

# Innovation and Niche Marketing in Organic Textile: Opportunities for Pakistan\*

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**Abstract** This study foresees niche market opportunities available in the organic textile, and examines how niche marketing and innovation are helpful to exploit these opportunities in Pakistan. Being a developing country, Pakistan has a comparative advantage in producing and exporting organic textile products, due to relative cost and labor intensive advantage as compared with developed countries. We focused on different modes of innovation which can be used in organic textile. The economy of Pakistan mainly relies on agro based industries in which textile is the major player. Pakistan is one of the largest cotton producers in the world. Many areas of Pakistan are suitable for growing organic cotton; the main raw material for organic textile. By exploiting niche market opportunities with introducing a variety of organic textile products like infant wear, bed wear and sports wear in an innovative way, would bring a substantial amount of earnings for Pakistan.

**Key words** innovation, niche marketing, organic textile, product innovation

## 1 Introduction

In Present competitive global business environment, the survival of businesses depends on their capability of innovation. From marketing point of view, innovation is a tool to face the competition from competitors. The concept of innovation is a milestone in modern international marketing strategy because in today's competitive market environment many senior managers have become increasingly concerned with the need to be first, fast, and on time<sup>[1]</sup>. In this competitive environment, the firms can only compete either by reducing the cost or by innovation. By reducing the cost of production and keeping their products different from their competitors; firms can enjoy the benefits of competitive marketing environment<sup>[2]</sup>. The innovation has four alternative dimensions; strategy innovation, product innovation, process innovation and market innovation<sup>[3]</sup>. As industry in Pakistan is facing severe competition on cost from other textile players; we apply these four dimensions of innovation to Pakistan textile industry. Pakistan is agriculture based country and fourth largest producer of cotton. One of the options available to Pakistan is differentiation or innovation. As Lukas and Ferrell point out, both marketing and innovation are stimuli to economic growth and contribute to competitive advantage<sup>[4]</sup>. Organic fiber content percentage ,dyestuffs and other chemicals used, specially related to toxicity and biodegradability, wet and dry processing methods used even in finishing process , waste water treatment , and social issues like worker conditions are some of the requirements considered for labeling and certification of organic textile. Organic fiber is the major issue and important component of organic textile. Being an agricultural country Pakistan has comparative advantage in growing organic cotton more efficiently in some parts of balochistan and sindh where people are still using biological farming methods. Pakistani farmers can exploit niche market opportunities by growing organic cotton. To achieve this goal they need just awareness, marketing, guidance, hard work and biological farming methods. Organic textile is currently a niche market as compared to traditional textile. It is estimated that retail sales of organic cotton products may grow up to \$3.5billion 2008 and \$6.8billion by the end of 2010<sup>[5]</sup>. Niche marketing strategy being more targeted and customer focused, can be exploited to market the organic textile products. In niche marketing the whole of the organizational efforts are focused to satisfy the targeted customers at relatively higher profit. In niche market there is more profit due to fewer competitors. Niche marketing has been used synonymously with market segmentation, target marketing, micromarketing, regional marketing, focused marketing and concentrated marketing<sup>[6]</sup>.<sup>7]</sup> In this paper we tried to explain; how innovation and niche marketing embedded in organic textile can help Pakistan to explore the potential opportunities.

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## **2 Innovation**

The idea of Innovation in relation to organic textile has not been previously explored, and from consumers' perspective it is considered as a new product. Organic textile is a new product with a lot of potential opportunities, not properly exploited yet by the textile sector in Pakistan. Now we discuss the strategy innovation, product innovation, process innovation and market innovation one by one.

### **2.1 Strategy Innovation**

In addition to improving and challenging the existing industry methods to create new markets, strategy innovation also deals with the newly emerging customer needs with additional values. Strategy innovation approaches are of two types; radical strategy innovations and incremental innovations [8]. Most of the textile organizations are using the mass marketing strategy. But if a firm wants to gain the competitive edge in micro marketing strategy or niche marketing strategy, this would also be considered as strategy innovation. A niche market strategy emphasizes on a particular need or geographic, demographic or product segment [9]. The textile organization can use either incremental strategy approach i.e. first choose eco-textile then convert it into organic textile or radical strategy innovation approach which directly goes towards organic textile.

### **2.2 Product Innovation**

Product innovation is the most important source of revenue generation [10]. Sometimes product innovation becomes mandatory in textile organizations like eco-textiles. In European market there are strict laws and regulations about certain dyes and chemicals which are used in the dyeing, printing and finishing process of the textile value chain. Some of the chemicals used in this value chain are carcinogenic where as others may not be environmentally friendly. So the innovation brought about by certain laws, technical requirements or on customer demand is called mandatory or obligatory innovation. Organic textile products come under the category of voluntary product innovation. A firm decides to produce textile products, keeping in view the opportunities, higher margins of profit and growth potential available for selling these products in the market.

### **2.3 Process Innovation**

The development of new methods, processes or a series of actions in order to achieve results is called process innovation. It can be achieved by small improvements in the processes, improvements of sub-processes or by redesigning the processes. Among other aspects, process innovation includes issues relating to new skills and abilities, a greater concern for market orientation and the development of interdepartmental communication [3]. Suppose by using strategy innovation, a traditional textile organization decides to exploit the niche market opportunity, and chooses organic textile products to exploit this opportunity; it would be referred to as product innovation. For bringing the organic textile products in the textile value chain, process innovation brings about changes and improves many processes to meet the global organic textile standards. By improving or eliminating certain processes, process innovation helps to improve the quality of products as well. Process innovation hugs quality function deployment and business process reengineering [11].

### **2.4 Market Innovation**

Market innovation is apprehensive in improving the mix of target markets and then how these markets can be best served. First identify the potential markets, through adroit market segmentation which is chiefly based on the imaginative recognition of budding market opportunities [12]. The organizations can identify market potential through market research as well. The market innovations can be differentiated into pull market innovations and push market innovations [13]. Push market innovations are developed by proactive firms, whose products basically grounds their own demands [14]. Nike and Wal-Mart have been selling the organic textile products for last couple of years, and their products primarily create their own demands, especially in case of Nike. In pull market innovation approach, the firms identify the demand of a certain product and respond accordingly. Now some Pakistani textile organizations are exploiting the organic textile niche market opportunities available in the European and American markets. This is an example of pull market innovation approach. The identification of new market opportunities and then reaping these opportunities effectively and efficiently is a challenging task. The organizations and persons meeting this task are called market champions. Nike, Wal-Mart, and C & A for instance, are the market champions exclusively in organic textile products. They keep a close watch at new market opportunities and point out how the needs of chosen markets might best be served. They are capable of making and shaping the markets [15].

### **3 Niche Marketing**

Niche marketing is the splitting of conventional markets into smaller segments and then devising separate marketing programs for each of these smaller segments or niches<sup>[16]</sup>. For instance there is already well developed market in textile industry. If we divide this market in to smaller segments; like medical textile, nano textile, organic textile and industrial textile. All of these are examples of niche market or smaller segments of the textile market. There is a slight difference between market segmentation and niche marketing. Market segmentation is a top down approach in which large markets are broken down into smaller and more manageable markets. Where as in bottom up approach; niche marketing starts from the needs of a few customers and then it gradually builds up into a large market or customer base<sup>[17]</sup>. Niche marketing is one-step ahead of market segmentation because it creates a discrete group of customers<sup>[7]</sup>. In niche marketing the customer has separate needs, and then the whole company's efforts are focused on satisfying those needs at higher profit margins as compared to mass market. Niche marketers often progress to mass marketers and mass marketers go back to niche marketers. Most of the organizations start out as niche marketers and evolve in to mass marketers, when the saturation starts and product reaches its maturity, innovation occurs and mass markets may incline back to niche markets<sup>[6]</sup>. Most of the traditional textile items are at the stage of maturity and there is a tough competition in the mass market to sell out these products even at nominal profits. So there is an opportunity for Pakistani textile organizations to earn higher profit margins from niche market like organic textile. The attributes of a niche market include: the customers have a distinct set of needs, greater profit margins due to premium price, can gain certain economies through specialization and its size, profit and growth potential most likely doesn't attract competitors<sup>[18]</sup>. If we analyze the organic textile according to the above niche market characteristics, we see that organic consumers need environment friendly products; free of chemicals and hazardous materials. The organic textile products are sold at about the double price than the traditional ones. This market has annual growth rate of more than fifty percent for the last couple of years.

### **4 Organic Textile**

Organic textile is a kind of textile which is based on at least ninety five percent of organic cotton or other organic fibers and the processing of organic textile should meet any one of the several standards certified by a qualified certifying organization<sup>[19]</sup>. Organic textiles are also called environment friendly textiles or green textiles. The organic textile products range from infants wear to sportswear. Most astonishing, perhaps, is increasing resolve to organic fiber from big players including Wal-Mart, Nike, Marks & Spencer, and C & A, which are showing a yearning to be good corporate citizens by reducing the ecological impact of their relevant apparel supply chains. The textile sector is very complex and diverse. A lot of processes are involved during the textile value chain to form a finished product which finally reaches the consumers<sup>[20]</sup>. In the organic textile business every one wants to know each other, from raw material producers like farmers to end retailers like Nike and Wal-Mart. Strong commitments as well as regulations are required to fulfill the global organic textile standards at every step of textile value chain to deliver the certified organic textile products to end consumers. These unique requirements and regulations increase the cost in textile value chain process to produce and deliver the organic textile products. That's why most of the organic textile suppliers have developed a completely vertical integration from organic cotton to finished textile products. In this way these organizations ensure to comply with the regulations and commitments and keep the cost low to make the organic textile profitable and affordable to end consumers. Conventionally grown cotton is the second most pesticide-laden crop in the world, after coffee. It is estimated that it takes around one-third pound of chemicals to grow sufficient cotton to make just one T-shirt<sup>[21]</sup>. In place of chemicals the farmers mainly use organic fertilizers, crop rotation and integrated pest management to grow organic cotton. Commercial organic cotton production is now on the move in some twenty two countries across America, Asia, Mediterranean and Africa<sup>[22]</sup>.

### **5 Opportunities for Pakistan**

Pakistan is a developing country and organic farming has been chiefly beneficial in developing countries for a host of reasons. Organic farming encourages the use of labor, which is in surplus and cheap in Pakistan. The conversion from traditional farming to organic farming in developing countries is comparatively easier as compared with developed countries. Because the farmers in developing countries like Pakistan, are using less fertilizers, pesticides, herbicides and genetically modified seeds

due to their high prices and low availability, as compared to the farmers of developed countries like America and Australia. Turkey is a developing country where organic food farming is ascending, and the farmers are encouraged to grow organic cotton by utilizing the crop rotation techniques as well. Turkey also ranks first in the production of organic cotton<sup>[23]</sup>. Pakistan is world's fourth largest producer and the third largest consumer of cotton. Cotton based textile constitutes over 60 percent of the total exports. It accounts for 46 percent of the total manufacturing and provides employment to about 38 percent manufacturing labor force<sup>[24]</sup>. Merchandise exports in Pakistan rely on the textile products predominantly, and due to severe global competition in this mature sector, there is a very slow growth and little profit margins in the exports of traditional textile items. So another option for textile exporters in Pakistan is to exploit the niche market opportunities available in this mature sector. These niche markets are medical textile, industrial textile, technical textile and organic textile. Being an agricultural and developing country Pakistan has a comparative advantage in exploiting the organic textile niche market opportunities. In this way not only they can earn more profit but can contribute in economic growth and well being of their country as well. Because organic textile is chiefly based on organic cotton, and subsequent green value addition processes in the textile value chain is labor intensive which is cheap and abundant in Pakistan. The organic cotton is a niche market to be exploited by developing countries. As many developing countries don't rely too much on chemicals and fertilizers, to produce organic cotton, they require only little adjustments in their current production practices<sup>[25]</sup>. In this way they can easily qualify as certified organic cotton producers. A compulsory precondition for an organic textile product is that the cotton and other natural fiber must be organic certified along with subsequent certified value addition processes in the textile value chain. So the textile products can be labeled and marketed as organic.

## 6 Conclusions

We chose the textile sector for this study due to the strong competition around the world, and its importance in the economy of developing countries like Pakistan. How companies can earn profit and survive in this environment, depends on their specialization, product differentiation and exploiting the new market opportunities, like niche markets which have size, profit, and growth potential. The product differentiation can be carried out through innovation; like strategy innovation, product innovation, process innovation, and market innovation. Pakistan is primarily an agro based country, and its exports are chiefly loaded with textile products. Due to severe competition there is a little profit margin and slow growth. Organic textile is a new opportunity for developing countries because it is mainly based on the organic cotton and fiber. Pakistan has a comparative advantage in producing organic cotton due to cheap labor, as rest of value chain processes are also labor dependent. Organic textile is a niche market having size, higher profit margins and growth potential along with the improvement of ecosystem and social well being. The other niche market opportunities are nano textile, medical textile, and industrial textile which are capital intensive. Organic textile is a new idea and product that should be explored empirically for innovation and niche market point of view. Further research should be conducted to exploit key opportunities in niche markets.

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