

# Commercial Strategies that Work in the Brazilian Textile Industry

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## Abstract

In Brazilian textiles companies, this study looks at how the interaction between strategy capabilities, strategy types, strategy formulation quality, and strategy implementation capability affects organizational performance. A set of 211 valid questionnaires about Brazilian textile companies is used to model and test a conceptual framework in this article. Both the focus strategy and marketing capabilities, as well as the cost leadership strategy and management capabilities, are supported by the findings. However, there was no statistically significant connection found between differentiation strategy and technological capabilities. The utilization of combined strategies is indicated by the existence of an interrelationship between generic strategies of focus, cost leadership, and differentiation. The findings demonstrate a statistically significant relationship between management capability and market performance and the financial performance of the businesses.

The issue of competitive advantage is significant and deserving of special consideration in the literature. Given the significance of competition, researchers have focused on determining the most effective competitive strategies that businesses employ to generate extraordinary profits. The Resource Based View (RBV), which locates the sources of advantage within the firm and views the firm as a bundle of resources, developed in the early 1990s is another explanation of superior profit performance.

**Keywords:** Management capability • Market performance • Financial performance

## Introduction

The IO approach received some criticism due to its inattention to dynamic environments, which strengthens competitive views, namely the resource based theory and the dynamic capability approach. As a result, one can find a variety of typologies in the literature to describe how firms compete in specific businesses or industries by utilizing their competitive advantage. Given the emphasis placed on the theory of organizational knowledge creation and the knowledge based theory, knowledge has emerged as the most strategic resource for businesses. This study aims to understand how organizational performance in Brazilian textiles companies is affected by the interaction between strategy capabilities (marketing, technology, and management), strategy types, strategy formulation quality, and implementation capability. This study also aims to better understand the primary strategic factors that drive the financial performance of Brazilian textiles companies in this context [1].

## Discussion

Porter's generic strategies have become the most widely used framework for strategic orientation over the past 30 years. Over the course of these years, a significant amount of research on this topic was conducted. These studies revealed a variety of levels of results, some of which supported Porter's assertion that a company must choose between cost leadership strategies and differentiation strategies or risk becoming "stuck in the middle"

or without a coherent strategy. However, more recent research has shown that combination strategies can be effective and that other studies disagree with Porter's assertion. For instance, we found evidence to support the viability and profitability of combining distinct strategies with coherent generic competitive strategies. When compared to businesses that only employ the cost-leadership strategy, those that employ a combination strategy typically experience significant incremental performance advantages. However, the authors discovered that the incremental difference between businesses employing a combination strategy and those employing only a differentiation strategy was unaffected. Companies that are considered to be "stuck in the middle" perform worse than those that employ one of the generic strategies—combination, cost-leadership, or differentiation [2].

Recent studies appear to demonstrate that combination strategies and differentiation strategies are superior indicate that Small and Medium-Sized Enterprises (SMEs) primarily employ a focus strategy, with differentiation appearing to be the most commonly employed competitive strategy by SMEs in market niches. These authors looked at two ways to differentiate that are important to SMEs: i) product quality and ii) product innovation. They emphasized the significance of product innovation as a survival strategy in dynamic environments. Brazil's textile production chain has become disjointed as a result of its low level of competitiveness, as well as a lack of cooperation and networking among its constituent parts. In general, businesses import raw materials, finished goods, machinery, and equipment, particularly from the aforementioned Asian nations, in an effort to cut costs. To compete in the Brazilian confections commodity segment, the garment industry, in particular, imports finished goods and is uninterested in what happens with weaving [3-5].

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**Received:** 02 November, 2022, Manuscript No. jtext-22-84798; **Editor assigned:** 04 November, 2022, PreQC No. P-84798; **Reviewed:** 16 November, 2022, QC No. Q-84798; **Revised:** 21 November, 2022, Manuscript No. R-84798; **Published:** 28 November, 2022, DOI: 10.37421/2165-8064.2022.12.514

## Conclusion

Incorporating informatics technology, the use of plotters, and electronic devices in sewing machines—improvements that a large portion of small garments can adopt—changes the used technology slowly and incrementally. As a result, only the strategy of product differentiation through design and prompt customer response remains viable. This last methodology originates from the serious strain of the huge number of home grown and little piece of clothing, formal and casual, and of the ease to import unfamiliar items. In addition, the majority of businesses in the industry innovate in design by

imitating the new standards of fashion industry leaders through the annual release of collections. However, studies on the strategic behavior of the Brazilian textile industry between 1970 and 1990 reveal that the textile companies' immediate response to the gradual opening of the economy was to look for lower prices. These businesses relocated to regions with lower labor costs, such as the Brazilian Northeast, and engaged in vertical integration throughout the supply chain, particularly in relation to the subsegments of retail and spinning. According to the authors, the cost leadership strategy remained the one that entrepreneurs who sought economies of scale and cost reduction employed the most.

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## Acknowledgement

None.

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## Conflict of Interest

None.

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**How to cite this article:** Zhu, Wanqing. "Commercial Strategies that Work in the Brazilian Textile Industry." *J Textile Sci Eng* 12 (2022): 514.