Future of Textile Industry

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1. Future of Textile Industry and Individual Enterprises

Opinions on the future of the textile industry vary according to points of view. One opinion will be formed if only the future of production and sales of textile products is considered. A difficult opinion will be advanced if the future development of individual textile companies is the subject of discussion. Some people may say these companies need not necessarily stick with textiles permanently. Some textile companies may say they will try and prosper even by following a policy of "each for himself and devil take the hindmost."

However, the future of the textile industry as a whole is a problem of great importance. The purpose of this article is to get an accurate grasp of the textile industry of today and to examine the best way for the textile companies to follow for their future development.

2. Peculiarities of Textile Industry

2-1. Basic demand for textiles and new frontiers of demand

Roughly, there are three major uses for textiles: for clothing, upholstery use and industrial use. Table 1 shows their approximate ratios.

Naturally, demand for textiles for clothing materials, which accounts for the highest proportion, will grow steadily as the population increases. As for upholstery use, it will be quite reasonable to expect an increase exceeding the rate of the population increase as the living standard rises. A steady increase in demand in the industrial field may be anticipated with future industrial expansions, even if new materials conceivably replace some textiles.

Table 1

<table>
<thead>
<tr>
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<th>For clothing</th>
<th>Upholstery use</th>
<th>Industrial use</th>
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<tr>
<td>U.S.A.</td>
<td>40%</td>
<td>30%</td>
<td>30%</td>
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<tr>
<td>Japan</td>
<td>70%</td>
<td>15%</td>
<td>15%</td>
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Overall demand for textiles will, therefore, doubtless enhance steadily with time. However, the textile industry started in the earliest days of human history is one of the modern industries and has now reached a very high state of development, except in some undeveloped countries. It may be said, then, that there are few new frontiers for the textile industry.

No wonder, therefore, that its further development is slower than the spectacular progress of new industries—electronics, motorcar, petrochemical.

Also the technical development of the textile industry has been slow, except in the man-made fiber industry. Even assuming an equal rate of technical development, the textile industry will naturally lag behind these new industries in future growth because the new frontiers of demand for textiles are limited in number, as we have just said.

2-2. Competitive and peak-and-valley industry

It is easy to establish a textile manufacturing company. Production can be started with a moderate capital. Passable products can be manufactured without much technical knowledge if the operation of the machines is mastered. The products, even if they are not of high quality, sell well if moderately priced. Well-organized sales channels are readily available. The textile industry is, therefore, an over-crowded industry, always fraught with keen internal competition in quality and price and also with overproduction. All this makes it extremely difficult to enforce effectual control and adjustment within the industry.

There are a great many intermediary stages from fiber makers and spinners to retailers. Only a loose vertical relationship runs through those stages. This unique feature of the textile industry makes for big business fluctuations. Whether a company makes a profit depends largely on whether it can ride a tide of prosperity when it comes. This speculative nature makes the textile business a risky venture.

Just now, demand is increasing only slowly,
while there is an excess of equipment. Prosperity is, therefore, short-lived and a recession is protracted. Roughly speaking, the postwar textile industry has experienced cycles of a year of prosperity followed by two years of recession. The textile industry is particularly vulnerable to recession.

Business conditions in the textile industry are closely related to the general economic situation. If Japan's international balance of payments situation turns against her, or if the Government puts a squeeze on credit, textiles and shares in textile manufacturing companies are the first to be dumped for immediate cash. This forces down the textile market and slashes potential demand, thereby forcing down the market still further. Paradoxically, this is because there is a smooth distribution channel in the textile market. Once the market has gone down, it is long in recovering to a paying level.

2-3. Textile industry as export industry

The textile industry, although it includes the man-made fiber industry which uses chemical equipment and also a highly mechanized spinning industry, is essentially an industry built up on intensive labor. This means that technical standards being equal, a nation with skilled, low-cost labor at her command is more competitive.

The prewar Japanese cotton industry, with its relative superiority in technical standards, plus low-cost labor, overwhelmed the cotton industries of advanced nations. The postwar Japanese cotton industry has retained its position as a major export industry against great odds, such as the emergence of new cotton-industry nations, self-sufficiency in textiles in underdeveloped countries and severe import restrictions imposed by advanced nations. The cotton industry has made notably effective contributions to the postwar industrial and economic rehabilitation of Japan.

3. Actualities of Demand for Textiles

3-1. Industrial demand today and tomorrow

The consumption of industrial textiles for 1960 totalled about 180 metric tons and an item-by-item breakdown in order of volume is given in Table 2.

The consumption of textiles for these industrial purposes tends to increase yearly. The increase is particularly remarkable in textiles for vehicles ships interior decorations, furniture and machinery.

A further breakdown shows a heavy recent increase in demand for textiles for auto tires, electric wire coverings, bicycle tires and fixtures. Many of these items are consumed heavily. Demand for

<table>
<thead>
<tr>
<th>Item</th>
<th>Consumption (metric tons)</th>
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<tbody>
<tr>
<td>Ropes</td>
<td>52 (Estimated export volume 11.5)</td>
</tr>
<tr>
<td>Vehicle and ships</td>
<td>32</td>
</tr>
<tr>
<td>Machinery and structures</td>
<td>18.8</td>
</tr>
<tr>
<td>Expendables</td>
<td>17</td>
</tr>
<tr>
<td>Fishing industry</td>
<td>22 (... 6.7)</td>
</tr>
<tr>
<td>Interior decoration for vehicles and ships</td>
<td>7</td>
</tr>
<tr>
<td>Work clothes</td>
<td>7.6</td>
</tr>
<tr>
<td>Furnature</td>
<td>5</td>
</tr>
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textiles for industrial purposes will certainly continue to expand with time.

Admittedly, some textiles for industrial purposes have been or are being replaced by paper, plastics, glass and metals. Reports say that U.S. consumption for these five items of industrial use increased from the equivalent of 583,000,000 lbs of raw cotton 1947 to 1,329, 000,000 lbs in 1957. However, this tendency is localized. It is inconceivable that these substitutes will switch the bulk of demand for textiles for industrial purposes.

Cotton, jute and ramie as raw materials for bags, fishing nets, tirecords and ropes have been replaced to a large extent by man-made fibers and high-tenacity rayon. A 1960 survey puts the total consumption of industrial textiles at 184 metric tons, broken down to 27.7 metric tons of rayon, 30 metric tons of man-made fibers, 69 metric tons of jute and ramie and 40 metric tons of cotton. Industrial rayon has made the biggest advance into the tirecord industry, while man-made fibers have made heavy inroads into nearly every industry.

It seems safe to expect that man-made fibers will continue to find increasing demand from industry.

2-2. Textiles for clothing

Consumer demand may be divided into two purposes. The first purpose is a practical one—to keep the skin in comfort, protect it against cold, direct sunshine, beasts, poisonous insects, rain, and other dangers. The second purpose is personal ornamentation. These two purposes must be filled constantly and wisely. This need and the limited durability of textiles combine to create complex needs in clothing.

If protection of the body were the sole purpose, demand for textiles would not increase even if personal income does. However, clothing is not like food: man needs clothing for personal ornamentation also. As a man's earnings rise, so his desire for better
clothes increases rapidly. He also wants various clothes for each different purpose. Therefore demand for clothing materials will be endless. As a matter of fact, however, the two purpose usually offset each other. Generally speaking, a 10% increase in income results in a corresponding increase in the buying of clothing.

However, consumption increases by only 6%, in volume the other 4% of the increase in income being used for the purchase of high-class goods. Such has been the trend in textile consumption per capita for the last 10 years.

What will textile consumption be in future? As far as protection of the body is concerned, demand for clothing will certain to increase in proportion to the increase in population, including an increase in consumption per capita in under-developed countries.

As for personal ornamentation, clothing is not necessarily the only thing needed for this purpose. Durable consumer goods, housing, educational and recreational articles and foodstuffs are also needed. Although demand for high-quality clothing is not weak, the consumer limits his spending for clothing when he sees things new and attractive.

For several years, demand for textiles has been increasing only slowly. There is a variety of reasons for it, but one of them is undeniably the coming into greater and greater use of durable consumer goods, educational and recreational articles and housing ornaments. There is, then, a possibility of an increase again in demand for textiles if attractive novelties are made and advertised.

As a matter of fact, however, there is no possibility that demand for durable consumer goods and such like articles will increase at a greater speed than now. Nor is there definite hope that novelties in textiles will come up which will arouse a rousing demand.

In short, demand for clothing per capita will increase at the same rate as in the last several years or at a slightly higher rate. The rate of increase in textile consumption, however, is likely to decline gradually, and quality textiles will attract increasing interest.

3-3. Role of quality and price

If a consumer has several articles of the same kind to choose from, his choice is naturally determined by quality and price. Does this mean that a cut in price and an improvement in quality will increase demand for textiles? We cannot say for certain. If quality is improved without a price raise, the consumer gets greater satisfaction by buying only as much as before, so that he need not buy more.

With the price reduced, the consumer can buy more than before, but it does not necessarily follow that he will buy more clothes with the money he can thus spare. If he does not, his buying of textiles will decrease in quantity. Besides, if he spends the surplus money for clothes of higher quality, as we often see him do, his buying will not increase at all in quantity.

All this does not mean, however, that an overall general improvement of quality and reduction of price useless. Improved quality is the most important factor in creating freshness of appeal in textiles, and freshness of appeal will help greatly to increase consumption. After all, there is little hope of a big increase in textile consumption unless new products are introduced.

A minor reduction in price alone can hardly increase textile consumption, but when a series of price cuts add up to a good sum, it can change the clothing habits of the consumer. It may induce him to buy two suits of clothes even when one will suffice, or to buy a better quality. This will mean an increase in textile consumption in both quantity and value.

One reason for the increase in consumption in postwar Japan is that the mode of consumer buying has changed to the American mode of buying many fashionable articles, rather than to the European mode of buying a limited number of clothes which a consumer really likes. This change in the mode of consumer buying is due, among other things, to a general price reduction.

4. Postwar Clothing Habits

The clothing habits of the Japanese have changed phenomenally in the postwar years as the Occidental, particularly American, way of life, has percolated their lives in a great degree.

Native costumes and ceremonial customs have lost their ground in a marked degree as a desire to enjoy the so-called “cultural” or “simplified” life has become more and more widespread. The rapid postwar technical innovations and increase in earnings have quickened the tempo of life and this combined with the fashion-mindedness of the Japanese, has led to major changes in their clothing habits.

4-1. Two trends in change in clothing habits

The Japanese have sought two things in the postwar years: (1) enjoyment of leisure and (2) money for it. The quest of leisure has spawned a
big demand for clothes which save the work of laundry and tailoring and need little care. The habit of buying a limited quantity of high-class articles has given way to a new habit of buying a large quantity of medium-class ones. Mixed fabrics of synthetic fibers, moderately priced and easy of care, have made a hit. All this trend has helped further development of industries which produce ready-made garments, ready-made clothing materials and semi-finished clothing materials.

There have been two distinct trends in demand for clothing as a requisite to the enjoyment of life. One trend seeks high-grade clothing. The other trend goes after medium-priced but stylish articles. In the meantime, the traditional Japanese feminine love of silk kimono still remains strong. Also, demand is particularly great for high-class worsted fabrics. As far as these high-quality items are concerned, those made of natural fibers are still in great demand, and suits are usually custom made. Besides, sport wear, foundations, underwear, negliges and other ready-made garments have come in for a big demand.

4-2. Future clothing habits

The above-mentioned two trends in demand are not necessarily separated. Women's traditional kimono, though meant for the enjoyment of life, required unsewing for washing. Now "modern" kimono has come up which can be washed whole. This is further evidence that the work-saving element is beginning to be largely adopted even in luxury clothing. It is expected that kimono will eventually be changed into a dress of a much simpler form without changing its dressy outward look too much and will be manufactured in much the same way as ready-made dresses.

Adoption of the work-saving element for the consumer will become common to all kinds of clothing. Increased importance will be attached to variety of kinds, colors and designs.

5. Postwar Textile Industry

5-1. Development of synthetic fibers and their competition

Besides the changes in consumer demand mentioned, the rapid development of man-made fibers has radically changed the textile industry. As a result, there is increasing over-supply and the conventional fibers are tottering under the weight of severe competition from man-made fibers.

5-2. Changes in business conditions and new business policy

The traditional distribution setup has become outdated in the new age of competition and the sales policy needs a complete overhauling if sales are to be expanded and profits held securely. Now that fashions and the tests of consumers change very rapidly, successful selling demands an accurate guess of fashion trends and taking the initiative in meeting the new trends. It is also important to get hold of excellent processors and seamsters, because consumers have become more and more "choosy" about color, design and style.

All the major manufacturers have been at great pains to establish "production alignments"—recruiting good processors and seamsters—and build up sales channels with a view to vertical manufacturer-processor-seamster-selling agent relationships. The consumer has become more and more brand name-conscious and often insists on a brand familiar to him. This makes advertising through mass communication media unavoidably necessary.

A manufacturing company, to thrive, must excel competitions in the quality of its product. However, a slight difference in quality does not matter much because the average consumers is not always the best connoisseur of quality. More important are the design and finish offered, the name value of the company and its sales campaign. A small difference in the margin of profit for the retailer often whets or chills his sales drive and results in a very big difference in sales. However, price competition is severer in wholesale price than in retail price, so much so that elimination of wholesalers has become an urgent necessity, to say nothing of reducing production costs further.

5-3. Future of profit

The diversification of the consumer's tastes and rapid changes in fashion have necessarily compel production of a wide variety of items in small lots, thus forcing the costs up. Modernization of equipment to keep up with the development in techniques requires great capital outlays. Wages and advertising expenses rise steeply. Yet competition is too severe for price raises to be possible. Price raises will hit the export trade and may lead to import of textiles. The profit for the textile companies is thus forced down. In this situation, a slight increase in demand does not help toward the future growth of textile industry.

6. How to Meet the Situation

6-1. Co-existence and mutual prosperity
There are two ways for textile manufacturers to end this vicious cycle within the textile industry and survive prosperously. One is to avoid excessive competition through self-restraint on the part of the individual manufacturing companies. Two Government-sponsored measures to eliminate excessive competition have been in effect: The Provisional Countermeasures Law and a Government-suggested curtailment of spinning operations. Since August 1962, the latter has been replaced by a voluntary curtailment. The law is expected to be revised in line with the trade liberalization.

Apart from Government regulations, what is important is that the individual manufacturing companies follow the principles of business ethics. Fair competition helps to promote social progress and is beneficial to the consumer. Unnecessary competition and "each for himself and devil take the hindmost" hold up the development of the industry and create chaos.

Some self-sacrifices are imperative in turbulent times like this. It is sincerely to be hoped that the problem of excessive competition will be solved by mutual concession for the good of the textile industry as a whole even in the age of free economy which is expected to come.

The European Economic Community which will unite six nations economically is making progress without major chaos. It is said that this success has been achieved as much by smooth technical interchanges through tie-ups and collaboration as by the protection of the mutual interests of the parties concerned through sales agreements and through measures against competition from outsiders. Some of these efforts have been pushed a little too far, but the Japanese textile industry ought to learn a lesson from the success of the EEC and do its best to establish some appropriate rules governing competition among its members.

6-2. Business management

The second way for prosperous survival is to increase profit by modernization of business management. Time was when both the cotton and woolen industries were not crowded and had big new frontiers of demand. They kept improving their techniques and modernizing their business management under easy circumstances. In recent years, however, it appears that there has been hardly any room for increased demand, except for man-made fibers.

The only way still left for the further growth of the industry is integration. Integration beyond a certain extent, however, shows smaller and smaller returns in inverse ratio to integration efforts. This is particularly true of manufacturers of fibers exposed to direct competition from man-made fibers. After all, therefore, there will be no alternative but to change to compound fibers, keeping pace with the remarkable progress of synthetic fibers.

After their remarkable progress, man-made fibers still have room for improvement in their quality and lowering of their prices. It is not rare that a company has put itself back on the road to prosperity by adding just one profitable man-made fiber to its products. Of course, not all man-made fibers have promise of good business, but under present circumstances it is an important part of a company's business policy to device what kind of fiber to add to its products. In other words, the age of strategic modernization for textile manufacturing companies has passed and an age modernization has arrived.

It is not easy to decide what is the best fiber to add as a new product. A fiber, to be a good seller, must be of good quality, first of all, and must be monopolized in some degree by the manufacturer. Also needed are good merchandising ability and well-established, efficient sales channels. If a company adding a new fiber to its products has excellent techniques in its existing products or has a monopoly of an item which is its major product, then the company can make a reasonable success of the new product. It is important to make a long-range policy based on careful study of every angle and build up an aggressive business management strategy. It is sincerely to be hoped that each company, while holding its forte firmly, will avoid competition for competition's sake and follow the principle of live-and-let-live.

7. Some Suggestions on Future of Textile Industry

Although the textile industry has suffered from a continual slump for several years, it is by no means a declining industry or a spent force. The cycle of prosperity and recession is a natural concomitant of the development of capitalistic economy. The cycle, however, has worked peculiarly for the textile industry: about a year of prosperity followed by about two years of recession. Though the range of business fluctuations is rather wide, the rate of growth in business has never shown a decline. Department store sales indicate that textile sales have increased by as much as 15% on an average yearly.
Department store sales reflect only urban consumption. A national survey of family budgets shows a yearly increase of about 7% in textile sales. The survey shows that the increase of general consumption is 5.8%. Accordingly, the increase in demand for textiles exceeds the general consumption increase by more than 20%.

The press and the stock exchange are, therefore, wrong to brand the textile industry as a declining industry like the shipping and coal industries. Far from being a declining industry, the textile industry, with its competitive strength, is unquestionably the mainstay of Japan's export trade, particularly at this time when the outlook on Japan's international balance of payments is not too good in view of the present trend of the national economy.

In fact, there is no Japanese export industry, except the textile industry, which amounts to more than 150% in terms of the disparate coefficient (the quotient obtained by dividing the growth rate of exports by the growth rate of the industrial structure) quoted in the White Paper by the Ministry of International Trade and Industry. This fact demands careful thought on the part of builders of the Incomedoubling Plan as well as the red-hot advocates of heavy and chemical industries.

The textile industry, however, must not lull itself into indolence or self-complacency. The Textile and Sundry Goods Section of MITI's Industrial Structure Research Commission (a section headed by Mr. T. Taniguchi, president of Toyo Spinning Co., Ltd.) is now investigating production, distribution and other matters from various angles and the result of the investigation will be used as a basis for formulating some basis for measures to cope with the situation now facing the textile industry.

The commission is also making fact-finding surveys on several problems, including: Why is the textile industry subjected to such a violent cycle of prosperity and recession? How will competition among various fibers will develop in future? What is wrong with production and distribution in the textile industry?

The commission has already made some finding: The cut-throat competition among various fibers is rapidly ushering in an age of compound fibers. Yet the system of supply within the industry is not adequate to meet the needs of the new situation. Moreover, marketing efforts are not strenuous enough to excite demand among final consumers.

The difficulties now facing the textile industry seem to stem from deep-rooted causes. The textile industry has always been a competitive industry, and only drastic authoritarian measures can put it effectively under control. In peacetime free economy, what are most needed are a broad framework of a smooth adjustment of supply and demand and practice of fair competition.

It is earnestly to be hoped that all concerned will render their utmost cooperation in a smooth adjustment of supply and demand from a broad viewpoint for the healthy development of the textile industry. Whether such cooperation is achievable will decide whether the Provisional Countermeasures Law should be revised or may be abolished.

8. Conclusions

It is important to have a clear view of the future of the textile industry. The following is a summary of what has been said.

1. Demand for textiles in any country depends on how people spend money for clothing. In Japan the growth of textile production is more or less in proportion to the increase in incomes. This tendency will continue unchanged for some time to come.

2. Although natural fibers and man-made fibers show the 6:4 ratio of production at present, it will be reversed in several years to come. Synthetic fibers, in particular, will account for one-third of the total output. Moreover, the age of compound fibers will come quickly.

3. As for the uses of textiles, demand for clothing will, of course, continue to be toward higher quality, while textiles for upholstery and industrial use are expected to increase more than three times as much as now within ten years.

4. Levelling-up will continue steadily. For example, if the demand for textiles increases 10% in value, 6% of it will be accounted for by quantity and 4% added quality. It is expected that the so-called levelling up coefficient will maintain a rate of 0.4, as in Europe.*

* Item 4 involves an important point. Industrial statistic for the past five years show that the additional value of textiles in each stage (except the dyeing stage) has marked an average yearly increase of 9%. In the dyeing stage it has registered an increase of as much as 15% yearly. From this it may be concluded that future technical modernization and renovations will be undertaken with the greatest emphasis on the dyeing.

If technical innovations and modernization efforts are made more strenuously, if technical research and development are pushed and effective measures are taken to insure a fair profit by supplying the consumers with really attractive goods with excessive competitions eliminated, then a bright future will certainly open for the entire textile industry, although share of individual fibers may change a good deal.