The theory (Porter, 1980) presents that if the industry growth is slow the intensity of rivalry will be high. Our findings are: The rivalry in this sector is very high because the competitors can aggressively compete as prices as quality design, innovation and marketing. As figure 7 shows the competitors in Spain are Kiddy's Class and Zara Kids (Inditex group), H&M, Mayoral or Mango among others (Euromonitor, 2015). But it is highlighted the rhythm of the growth is low the barriers of exit are limited in the distribution, but they are high in the production. The costs of warehousing are intermediate because the products are not fresh, and they can be manufactured and stored in the same place.

On the other hand, there is no diversification grade in order to the quality of the items then the consumers' election is based on price and brand. The fast consumers' changes of habits might create diseconomy of scale. Lastly, the high costs of production and raw material are seen in the national market.

The possibility of the new potential competitors is determined by the existence of entry barriers as patents, economies of scale, important capital requirements, transference costs, distribution access, policy etc.

Overall the textile companies are big companies that benefit by economies of scale and achieve attractive agreements with suppliers. But the threat of new competitors of retail market usually is low.

The rivalry between competitors belongs to same sector is going to depend on many aspects:

- **Fragmentation:** nationally we find on the one hand the small companies, abundant and with small market share each and on the other hand we find the big companies in the form of oligopoly, with a not very large number of

companies and with a large and similar between them. In this way, the degree of competition between competitors will be greater in small companies than in large ones.

- Sector growth: the textile sector is in the phase of maturity, reason why this means that the rate of growth of the sector is reduced leading to a greater rivalry of the competitors, since the market share available to distribute is smaller.

- High fixed costs: since these are non-perishable products, the storage costs of these products are low, since extreme hygiene and safety conditions are not required. Textile companies benefit from economies of scale as lower production costs result in lower unit costs, which slows the entry of new competitors.

For their part, the companies already installed in the sector have achieved high learning and experience, which has allowed them to introduce improvements in the methods and procedures used. Finally, there are hardly any other cost disadvantages, since the technology of sale in the sector is quite standardized, as well as access to raw materials is favorable.

Moreover, it has been considered the existence of exchange costs in this textile sector given that it is assumed that the companies have signed a contract with their suppliers, so that the change of one another involves certain costs and efforts for them.

- Differentiation: There is a clear differentiation mainly in prices and brand because the quality is similar. In this way the competitive rivalry is less. In the textile sector many companies have an important differentiation in their products, with an added value approved with the customer. In this way, companies must invest to differentiate themselves if they want to stand out.

- Exit barriers: there are no significant exit barriers, since business assets can be easily re-used or sold and the costs of laying off staff, in the case of temporary contracts, are low. With regard to smaller businesses, emotional barriers can be observed. Thus, we can conclude that the degree of rivalry derived will be scarce.

- Diverse competitors: the textile sector has very diverse companies, which differ in the strategies used, sizes, ways of competing, national origins, objectives, target audience ... As the research explained in the chapter 4.1. This leads to greater rivalry between competitors, since there is no forecast of how these competitors will act.
- Strategic interest: there are simultaneous strategic interests as companies in the sector always aim to continue expanding their market share. In addition, it is also part of their strategic interests to achieve greater export, as well as the internationalization of their brands. This will lead to increased rivalry.
- Attractiveness of the industry: the decline in demand in the textile sector as well as the reduction in the profit margins resulting from the crisis have led to a lower attractiveness and profitability of this sector, thus reducing the threat of new revenue. In this way, there is a lower intensity of competition. In the last years the number of companies has been reduced and at the same time the number of employees. Although there are new scenarios with competitors of other countries.

There are barriers of entry of diverse nature as barriers of entry in costs because the textile businesses benefit from scale economies and when the production increase the unitarian costs are lower. It brakes the entry of new competitors.

For its part the companies already installed in the sector have achieved a elevated learning and experience it has allowed introducing improvements in the methods and used procedures. Finally, it barely exists other disadvantages in costs because the thecnology of sales is quite standarized and the access to raw materials is positive.

As far as differentiation barriers many textile companies have an important differentiation in their products with added value passed by the client. In such a way the companies should invest to differentiate if they want to highlight. Then the new entries are less.

On the other hand, the need of big investments depends on the size of the company decides to join in the market increasing the capital needed to invest

as the size increases. Thus, the most investment they do the less threaten of competitors will be. Moreover, the investment of R&D has influence in it.

In respect of distribution channels there are companies that in addition to design and produce their own clothes also they develop their own distribution channels and sales points. Thus, it is more complicated that new companies can access to the distribution channels. Accordingly, the threaten of new competitors will be less. It is forward vertical integration.

However, there are consumers protection laws that can be a barrier of entrance and it could be a brake for new competitors.

On one side this sector presents the existence of small companies that they can launch any reaction against the entrance of new companies to protect themselves. Even so there are big companies that they would not react against small businesses because they would not be a threaten. However, these will react against a possible entrance of big competitors that can threaten the position already got.

Finally, the absence of administrative restrictions will increase the threat of potential competitors. However, there are consumer protection standards that can be a barrier to entry.

On the one hand, this sector presents the existence of small companies that can launch some sort of reaction against the entry of new companies, trying to protect themselves. Although, there are other large companies that will not react to small business entries, as they will not pose any threat. On the other hand, these will react to the possible entry of large competitors that may threaten the position already achieved.

4.6 Swot analysis results

From the aspects and characteristics gathered in the external and internal analysis, it is convenient to carry out a study of the weaknesses, threats, strengths and opportunities that this sector can obtain. This SWOT analysis is a study of both environments and it is useful to know the real situation in

which an organization, company or project is and plan what will be the most appropriate strategies for the future.

Among the **strengths** we should consider a large couple-with-children family market by regional standards. Local homes are relatively spacious, creating a favourable environment for marketers of household goods. Incorporation of advanced technology and high innovation capacity. Flexible sector that adapts to the changes that have arisen and market suggestion. Fast and efficient logistics process. Valencian Region has a textile cluster and it is mainly composed by SMEs. Moreover, it has a large tradition in the textile industry which means a large experience and it is a responsible local industry. Finally, it is important to highlight there are two research centers.

Between the **weaknesses** are observed the high unemployment among household heads undermines households' income and spending power. In addition to few children also per household limit opportunities in children-related segments. There is little knowledge of new technical textiles and a weak personnel policy (low wages, high work hours). The measure of the valencian companies to internationalize is small. The level of differentiation is low and there is a high competition from local markets. At last the difficulties to access of credit are also a weak.

One of the main **opportunities** of the industry is that there are number of market gaps which this sector consists with. These possibilities of segmentation and identification of niche markets are considerable. All this leads to the emergence of very specialized small competitors, who can contribute new products to the sector and address very specific customers or introduce new commercial technologies.

In this way, the potential **threat** to the sector of alternative distribution channels, such as catalog and distance selling of products, can be posed.

Another opportunity offered by the industry is the growing interest in personal image and fashion, including young people, men and even pregnant women,

who in the past were more disinterested in their personal image. Thus, people watch the clothes that are bought and spend more money in fashion.

Single-person households are increasing in size, offering different opportunities because they do not have dependents and thus without economic charges.

Thanks to globalization, the creation of subsidiaries is easier all over the world, which is certainly another opportunity for the industry. In addition to the greater life expectancy causes the population to undergo a greater aging, and with it, enjoy greater purchasing power.

Among the threats is the creation of online stores, since having fewer costs and allowing people to buy from around the world endanger the survival of many companies. Another threat to highlight is the requirement of the current customers. Today almost everyone understands fashion and is concerned about dressing well, which creates pressure on the industry.

A very important and present threat is the problem of brand imitations of clothing, which in recent years has been increasing. This has been accepted by the public since certain circumstances such as the current crisis, make people willing to consume these products because they offer very affordable prices and provides clothing very similar to another of high value for money.

Another threat is the failure to address R&D as a continuous process in addition to the lack of knowledge that is often presented with respect to tax advantages, requests or requirements that require a project to be considered R&D.

The country's large mortgage sector is vulnerable to external shocks which is a threat to consider. In addition to with this ongoing economic weakness would further dampen households' demand for discretionary spending categories.

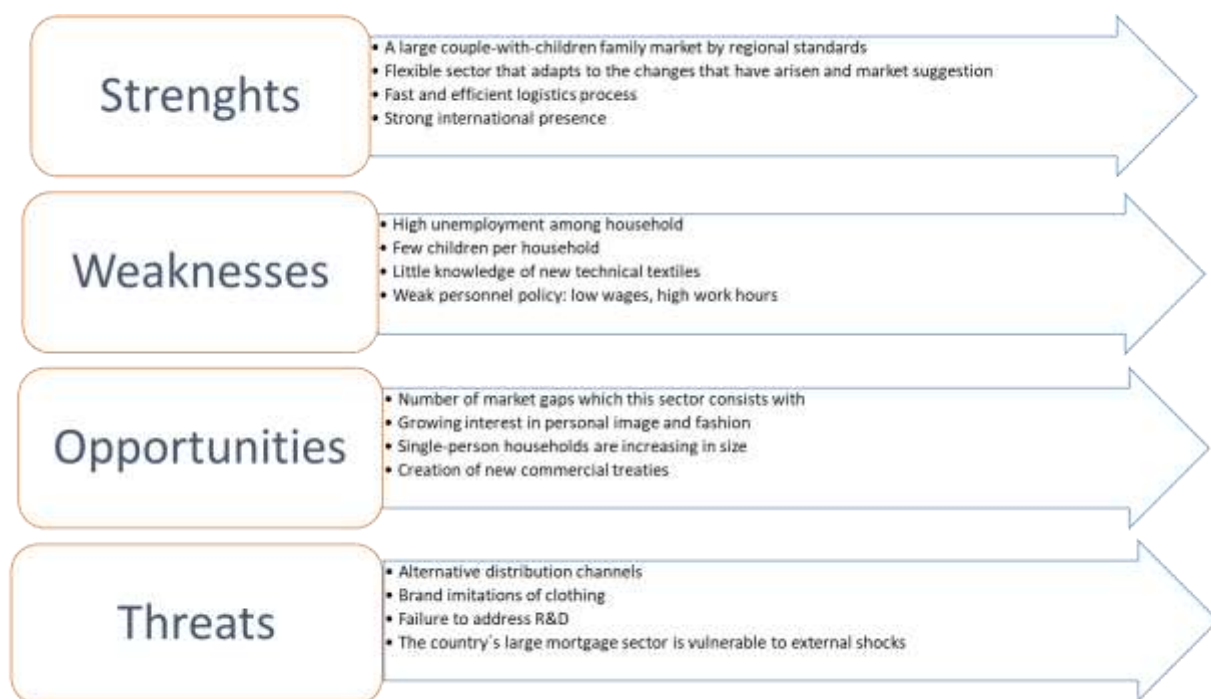


Figure 8. Swot analysis

5.DISCUSSION

The purpose of this thesis was to study the competitiveness of the textile Spanish industry by answering posted research questions: Q1: What characterizes the competition in the Spanish clothing industry? Q2: How attractive is the Valencian Community market?

In this thesis global textile industry as well as the global and Spanish textile industry were examined. The industry analysis was provided for findings from company level analysis, where the Spanish textile industry was analyzed in terms of Porter's five forces model and the Spanish environment with the SWOT analysis.

5.1 Answers to the research questions

Once analyzed the current situation of textile industry from the global environment to the immediate environment of the Valencian Region, with a greater emphasis on the subsector of home textiles, which is the one that has more specific weight in the region, the following conclusions are established: it is going through a complex situation. Traditionally the textile sector is considered a mature industry that has had a very significant weight in the

productive systems of developed countries. However, it also represents one of the economic activities most affected during the last decades by intense reconversion and restructuring processes. It is caused by the rapid changes in the characteristics of demand and the behavior of markets as well as by the competition of the new countries producers. Faced with this situation the challenges that arise in the future predict that, although the dynamic itself will make China lose competitiveness.

In the case of short series of production there will be internal relocation to countries with average labor costs. The European textile sector represents one of the main productive sectors of the continent representing an industry with processes of highly specialized and intensive production in innovation. The most important future perspectives launched by the European Technological Platform for the Future of the Textile and Garment Sector (European Commission 2017,15) are three: firstly, the step from the manufacture of "commodity products" to specialized products. Secondly, the choice of textile as substitute material in other fields which means the new textile applications. Finally, the change from mass manufacturing to personalization. In the case of the Spanish textile sector, the products of the strategic segment of home textiles are losing attractiveness due to the strong competition of products from Asian countries.

Every year, and more since 2005, imports have been increasing and exports in this segment have decreased. Currently, due to the strong global crisis this percentage has been matched. Although imports still dominate compared to exports it should not be forgotten that even the values referred to exports may be higher than the real due to the increase in exports. It is due to delocalized production which leads to an increase in exports of textile raw materials or semi-finished products.

The process of globalization is forcing to carry out a series of changes in most traditional industries including the textile activity of the Valencian region. However, and unlike what happens in the national set, the cluster regional configuration has historically ensured a good provision of support services by different institutions located in this geographical area which should continue to be used to improve the current situation. Consequently, studying the historical

evolution of the textile sector in the Valencian Community, it has been demonstrated that in times of restructuring the companies that survive are those that have better adapted to the new market changes. In the textile restructuring of 1970, the machinery manufacturing companies did not know how to adapt to the new changes in the environment, and this caused that this is currently one of the points that the cluster has pending.

On the other hand, both the drapery companies in L'Alcoià - El Comtat, and the blanket manufacturers of the Vall d'Albaida readapted to the manufacture of textiles for the home, which has been the strong point of the territory. In summary, nowadays there is a justified need for change that forces companies to define their strategies to adapt to the new world scenario.

5.2 Practical managerial implications

This study provides a general overview of the clothing industry in Spain specifically in Valencia and this could have practical implications for managers.

One of the findings was the ability to have the power of negotiation of customers therefore an organization focused on them would produce good results. Exploring and pursuing their needs, to create greater value for them. The development of solid relationships with customers seeking loyalty can generate competitive advantages for the company.

Companies must be able to think of new business models based on value activities such as innovation, design or personalization; in the redefinition of the binomial "product + market" towards segments or products of greater added value or in the promotion of cooperation to give some examples and not just based and exclusively on the reduction of costs as up to now; but all of this in a planned way and following a strategy. Thus, it would be useful for companies to have mechanisms to help reflection that make them able to redirect their strategy towards growth models and taking advantage of the knowledge and infrastructure of the cluster. The redefinition of corporate positioning and competitive strategy by companies, to adapt to the environment should be a continuous and inseparable activity to the business practice.

The contribution of this research is the definition of trends in Spain, evolution of the market, characteristics of the distribution and description of the external environment in Spain and the Valencian region. The study offers a vision of the industry that can serve as a tool for better decision making in terms of business strategy.

5.3 Assessment of the result in the light of literature.

The results reinforced the theoretical framework where the Five Forces are described and determined the intensity of the competitiveness of Spanish and Valencia region industry explaining the causes of the profitability.

Firstly, as Magretta mention (2012,40) the profitability falls if the power of supplier goes up and it is seen as the Asian suppliers have influenced in the profitability of the Valencian textile industry (see chapter 4 and 5).

Secondly, the results were in line with the theory because Porter demonstrated a direct relationship between competitive forces with profitability, which in turn is disaggregated into prices and unit costs. It allows identifying through the theory of the value chain, the business activities that contribute most to the creation of value or utility as the research showed in the Figure 6 (WTO, 2004, 4). In other words, if the intensity of competitive forces increases, the profitability of the industry tends to be reduced because prices and unit costs are affected in some cases (see chapter 4.4).

Based on the results the behavior in the textile industry of the Valencia area is going through complicated moments and as Magretta pointed out (Magretta 2012, 38-39) takes long time to change this situation. However, there are opportunities to be taking account as this study mentioned previously in the chapter 4.6 such as growing interest in personal image and fashion or creation of new commercial treaties.

5.4 Limitations

The purpose of this thesis was to supply to the insight and develop understanding of clothing industry in Spain as well as to determine whether this industry is attractive or not for potential entrants as it is mention before. It is because of that it has been found some limitations of Five Forces model. In

this sense, firstly the limitation found was the excessive importance of the industry which may forget the internal analysis of the company.

Secondly, the model is focused on externalized the production looking for the efficiency and reducing the costs and it is possible to find other alternatives. In this sense the key element is the innovation as a competitive advantage and it does not can be underestimated.

Thirdly, the main challenge in this research was do not lose focus in areas that are inevitably linked. It means the Spanish environment influences in the Valencia area, but this region has specific particularities that should be researched. The central government and the local government could have different views and different strategies in terms of competitiveness.

In any case, it is possible to clarify that the limitations detailed above do not have been an obstacle to reaching reasonable conclusions regarding the objectives presented in this research.

5.5 Recommendations

Firstly, to obtain a deeper look from the level of the company in the industry as well as to give proposals on suitable strategies that companies could apply, interviews with clients and an analysis from the company level are recommended, analyzing pricing strategies and valuations of the company brands.

Secondly, as this research mentioned in previous chapters the secondary data could be rapidly out of date (Wilson 2010,172). Thus, it is recommended working on the data and the same time updating them.

Finally, the model can be combined with the support of other tools such as pest analysis (political, social and technological). The innovation that is a key element must be explored and developed more for a correct combination of the actors in the industry. Moreover, those tools can study the political changes that also could affect the development, result of the industry and accordingly the research. All the changes in the environment are fast and systemic and they require flexibles strategies.

REFERENCES

Ateval, Plan Estratégico Cluster Textil Comunidad Valenciana 2016-2020
(Strategic Plan of the Textil Cluster of Valencian Community 2016-2020)

Accesed on 2 February 2018. Retrieved from

http://www.atevalinforma.com/archivos/a_116_1185.pdf

Barney, J. B.1991. "Firm Resources and Sustained Competitive Advantage."
Journal of Management 17(1): 99-120.

Bengtsson, Maria.1998. *Climates of Competition*. Florence, KY, USA: Gordon
& Breach Publishing.

Callingham, Martin. 2004. *Market Intelligence: How and Why Organizations
Use Market Research*. London, GBR: Kogan Page Ltd.

Capó-Vicedo, J., Expósito-Langa, M., Molina-Morales, FX. (2008) Improving
SME competitiveness reinforcing interorganisational networks in industrial
clusters. *International Entrepreneurship and Management Journal* 4 (2), 147-
169.

Centro de Información Textil y de la Confección (CITYC).2014. Accesed on 19
October 2015.Retrieved from [http://cityc.es/wp-
content/uploads/2014/07/folleto-13-CITYC.pdf](http://cityc.es/wp-content/uploads/2014/07/folleto-13-CITYC.pdf)

CBRE Group Inc., 2013 How we shop inside the minds of european
consumers. Accesed on 19 October2015.Retrieved from [http://nrw.nl/wp-
content/uploads/2015/02/CBRE-How-we-shop-inside-the-minds-of-europes-
consumers-2013.pdf](http://nrw.nl/wp-content/uploads/2015/02/CBRE-How-we-shop-inside-the-minds-of-europes-consumers-2013.pdf)

Chevalier-Roignant, Benoît, and Trigeorgis, Lenos. 2012. *Competitive
Strategy: Options and Games*. Cambridge, MA, USA: MIT Press, 2012.

Cho, Dong-Sung. 2013. *From Adam Smith to Michael Porter: Evolution of
Competitiveness theory (Extended edition)*. Singapore, SGP: World Scientific
& Imperial College Press.

Clothing. (n.d.). Accessed 9 January 2016. Retrieved from <http://www.merriam-webster.com/dictionary/clothing>.

Coman, A., & Ronen, B. 2009. Focused SWOT: diagnosing critical strengths and weaknesses. *International Journal of Production Research*, 47(20), 5677-5689.

"Competitive." Merriam-Webster.com. Merriam-Webster, n.d. Web. Accessed 8 Dec 2016. Retrieved from <https://www.merriam-webster.com/dictionary/competitive>

Consumer trends. Acotex 2016. Accessed on 8 Dec 2016. Retrieved from <http://www.acotex.org/wp-content/uploads/Cómo-será-el-consumo-de-los-españoles-en-20141.pdf>

Euromonitor Apparel and Footwear in Spain Industry Overview ,2015. Accessed on 19 October 2015. Retrieved from <http://www.portal.euromonitor.com/portal/analysis/tab>

Euromonitor Childrenswear in Spain Category Briefing,2015. Accessed on 19 October 2015. Retrieved from <http://www.portal.euromonitor.com/portal/analysis/related> Accessed October 19

European Commission. Accessed October 19,2015. Retrieved from http://ec.europa.eu/growth/sectors/fashion/textiles-clothing/eu/index_en.htm

European Commission. Accessed October 19,2015. Retrieved from https://ec.europa.eu/growth/industry/competitiveness_en

Fashion from Spain. Accessed October 19,2015. Retrieved from http://www.fashionfromspain.com/icex/cda/controller/pageGen/0,3346,1549487_5857832_5857268_0_0,00.html

Europa.eu. (n.d). European Commission - Textiles and clothing in the EU Accessed on 20 July 2015. Retrieved from: https://ec.europa.eu/growth/sectors/fashion/textiles-clothing/eu_en

European Commission, (n.d) Accessed on 20 July 2015. Retrieved from <http://ec.europa.eu/enterprise/archives/e-business-watch/about/methodology.htm>

European Commission, (2010). Accessed on 20 July 2015. Retrieved from http://ec.europa.eu/internal_market/retail/docs/working_document_en.pdf

European Commission (2017) Textiles and Clothing Manufacturing: Vision for 2025 and Actions Needed. Retrieved January 1st,2017 from <http://publications.jrc.ec.europa.eu/repository/bitstream/JRC106917/kjna28634enn.pdf>

European Sector Skills Council Textile Clothing Leather Footwear. Accessed on 2 December 2016. Retrieved from http://europeanskillscouncil.t-c-l.eu/pdoc/22-eng/2014_report_F.pdf

Financial Times (ft.com) Meaning of Imperfect Market. Accessed on 7 September 2015. Retrieved from <http://lexicon.ft.com/Term?term=imperfect-market>

Generalitat Valenciana, 2017. Accessed on 10 December 2017. Retrieved from http://www.ivace.es/Internacional_Informes-Publicaciones/Sectores/TEXTILCV2017WEB_2017.pdf

Gereffi, G. and Frederick, Stacey, 2010. The Global Apparel Value Chain, Trade and the Crisis: Challenges and Opportunities for Developing Countries (April 1, 2010). World Bank Policy Research Working Paper Series, Vol., pp. -, 2010. Available at SSRN: <http://ssrn.com/abstract=1596491>

Helms, M. M., & Nixon, J. 2010. Exploring SWOT analysis-where are we now? A review of academic research from the last decade. *Journal of Strategy and Management*, 3(3), 215-251.

Innovation. (n.d.). Accessed on 9 January 2016. Retrieved from <http://www.merriam-webster.com/dictionary/innovation>

Jeyarathmm, M..2008. Strategic Management. Mumbai, IND: Himalaya Publishing House, 2008.

Jolly, D. 2015. Accessed on 10 June 2016. Retrieved from New York Times http://www.nytimes.com/2015/05/14/business/international/eurozone-economy-growth-european-union.html?_r=0

Joint Research Center, 2005. Accessed on 20 July 2016. Retrieved from http://forlearn.jrc.ec.europa.eu/guide/4_methodology/meth_swot-analysis.htm

Kananen, J. 2015 Online research for preparing your thesis: a guide for conducting qualitative and quantitative research online Jyväskylä: JAMK University of Applied Sciences, 2015.

Kaplinsky, R., & Morris, M. 2001. A handbook for value chain research (Vol. 113). Ottawa: IDRC. Accessed October 1st., 2015. Retrieved from <http://www.prism.uct.ac.za/Papers/VchNov01.pdf>

Kuada, John. 2008. International Market Analysis: Theories and Methods. London, GBR: Adonis & Abbey Publishers Ltd.

Magretta, J. 2012. Understanding Michael Porter. The essential guide to competition and strategy. USA: *Harvard Business Review Press*.

McMillan, Ch. 2010, "Five competitive forces of effective leadership and innovation", *Journal of Business Strategy*, Vol. 31 Iss 1 pp.11 – 22.

Ministry of Industry, Energy and Tourism of Spanish Government (2016). Accessed on 10 December 2016. Retrieved from <http://www.minetad.gob.es/es-ES/IndicadoresyEstadisticas/Presentaciones%20sectoriales/Textil%20y%20confecci%C3%B3n.pdf>

Myers, M. D. 2013. Qualitative research in business and management. Sage.

OECD Meaning of Competitiveness. Accessed on 8 September 2015. Retrieved from <https://stats.oecd.org/glossary/detail.asp?ID=399>

Ormanidhi O, Stringa O. 2008. Porter's Model of Generic Competitive Strategies. *Business Economics* [serial online].; 43(3):55-64. Available from: Business Source Elite, Ipswich, MA. Accessed September 7, 2015.

Parkhurst Consulting CPA PC, 2013. Accessed on 15 July 2015 Retrieved from <http://www.parkhurst-consulting.com/swot-analysis/>

Plan Estratégico para el Sector Textil-confección de Extremadura 2009-2013 [Strategic plan for the textile-manufacturing of Extremadura 2009-2013]. 2009. Vicepresidencia Segunda y Consejería de Economía, Comercio e Innovación. Accessed on 7 September 2015. Retrieved from http://www.creex.es/3.X/files/Acuerdos%20pactos%20planes/PLAN%20ESTRATEGICO%20PARA%20EL%20SECTOR%20TEXTIL_CONFECCION%20DE%20EXTR.%202009_2013.pdf .

Porter, Michael E. "How competitive forces shape strategy." 1979: 21-38.

Porter, M.E (1985). Competitive Advantage. New York. The Free Press.

Porter, M.E (1980). Competitive strategy: techniques for analyzing industries and competitors. The Free Press.

Porter, M. (1990) The Competitive Advantage of Nations. The Free Press.

Porter, M. E. (1998) On Competition. Harvard Business School Publishing, 1998.

Porter M. 2001. Strategy and the Internet. Harvard Business Review [serial online]. March 2001;79(3):62-78. Available from: Business Source Elite, Ipswich, MA. Accessed September 8, 2015.

Porter, M. (2008) The Five Competitive Forces that Shape Strategy. Harvard Business Review, Jan 2008, pages 78-93

Rao, P. Subba.2010. Strategic Management. Mumbai, IND: Himalaya Publishing House, 2010.

Shishoo, R. L., & Textile Institute (Manchester, England). 2012. The global textile and clothing industry: Technological advances and future challenges. Oxford: Woodhead Pub.

Stonehouse, G., & Snowdon, B. 2007. Competitive advantage revisited: Michael Porter on strategy and competitiveness. Journal of Management Inquiry, 16(3), 256-273.

Surendar, V., Appannaiah, H.R., and Madhavi, P. 2010. Industrial Organisation and Management. Mumbai, IND: Himalaya Publishing House, 2010.

Ortega Colomer, F., Molina Morales FX, 2010. Discussing the concepts of industrial district and cluster. EASST Conference 2010 'Practicing Science and Technology, Performing the Social' Track 25. Rhetoric in Science, Technology and Innovation Policies University of Trento, Italy, 2-4 September 2010.

Wellington, J., & Szczerbinski, M. 2007. Research Methods for the Social Sciences. London, GBR: Continuum International Publishing. Retrieved from <http://www.ebrary.com>

Wilson, J. 2010. Essentials of Business Research. A guide to doing your research project. London. Sage Publications Ltd.

WTO, 2004. Accessed on 10 June 2016. Retrieved from http://www.tno.it/tecno_it/fashion4_2_05/documenti/WTO%20Discussion%20Paper%20Textile%20and%20Clothing%20after%202005.pdf

WTO, 2005. Accessed on 10 June 2016. Retrieved from https://www.wto.org/english/docs_e/legal_e/16-tex_e.htm

WTO, 2016. Accessed on 10 December 2016. Retrieved from https://www.wto.org/english/res_e/booksp_e/analytic_index_e/textiles_01_e.htm

