



Advisors to  
the world  
Textile,  
Apparel  
& Fashion  
Industry



**WERNER** INTERNATIONAL  
MANAGEMENT CONSULTANTS

# Strategic Overview on Global Textile & Apparel Supply Chains Dynamics

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# Werner International

- **Werner** is a management consulting practice globally active **since 1939, focused exclusively on assisting the textile, apparel and fashion industry** in improving its performance and optimising its activities.
- **Werner** is unique, combining specialised expertise in all technical areas of the supply chain with global marketing know-how and exceptional networking.
- **Werner** operates throughout the world with an **international team of highly specialized senior consultants** and regional or national representatives coordinated through three operational offices in **Brussels, Washington and Beijing.**





## TECHNICAL AREA

- Benchmarking for all manufacturing activities
- Productivity improvements & control
- Product Development management
- Total Quality management
- Manufacturing standards and control
- Preventive maintenance
- Standard cost system design
- Supervisor & operator training program
- Management training and development
- Sourcing strategy and suppliers accreditation
- Management Information Systems
- New plant start-up



## MARKETING AND STRATEGY AREA

- Market intelligence and strategic market analysis
- Audit e benchmarking for the marketing, branding and retailing areas
- Top Management training
- Partners search
- Acquisitions e Joint Ventures
- Strategic Business Planning
- Development of Global sourcing strategies
- Marketing Strategies
- Merchandising management
- Retail management
- Brand development

# Some Customers...

- Over 65 years of consulting in textile/apparel/fashion industry
- Over 5,000 assignments carried out
- Presence in more than 65 countries



MILLIKEN



THE DIXIE GROUP



LAURA ASHLEY



## ➤ **Perspective 1:**

**A global industry mature for  
growth outside traditional  
western markets**

# Perspective -1

- Since 2005, the world textile and apparel industry has **accelerated** in its complex transformation
- A new world of competitors (but also consumers) has entered the global market with their impressive capabilities and will to growth
- By 2010 **China** is expected to represent **40/45%** of global trade, India **17/20%**



# Perspective -1

- Despite its impressive growth trend, **China's** rising costs and perceived risks are creating relevant opportunities for other low cost countries
- **India** is rapidly expanding its role with an heavy weave of new capacity build-up in vertical integration
- **Pakistan, Vietnam, Cambodia and Bangladesh** are leveraging on their low manufacturing costs and building up more textile capacity

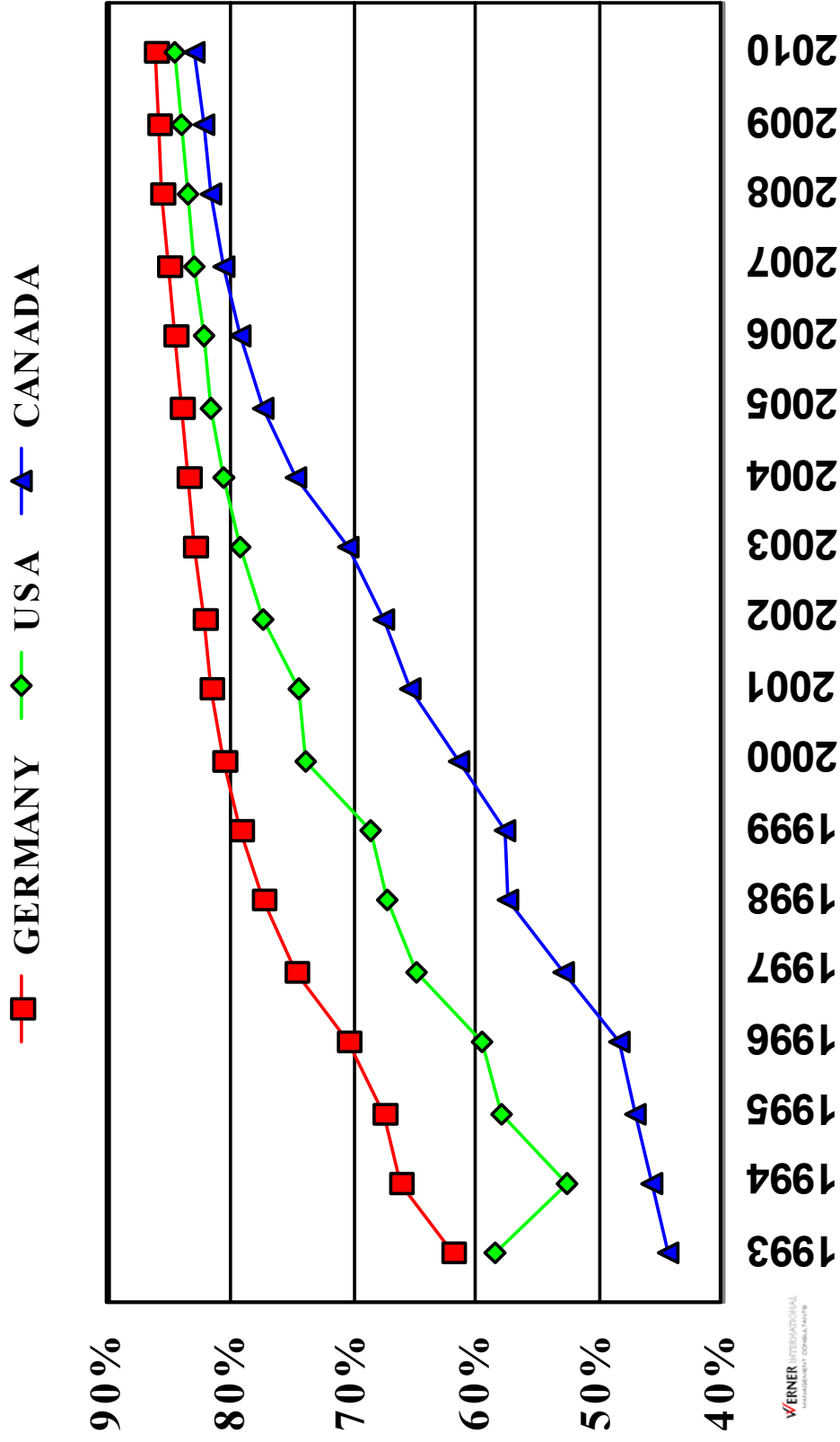


# Perspective -1

- **Egypt** is currently looking at textiles with new emphasis
- **Turkey** is becoming a **critical regional player**, closely connected to Italy, repositioning and creating a number of new regional brand players (**Turquality**)
- **Eastern European countries**, due to their growing costs are rapidly refocusing and repositioning on higher market segments
- **South and Central America** maintain a relevant focus on textile
- **Italy still** defends its role in the luxury segments

# Imports Penetration in Western Markets

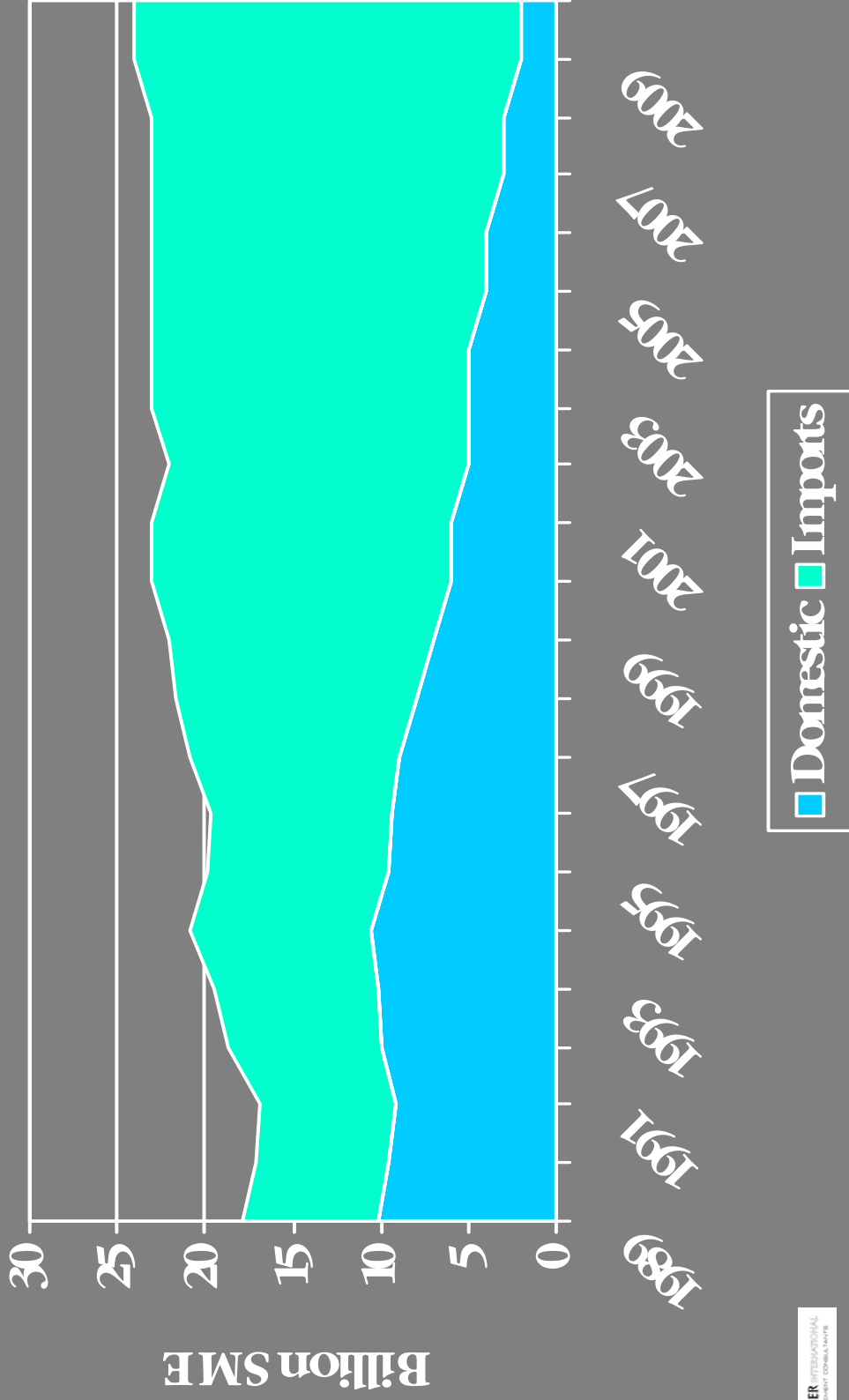
IMPORT PENETRATION TEXTILES & CLOTHING



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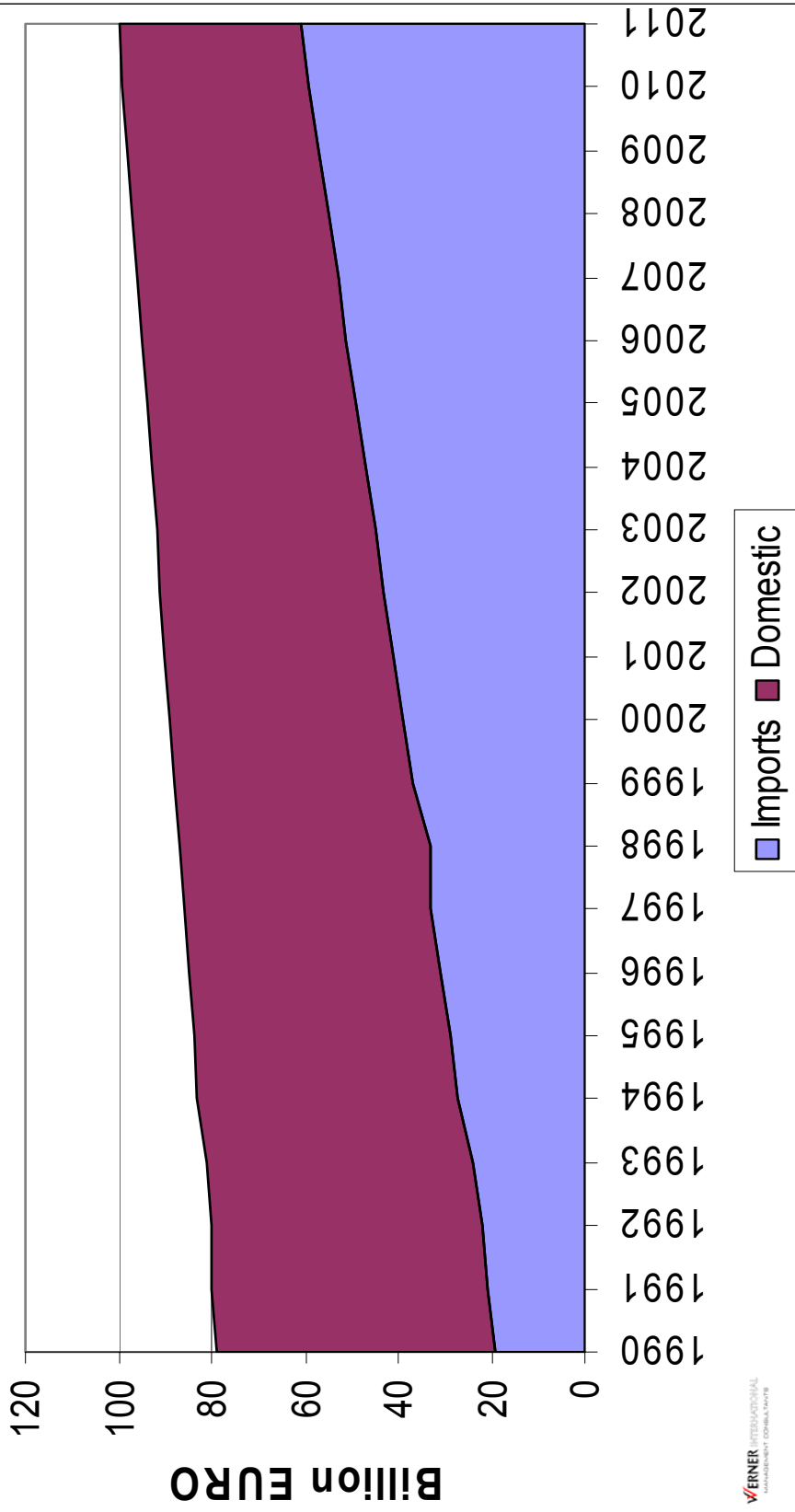
# Mature USA Apparel Market



# Mature EU Apparel Market



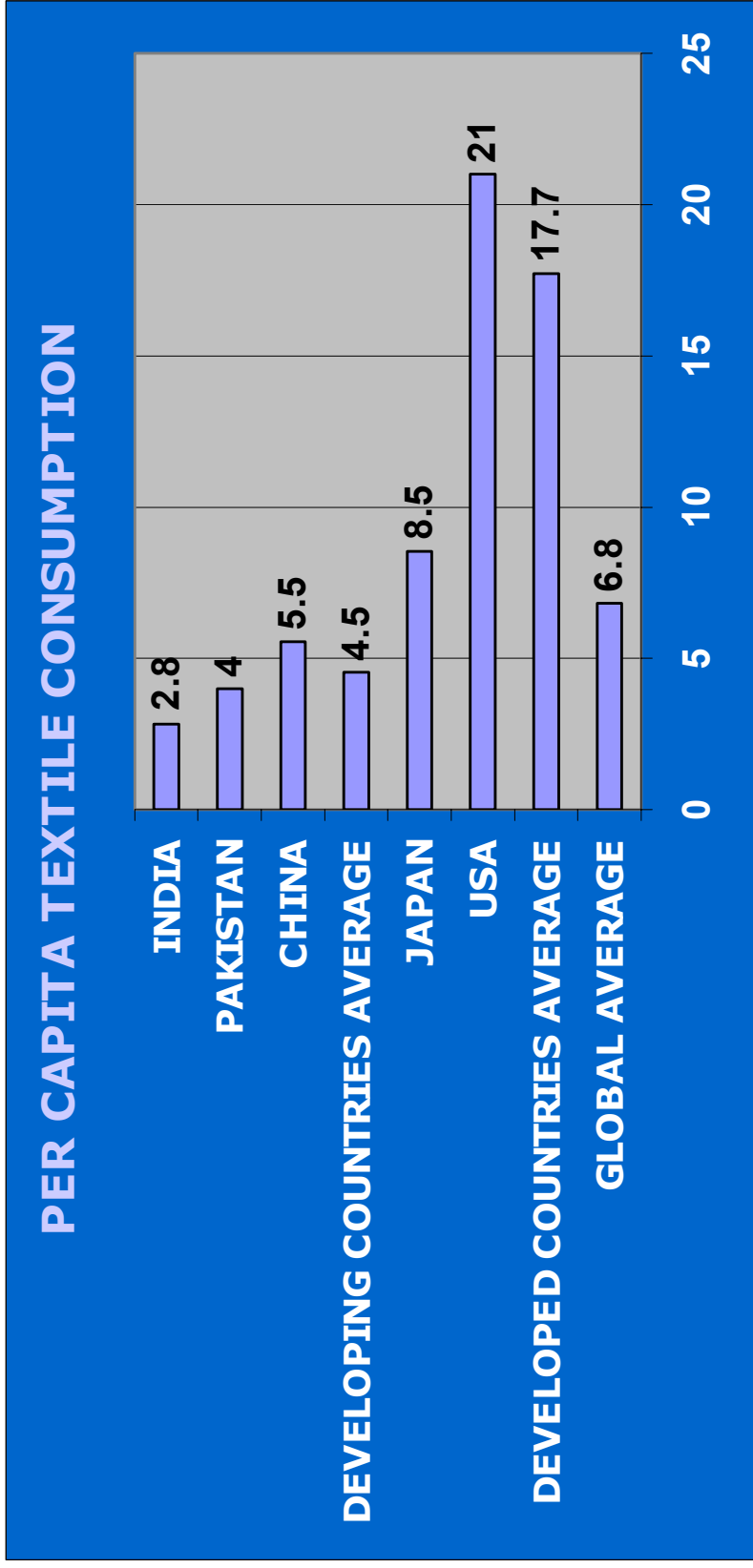
## Consumption of Clothing EU-15



# Perspective -1

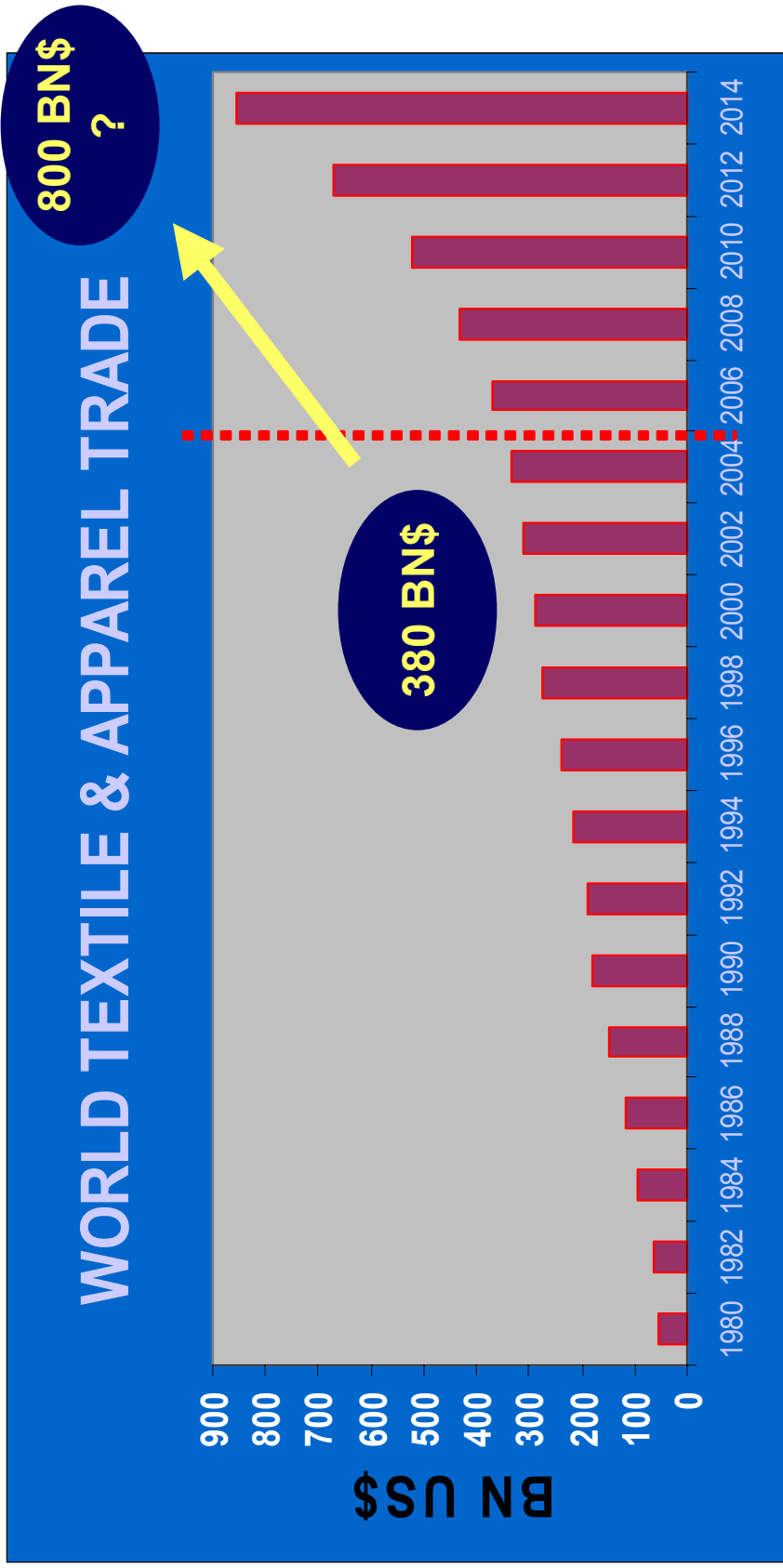
- While T&A consumption in Western markets grows moderately, imports have almost reached **85-90%** of total consumption
- We must now face the impact of the **capacity bubble** built in anticipation of market opening and quota removal and creating a deflationary environment
- **However**, the time gap between the positive and negative effects of liberalization is too often driving us to forget about the **real mission** of trade liberalization

# Per Capita Consumption



Kg per person

# World Consumption Growth



# New Markets

The future global market for textile and apparel is expected to witness a relevant expansion thanks to:

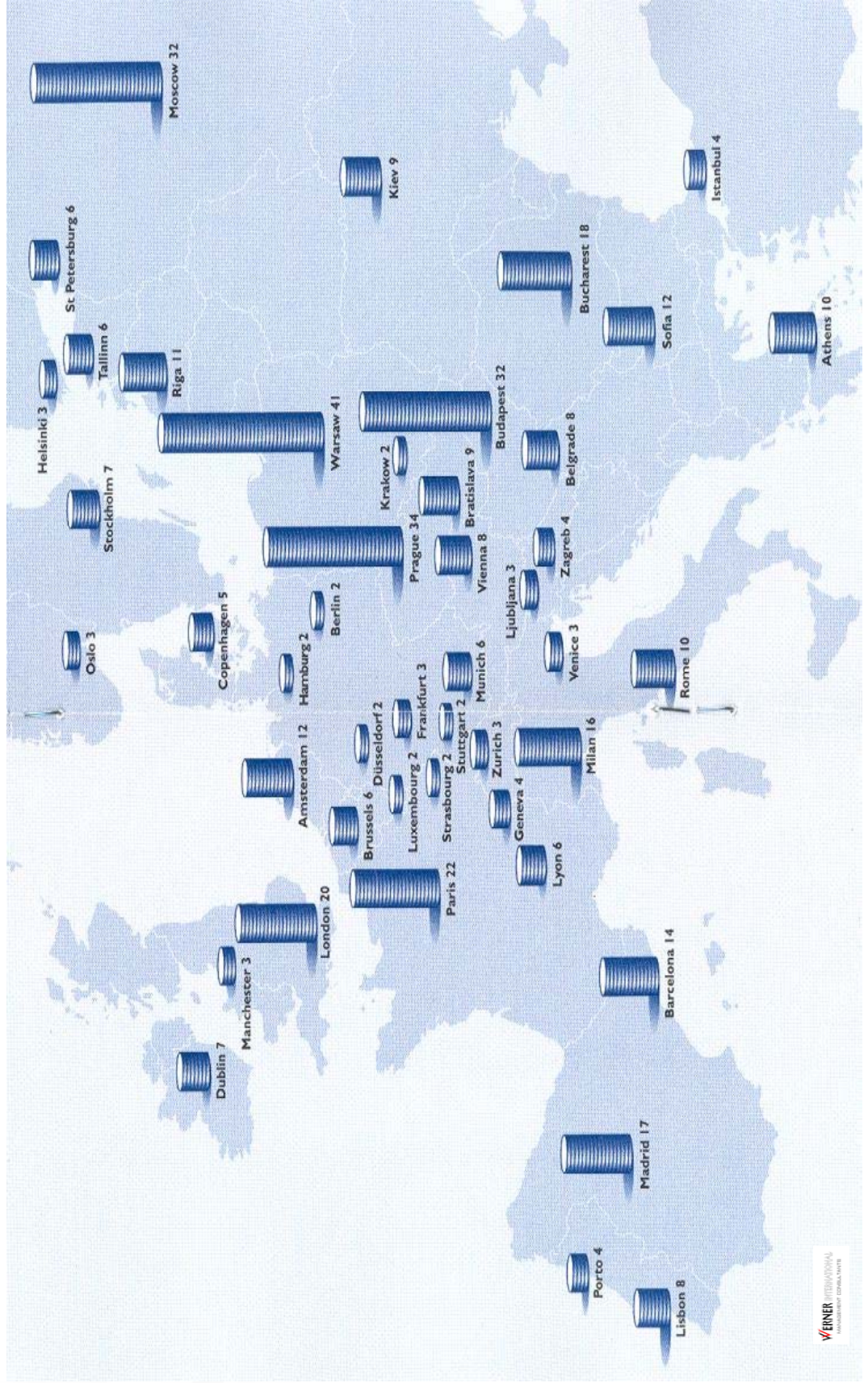
- Consumption growth in new markets
- Global expansion of Modern retail space
- Eastern Europe and ex Russian block
- Turkey and Middle East
- South East Asia
- India
- China
- South America





# Retail Expansion Across Europe

New retail surface 2006-2008 - INDEX



# Recap **Global Industry**

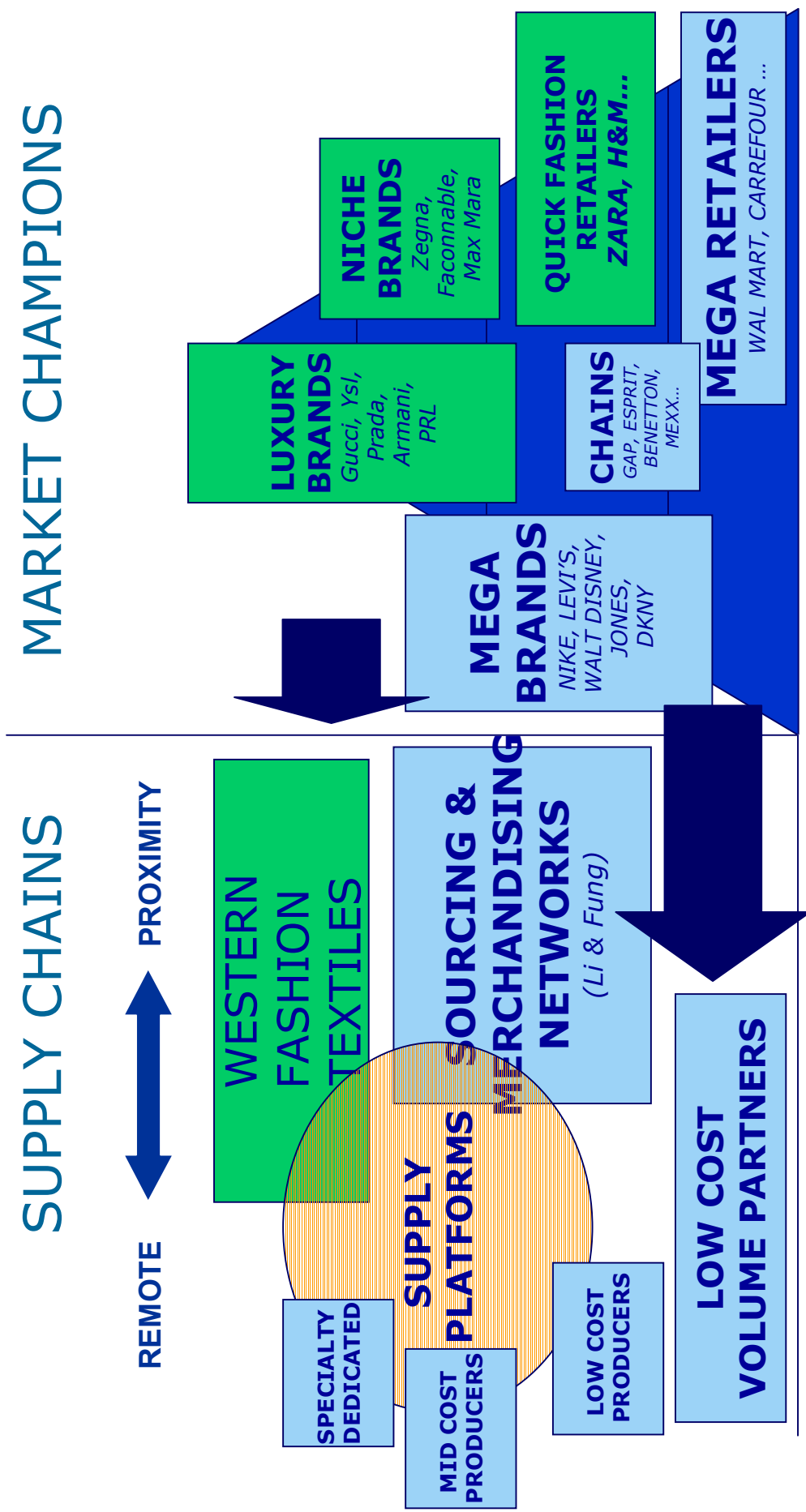
- **Commodities Bubble**
- **Hegemonic role of India & China with their integrated supply chains**
- **Need for differentiation to sustain premium producers (Italy – turkey)**
- **Continuous fight for commodity markets and cost leadership**
- **Boom of air/sea shipments**



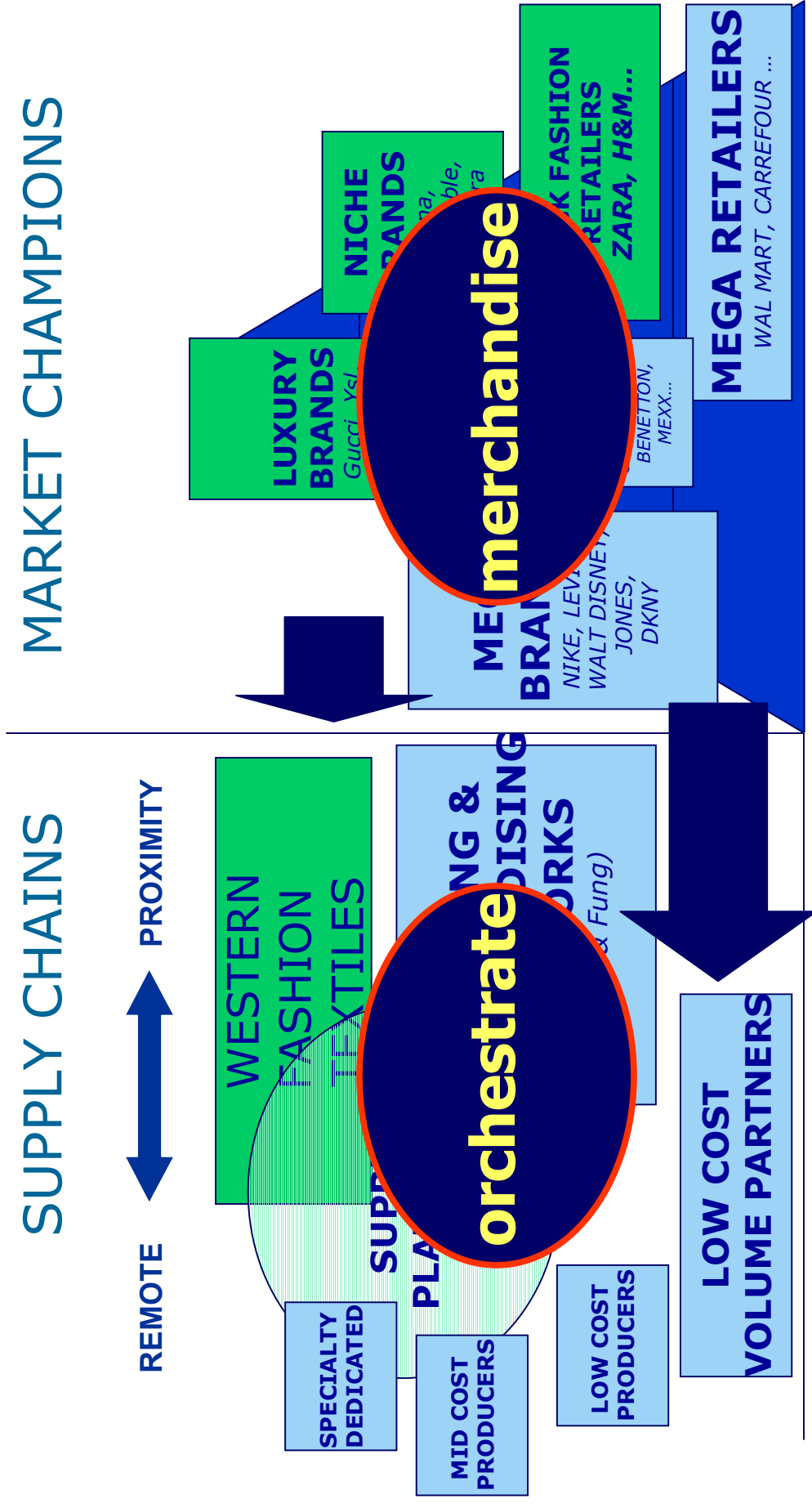
## ➤ Perspective 2:

# Newly shaped global supply and value chains

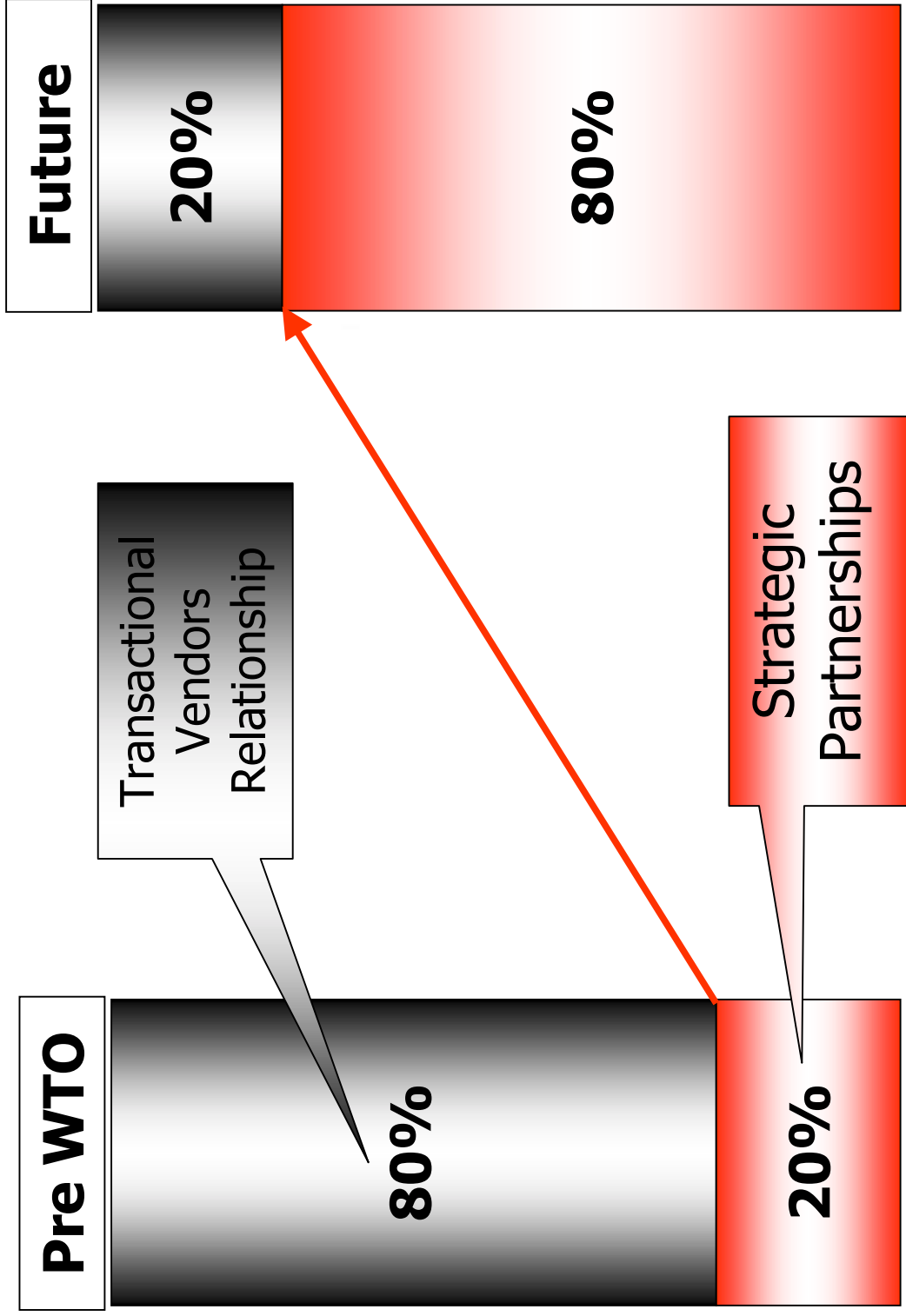
# Global Supply Chain Models



# Global Supply Chain Models

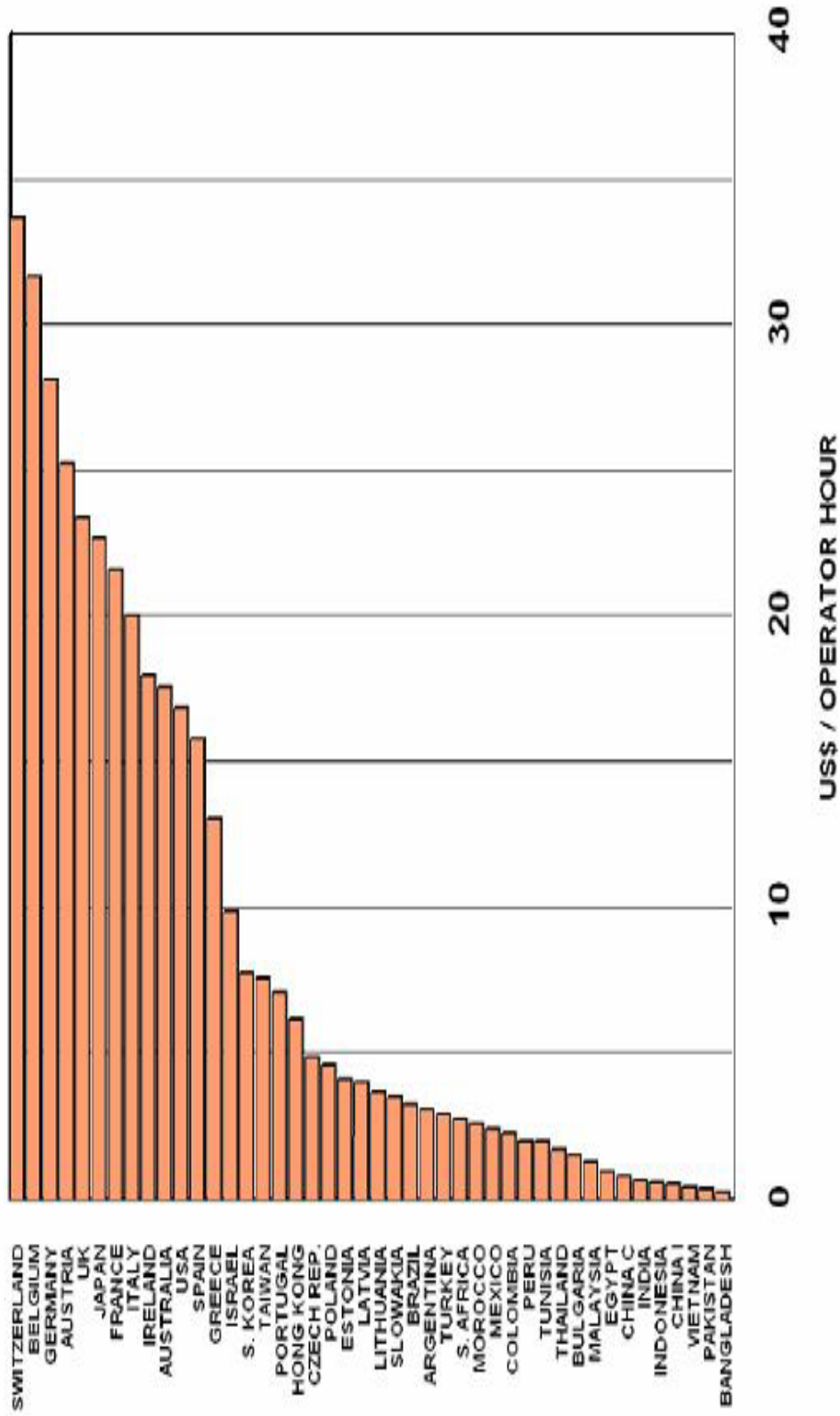


# Production Volume: Traditional VS Strategic



# Labour Cost Comparison

LABOR COST TEXTILE INDUSTRY 2007



# Transformation of Value Chains

Value adding today still means “better” products (value = differentiation) but increasingly more **service-rich products** (value = service + intangibles)

- **Luxury segments still heavily rely on the European textile supply chain for their exclusivity and differentiation requirements**
- **All other market segments share quite similar “intrinsic” products differentiated by their service content**





# Transformation of Value Chains

Value is today created less and less on intrinsic quality and increasingly on intangible properties:

- Differentiation of standard products
- Exclusivity
- Hyper reactivity
- Innovative & Creative integration
- Packaging and formats
- Customization

## ➤ **Perspective 3:**

### **Strategic snapshots**

- **Skills & Competences**
- **Key Trends**

# Strategic Snapshots: Skills & Competences for Success

- 1. Orchestrators & Merchandisers**
- 2. Brand management**
- 3. Innovation**
- 4. Characterization and differentiation and of standards - Time to market**

# Strategic Snapshots 1: Orchestrators and Merchandisers

## Supply Chain Orchestrators

Capability to orchestrate fragmented and disperse textile supply chains leveraging on intelligence, understanding, technology and organizational practices

## Merchandisers

Capability to create “consistency” across ranges developed and produced across the globe – leveraging on clear range architecture



# Strategic Snapshots 2: Retail and B2B Branding

## **Retail brands**

**Growing in importance to create differentiation, loyalty and premiums**

## **B2B branding**

**In a global world of options, large retailers and brands are losing product know-how and rely more and more on B2B brands**



## **Innovation**

**The global market is eager for innovation: new products, new integrated systems, new application...**

# Strategic Snapshots 4: Differentiation & Characterization

The global industry desperately needs fast and effective differentiation and characterization of standard products: adding value to standard products at the latest stage possible

+ New need for “fast” and custom will soon boom with internet – Zara model changing the industry



# Strategic Snapshots: Key Trends

- 1. No More Seasons**
- 2. External factors to rapidly change scenarios**
- 3. Customization & the Web**





# Strategic Snapshots:

## No More Seasons

- **Global Warming**
- **Multi seasonal apparel**
- **Fast Fashion continual renewal (Make old “seasonal thinking” obsolete)**



# Strategic Snapshots: External Factors

- Exchange rates \$, Euro, Yuan, Rupee...
- Petrol and direct impact of MMF & Air transport...
- Political situation...

...can change global landscape  
and supply chains in a few months



# Strategic Snapshots:

## Customization & the Web

- Internet sales rapidly growing (US and north Europe)
- Focus on specific product categories
- Will be a relevant channel for apparel sales
- Example: [www.NIKEiD.com](http://www.NIKEiD.com)



# Final Message

**It is going to be a challenging  
global market full of threats  
but also full of incredible  
opportunities**

**It is going to be a talent  
intensive market where talent  
will be key success factor**





# Thank You!

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