

DIGITAL TRANSFORMATION OF THE BULGARIAN TEXTILE SECTOR

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ABSTRACT

Digital transformation helps the organizations to remain competitive in the changing technology environment. Digital technologies provide opportunities both for the most advanced and the traditional sectors. The Bulgaria textile and garment companies prioritize the digital transformation based on the target groups they aim at. They have success both in transforming the operational processes and the customer experience.

Keywords: *digital transformation, textile industry*

Introduction

Digital transformation of the business is an important task both for the high-tech companies and the traditional sectors. The term and the process are still debated but there is a consensus on its significance and impact on the competitive performance of the companies. The traditional sectors have to digitalize all the activities along the value chain, the managerial practice as well as the interactions with consumers or the consumer journey. The article aims to start the investigation of the digitalization process in the Bulgarian textile industry. The methodology is based on the approach and findings of the leading consulting companies and research centers on digital transformation.

Digital Transformation Process

Digital transformation is a modern term that summarizes the organizational change based on the implementation of digital technologies in every aspect of the organizational activities. Attempts to define and structure the process are made by major consulting companies and the academia that study the phenomenon and suggest ways and means to manage the digital future. The use of digital technologies leads to disruptive innovation and modification of the competitive environment both in the business and the non-business sectors. For example the opportunity to take a Massive Open Online Course (MOOC) and acquire knowledge and skills in particular area may have in the future a disruptive impact on the way bachelor's, masters and doctoral degrees are thought and on the way universities function.

Digital transformation requires substantial resources and therefore every organization needs to have a clear understanding whether it needs digital transformation and what its major goal and priorities should be. In other words it needs a clear strategy for digitalization. Indicators for successful digitalization are also important so that the organization can measure its success. Harvard Business Review Report on the digital transformation of business reveals that only the organizations that recognize their core capabilities and commit to transform them with the right digital technologies will gain competitive advantage. (2013)

The Global Center for Digital Business Transformation at IMD has developed “the digitalization piano tool” that consists of seven categories that can be digitalized. Among them are the business model, the organizational structure, the people working for the company, the processes, the way the organization collects and manages information, the products and services, and the model of consumer engagement (Wade, 2015).

MIT for Digital Business and Capgemini Consulting defines three major areas of the digital transformation: customer experience, operational processes and business models. Each of these areas consists of building blocks. Customer experience comprises of customer understanding, top line growth and customer touch points. The operations building blocks are process digitalization, worker enablement, and performance management. The business model pillar includes digitally-modified business, new digital business and the digital globalization (2011; 2014).

Dörner and Meffert argue that “digital technologies influences core businesses, open new frontiers, and requires foundational change”. The analysis of the consumer journey identifies all the interactions with the organization products and services across the channels and provides the customer focus in the organizational change (2015). The research studies on company practices reveal that the perception of what a digital strategy should be and how to be implemented is interpreted in different ways. “A bolt-on” digital strategy is more focused on the set up of new digital channels to connect with the customers while a complete digital transformation is a redesign of the

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way the organization creates and captures value from the customers or its business model. (Trends E-Magazine, 2015).

The study of the Bulgarian textile companies' digitalization focuses mainly on their operations and consumer journey to their brands. The companies that are examined are mainly SMEs with international operations and participation in the operational programmes on competitiveness in Bulgaria for the previous and current EU financial framework.

The Bulgarian textile and garments sector

Textile and clothing industry has long tradition in Bulgaria. In the past and after the changes from a centrally planned to a market economy it is one of the most competitive sectors. Major competitive advantages are its flexibility and capability to produce in small series, high quality and relatively low wages. The sector is well equipped with modern technology and is close to major markets and suppliers of materials. 107,000 Bulgarians are currently employed in this sector, whereas in 2007 their number amounted to over 160,000. This leads to the conclusion that the industry performs not only labour-intensive and low-cost operations but also activities with more added value (BAATPE, 2015).

The major foreign investors in the country are Greece, Italy and Germany. Many Bulgarian textile and clothing companies work with foreign companies on the CM or CMT principle which means that they perform the cutting, manufacturing and trimming process that are outsourced in the country. Though the suppliers keep the development of new styles and the materials under control, and outsource the labor-intensive jobs like cutting, making or sewing, trimming, final quality control and packing, the Bulgarian companies increase their technical expertise and quality.

The slow delivery and the inability to ship in small quantities of the Chinese companies is an opportunity for the Bulgarian companies to continue attracting the interest of the major European producers and retailers as well as the high-fashion industry. In October 2015 the Executive Agency for Promotion of Small and Medium Enterprises announced that Global fashion giant Armani is looking to establish a menswear factory in Bulgaria. The company is investigating the Pleven region for a potential investment. Bulgaria-based Italian textile company E Miroglio will invest BGN30m (EUR 15m) in upgrading and expanding its wool factory in Sliven. Production of wool fabrics will be extended with a new line for printing with production to reach 1m metres and to increase fivefold by 2018. (Textiles Eastern Europe, 2015).

The textile and clothing industries export from Bulgaria is at its peak in 2013 when it reached a record-high of EUR 1.8. It was an increase of approximately EUR 130 M, or 8.5%, compared to the previous year (Investbulgaria, 2014). The export reached similar value in 2014. According to the Bulgarian Association of Apparel and Textile Producers and Exporters the export in 2015 is expected to register a successful

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end of year 2015 and be close to last year's record of EUR 1.86 billion. Major importers are the EU countries such as Italy, Germany, Great Britain, France, Greece and Spain. Bulgaria is the major producer of Greek knitwear and garments with a 57% share of production outside Greece, according to the Hellenic Fashion Industry Association. Over 90% of the Bulgarian produce is exported due to the limited local consumption and demand. Only 8% of clothes, made by local companies are being sold in Bulgaria. The growth of the domestic market is hampered by the unauthorised import of goods from Asia. The export to the Russian market saw a 13% decline on the previous 2014 year due to the EU sanctions against it (Georgieva, 2015).

While the Bulgarian garment export is growing, many *online fashion retailers* target successfully the Bulgarian consumers. CleanMyWardrobe, Bfashion, Fashionup, Fashiondays and similar online retailers have growing sales in the Bulgarian market. (Benda, 2015) This is in accordance with the global trend for e-commerce development. The European TSLF skills Report in 2014 concludes that E-commerce has also promoted the appearance of new designers and manufacturers that present digitally their collections online and receive orders from their atelier. This has created a new culture of owner-maker businesses with increasing levels of self-employment and new business models emerging..." (2014).

Trends in the digital transformation of the Bulgarian textile and garment sector

The analysis of the digital transformation of the Bulgarian textile companies is based on interviews with a consulting company that contributed in the development and the implementation of innovation projects for 12 Bulgarian textile companies with innovation projects under the operational programme on competitiveness, a textile company that received the innovation award for 2014 and an interview with DINO company on its digital marketing strategy.

The major conclusion is that the Bulgarian textile companies focus the digitalization transformation process mainly on the operational processes. The business models remain without changes and consumer experience is digitally transformed only by some of the companies. The reason is the target market of the companies. Those of them that base their business on CM or CMT do not have direct impact on final customers. The consumer journey is influenced entirely by their suppliers. Therefore most of these companies digitalize mainly the production and supply processes. They rely primarily on trade shows missions in order to find new customers.

Such companies invest mainly in CAD-CAM equipment which decreases the production cost of textile and clothing. Recently many Bulgarian textile and garment producers have invested in digital printing that allows them reaching new customers

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both in the domestic market and internationally. A good example is *Aglika Trade Ltd.* It is a company with nearly 50 years of history. Its operations are located in Veliko Tarnovo and Tvarditsa. In 2014 the company received the innovation award in the area “Innovative technologies in traditional sectors”. The company has developed and patented an innovative terry cloth structure, which allows 300 dpi high definition digital printing with photographic quality. It is unmatched by the competition that produces on fabric allowing 72 dpi resolution printing. Among the company’s clients are worldwide design brands, advertising agencies and corporations. In 2014 Aglika Trade has set up a production base in Florida, USA. It produces 60 tons of the fabric for the American market. A major advantage of the digitalized production operations is the company ability to produce especially fast even low quantities and fashion design products.

The producers of garment are more opened to the digitalization not only of the production process but also the customer experience. It is logical because their target group are often final customers. One of the best example is the company *Richmart Ltd.* It specializes in men’s suits production and has contracts with more than 30 companies from Gemany, Switzerland, Italy, Holland, Greece, Sweden, Czech Republic, and Poland.

Richmart Ltd. is one of the companies that communicates online both with its potential suppliers and customers. The company web page has content on the experience of the company and equipment, production, business model for the franchise it offers and its support for culture and sports. The web page contains also videos demonstrating the production and the promotional events. The company uses a variety of digital channels to interact with customers. It has a Facebook page and videos for YouTube. Customers comment positively on the company decision to recruit employees from the region of Ruse and provide dormitories, relatively high salaries and local transport to employees from 50 villages and small towns in the region.

The company developed the project *Richmart Vintage* in order to promote the Bulgarian folklore dances and the Bulgarian fashion industry and to establish the brand “Made in Bulgaria”. The project received high popularity in YouTube and many Bulgarians living and working abroad became brand ambassadors of the dance and the Bulgarian men’s costume. Videos from different regions in the world have participated in the contest which final stage was on the 24th of May which is the national holiday of culture. The project had also broader goals that were popularized online.

DINO Ltd. integrated digital activities

A good example of company with strong digital presence is *DINO Ltd.* Dino was founded in 1997. It is specialized in the production and retail of clothes. The company produces more than 500 casualwear designs every season for the whole family using

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the best quality fabrics and accessories. 100 employees work in the production unit and in the retail network. The company has its own factory located in Gabrovo. It has also a fully equipped design studio, an in-house embroidery factory, and a printing house. Being both a manufacturer and retailer gives more flexibility to deliver small series to the clients. The company brand is sold in its own stores throughout Bulgaria and the online store.

The interview with its marketing manager Kristina Chokoeva revealed the digital strategy of the company. The automation of the production process and the digital printing is an important part of the digitalization transformation of the company. However, the company focuses its attention also on the *digitalization of its consumers' journey*.

DINO Ltd. has a clear idea of the target market or the buying persona of its products. The clients are both other local or foreign businesses interested in buying products for different purposes – advertising, work or school uniforms, etc. The other major segment are the individual customers mainly women in their late 30s who shop for themselves and for the family. According to the analysis of the company 19% of the online users are male and the remaining 81% are female. In terms of demographics, about 40% are in the age group 35-44. 25% of DINO fans are in the age group 25-44 and this share has been increasing for the last 1 year.

The inpage analysis of the website shows that the most often clicked place on the website is the section with women's fashion. Based on the research the company made some significant changes in the product line. Up until 2013, DINO female line consisted only of tracksuits, shirts, and tights. In 2014 a new product set called Dino Lady, which consists of casual clothes for women was launched.

Digital Marketing is integrated in the overall marketing strategy of the company. The company uses mainly social media marketing and search engine optimization to develop relationships with the clients. Offline activities focus mainly on ads, initiatives, events that raise brand awareness and would eventually increase sales in the long run. Online activities are ads which lead to immediate increase of sales and about half of the budget goes to social media and adwords because it drives the sales up.

The main tool of DINO digital marketing is social media. The company has a social base of about 5000 likes in Facebook and is constantly trying to engage with its fans. DINO's marketing manager considers content as a major driver and the company has weekly calendar with the posts it wants to publish. The posts are about product suggestions, any new events the company is being part of, interesting information that might be useful to the fans. All these posts get scheduled on hootsuite which automatically publishes them to Facebook, Twitter, and Google+. DINO marketers try to vary the posts so that they are interesting and exciting. They also launch new campaigns such as Friends of Dino, where they ask from the fans to send pictures of how they wear the clothes. The results are excellent because the company got pictures

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from all over the world – from the small villages in Bulgaria to the metropolitan areas in the US.

Another digital marketing tool are the games on social media. For example, for Halloween the company has a competition called “Halloween for me is...” The clients could send tales, pictures, poems, drawings and the winners got a voucher to use in company stores. The company uses also e-mail marketing. It sends out weekly newsletters to their online fans who have registered on the websites. There are updates on new products, new initiatives, or upcoming sales. Affiliate marketing is used in the form of work with other online stores, which sell clothes from many brands including DINO brand. They purchase clothes at a volume discount and sell them to their clients. This way both producer and retailer increase online sales and raise awareness of the brand.

The company is also involved with online communities like Easy Art or New Stars Bulgaria which organize events for children and aim to create a stable environment for the children in Bulgaria through art, festivals, conferences or games. Their values align very much with DINO brand vision so the company is happy to be part of their online and offline initiatives.

DINO experts envisage broadening its digitalization consumer journey by using more contacts with its clients in all touch points. There are four areas on which the company will focus its efforts:

- Penetration in online platforms such as Pinterest and Youtube which are vastly used by people aged 25-35. The initiatives will be supported by new product lines more suitable for the young people. For example the experience of the marketing manager proves that titles like “New Collection 2015” would not bring many clicks in the Pay per click campaign. Marketers at DINO ltd try to use action words in the slogan and drew upon some of the brand values like family, quality, Bulgarian producer to get a message that intrigues people to take an action.
- Investment in the generation of authentic content by fashion experts for segment the company works in. This is achieved through creating content that is valuable to the customers. For example, the company recently started Fashion Tip of the Day on social media where it gives advice about clothing, colors, and fabrics. Own blog which would be a combination between traditional and video blogging will be started soon.
- Mobile Marketing is also an important trend for the company. Google analytics tools have shown that 20% of the visits on the website are through mobile. Therefore, the company will develop it either through a new customized app or by paying for mobile advertising.
- Website upgrade to be more user-friendly and easily accessible by the target customers.

A major lesson taught from the digitalization of the consumer experience is that the company has to be authentic both offline and online. It aims to follow the motto:

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say what you mean, and mean what you say. Building the sense of community around the brand involves content that appeals to the customers emotionally; therefore, the DINO Ltd. regularly post content with its employees or the backstage of the production process. Traditional and digital marketing are intertwined. Doing a fashion show that's going to air on television is supported by a social media campaign popularizing it to achieve optimal results. Digital marketing has given the company the channel to speak to people and show them the quality, standards, and most importantly to show them that DINO ltd. cares about its products, employees, and customers.

DINO ITd. also involves consumers in the generation of new product ideas and their evaluation. Throughout the season the company produces 100s of designs and only some of them go into production. There are times when designers develop 5 great new products and only one of them can be produced. So instead of designers making the decision, the garments are put to a vote on Facebook to see which one is the best. In this sense social media is used to test the designs and shortens the time to the market.

Conclusion

The Bulgarian textile and garment companies are embracing the digital transformation at different pace and extend. While those that are part of the international and global value chains focus more on the digitalization of the operations, the companies with final consumer target groups dare to experiment also with a variety of tools to digitalize the consumer experience. Further research can focus on greater details of the digitalization in each area and its impact on the business models. The research on textile companies can be more comprehensive including the study of the Bulgarian leaders in the textile sector Mirolio, Safil and Kalinel.

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