

MARKET INTELLIGENCE FOR STRATEGIC EXPORT EXPANSION IN TEXTILE SECTOR OF PAKISTAN: A LITERATURE REVIEW

Alishba Eman¹

Abstract

The textile industry forms a base of economic viability in Pakistan with high contributions to the exports and employment regime, yet the industry has many potentials but at times faces challenges like 'saturation of the market', altered global trade norms, and changing consumer preferences. This is the crux of the study, which seeks to investigate how market intelligence would lead to effective strategizing for exporting expansion in Pakistan's textile industry. Insight from the data would allow firms to pinpoint the high-growth international markets, anticipate demand trends, and manage their competitive position better. In this study, competitive analysis, insights into consumer behavior, trade policy assessments, and technological advancements in textile manufacturing are examined as the key tools of market intelligence. With the aid of an integrated methodology consisting of industry surveys, trade data analysis, and interviews with experts, the research establishes the critical success factors for export performance improvement. Furthermore, this research assesses trade agreements, tariff structures, and regulatory barriers affecting the choice of entry into the market. The findings indicate that embracing big data analytics, artificial intelligence, and supply chain optimization as part of market intelligence practices would enhance the decision-making power and export competitiveness of consumers. It also underscores the importance of green and sustainable innovations for the textile sector in tune with international market demands, which adds to the significance of this research. The adoption of proactive market intelligence framework by textile exporters strengthens resiliency agility and empowers these exporters in risk mitigation and proactivity towards emerging opportunities in global markets. The study presents recommendations for policies and strategic guidelines for industry stakeholders to strengthen Pakistan's position in international textile trade while promoting economic growth.

Keywords: Market Intelligence, Textile Exports, Competitive Analysis, Trade Expansion, Supply Chain Optimization, Sustainable Textiles

INTRODUCTION

The textile and clothing sector is considered the backbone of the economy. Trade in Textiles represents 4.62% of the total world trade. However, textile and apparel exports are increasing the diversification of products and market competitiveness, strengthening domestic and international markets (Sattar & Majeed, 2022). In Asia, Pakistan is ranked as the 8th largest exporter of textile products. In 2020, Pakistan's textiles were the world's 7th most-traded products in total trade. It is considered the single largest manufacturing sector. Textile alone employs 38% of the manufacturing labor force. As per the estimates, more than 5 billion USD of textile and garment machinery has been imported into Pakistan in the last couple of years. The private sector's efforts and inputs mainly run this sector. In the fiscal year 2021, Pakistan exported textile products worth \$19.33 billion, which showed an increase in export, i.e., 25.53 per cent compared with \$ 15.4 billion in the preceding year, as per the Pakistan Bureau of Statistics. The increase in export is due to government measures to support exporters in the wake of COVID-19. The merchandise export growth fell in July 2022 after 22 months of the COVID-19 shock. The exports decreased to \$2.21 billion in the first month of the current fiscal year from \$2.34 billion in the corresponding month last year. World Bank's Pakistan Development Update recommends that the

¹Scholar, Sir Syed University of Engineering and Technology, Karachi, Pakistan. Email: alishbaeman242@gmail.com

government focus on private investment and export to reduce the trade imbalance and increase export competitiveness. It will support the economy to resist shocks and risks. The World Bank report has highlighted the key challenges responsible for hindering export: less availability of finance for a longer period to increase export capacity, high import tariffs, inappropriate and less efficient market intelligence service for exporters and low productivity of firms (World Bank, 2021). The incessant decline in export has severe implications for Foreign exchange reserves, economic productivity and job market growth. Hence, to nurture the textile sector Government of Pakistan need to steadily move towards more systematic, innovative, inclusive and sustainable growth as the rest of the world is doing (Zaheer et al., 2023; Fatima et al., 2023). Strategic leadership plays a tremendous role in creating the corporate strategy on this. It helps to project the future, reading options by means of knowledge, and inspiring the employees towards a single common goal (Iqbal & Ali, 2024).

Problem Statement

Most important to the economy of Pakistan, the textile sector is challenged to grow its export market under the weight of increasing international competition, changing consumer preferences, and tightening trade regulations. Despite being among the largest producers of textiles, Pakistan suffers from a lack of market diversification, inefficient supply chain management, and a lack of systemic use of data-driven decision-making tools for textiles. The absence of a structured market intelligence framework means that textile exporters are unable to weigh high-potential international markets, ascertain competitive positions, and comply with pertinent regulatory and sustainability requirements. Moreover, traditional export approaches are unable to accommodate trade-integrating technologies, such as AI-driven analytics and blockchain for trade transparency, reducing their potential for growth. It is likely that Pakistan, without a functioning market intelligence apparatus, will lose its competitive edge to emerging textile-exporting nations like Bangladesh, Vietnam, and India. This research aims to investigate the mechanisms through which market intelligence increases strategic decision-making in Pakistan textile exports to improve its global market positioning and promote sustainable export growth through data-driven insights and technological advancements. As regards the consequences of policies on the economy, it is known and recognized by the government and local authority that social capital exists (Arif et al., 2023; Saleem & Iqbal, 2022).

Research Statement

Nowadays, the word “competitive advantage” is broadly used. The term “competitive advantage” was initially used by Ansoff as distinctive prospects within a firm’s operations which substitutions by product market scope and growth. Porter proposed a better understanding of competitiveness (Aries, 2016). Competitiveness is a characteristic of markets by which a nation is capable of producing products and services in free markets terms being studied by worldwide markets while retaining and growing the real incomes and improving the lifestyle of people on along-term basis (Ivanová & Čepel, 2018). Throughout the world, countries produce a total of over 17 million tonnes of knitted and apparel garments, a figure which represents one-third of the world-wide textiles market. Furthermore, the production is forecasted to grow by 25 percent in the next five years and garments production will reach more than 21 million tonnes. According to an estimate, Pakistan existing knitwear garments production is about 1.1 billion pieces of garments. From this production, 60 percent of garments production is comprised of jersey, T-shirts, knitted fabric, polo shirts, sweatshirts, tracksuits, jogging suits, and children outerwear (Memon, 2019). Pakistani textiles suppliers are generally manufacturing cotton-based textiles products like woven

cloths, apparel, and knitwear garments according to international standards and the customer's requirements. This product-focused strategy not only limited Pakistan's exports but also this strategy weakened Pakistan's textile products exports earning as well (Ahmad & Kalim, 2014). Pakistan strongly needed to work on export competitiveness challenges to get a better position in international markets.

Significance

Textile sector is the main sector of Pakistan economy. This sector plays vital role in development, generation of employment opportunities and foreign exchange earnings. Textile sector contributes 8.5% of gross domestic product (GDP). 40% people are directly or indirectly are working and earning this sector. The share of textile sector in total export is 68%. But this sector faces many problems such as wastage of resources, increase production cost, shortage of gas supply and electricity, lack of research and development, lack of loan facilities, high tariff rate, law and order situation and tax burden, etc. The purpose of the study was to evaluate empirically the impact of trade barriers on the export performance and productivity of textile Industry of Pakistan. This study is beneficial for the policy makers of the Government of Pakistan, textile firms operating in Pakistan, research scholars, research organizations, universities as well as foreign research organizations which want to enhance their understanding regarding effects of trade barriers on the textile industry of Pakistan.

Research Questions

- What is the importance of textile industry in Pakistan?
- What are the factors that affect export of textile?
- How we deal with barriers and expand textile export?
- If the export of textile increases how it can impact of real GDP?

According to Funke and Holly (1992) most of the studies in passed have focused on demand side factors to explain long run determinants of export performance, his study focused on both demand and supply side determinants to measure export performance of manufacturing sector of West German. The findings of this study revealed that supply side factors are more important than demand side factors of export performance. Sharma (2000) estimated the determinants of export for Indian economy for the period 1970-98. This study revealed that when domestic prices fall than world prices, export demand increases. Further, study found that supply of exports is positively related with domestic prices, and with the rise in domestic prices, domestic supply also increases. On the other hand foreign direct investment has positive but insignificant impact on export performance. Developing countries emphasized to increase their share of exports in world trade. To this end Bacchetta et al. (2007) analyzed that many developing countries have increased their share in world trade from one quarter to one third approximately. Asian countries particularly China increased its share because of product diversification. According to findings of this study Asian countries had share about 11.7% in world export in 1985, which increased to 21.5% in 2005. While share of African countries decreased from 4.3% to 2.9% during the same period. Poor performance of African countries was attributed to the dependence on primary products. Infrastructural facilities play an important role in export performance as it affects supply capacity of a country. Santos (2005) observed the strong relation between export growth and liberalization of trade and found relaxing anti-export bias increased export competitiveness in several developing countries such as Pakistan, India, Malawi and Tunisia. This study estimated export demand function by using panel data and applied fixed effects. The inferences drawn by this study were according to demand function theory. The increase in

relative prices would reduce the level of exports and world income as a demand component would increase the level of exports. However, export duties reduced the level of exports but have shown insignificant impact on export growth. Trade liberalization increased the level of exports and yielded highly significant impact on the growth of exports. Hossain and Alauddin (2005) conducted a study on export structure and trade liberalization in Bangladesh considering Structural Adjustment Program (SAP) and its effects on export growth. Bangladesh's major exports were from textile and clothing sector which grew due to trade liberalization. This study estimated the effects of import to GDP ratio and trade policy bias on export growth by applying ARDL technique to co-integration. This study found positive impact of trade liberalization on export growth in the long run. Despite the transition from traditional exports to industrial exports, study found that Bangladesh is still lacking in product diversification. According to Bacchetta et al. (2007) transport infrastructure has been impediment in export performance, competitiveness and sustainable development. Berman and Hericourt (2008) explained the role of financial development in export performance of a country. Using cross sectional data of firms of developing economies, they found financial constraints are the cause of low productivity and consequently low export. They were of the view that financial development is one of the sources of increasing exporters and export performance.

Volpe and Carballo (2009) analyzed exports of Peru for the period 2000 to 2006 and found large firms have more chances to survive in the markets. Further, product and geographical diversification are necessary for increasing export performance and increase the survival duration in the market. According to them larger firms have more ability to bear sunk cost to stay and enter in the export markets? Besedes and Blyde (2010) used data of SITC 4 digit level commodities to find factors that determine export survival rates across many countries. The main findings of the study are import demand elasticity of the goods, transportation cost, and distance explain survival and export market. Consistency of staying in market depends on common language, common border and size of partner countries. Ratnaike (2012) estimated empirical relation between export performance and trade liberalization for 27 OECD countries. This study took into account two measures for trade liberalization i.e. tariff and degree of openness. Using panel data from the period 1980 to 2010, this study also estimated steady state situation. To analyze export performance this study captures the impact of real effective exchange rates, average tariff rates, for sample and domestic countries. This study found significant impact of trade openness and domestic tariff rate on export performance. Trade liberalization policies in OECD countries have been major contributors in export performance of these countries.

Cadotetal (2013) found that survival in market increases, when large number of firms enters in market for same product from same countries to same destinations. This study was conducted on four African countries i.e. Mali, Malawi, Tanzania and Senegal. This study also found that those firms having products diversification and explore more markets were successful in capturing markets and survival (Fareed & Iqbal, 2024).

DISCUSSION

Expanding exports in Pakistan's textile sector requires a comprehensive understanding of market dynamics. Firstly, identifying target markets is crucial. Analyze countries with growing demand for textiles, considering factors like population size, economic stability, and trade agreements. Conduct thorough market research to comprehend consumer preferences, trends, and regulatory requirements in potential export destinations. Tailor products to meet these preferences and ensure compliance with international standards (Rizvi et al., 2022; Nawaz et al., 2022). Collaborate with local industry

associations and chambers of commerce to gain insights into market-specific challenges and opportunities. Establishing strategic partnerships with global retailers and distributors can enhance market penetration. Leverage e-commerce platforms to reach a broader customer base and streamline distribution channels. Invest in technology and innovation to enhance product quality and efficiency. Automation and sustainable practices not only align with global trends but also contribute to cost-effectiveness and competitiveness. Additionally, consider geopolitical factors affecting trade relations, such as tariff structures and political stability. Diversifying export destinations helps mitigate risks associated with dependency on a single market. Government support and incentives play a pivotal role. Engage with relevant authorities to advocate for policies promoting the textile sector and facilitating export growth. Leverage existing trade agreements and explore opportunities for new collaborations.

Market intelligence forms a basis for strategic export expansion within Pakistan's textile industry, enabling firms to make rational decisions based on live market information (Kashif & Iqbal, 2022). By systematically monitoring global trade trends, consumer preferences, and competitor strategies, textile exporters may identify high-growth markets and formulate pricing and branding strategies to their competitive advantage (Hassan et al., 2021). Gainful market intelligence thus provides a paramount customized edge in an industry in which fashion trends, sustainability regulations, and trade policies rapidly change market access. Advanced analytics may increase their ability to predict demand patterns and optimize production efficiency through artificial intelligence and machine learning.

The textile exporters of Pakistan face a growing challenge from the changing international trade regime, particularly the tariffs and non-tariff barriers. Many attractive markets demand strict adherence to some environmental and labor standards for continued viability. Market intelligence places firms in these regulatory frameworks to ensure they're working within their sustainability certifications and consumer expectations. Also, knowing about the trade agreements that Pakistan has been granted with different countries such as GSP status towards the European Union can assist firms in exploiting export benefits. Without strategic planning in this regard, firms may lose export opportunities or incur heavy penalties. The competition in the global textile market is becoming tight, with countries like Bangladesh, Vietnam, and India striving toward increased textile exports through cost-effective production and preferential trade agreements. Pakistani firms are required to utilize market intelligence to differentiate their products through innovating, branding, and providing value-added services in order to remain competitive. Digital transformation being incorporated into supply chain management, such as blockchain for transparency and predictive analytics for demand forecasting, can be more efficient and create trust with international buyers. Furthermore, sustainable textile manufacturing, involving organic fibers and eco-friendly dyes, can also put Pakistan forward as a more responsible and futuristic exporter of textiles.

Market intelligence is the other tool for better risk management as it brings forth disruptions in trade ranging from economic, political to environmental characters. These include factors governing export profitability like geopolitical tensions, fluctuating raw material price, and currency exchange rate volatility. By keeping an eye on variables such as these from an outside perspective, the company would then be able to accept an appropriate hedging strategy or diversify suppliers or adapt market entry routes. Such an approach in advance decreases reliance on a few export destinations and softens the impact of any financial losses generated by these disruptions. With reference to the textile sector in Pakistan, it needs to marry a structured and data-oriented market-intelligence format to develop relatively sustainable export growth. Researching and developing international trade organizations, and promoting innovation and diffusion through public-private partnerships, should greatly enhance the sector's global positioning. In supporting the sector, policymakers should, among other tasks, engage in improving access to trade

registration data, offering financial inducements to potential technology users, and ensuring that export-oriented businesses are given adequate attention during global trade negotiations. In tandem with these robust market-intelligence efforts, Pakistan could expand its textile exports, enhance trade relationships, and bolster its reputation in the global textile industry.

CONCLUSION

Market intelligence plays an important role in Pakistan becoming strategic in increasing its textile exports. Firms receive real-time information to scan the world for trends, emerging markets, and price structures that can keep them competitive. Global supply and demand will be measured from knowing consumer preferences and competitor movements to develop products specific to foreign markets for maintaining relevance over time. A textile exporter lacking this structured approach would hinder itself from potential cost and opportunity savings and put itself in a reactive global trade position depending on information received. The sustainable and innovative practices are becoming more of a prerequisite for a successful market entry; many international buyers have ethical sourcing and environmentally friendly production at the top of their priorities. Market intelligence allows firms to meet these expectations by notifying them of necessary certifications, keeping an eye on changes in regulation, and adopting those technological advancements that add value to production efficiency. In this highly competitive landscape, digital tools like AI-driven analytics and blockchain transparency become crucial differentiators. They, in turn, help the Pakistani textile exporters' gain and maintain an ever-stronger foothold in the global market. The future growth of the textile industry depends on enhancing Pakistan's market intelligence framework through collaboration among academia, businesses, and the government. Support from the government in the form of trade incentives, investments in technology, and simplified regulations will help the sector attain global competitiveness. With a very robust and future-oriented export strategy backed by data, Pakistan's textile will enhance brand equity, enter high-value markets, and contribute to any economic stability and growth.

Policy implementation

In estimating the determinants of trade performance of textile and clothing revealed that real world per capita income, RCA of textile, and real effective exchange rate are significantly affecting exports of textile and clothing sector of Pakistan. While geographic concentration and RCA of clothing sector, have insignificant but positive impact on the trade performance of textile and clothing sector. Though there may be several other factors which may have impact on trade performance but study captured few important determinants in the given data constraints and past literature. Results also revealed that quota abolition did not improve the export performance as dummy of quota removal shows no significant impact on exports. There may be a plenty of reasons for not getting benefit from quota elimination, such as high input cost and higher prices of exports than competitors. Study also found the existence of co-integration in this model that confirms long run relationship among the variables of study. Finally this accepts our hypotheses that quota abolition did not increase exports of textile and clothing sector of Pakistan. Therefore, present study suggests product diversification particularly focus should be made on other than cotton products to face competition; because Pakistan's comparative advantage in clothing sector is weaker and not playing significant role. The low comparative advantage in clothing sector of Pakistan requires special attention to garments, hosiery products by policy makers. Real Effective exchange rate indicates that depreciation of domestic currency should be applied as it increases exports. World income as a demand component indicates that Pakistan should search markets at the demand in

international markets is available. Dummy variable for capturing the effect of quota abolition found negative impact on export performance because EU and USA kept imposing high rates of tariff on Pakistani textile and clothing products. This has increased the prices of textile and clothing products of Pakistan in competitive markets but the prices of textile and clothing products of other countries such as Bangladesh and Vietnam did not increase due to absence of any trade restrictions. Therefore present study suggest reducing input costs to bring down the prices of final products which is only possible by increasing the growth of value added sector such as raw cotton, cotton yarn and raw exports must be limited to increase value added supply. This study also purpose to go for normalized revealed comparative advantage calculation to give better competitive picture on cross products and cross country comparison

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