

Dube TradePort

Export fact sheet: Clothing



1 Overview of clothing manufacturing and exports within the DTP catchment area

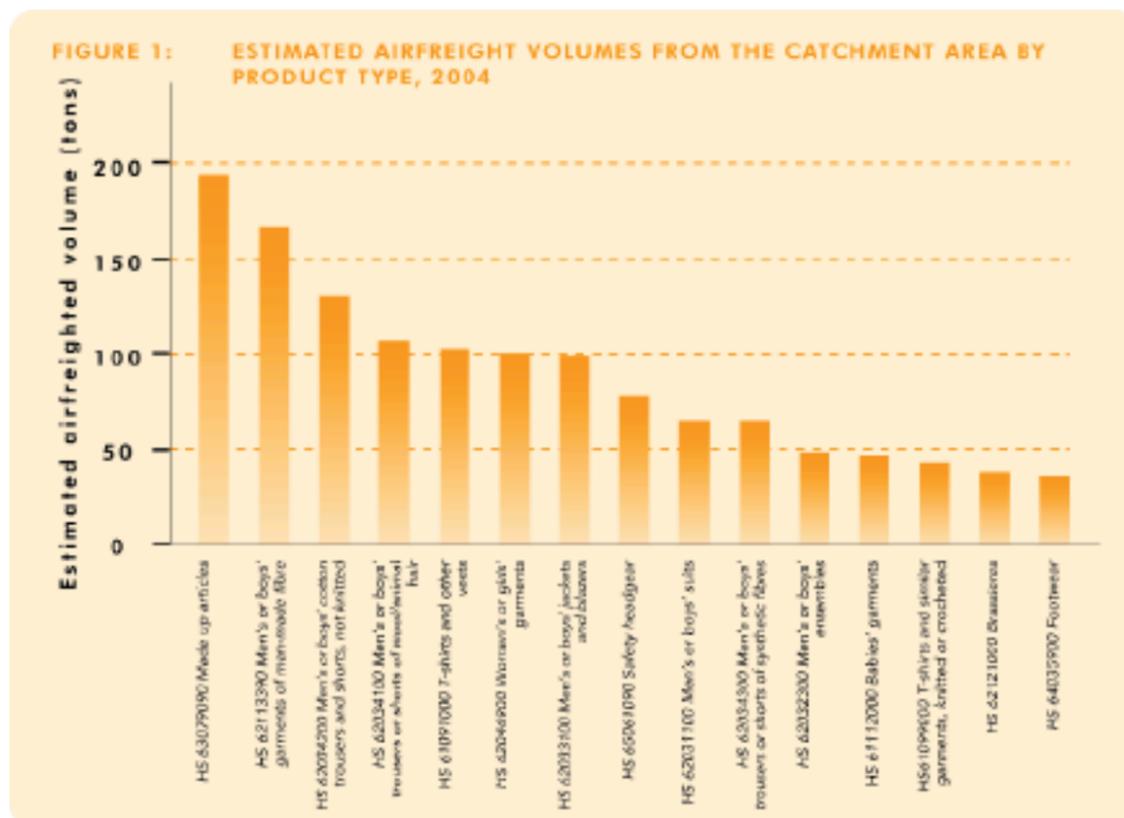
The clothing sector in KZN has a long history of production. The product range varies from high value items such as woollen suits, to low value items such as T-shirts. However, there is limited mass production of fashion-led items. Production is concentrated in eThekweni, Newcastle, the Midlands, and the South Coast, with additional production activity in the wider catchment area, particularly in the Eastern Cape and Gauteng.

While the sector has experienced recent difficulties due to the changes in global trade regulation and the strengthening of the Rand, there are nevertheless some producers that continue to export. The preferred means of transporting clothing exports is sea freight, given the pressure on cost competitiveness and the bulk of most export orders. However, airfreight is used on occasion for urgent orders or due to production delays in order to meet delivery dates, as a late delivery can lead to significant penalties or the loss of key clients. In addition, high value woollen suits may be airfreighted to maintain humidity control and reduce fabric damage.

The following table highlights the rand value of airfreighted clothing exports from the entire DTP catchment area in 2004:

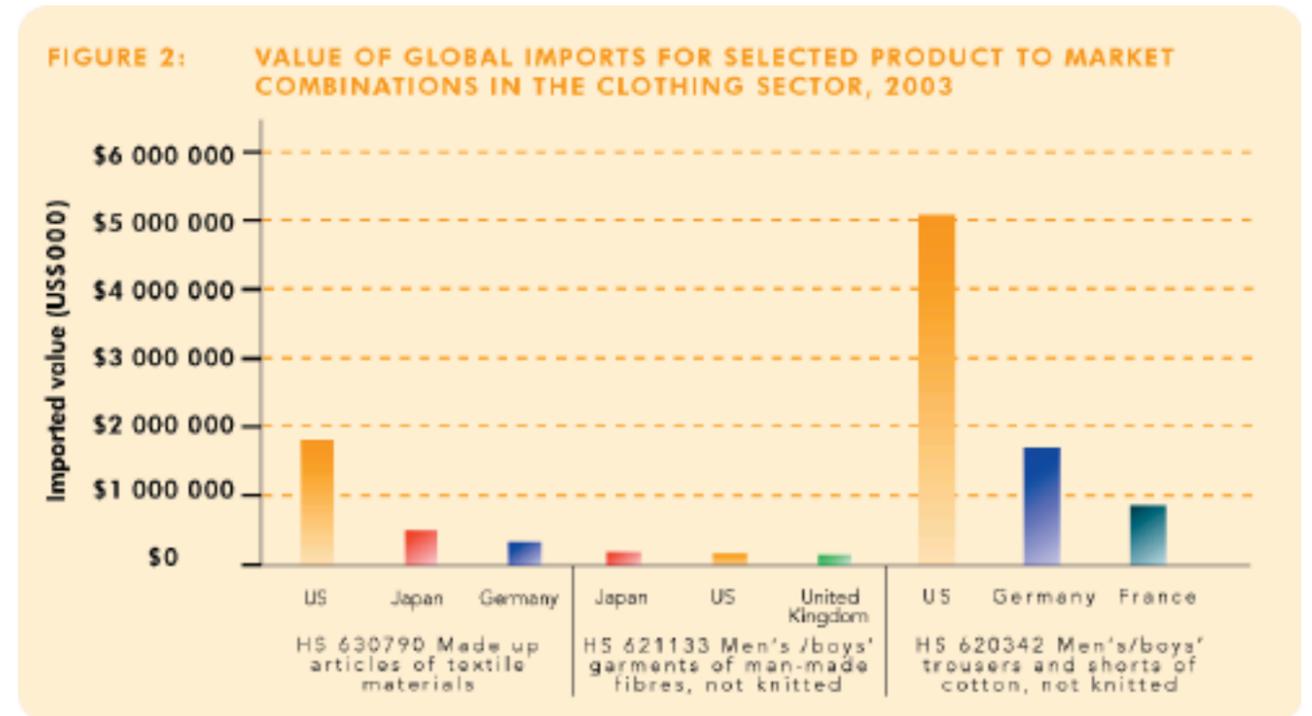
CLOTHING	R
Estimate of DTP catchment area exports airfreighted (2004)	402,330,000
Estimate of total exports from DTP catchment area (2004)	1,589,800,000

The graph below summarises statistics for current airfreight exports of clothing from the catchment area, including formal suits, T-shirts, babies' clothing and underwear.



2 International market trends

The size of the global clothing market is estimated to be US\$681bn. The graph below indicates import market values for the top three importers in the world for the three dominant clothing airfreight export product categories from the catchment area:



Global competition is extremely strong, and competition patterns are shaped by the changing nature of trade regulation. At the end of 2004 the quota system set out by the Agreement on Clothing and Textiles was abolished and integrated into the General Agreement on Trade and Tariffs. Consequently, clothing exporters are allowed to export in unlimited quantities to sourcing countries. The clothing industry expects the impact to include consolidation of the supply base, which poses a significant risk to developing countries that do not export clothing in large quantities.



SPECIAL FOCUS: UNITED STATES

MARKET OVERVIEW

The total retail market size for clothing was US\$212.6bn in 2002, and the total import market size was estimated at US\$63bn. Imports grew at an average rate of 5.5% per year between 1995 and 2002. The US textile and clothing trade deficit reached US\$73.11bn in 2003, approximately 90% of which was due to clothing.

The demand for T-shirts in the US is the largest in the world. However, a price competitive market exists resulting in the quality of T-shirts being poorer than in Europe. The US market is also less concerned with eco-labels than European markets. However, importers of clothing in the US are ensuring that their suppliers meet and aspire to stringent vendor certification systems.

COMPETITION

Although demand for cheap clothing has increased over the past few years, especially for cotton apparel, large multinational clothing companies are altering their global sourcing networks by decreasing their supply chains, using fewer and more reliable manufacturers, and discontinuing support functions. In 2002, China was the leading supplier of clothing to the US, followed by Mexico, which had increased its supply to the US by 4%. Mexico is currently the largest supplier of clothing to the US market, and has preferential access through the NAFTA agreement. This reflects a shift in the sourcing of US apparel away from North-East, South, and South-East Asian countries, although imports from the Caribbean Basin, Mexico as well as China are increasing rapidly. The value of imports from top Asian suppliers such as Hong Kong, South Korea and Taiwan has decreased over time, but the volume of imports has risen significantly. For example, imports from South Korea rose by almost 50% in volume in 2002. Sub-Saharan Africa supplies less than 1% of the clothing market in the US, and is at a disadvantage versus Mexico and the Caribbean Basin due to its distance from the market.

For men's outerwear, the key competitors to South Africa are the Middle East, Asia, Eastern Europe, and Central America (Honduras, Guatemala and the Dominican Republic). These countries are seen to be more competitive in terms of both quality and pricing, due to access to cheaper labour. South Africa is seen to be at a cost disadvantage of between 15% and 20%. Women's clothing in the US is predominantly sourced from Hong Kong, with China and Indonesia following closely.



SPECIAL FOCUS: UNITED KINGDOM

MARKET OVERVIEW

The UK clothing retail market totalled US\$57bn in 2003, with imports accounting for approximately 90% of the value of most clothing categories. Women's garments account for 38% (US\$21bn) of the total retail value, and have historically shown the strongest growth within the sector, although growth from 2002 to 2003 was just 1.2%. Of the UK women's clothing market, women's outerwear accounts for more than 85%.

Sales of men's wear grew by just 1% from 2002 to 2003. This is partly due to a strong consumer trend towards dressing down, which means that fewer expensive suits and other formal working clothes are being purchased. However, there is an emerging sector of smart leisurewear, often with designer labels, which is bridging the gap between sports and casual wear and formal tailored clothing. Men's clothing accounted for 29% (US\$16.3bn) of the total value of retail sales of clothing garments, with outerwear making up approximately 90% of this.

Industry experts expect the UK clothing sector to be reasonably stable over the next 5 years, but not buoyant. Overall, the women's and girls' clothing sectors are expected to continue to benefit from the best growth rate of a maximum of 4% per annum. Manufacturers and retailers are particularly targeting the market of fashion-conscious 8 to 12 year-olds. However, there is intense competition amongst both retailers and manufacturers in women's fashion, which is leading to erosion of prices. For example, the retail prices of women's outerwear fell by approximately 24% on average between 1998 and 2002.

COMPETITION

Competition in supplying UK markets has increased drastically, with price as the driving factor. The UK clothing market is dominated by major retailers that control about 75% of the market. Since the late 1990s the discount clothing sector led by large discounting multiples such as Matalan, TK Maxx and Primark, has grown by almost 15% at the expense of mid-market retailers such as Marks & Spencer (M&S) and the Arcadia Group. The discount retailers have been undercutting prices in the mid-market (variety stores, fashion chains, etc.), and even designer brands are being heavily discounted. The growing involvement of grocery multiples such as George at ASDA and Tesco is also adding low-price capacity. These grocery retailers currently have a small share of clothing distribution of approximately 5%, but they are expected to grow rapidly. To date they have focused largely on

The following potential UK market opportunities for South African suppliers have been identified, given that price and quality requirements can be met:

- Niche markets for high quality men's suits
- Chinos – two major European retailers identified South African chinos as of a high quality and believe that there is an opportunity for South African suppliers to increase exports
- Classic styles in men's casual wear – the market expects a slowdown of the trend towards 'casualisation' and with it a move to classic styles in men's casual wear and the possibility of higher price points
- 'Plus' size women's wear – this segment shows growth potential, as branded larger size clothing is increasingly in demand
- Women's casual wear – despite the increase in female white-collar professionals, there is a shift from formal wear to casual wear, which includes trousers, tops, and skirts

children's wear and underwear, but are expected to broaden their product range significantly over the next 5 years. Furthermore, in many consumer segments there has been a marked shift in consumer preferences away from high quality to fashion and style, leading to shorter product life cycles and dropping product quality.

South African clothing manufacturers are currently not seen as price competitive. Tesco, for example, has attempted to source products such as men's formal wear from South Africa, but this proved unsuccessful due to the high prices of South African products. Tesco identified Eastern European countries (Poland, Hungary and Lithuania) and Asia (Bangladesh in particular), as more competitive than South Africa in this segment. Other major retailers highlighted Turkey and Dubai as being more competitive than South Africa in terms of men's wear. China, Morocco, Portugal, Turkey, and Mauritius are becoming increasingly competitive, as they are able to provide shorter lead times and lower product costs to retailers.

In terms of women's wear, exporters such as Turkey and certain Asian countries are seen as key competitors. Hong Kong and India are the primary suppliers of general women's apparel, while Germany, Italy, and Hong Kong dominate the supply of women's jackets. Morocco and Romania are also tapping into UK markets, and Hong Kong leads the supply of women's dresses and skirts. UK clothing retailers surveyed are generally satisfied with the quality of South African products. However, while quality of manufacturing is seen to be on a par with Eastern European suppliers, there is a view that South African fabrics are of a lower quality. In terms of service and reliability, South Africa is seen to be able to provide a better standard than many manufacturers based on the Indian sub-continent. However, South Africa is at a clear disadvantage compared to suppliers who can reliably and more rapidly supply products – for example, manufacturers in Poland and Hungary ship by truck to the UK within 4 to 5 days. Proximity is seen by some retailers as a way to reduce the risk of importing goods at short notice, particularly fashion-oriented retailers that need to keep up with fashion 'fads'. In addition, South Africa's internal logistics system is considered inadequate and unsophisticated in comparison to that of China and other Asian countries.