A Study on the Industrial marketing in Polyester Yarn Industry - From the perspective of Reliance Industries

Prepared By:

Arjun Sharma
Ravi Krishnan
Mainak Misra
Manmeet Singh
Neerja Goswami
Rahul dutta roy
Sharad Soni
Yuvraj Mittal

(B2B – Section A)

Submitted to:

Prof. C.V.A Prasad Rao
ACKNOWLEDGEMENT

We wish to express our sincere gratitude to Prof. C.V.A Prasad Rao, for providing us an opportunity to do my project work on “A Study on Industrial marketing in the Polyester yarn Industry – From the perspective of Reliance Industries Ltd” We sincerely thank our Professor for guidance and encouragement in carrying out this project work, for his kind co-operation to the completion of our project work.

Place: Hyderabad

Date: 21 August’10
INDEX

• ACKNOWLEDGEMENT..............................................................................................................1
• INTRODUCTION........................................................................................................................2
  o RELIANCE INDUSTRIES LIMITED......................................................................................2
  o RELIANCE POLYESTER STAPLE FIBRE............................................................................2
  o KEY MILESTONES............................................................................................................2
• MARKETING MIX OF RIL........................................................................................................3
• PRODUCT.......................................................................................................................................3
  o USES........................................................................................................................................4
  o POLYESTER MANUFACTURING..........................................................................................5
  o DIFFERENT TYPES................................................................................................................5
• PRICE..........................................................................................................................................6
  o PSF PRICES..............................................................................................................................7
  o POY PRICES.............................................................................................................................7
  o FDY PRICES.............................................................................................................................7
  o PTY PRICES.............................................................................................................................8
• PLACE.........................................................................................................................................8
  o FRAMEWORK........................................................................................................................9
• PROMOTION.................................................................................................................................9
  o INTEX TRADE FAIR...............................................................................................................10
  o TECOYA FIBRE AND YARN EXPO.....................................................................................10
  o VISION FOR POLYESTER....................................................................................................10
  o FITMA......................................................................................................................................10
  o CONTINUOUS EFFORTS.........................................................................................................11
• COMPETITORS PROFILE...........................................................................................................11
  o TREVIRA................................................................................................................................11
  o INDORAMA GROUP...............................................................................................................12
  o BOMBAY DYEING..................................................................................................................13
• CUSTOMER PROFILE – BUYING BEHAVIOUR.......................................................................13
  o INDIAN TEXTILE INDUSTRY...............................................................................................14
  o STRENGTHS AND WEAKNESSES.......................................................................................14
  o BENEFITS OF TEXTILE INDUSTRY AS A CUSTOMER.......................................................14
• COMPETITIVE ADVANTAGE OF RIL....................................................................................16
  o MICHAEL PORTER MODEL..................................................................................................16
  o RELIANCE INDUSTRIES TAKE ON PORTER................................................................18
• REFERENCES...............................................................................................................................20
INTRODUCTION

This project is about the Industrial marketing of the Polyester yarn Manufacturers and for the purpose of doing an inclusive analysis. We have chosen Reliance Industries as our focus point in the Polyester Yarn manufacturing firm. This project report will deal with a brief analysis of the business of Reliance Industries in the competitive Business environment and for that purpose we will study the marketing mix of Reliance Industries accompanied by its competitive advantage, Customer profile and Buying Behaviour of its customers. Let’s start with a brief introduction of the Reliance Industries Ltd.

Reliance Industries Limited

RIL is India's largest private sector conglomerate (by market value), with an annual turnover of US$ 35.9 billion and profit of US$ 4.85 billion for the fiscal year ending in March 2008 making it one of India's private sector Fortune Global 500 companies, being ranked at 206th position (2008). It was founded by the Indian industrialist Dhirubhai Ambani in 1966. Ambani has been a pioneer in introducing financial instruments like fully convertible debentures to the Indian stock markets. Though the company's oil-related operations form the core of its business, it has diversified its operations in recent years. After severe differences between the founder's two sons, Mukesh Ambani and Anil Ambani, the group was divided between them in 2006. In September 2008, Reliance Industries was the only Indian firm featured in the Forbes's list of "world's 100 most respected companies".

Reliance Polyester Staple Fibre

Reliance Industries Limited brings us the Recron Staple Fibre, the most wanted substitute for cotton. Reliance is one of the largest producer of PSF in the world with 540,000 tonnes per annum capacity and further expanding the capacity to 720,000 MTA before end of FY 05-06. Today, PSF is the most economical fibre for the Indian spinning industry, as compared to cotton, viscose and acrylic fibres. Reliance’s market development initiatives have opened up an entirely new demand segment for PSF - cotton substitution on open end and ring frame machines. Reliance started producing PSF in 1986 at Patelganga in Maharashtra, and since then there has been no looking back. Besides having two manufacturing sites at Patelganga and Hazira, RIL also make avail of the capacities of Apollo Fibres Ltd. (Hoshiarpur), India Polyfibres (Barabanki) and Orissa Synthetics (Dhenkanal).

Key Milestones

- Largest producer of black fibre in the world.
- Largest producer of trilobal fibre in the world.
- Largest producer of micro fibres for fine count spinning.
- Largest producer of SHT Fibre for sewing thread application.
- Fibre for Spun less Non Woven applications
Marketing Mix of Reliance Industries Pvt. Ltd.

In this session, We will be dealing with the Marketing mix of the Reliance Industries and for this purpose we will be focusing on each aspect of the marketing mix, as this is a product marketing, it will deal with the 4 p’s Product, Price, Place and Promotion.

Product Offering – Polyester Yarn

Polyester is a category of polymers which contain the ester functional group in their main chain. Although there are many types of polyester, the term "polyester" as a specific material most commonly refers to polyethylene terephthalate (PET). Polysters include naturally-occurring chemicals, such as in the cutin of plant cuticles, as well as synthetics through step-growth polymerization such as polycarbonate and polybutyrate. Natural polyesters and a few synthetic ones are biodegradable, but most synthetic polyesters are not. Depending on the chemical structure polyester can be a thermoplastic or thermoset, however the most common polyesters are thermoplastics. **Fabrics woven from polyester thread or yarn are used extensively in:-**

- Apparel
- Home furnishings
- From shirts and pants to jackets and hats
- Bed sheets
- Blankets
- Upholstered furniture

**Industrial polyester fibers, yarns and ropes are used in:-**

- Tyre reinforcements
- Fabrics for conveyor belts, safety belts
- Coated fabrics and Plastic reinforcements with high-energy absorption.

Polyester fiber is used as cushioning and insulating material in pillows, comforters and upholstery padding. While synthetic clothing in general is perceived by some as having a less-natural feel compared to fabrics woven from natural fibres such as cotton and wool, polyester fabrics can provide specific advantages over natural fabrics, such as improved wrinkle resistance. As a result, polyester fibres are sometimes spun together with natural fibres to produce a cloth with blended properties. Synthetic fibres also can create materials with superior water, wind and environmental resistance compared to plant-derived fibres.

**Polyesters are also used to make :-**

- Plastic bottles
- Tarpaulin
- Canoes
- Liquid crystal displays,
- Holograms
- Filters

Dielectric film for capacitors

Liquid crystalline polyesters are among the first industrially-used liquid crystalline polymers. They are used for their mechanical properties and heat-resistance. These traits are also important in their application as an abradable seal in jet engines. Polyesters are widely used as a finish on high-quality wood products such as guitars, pianos and vehicle / yacht interiors. Burns Guitars, Rolls Royce and Sunseeker are a few companies that use polyesters to finish their products. Thixotropic properties of spray-applicable polyesters make them ideal for use on open-grain timbers, as they can quickly fill wood grain, with a high-build film thickness per coat. Cured polyesters can be sanded and polished to a high-gloss, durable finish. So, This was basically the brief of what polyester is? Now let us move to next part in which I would like to throw some light over the polyester industry.

**Polyester manufacturing**

The process of manufacturing polyester is fascinating. It is an artificial man-made fiber. Polyesters are generally manufactured from petroleum from which the constituent acids and alcohols are derived. There are three steps in the synthesizing of polyester.

1. **Condensation Polymerization**: When acid and alcohol are reacted in a vacuum at high temperatures it results in condensation polymerization. Once the polymerization has occurred the material is extruded onto a casting trough in the form of a ribbon. Once cool, the ribbon hardens and is cut into chips.

2. **Melt-spun Fiber**: The chips are dried completely. Hopper reservoirs are then used to melt the chips. A unique feature of polyester is that it is melt-spun fiber. The chips are heated, extruded through spinnerets and cools upon hitting the air. It is then loosely wound around cylinders.

3. **Drawing**: The fibers consequently formed are hot stretched to about five times their original length. This helps to reduce the fiber width. This fiber is now ready and would into cones as filaments. It can also be crimped and cut into staple lengths as per requirements.

**Different types Of polyester**

There are several processes that can be carried out on the base polyester fiber. These processes add dimension to the polyester fiber as required for various end uses.

Polyester is a bright fiber by nature. However, it can be made dull or semi-dull by adding a delusterant. By changing the shape of the spinneret also, the hand and the strength of the fiber can be changed. Most spinnerets are circular. However, square, oval and bean-shaped fibers
are also produced sometimes. Hollow fibers can also be created. Polyester fiber is generally drawn to about five times its original length. However, drawing it out further makes it thinner. This is how the latest microfibers are being manufactured. Dyeing can give desired colors of polyester fiber. Normal polyester fiber is long and smooth. Crimping it can give the fiber more bulk and texture and increase its insulation capabilities.

**Using Polyester:** Once the polyester fiber is ready it is used to make filament and spun yarns. The yarns can be blended with other fibers to make various blended fabrics. Polyester and cotton are a popular combination. Wool and rayon are also blended with polyester to make fabrics.

**Raw Material:** The raw materials PTA, DMT and MEG are mainly produced by large chemical companies which are sometimes integrated down to the crude oil refinery where p-xylene is the base material to produce PTA and liquefied petroleum gas (LPG) is the base material to produce MEG. Large PTA producers are for instance BP, Reliance, Sinopec, SK-Chemicals, Mitsui and Eastman Chemicals. MEG production is in the hand of about 10 global players which are headed by ME Global a JV of DOW and PIC Kuwait followed by Sabic. Among the world's largest polyester producers are the following companies: Artenius, Advansa, DAK, DuPont, Eastman, Hyosung, Huis, Indorama, Invista, Jiangsu Hengli Chemical Fiber, Jiangsu Sanfangxian Industry, M&G Group, Mitsui, Mitsubishi, NanYa Plastics, Reichhold, Reliance, Rongsheng, Sabic, Teijin, Toray, Trevira, Tuntex, Wellman, Yizheng Sinopec, Zhejiang Hengi Polymerization.

**Price**

Price is always a very crucial for any business organisations marketing mix. When we talk of Pricing in an environment and setup of Industrial marketing, We dont just deal with MRP, but the pricing is done on the basis of negotiation and the same is the case with Reliance Industries Ltd. The pricing of various Polyester yarns is done in a range fashion but while going for transactions with the Customers, negotiations are done. So, basically Reliance industries sets the prices after a due negotiation with its customers and provides the products at premium prices. We have done an extensive research in the price ranges of different Reliance Polyester yarns and the following are the citations of various price ranges offered by RIL.

**PRICE RANGE OF POLYESTERS IN RELIANCE INDUSTRIES LIMITED (RIL)**

<table>
<thead>
<tr>
<th>NAME</th>
<th>PRICE RANGE(Rs. PER KG)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polyethylene</td>
<td>(45-55)</td>
</tr>
<tr>
<td>Polypropylene</td>
<td>(50-60)</td>
</tr>
<tr>
<td>Polyvinyl chloride</td>
<td>(55-75)</td>
</tr>
<tr>
<td>Polyester staple fiber</td>
<td>(60-95)</td>
</tr>
<tr>
<td>Partially oriented yarn</td>
<td>(70-120)</td>
</tr>
<tr>
<td>PSF PRICES</td>
<td>PRICE RANGE (Rs. PER KILO)</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Semi-dull 0.8</td>
<td>(72-78)</td>
</tr>
<tr>
<td>Semi-dull 1.0</td>
<td>(69-75)</td>
</tr>
<tr>
<td>Semi-dull 1.2</td>
<td>(69-75)</td>
</tr>
<tr>
<td>Semi-dull 1.4</td>
<td>(68-74)</td>
</tr>
<tr>
<td>Semi-dull 2.0</td>
<td>(68.50-74.50)</td>
</tr>
<tr>
<td>Bright 1.2</td>
<td>(70-77)</td>
</tr>
<tr>
<td>Tow normal</td>
<td>(83-87)</td>
</tr>
<tr>
<td>Tow TBL</td>
<td>(90-92)</td>
</tr>
<tr>
<td>Tow black</td>
<td>(88-91)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PARTIALLY ORIENTED YARN PRICES OF RIL</th>
<th>PRICE RANGE (Rs. Per kilo)</th>
</tr>
</thead>
<tbody>
<tr>
<td>130/34</td>
<td>(80-91)</td>
</tr>
<tr>
<td>250/34</td>
<td>(76-86)</td>
</tr>
<tr>
<td>Micro 115/108</td>
<td>(85-96)</td>
</tr>
<tr>
<td>250/108</td>
<td>(77-88)</td>
</tr>
<tr>
<td>500/72</td>
<td>(76-86)</td>
</tr>
<tr>
<td>100/34</td>
<td>(83-94)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FULLY DRAWN YARN PRICES</th>
<th>PRICE RANGE (Rs. Per kilo)</th>
</tr>
</thead>
<tbody>
<tr>
<td>50/24</td>
<td>(108-121)</td>
</tr>
<tr>
<td>50/34</td>
<td>(108-111)</td>
</tr>
<tr>
<td>50/48</td>
<td>(104-113)</td>
</tr>
<tr>
<td>70/36</td>
<td>(101-102)</td>
</tr>
<tr>
<td>150/36</td>
<td>(92-95)</td>
</tr>
<tr>
<td>30/14</td>
<td>(130-146)</td>
</tr>
<tr>
<td>75/34</td>
<td>(100-102)</td>
</tr>
<tr>
<td>90/34</td>
<td>(96-99)</td>
</tr>
<tr>
<td>100/48</td>
<td>(95-97)</td>
</tr>
<tr>
<td>100/100</td>
<td>(99-101)</td>
</tr>
<tr>
<td>150/34</td>
<td>(105-111)</td>
</tr>
<tr>
<td>70/72</td>
<td>(102-108)</td>
</tr>
</tbody>
</table>
POLYESTER TEXTURED YARN PRICES

<table>
<thead>
<tr>
<th>NAME</th>
<th>PRICE RANGE (Rs. Per kilo)</th>
</tr>
</thead>
<tbody>
<tr>
<td>80/34</td>
<td>(88-99)</td>
</tr>
<tr>
<td>80/108</td>
<td>(93-105)</td>
</tr>
<tr>
<td>150/34</td>
<td>(82-95)</td>
</tr>
<tr>
<td>330/74</td>
<td>(82-98)</td>
</tr>
<tr>
<td>Micro 155</td>
<td>(83-95)</td>
</tr>
<tr>
<td>90/34</td>
<td>(89-106)</td>
</tr>
<tr>
<td>100/34</td>
<td>(90-108)</td>
</tr>
</tbody>
</table>

So, The above given are the price ranges that reliance industries have set for each of its product and the company has set ranges and not the specific Prices because of the fact that Industrial marketing is somewhat different from the Consumer marketing and for this reason, the Companies charge different prices for its different sets of customers and the prices also depends on the Volume of the order. If the order is big enough then the company can charge a bit low prices and If order is of less volume then It may not be possible for the company to transact at low prices. So, there are various reasons for this and therefore We can see here that, Price range of products is set and not specific price.

PLACE

RIL is the world’s largest manufacture of polyester. The primary activity of RIL is to produce and distribute polyester. The distribution framework used by Reliance Industries Limited for distributing polyester yarn and also textiles which are made from polyester is given in Figure
The main constituents of the framework are:

1. **Mills** - The place where the final textile is made that is the manufacturing plant.

2. **Agents** - The people who act as intermediary between retailers/wholesalers and the manufacturing plant.

3. **Flagship stores** - They are main stores from the company designed to serve a mainstream of customers.

4. **Retailers and wholesalers** - The people who buy the product to sell it to the end customer.

5. **Final Consumers** - The final consumer can be an individual customer or an industrial consumer who buys the product.

The main distribution strategies adopted by Reliance industries limited for its polyester yarn are both forward integration and backward integration. In forward integration the company sells the final product itself by acquiring the distributors and in backward integration the company manufactures the raw material required for the final product itself. In the case of RIL it can be seen that polyester yarn is manufactured by the company itself so the threat from suppliers is essentially not there. Then the final product that is readymade garments is also manufactured by the company itself and is sold mostly through exclusive reliance stores thus again reducing the problem of distributors and intermediaries in between. This has resulted in cost benefits for the company. With the textile and apparel sector in the country growing at CAGR of 20 per cent year-on-year, RIL has revived the brand ‘Vimal’ and forayed into apparels from entry level to premium in three sub-brands -- Vimal Red, Vimal White and Vimal Black. RIL opened 13 exclusive stores across 11 cities and the number is expected to increase to 25 in 23 cities by December this year. The company would open five shop-in-shop in five departmental stores in the state for its menswear brands. The company also has presence in Reliance Hypermarts/Super and Reliance Trends outlets. Despite expanding its presence in malls, the company would continue to distribute its fabrics through the normal trade distribution channel. It earns about 80 per cent of revenue of the textile division through normal trade channel. The company also sources fabric from the open market as in the years to come, sourcing would increase the capacity to meet the growing demand.

**Promotion**

It is not enough for a business to have good products sold at attractive prices. To generate sales and profits, the benefits of products have to be communicated to customers. In marketing, this is commonly known as "promotion". Reliance Industries have taken various steps in order to promote its Products, and the following are the citations of few of them:
Reliance at INTEX trade fair and Tecoya Fibre & Yarn Expo – 2007

Innovative fabrics and high-end apparel made from Reliance fibres and yarns were prominently displayed at the fourth mega-edition of the three-day International Apparel Fabrics & Accessories trade fair in Mumbai in late March 2007. The Reliance Stall was the largest at the INTEX venue with a fine display of niche fabrics and apparel made from Recron® range of specialty fibres and yarns that included Recron® Microfibre, Recron® Super black, Recron® Micrelle, Recron® Stretch, Recron® Kooltex, Recron® Cotluk, Recron® Dyefast etc., all of which were manufactured by Reliance customers. The stall attracted many visitors who were impressed with the high quality of the textiles made from Recron® brand. Later, in April, Reliance put up a brilliant display of all its fibres and yarns and the complete range of end products at:

Tecoya Fibre and Yarn Expo 2007, held at the World Trade Centre (WTC) in Mumbai. Recron® FR yarn, a flame retardant yarn and the latest from Reliance stable was one of the product highlights this year At WTC too, Reliance had the largest presence and the display was also impressive. The pre-colored fibres and yarns, flame retardant yarn and other specialty fibres/yarns and fiberfills generated lot of interest and Reliance received several queries.

Vision for Polyester/ Viscose for the next 10 years

The fibre consumption worldwide and in India will be driven by man-made fibre in the future, and polyester being the most versatile amongst the lot will show the fastest growth said Mr. Pawan Jain, Sr. Vice President, Polyester Sector, RIL while delivering the key-note address at a seminar on “Vision for Polyester/ Viscose for the next 10 years”, organized by the Mewar Chamber of Commerce & Industry organized at Bhilwara on April 14. The key drivers in the polyester growth will be high raw material self-sufficiency, quality consciousness, vibrant domestic industry, competency to meet global demand and growing cost effectiveness. From the existing 460 billion, Jain said, the global trade in textile and clothing is all set to touch 700-800 billion by 2010, and urged manufacturers to tap the value added segment to fulfill the textile vision of India. With engineering innovations, polyester can meet the demand of all MMF and Reliance has developed a variety of specialty products that meet a wide range of new applications in various segments of the textile industry i.e. functional textiles, home textiles, geotextiles, automotive segment, sports wear etc., which manufacturers should take advantage to make a global mark.

Federation of Indian Textile Manufacturers Association

Being a maiden venture, Reliance this year exhibited only select specialty products like Recron® Dyefast, Recron® Micrelle, Recron® Kooltex, Recron® Stretch and Trevira
Bioactive at the event and their end applications. Specially developed fabric swatches and garments from six select Reliance customers were also displayed at the RIL stall and feedback was sought from leading brands and buying houses. The information is being shared with the manufacturers. This was just one more initiative from Reliance to support the downstream industry to take advantage of the plethora of opportunities that Indian fashion market offers today - opportunities to grow, opportunities to diversify and opportunities to grab market shares.

CONTINOUS EFFORTS:

- It's provides logistics assistance to the buyer and it includes:
  1. Services
  2. Technology initiatives
  3. Risk coverage
  4. Transportation deliverables

- Reliance also provides assistance in buying process
  1. Provides a portal for buyers on its website
  2. Provides a total guide for buyers with product specifications

- It also provides technical assistance to the fibre buyers for development of textile with emphasis on the type of fibre that would suit their product specifications.

COMPETITORS PROFILE

Looking at the competitive environment of the Reliance Industries limited, we may come across various manufacturing facilities and firms engaged in producing the Polyester yarns, But If we assess the Scale of operations of Reliance Industries Ltd. We may say that It faces a negligent competition from the small scale manufacturers, but the major players who can be seriously considered as the Reliance’s competitors are the Big three companies namely Trevira, Indorama group and Bombay Dyeing, Whose detailed analysis is given below:

Trevira

From the fibre and flat filament yarn through to dyed textured yarns, Trevira is the only supplier in the world that offers the complete range of textile polyester products from the one source. Fields of application are home and household textiles, apparel, automotive interiors, hygiene textiles and technical applications. Trevira maintains its success by using its know-how and strong brand image in a conducive and safe environment to balance the interest of its
stake holders. In-built functionality and made-to-measure products constitute the basis of its success. Trevira is the first call for specialties such as fibres and yarns for flame retardant or permanently antimicrobial textiles. Trevira offers a comprehensive range of special fibre types for ring yarn, woolen yarn, worsted and cotton spinning, as well as for nonwovens. Fields of application extend from home and contract textiles, apparel and hygiene to technical applications.

<table>
<thead>
<tr>
<th>FIBRES</th>
<th>FILAMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-pill fibres</td>
<td>Flat yarns</td>
</tr>
<tr>
<td>Flame retardant fibres</td>
<td>Textured yarns</td>
</tr>
<tr>
<td>Antimicrobial fibres</td>
<td>Spun-dyed filament yarns</td>
</tr>
<tr>
<td>Bicomponent fibres</td>
<td>Yarn-dyed filament yarns</td>
</tr>
<tr>
<td>Fill fibres</td>
<td>Elastic filament yarns</td>
</tr>
</tbody>
</table>

Trevira operates five production sites in two countries i.e. Germany and Poland and has a global marketing & sales organization.

**The Indorama Group**

Founded by Mr. M.L. Lohia in 1976 in Indonesia with a small spun yarn manufacturing plant, the Indorama Group today is a leading Asian conglomerate with market leadership position in its products. Indorama is a global manufacturer of diversified industrial products such as Polyester, PET Resins, PTA, Polyethylene, Polypropylene, Spun Yarns, Fabrics, and Medical Gloves. Indorama has manufacturing facilities in ten countries over four continents. Mr. Sri Prakash Lohia is the Group Chairman and Mr. Amit Lohia is the Group Managing Director. Along with Indorama Ventures, which is co-owned by Mr. Aloke Lohia, Indorama is the world’s largest manufacturer of polyester and 12th largest global producer of PTA. Indorama is also the 2nd largest producer of polyolefin's (PE and PP) in Africa. With yarn spinning operations in 5 countries, Indorama is probably the most global spun yarn producer in the world. Indorama’s products are shipped to over 90 countries across the four continents and over 20,000 employees are proud members of the Indorama family of companies.

**Products**

- Polyester Filament Yarns and Fibres
- PET Resin
- Purified Terephthalic Acid (PTA)
- Spun Yarns
- Fabrics
The product range addresses almost all requirements for fashion fabrics, eveningwear, bottom-weights and summer wear. Indorama has come a long way from its modest beginning in 1976 as a small spinning plant in Indonesia. The last 30 years have been filled with aggressive expansions and diversifications into new areas.

**Bombay Dyeing**

With 116 years at the forefront of industry in India, the Wadia Group is today broadly diversified in several growth industries that cover airlines, textiles, chemicals, petrochemicals, plantations, foods, electronics, light engineering, health, laminates, real estate and consultancy. Consistently, the Group companies have emerged as market leaders in fields they have entered. And over the years the Group has developed an enviable record of successfully managing diverse technologies.

**Manufacturing facilities:** Bombay Dyeing has two main streams of business. Textile is a dominant activity for which the company has advanced facilities. Each of Bombay Dyeing's five manufacturing facilities is of International standards. Weaving facilities include technology from world leaders such as Sulzer. Bombay Dyeing has 519 Sulzer Projectile Machines in widths of 130", 142", 153" and 169". In addition the company has 123 Sulzer Airjet Machines in widths of 110" (with tucked in selvedge) and 75" (with fringe selvedge). The Ruti Automatic Looms ranging in widths of 40" to 110" totaling 1,260 are gradually being phased out and substituted by the latest in weaving technology. The Spinning and Winding facilities are equipped with Schlafhorst Autocore Rotors, Auto Corner Winding Spindles and Schweiter CA - 11 Spindles with an installed capacity of 135,336 Ring Spindles. Today the daily production at Bombay Dyeing exceeds 300,000 meters of fabrics. Facilities are available to produce bleached fabric upto 120", dyed and printed fabric upto 98" and grey fabric upto 124".

So, the above given are the Main three competitor working on a very large scale, But Reliance is successfully maintaining the heights of its operation to lead the Industry, This is because of various reasons which will be made very clear through the following sessions of the report.

**Customer profile – Buying Behaviour**

Reliance Industries as mentioned earlier is engaged in production of Polyester yarn which is used as a raw material for the weaving and manufacturing of textiles so, the major customers of Reliance Industries are the various players of the Textile Industry, Here we will take a brief look over the Indian Textile Industry:-
**Indian textile industry**

Indian textile industry is one of the leading in the world. Currently it is estimated to be around US$ 52 billion and is also projected to be around US$ 115 billion by the year 2012. The current domestic market of textile in India is expected to be increased to US$ 60 billion by 2012 from the current US$ 34.6 billion. The textile export of the country was around US$ 19.14 billion in 2006-07, which saw a stiff rise to reach US$ 22.13 in 2007-08. The share of exports is also expected to increase from 4% to 7% within 2012.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Vast textile production capacity</td>
<td>• Increased global competition in the post 2005 trade regime under WTO</td>
</tr>
<tr>
<td>• Large pool of skilled and cheap work force</td>
<td>• Imports of cheap textiles from other Asian neighbors</td>
</tr>
<tr>
<td>• Entrepreneurial skills</td>
<td>• Use of outdated manufacturing technology</td>
</tr>
<tr>
<td>• Efficient multi-fiber raw material manufacturing capacity</td>
<td>• Poor supply chain management</td>
</tr>
<tr>
<td>• Large domestic market</td>
<td>• Huge unorganized and decentralized sector</td>
</tr>
<tr>
<td>• Enormous export potential</td>
<td>• High production cost with respect to other Asian competitors</td>
</tr>
<tr>
<td>• Very low import content</td>
<td>• Weaknesses</td>
</tr>
</tbody>
</table>

**Benefits of Textile Industry as a customer**

- India covers 61 percent of the international textile market
- India covers 22 percent of the global market
- India is known to be the third largest manufacturer of Polyester across the globe
- India claims to be the second largest manufacturer as well as provider of Polyester yarn and textiles in the world
- India holds around 25 percent share in the Handlooms industry across the globe
- India contributes to around 12 percent of the world's production of Polyester yarn and textiles

The above given benefits and strengths of the Textile Industry in India shows that how the Polyester Yarn Manufacturing Company – Reliance Industries ltd. Can derive more and more benefits from its customers and even the weaknesses shows the areas where it is lagging behind.

The need for an understanding of the organizational buying process has grown in recent years due to the many competitive challenges presented in business-to-business markets. Since
1980 there have been a number of key changes in this area, including the growth of outsourcing, the increasing power enjoyed by purchasing departments and the importance given to developing partnerships with suppliers.

**The organizational buying behaviour process**

The organizational buying behaviour process is well documented with many models depicting the various phases, the members involved, and the decisions made in each phase. The basic model consists of: purchase initiation; evaluations criteria formation; information search; supplier definition for RFQ; evaluation of quotations; negotiations; suppliers choice; and choice implementation.

**The buying centre**

The buying centre consists of those people in the organizational who are involved directly or indirectly in the buying process, i.e. the user, buyer influencer, decider and gatekeeper to who the role of ‘initiator’ has also been added. The buyers in the process are subject to a wide variety and complexity of buying motives and rules of selection. The Matbuy model encourages marketers to focus their efforts on who is making what decisions based on which criteria.

**Risk and uncertainty - the driving forces of organizational buying behaviour**

This is concerned with the role of risk or uncertainty on buying behaviour. The level of risk depends upon the characteristics of the buying situation faced. The supplier can influence the degree of perceived uncertainty by the buyer and cause certain desired behavioural reactions by the use of information and the implementation of certain actions. The risks perceived by the customer can result from a combination of the characteristics of various factors: the transaction involved; the relationship with the supplier, and his position vis-a-vis the supply market.

**Factors influencing organizational buying behaviour**

Three key factors are shown to influence organizational buying behaviour, these are, types of buying situations and situational factors, geographical and cultural factors and time factors.

**Purchasing Strategy**

The purchasing function is of great importance because its actions will impact directly on the organization’s profitability. Purchasing strategy aims to evaluate and classify the various items purchased in order to be able to choose and manage suppliers accordingly. Classification is along two dimensions: importance of items purchased and characteristics of the supply market. Actions can be taken to influence the supply market. Based on the type of items purchased and on its position in the buying matrix, a company will develop different relationships with suppliers depending upon the number of suppliers, the supplier’s share, characteristics of selected suppliers, and the nature of customer-supplier relationships. The degree of centralization of buying activities and the missions and status of the buying function can help support purchasing strategy. The company will adapt its procedures to the type of items purchased which in turn will influence relationships with suppliers.
COMPETITIVE ADVANTAGE OF RIL

Michael porter gave the five forces model to show the Competitive Advantage of any industry. The model is as shown below:

![Five Forces Model Diagram]

Reliance industry has advantage in nearly 4 of these forces which gives perfect competitive advantage to this industry. We can see this as below:

1. **Potential Entrants:** This defines how easy or difficult it is for new entrants to enter into the industry. This can involve for example:
   - Cost advantages (economies of scale, economies of scope)
   - Access to production inputs and financing,
   - Government policies and taxation
   - Production cycle and learning curve
   - Capital requirements
   - Access to distribution channels

   Patents, branding, and image also fall into this category.

Now here the threat for Reliance industries is very less as this industry requires huge capital investment and therefore it is not very easy to enter this industry for any new entrant. Also Reliance being a huge industry giant can derive the benefits of economies of scale and also had more than 100 patents for its products which saves it from the threat of duplication.
2. **Threat of Suppliers:** This relates to what your suppliers can do in relationship with you.

- How strong is the position of sellers?
- Are there many or only few potential suppliers?
- Is there a monopoly?
- Do you take inputs from a single supplier or from a group? (concentration)
- How much do you take from each of your suppliers?
- Can you easily switch from one supplier to another one? (switching costs)
- If you switch to another supplier, will it affect the cost and differentiation of your product?
- Are there other suppliers with the same inputs available? (substitute inputs)

The threat of forward integration is also an important factor here.

This threat is also very minimal for Reliance as the main raw material is petroleum for this product and reliance owns a petroleum industry which can fulfill a huge portion of its requirement. Also Reliance being a huge and one of the largest player in the polyester industry forms a major buyer for all the raw material suppliers due to which it has a large say and is not exposed to threat of getting supply shortage.

3. **Threat of substitutes:** Every top decision makes has to ask: *How easy can our product or service be substituted?* The following needs to be analyzed:

- How much does it cost the customer to switch to competing products or services?
- How likely are customers to switch?
- What is the price-performance trade-off of substitutes?

If a product can be easily substituted, then it is a threat to the company because it can compete with price only.

Reliance has a separate entity Reliance Technology Centre that is totally involved in Research and development and involved in finding substitutes if any available for this product. Till now no such substitutes have been found and if any threat of substitute comes up then reliance is fully prepared because of the virtue of it being being informed.

4. **Bargaining power of Buyers:** Now the question is how strong the position of buyers is. For example, can your customers work together to order large volumes to squeeze your profit margins? The following is a list of other examples:

- Buyer volume and concentration
- What information buyers have
• How loyal are customers to your brand
• Price sensitivity
• Threat of backward integration
• How well differentiated your product is
• Availability of substitutes

Having a customer that has the leverage to dictate your prices is not a good position.

There are a large number of buyers whereas a few sellers only, therefore the bargaining power of buyers is very limited. Moreover the pricing done also is very competitive due to the rivalry among the major Players. So this threat is also minimal for Reliance.

5. **Rivalry among existing firms**: Finally, we have to analyze the level of competition between existing players in the industry.

• Is one player very dominant or all equal in strength/size?
• Are there exit barriers?
• How fast does the industry grow?
• Does the industry operate at surplus or shortage?
• How is the industry concentrated?
• How do customers identify themselves with your brand?
• Is the product differentiated?
• How well are rivals diversified?

Rivalry is the fifth factor in the Five Forces model but probably the one with the most attention.

In this case there is rivalry but amongst a few big giants who have their own respective market share. This is one threat that could be considered by Reliance But being such a huge market player Reliance can cope up with it.

**Reliance Industries Take on this**

• **UninterruptedSupply**: RIL’s Vertical Integration system ensures that its manufacturing units get constant and unlimited supply of raw material. Which in turn makes sure you get uninterrupted supply of Recron Staple Fibre. Thereby aiding you to plan your inventory, hassle-free.
• **Widest Range**: With 5 manufacturing locations in India and 17 manufacturing lines, RIL have a unique capability to produce different products of PSF simultaneously and offer the widest product range off-the-shelf. Customers can have uninterrupted
supplies of all its products maintaining zero inventory at their end, resulting in significant savings in their working capital.

- **Marketing and Technical Support:** RIL’s strategically designed marketing network (4 regional offices and Head office) ensures prompt and value added service to our customer. You can also make avail of technical assistance from this network. Page32

- **Market Intelligence:** RIL’s Head Office at Mumbai keeps track of the growth and status of the down stream industry. It gives customers regular feedback on various opportunities available in the market. Plus, it also help customers in identifying markets, both domestic and International. And RIL’s Technical Services Team will provide customers with valuable tips on polyester spinning.

- **Distribution and Transportation:** RIL’s wide network covers even the remotest Customer. The wide distribution and transportation network enables servicing of part loads also. This ensures just in time supplies for the customer thereby reducing the average inventory from about 15 days to 7 days and the inventory carrying costs.

- **Market Intelligence - Down Stream Industry:** The Head Office at Mumbai keeps track of the margins of the down stream industry. Reliance also give regular feedback to the customer regarding the yarn margins on various polyester blended yarns so that the profitability of the customer improves. It also help the customers in identifying markets both domestic as well as exports. RIL’s Technical Services Team also provides valuable tips to the customers on polyester spinning.
REFERENCES

3. "An Introduction to Textile Terms" (pdf).
5. Art-Gourds.com Traditional Peruvian embroidery production methods
12. http://timesofindia.indiatimes.com/RIL_among_worlds_100_most_respected_companies/articleshow/3453197.cms