

CUTTING OUR CLOTH: A REVIEW OF THE ALL-ISLAND CLOTHING AND TEXTILES INDUSTRY

CONTENTS

| | |
|-------------------------------------------------------------------------------|-----------|
| EXECUTIVE SUMMARY: A NEW VISION FOR THE CLOTHING AND TEXTILES INDUSTRY | 4 |
| 1 INDUSTRY OVERVIEW | 6 |
| THE EUROPEAN CONTEXT | 6 |
| CLOTHING AND TEXTILES IN IRELAND AND NORTHERN IRELAND | 7 |
| SECTOR PERFORMANCE | 8 |
| SCALE AND STRUCTURE OF THE INDUSTRY | 8 |
| CONTRIBUTION TO EXPORTS | 8 |
| CLOTHING AND TEXTILES: SUBSECTORS | 8 |
| CLOTHING | 8 |
| TEXTILES | 9 |
| 2 TRADING ENVIRONMENT | 10 |
| CLOTHING | 10 |
| THE ALL-ISLAND CLOTHING MARKET | 11 |
| CHANNELS TO MARKET IN IRELAND AND NORTHERN IRELAND | 11 |
| INDEPENDENT RETAIL CHANNEL | 11 |
| MARKET SEGMENTS | 12 |
| THE UK CLOTHING MARKET | 13 |
| TRENDS IN THE CLOTHING RETAIL MARKET | 14 |
| RETAIL CLOTHING OUTLOOK | 15 |
| TEXTILES | 15 |
| APPAREL TEXTILES TRADING ENVIRONMENT | 16 |
| HOUSEHOLD AND INTERIOR TEXTILES TRADING ENVIRONMENT | 16 |
| TECHNICAL TEXTILES TRADING ENVIRONMENT | 17 |
| ISSUES FACING THE CLOTHING AND TEXTILES INDUSTRY | 18 |
| MARKET DEVELOPMENT | 18 |
| SUPPLY CHAIN MANAGEMENT | 19 |
| TECHNOLOGY AND SPEED TO MARKET | 19 |
| SKILLS REQUIREMENTS | 20 |
| LINKAGES | 20 |
| EXTERNAL CHALLENGES | 21 |
| THE IMAGE OF THE INDUSTRY | 22 |

InterTradeIreland, the Trade and Business Development Body, exchanges information and co-ordinates work on trade, business development and related matters on an All-Island basis.

The deepening of economic links is based on the rationale that increased co-ordination of trade and business development activity can help engineer the realisation of economic spillovers and synergies that will mutually benefit both the North and the South.

In deepening economic links on the Island of Ireland the benefits are achieved through:

- Co-operation, alliances and networks between firms,
- The opportunity to address a larger overall market,
- Exposure of products and services to a wider range of demanding commercial customers as well as consumers; and
- Improved supply-side characteristics in areas such as skills, training, technology and general infrastructure.

DISCLAIMER

InterTradeIreland, Invest Northern Ireland and Enterprise Ireland are confident that the information and opinions contained in this document have been compiled or arrived at by the authors from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made to their accuracy, completeness or correctness. All opinions and estimates contained in this document constitute the authors' judgement as of the date of this document and are subject to change without notice. This publication is intended to provide general information to its readers concerning the subject matter of the publication and does not necessarily reflect the views of InterTradeIreland. While care has been taken in the production of the publication, no responsibility is accepted by InterTradeIreland for any errors or omissions herein.

CONTENTS CONTINUED

| | |
|-------------------------------------------------------------|-----------|
| 3 OPPORTUNITIES AND RECOMMENDATIONS FOR THE INDUSTRY | 23 |
| MAKING OPPORTUNITIES HAPPEN | 23 |
| BUILDING MARKETS | 24 |
| HIGH-VALUE MARKETS IN NICHE AREAS | 24 |
| BRANDING | 25 |
| ROUTES TO MARKET | 25 |
| STRATEGIC PARTNERSHIPS | 25 |
| TARGETING DIFFERENT DEMOGRAPHIC GROUPS | 26 |
| DEVELOPING NEW EXPORT MARKETS | 26 |
| DEVELOPING NEW SKILLS | 27 |
| MANAGEMENT SKILLS | 27 |
| MARKETING SKILLS | 28 |
| SUPPLY CHAIN MANAGEMENT SKILLS | 28 |
| DESIGN SKILLS | 28 |
| BUILDING DESIGN AND PRODUCT DEVELOPMENT CAPABILITY | 29 |
| DEVELOPING TECHNICAL TEXTILES | 30 |
| APPENDIX: LIST OF INDUSTRY INTERVIEWEES | 31 |

EXCHANGE RATES

THROUGHOUT THIS REPORT, CURRENCY CONVERSIONS ARE BASED ON BANK OF ENGLAND AVERAGE EXCHANGE RATES FOR THE YEAR.

EXCHANGE RATES 1999-2003.

| | GBP - EUR | | EUR - GBP | |
|------|------------------|--------|------------------|--------|
| 1999 | 1.00 | 1.5192 | 1.00 | 0.6582 |
| 2000 | 1.00 | 1.6422 | 1.00 | 0.6089 |
| 2001 | 1.00 | 1.6087 | 1.00 | 0.6216 |
| 2002 | 1.00 | 1.5909 | 1.00 | 0.6285 |
| 2003 | 1.00 | 1.4456 | 1.00 | 0.6917 |

Source: Bank of England

ACKNOWLEDGMENTS

InterTradeIreland, Invest Northern Ireland and Enterprise Ireland would like to thank ICATA, NITA, Rédacteurs, Genesis Consultants and the companies who participated in the research for their assistance in the development of this report

EXECUTIVE SUMMARY: A NEW VISION FOR THE CLOTHING AND TEXTILES INDUSTRY

Over the past few years, the Clothing and Textiles industry on the island of Ireland has begun the process of transforming itself into an industry characterised by innovation, technical advance and higher value added. The industry is moving towards being one which is knowledge-led and market-driven, with high levels of skills, imagination and creativity. For a variety of reasons, however, the wider community retains the image of an industry in decline – particularly with high-profile job losses and the demise of some well-known companies. This has tended to obscure the developing reality of an industry that is progressively refocusing itself and beginning to leverage its knowledge base in new and creative ways.

There are, of course, serious challenges facing the industry – not least the lifting of quota restrictions on clothing and textiles imports into the EU from January 2005. The industry has also come to terms with the outsourcing of much of its manufacturing activity to lower-cost economies. The industry now has a much more diverse skills base than in the past: essentially, it now presents itself as a modern and progressive, knowledge-based industry where design and innovation are used to deliver competitive advantage. This increased emphasis on the knowledge base of the industry brings with it new opportunities for growth and development.

This report reviews the Clothing and Textiles industry in Ireland and Northern Ireland in the light of the substantial changes that have occurred in the local and global economies in the recent past. It seeks to:

- Understand the current state of the industry and its performance;
- Examine the trading environment within which the industry operates; and
- Identify opportunities for growth and development, and to offer recommendations on how these can be realised.

The report is based on research conducted by Genesis Strategic Management Consultants. In the course of their research, Genesis interviewed 30 companies in Ireland and Northern Ireland.

Recommendations

BUILDING MARKETS

- Identify specific capabilities for new market entry. (Industry)
- Engage dedicated marketing specialists and allocate greater resources to marketing activity. (Industry)
- Further develop existing 'market intelligence' assistance – for example, trend spotting/analysis in a range of different market environments. (Support Agencies)
- Invest in networking and in fostering appropriate links between companies and research centres/design colleges to ensure that the industry stays aware of technological and other changes that could create opportunities. (Industry)

DEVELOPING NEW SKILLS

MANAGEMENT SKILLS

- Facilitate and promote the development of management and commercial skills among designers – in particular, develop a management development initiative customised to 'new' industry needs. (Industry, training agencies and relevant colleges)
- Develop initiatives to upskill owner/managers with a view to exploiting new business models. (Industry with the help of the support agencies)

SUPPLY CHAIN MANAGEMENT SKILLS

- Develop supply chain management as a competitive tool as well as a logistical solution. (Industry, training agencies and relevant colleges)
- Identify and highlight the particular supply chain needs of the sector, including the many stages of design and manufacturing and the diverse geographical bases. (Industry with the help of support agencies)

DESIGN SKILLS

- Bridge the gap between universities/colleges and industry to ensure that students are being trained in the technical, creative and commercial aspects of design. Ensure that industry is geared up to take on and develop this new talent. (Industry, training agencies and individual colleges)
- Develop initiatives to bring design into the boardroom and make it an intrinsic part of company operations. (Industry with the help of support agencies and specialist private sector assistance)

DESIGN AND PRODUCT DEVELOPMENT CAPABILITY

- Develop 'design consultancy' capabilities across the island of Ireland. (Industry with the help of support agencies and specialist private sector assistance)
- Invest in development of new products and processes, with increased emphasis on design. (Industry)
- Investigate the feasibility of setting up a 'design hub' to offer technical, creative and commercial support to colleges/students and industry. (Support agencies)

DEVELOPING TECHNICAL TEXTILES

- Identify and address technical and technician skill deficiencies specific to the sector. These need to be filled through a range of mechanisms, including graduate and more experienced placements. (Industry and training agencies)
- Facilitate the formalisation of all-island cooperation in technical textiles in an 'advanced materials' context. Collaborate with other sectors to achieve this. (Industry with help from the support agencies)

1 INDUSTRY OVERVIEW

The Clothing and Textiles industry on the island of Ireland has changed almost beyond recognition over the past ten years. Where once companies sold to fill capacity in their factories, now we have fashion houses driven by design and brand awareness. Strong management, sales and marketing expertise and world class logistics are among the elements that are required for continuing success in a highly competitive market. Recognised brands dominate the sector as companies respond to consumer and trade needs. Companies in the non-branded, private label arena have also adapted their business models; and, led by design and fast, flexible, reliable supply streams, they continue to win the business of many European retailers. Textiles, including apparel, interior and technical textiles, have taken a similar route – developing upmarket niche products that continue to meet and exceed customer needs, with all the characteristics of strong brand development being employed in their production and marketing.

Whether we sell in home or international markets, we are all competing globally. And, with change being the only constant in business for the last decade, many companies have made the transformation and evolved into internationally competitive businesses. Staying competitive and continuing to develop a brand approach to future higher value niche business is the future for many companies.

The European Context

The Clothing and Textiles industry is a very broad area of activity and consists of many different subsectors, ranging from high fashion clothing to natural fabrics, high-tech yarns and technical textiles. Within these subsectors there is also a wide range of industrial processes and market structures.

Within the European Union, Clothing and Textiles is a substantial industry accounting for 7% of manufacturing employment and 4% of manufacturing production¹. Over 2,000,000 people are employed in the industry across over 177,000 firms, mostly small to medium-sized enterprises².

The EU is the world's largest trader in Clothing and Textiles. It is the world's largest exporter of Textiles, and second only to China in exports of Clothing³. Table 1 shows the value of imports and exports by EU in 2002 and 2003.

TABLE 1
EU TRADE IN CLOTHING AND TEXTILES, 2002 AND 2003

| | 2002 | 2003 |
|------------------|------------------|------------------|
| Imports | €71.41 billion | €70.24 billion |
| Exports | €43.51 billion | €41.71 billion |
| Balance of trade | - €27.90 billion | - €28.53 billion |

Source: <http://europa.eu.int/comm/trade/issues/sectoral/industry/textile/stats.htm>
Note: excluding intra-EU trade, but including trade with accession countries

1 http://europa.eu.int/comm/enterprise/textile/documents/com2003_0649en.pdf
2 <http://europa.eu.int/comm/enterprise/textile/statistics.htm>
3 <http://trade-info.cec.eu.int/textiles/index.cfm>

Clothing and Textiles in Ireland and Northern Ireland

In Northern Ireland and Ireland, the Clothing and Textiles sector had a combined turnover of €1.7 billion in 2002 – employing an estimated 20,000 people in 525 firms. Table 2 summarises the Clothing and Textiles sector in Ireland and Northern Ireland in 2002.

TABLE 2
CLOTHING AND TEXTILES IN IRELAND AND NORTHERN IRELAND, 2002

| | IRELAND | | NORTHERN IRELAND | |
|-------------------------------|------------------|------------------|----------------------|---------------------|
| | 1999 | 2002 | 1999 | 2002 |
| Turnover | €952m (£627m) | €834m (£524m) | £1,070m (€1,625m) | £653m (€1,038m) |
| % of industrial turnover | 1.14 | 0.77 | 11.46 | 6.39 ^a |
| Number of firms | 307 | 285 | - | 240 |
| Employment | 11,560 | 7,871 | 18,058 | 10,375 ^b |
| % of manufacturing employment | 4.65 | 3.30 | 18.39 | 11.94 |

Source: Central Statistics Office, *Census of Industrial Production*, 2002 (Ireland); Statistics & Social Research Branch, DETI (Northern Ireland) – these figures do not include Invista and DuPont.

The figures shown here for 2002 all represent declines from previous years. For example, employment in the sector in Ireland fell by 32% between 1999 and 2002, while the number of companies in Ireland fell by 9% in the same period. In Northern Ireland, the decline in employment has been higher at 42.5%, but the industry continues to represent a substantial part of industrial turnover and manufacturing employment.

Between 2001 and 2002, all-island Gross Value Added (GVA) in the sector fell by 20%. This breaks down as follows:

TABLE 3
CHANGES IN CLOTHING AND TEXTILES GVA, 2001-2002

| | IRELAND | | | NORTHERN IRELAND | | |
|----------|-----------------|-----------------|----------|------------------|----------------|----------|
| | 2001 | 2002 | % CHANGE | 2001 | 2002 | % CHANGE |
| Textiles | €205m £127m | €169m £105m | -17.5% | £183m €294m | £153m €243m | -16% |
| Clothing | €122m £75.8m | €123m £77.3m | +1% | £113m €181m | £63m €100m | -44% |

Source: Central Statistics Office (Ireland); Statistics & Social Research Branch, DETI (Northern Ireland)

4 Turnover figures include leather

5 Full-time employment only, part-time: 1,425 (1999) and 1,078 (2002)

Sector Performance

Across Ireland and Northern Ireland, the Clothing and Textiles sector has continued to experience contraction both in employment and in the number of firms operating in the sector. The reasons for this include:

- Ongoing price deflation;
- Rising business costs;
- International manufacturing competition; and
- Market dynamics.

Many indigenous companies have outsourced lower-value manufacturing operations to lower-cost economies while retaining the higher-value activities such as research, design, branding and logistics. The success of outsourcing as a business model depends on well-developed logistics, information technology and communications, and on effective management.

Fabrics, however, have largely been sourced closer to the manufacturing locations and there are fears in the indigenous industry that this will lead to a gradual erosion of control, particularly as textile hubs (where fabric and garment production are available in the same area) are becoming increasingly strong.

Scale and Structure of the Industry

The Clothing and Textiles sector in Ireland and Northern Ireland is dominated by small, family-owned and managed businesses, as a number of the larger companies have ceased operations or have outsourced their manufacturing. There are some exceptions, however, with some indigenous and non-indigenous firms employing 100-500 and some over 500. In Northern Ireland, over half of companies in the sector currently employ 50 or fewer, and under 10 per cent of companies employ more than 250. In Ireland, the average number of employees per company was 32 in 2002.

Contribution to Exports

The Clothing and Textiles sector is highly oriented towards exports, which in 2002 accounted for an estimated 66% of turnover in Ireland and 85% in Northern Ireland. Exports have continued to grow, despite downward price pressures and difficulties caused by fluctuating currency movements. In Ireland, for example, exports grew by 3% from 2001 to 2002. The all-island share of EU Clothing and Textiles exports, however, is steadily declining, from 0.901% in 1991 to 0.478% in 2000⁶ – representing a decline of US\$408m in 2000 values.

Clothing and Textiles: Subsectors

Clothing

On both sides of the border, companies in the Clothing sector are engaged primarily in the womenswear apparel segment, followed by menswear and childrenswear. Other important sectors include sportswear, corporate or workwear, protective wear, and accessories.

⁶ InterTradeIreland, *Competitive Performance in Industry: An All-Island Review*, May 2004

In Ireland, manufacturing in the Clothing sector (including knitwear) is now almost entirely dominated by outsourcing, with only a small local base for sampling and small orders. In Northern Ireland, manufacturing is seriously threatened, but some sectors such as Hosiery have managed to retain employment and added value, in addition to outsourcing some lower value-added product.

Clothing manufacturers include both brand-name companies and suppliers of finished goods to the major retail chains – including Dunnes Stores, Marks and Spencer, Asda, Oasis, Wallis, British Home Stores and Laura Ashley. They also supply product to the large international fashion houses. Companies from Ireland and Northern Ireland also supply hosiery, performance sportswear and protective wear to international markets.

Branded Fashion

Many companies have worked on developing their own brand – in Ireland, for example, over 70% of companies produce their own branded product. Some have also been successful at targeting specific market segments with branded products, and have carved out niche markets for themselves, mainly in Ireland and in Great Britain.

Such companies have carefully controlled distribution of their branded product, using a variety of methods – including supplying retail independents, using their own sales force, agents and showrooms, and exhibiting at international trade fairs. Some are also working on strengthening their market positions by integrating forward into retail, either in stand-alone outlets or in in-store concessions.

Textiles

The Textiles sector includes weaving (of both natural and synthetic yarns), technical textiles, dyeing and finishing, and support areas including trimming, labelling and lining. Subsectors include the following:

- Apparel textiles including linen and wool;
- Carpet yarn;
- Household and interior textiles; and
- Technical textiles – polyester, Lycra® and Kevlar® yarn in wovens, and some non-woven.

The main markets for the Textiles sector are the UK apparel, home furnishing, gift and industrial sectors, supplied both on a contract manufacturing and on a branded basis. International markets are also important, including Europe, the Far East and Australasia.

Technical textile market segments addressed by companies in Ireland and Northern Ireland include performance outerwear and protective workwear, medical textiles and aviation textiles.

2 TRADING ENVIRONMENT

The markets for Clothing and Textiles are increasingly globally competitive, and the European Clothing and Textiles industry has gone through difficult times recently. For example, in the two years 2001–02, there was an 8.7% fall in production and an 8.4% fall in employment in Clothing and Textiles in the EU.

In spite of that, however, there have been European success stories both in the internal market and in major export markets. European producers remain world leaders in the non-woven and technical textile markets and European fashion houses have international reach. The challenge is to build on existing strengths in an industry that is in transition.

This chapter examines the trading environment within which companies in Ireland and Northern Ireland operate.

| | |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Clothing | <p>The size and segmentation of the all-island clothing market is introduced, together with some discussion of the different channels into the market.</p> <p>Because the UK is the largest market for manufacturers in Ireland and Northern Ireland and continues to offer substantial opportunities, it is dealt with separately.</p> <p>This section also covers developing trends in the retail clothing market and the short to mid-term outlook for that market.</p> |
| Textiles | <p>Each of the three subsectors of the Textiles market is dealt with: Apparel, Household and Interior, and Technical Textiles. Apparel and Technical Textiles are largely business-to-business markets, while Household and Interior is largely retail.</p> |
| Issues Facing the Industry | <p>The indigenous Clothing and Textiles industry faces many issues as it positions itself in the marketplace. The issues dealt with here include the challenges of market development and supply chain management, of developing the skills necessary to compete, and of turning around the industry's image.</p> |

Clothing

The total European market for clothing⁷ was estimated at €296bn in 2002, and the four largest European markets are (in order of size) Germany, Italy, the UK and France. Ireland was ranked 16th, valued at €3.0bn. In most European countries including the UK, spending on clothing continues to fall as a proportion of total consumer spending, as more disposable income is diverted to other discretionary areas including travel.

In the Clothing market, demand is volatile and change is rapid, but growth is relatively slow. Changes in the market are a reflection of changing consumer spending, lifestyles, loyalties, choice and expectations. Price deflation throughout the clothing market is also influencing market value – this is driven by the rise of value retailers and by increased competition in retail's middle ground.

⁷ Mintel, *Clothing Retailing – Retail Intelligence*, August 2003 (20 countries)

Clothing is still however the third most regularly purchased products category behind food and personal care. All clothing brands, retail and manufacturer, are now fighting harder for market share. Competition is strong in all sectors of the market, and product innovation, through design and product attributes, is emerging as the key factor in winning a share of disposable income.

The All-island Clothing Market

In Ireland, consumer spending on clothing and footwear rose by 45.9% between 1997 and 2001 to €3,490m / £2.169m (including VAT)⁸. In Northern Ireland, consumer spending on clothing stood at £960m / €1,528m in 2002⁹.

Previously very high growth in the all-island clothing market is slowing. For the period 1995-2002, Clothing achieved annual growth in excess of 10% in Ireland and 5% in Northern Ireland. This was driven by the overall growth of the Celtic Tiger Ireland, and on both sides of the border by increased penetration of UK multiples and by heightened consumer interest in segments of the clothing sector.

For the period 2002-2007, Mintel predicts total growth of the Clothing market of 35%, up to €6,350m, split €4,530m for Ireland and €1,820m (£1,213m) for Northern Ireland, with respective growths of 38% and 29%. This, however, is likely to be concentrated in fewer retail outlets – in Ireland, despite strong sales growth in recent years, the number of clothing outlets declined by 7.2% between 1991 and 2000¹⁰. This coincided with strong growth in the number of all retail outlets. It is likely that the fall in the number of specialist clothing stores is due to the continued expansion of the multiples, which tend to operate from fewer, but larger stores.

Channels to Market in Ireland and Northern Ireland

Ireland has differed from Northern Ireland in respect of the level of concentration of UK clothing multiples. In Ireland, UK multiples have an estimated 30% market share in Clothing, while in Northern Ireland, their share is estimated at 65%¹¹. The all-island structure of distribution channels is changing, as the market attracts UK and international multiples into the clothing sector, a trend which is predicted to continue. International entrants include Mango, H&M, Kookai, Zara, French Connection, John Lewis, House of Fraser and Harvey Nichols. Although Dunnes Stores is officially classified as a food retailer, it is the leading clothing retailer in Ireland, accounting for an estimated 25.9% of the market in 2002.

Independent Retail Channel

The independent retail channel merits comment as the middle to higher end independent retailers constitute many of the major accounts for branded clothing manufacturers in Ireland. Independents are focused on the middle to upper end of the market as the multiples have a high presence at the lower end. Branded manufacturers supply the independents and department stores directly and via agents. Independents are forecast¹² to decline in share from a high of 11% in 1995 to 7% by 2005 and department stores are also struggling to defend their share. In department stores, the Associated Independent Stores (AIS) buying group plays a key role, with an estimated 18 members in Ireland.

⁸ Mintel, *Clothing Retailing in the Republic of Ireland*, August 2003

⁹ Based on NISRA, *NI Household Survey*, 2002-03

¹⁰ Mintel, *Clothing Retailing in the Republic of Ireland*, August 2003, quoting A.C. Nielsen.

¹¹ Mintel, *Apparel Retailing Irish Series*, August 2002

¹² Mintel

Market Segments

The all-island clothing market includes the following key segments.

| Segment | Description |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Womenswear | The womenswear market includes subsegments such as occasion wear, knitwear, casual, tailoring, teen high fashion and outside. See also Lingerie below. |
| Menswear | Imports account for 85% of the menswear market. Formal tailoring is experiencing decline, but there is still demand for classic suits, particularly in softer, luxurious fabrics. |
| Sports / Performance Wear | Walking and climbing brands are entering the mainstream casual/sportswear market. This sector is forecast to remain buoyant, driven by value rather than volume growth as a result of the impact of brand development, but it is a crowded market. |
| Childrenswear | Childrenswear achieved modest growth of 7-8% between 2000 and 2003. In spite of falling birth rates, average spending is predicted to increase. Dunnes Stores in Ireland, with its St Bernard brand, is a dominant player with over 25% of the market. Other key multiples in this area include Penneys, Adams, Mothercare, Marks and Spencer, Debenhams and Next. |
| Lingerie | Lingerie accounts for a growing share of the womenswear spend, in 2002 reaching 19.5% from 18.7% in 1997. European and US brands dominate this segment. From Ireland and Northern Ireland, there are important brands including Ballet and Mamselle, as well as Charnos on the hosiery side. Innovation and fabric design are the key factors to success in this segment and have helped revitalise the market for these products. |
| Accessories | Sales of accessories continue to grow as retailers across the spectrum give the segment a higher profile, and Mintel's research suggests that accessories are becoming a significant sales driver for many retailers. |
| Corporate wear | This market sector is generally categorised as the non-consumer market and in addition to corporate clothing includes workwear and uniforms. The corporate clothing market in Europe is the most dynamic segment of the total workwear market, and in most countries is achieving strong annual rates of growth. Products include 'career wear', including suits, trousers, jackets, shirts and blouses, and 'corporate casual wear' including casual trousers and skirts, but primarily comprising t-shirts, polo shirts and casual jackets such as fleeces. |

Within Europe, the market is considered mature with little potential for substantial unit growth. Lower employment in manufacturing industries is being offset by higher usage of corporate clothing in service industries. However, faster growth by value will be prompted by a tendency among workwear buyers to trade up to better quality products, including those that incorporate a higher level of customisation.

In Ireland, indigenous manufacturers' share of the total clothing market is estimated at up to 13%, valued at approximately €141m. There are, however, substantial variations across sub-segments of the market.

The UK Clothing Market

By Mintel's estimates¹³, the UK consumer spending on the clothing market reached £35.5m (including VAT) in 2003. This represents growth of 22.8% since 1999. Growth in spending on clothing has outperformed other areas of consumer spending, but over the next five years is expected to grow by 3% annually – in line with the general trend in consumer spending. Recent market growth has been driven by the following:

- Volume, with marginal inflation returning in 2001;
- Fashion, with continued levels of innovation and change;
- Increased selling space, with multiple retailers expanding their store portfolios – these include international players such as the Swedish Hennes & Mauritz (H&M), value retailers and mainstream multiples such as Next; and
- Growth of the mature market: over 45s now account for nearly half of all clothing shoppers and will show the greatest demographic growth over the next 20 years.

For 2003, Mintel predicts growth between 2% and 4%, with growth in womenswear slowing to 4%. Verdict predicts that most growth will come from young fashion players whose customers are unaffected by the political/economic climate – they will want fashion at low prices but will also buy into strong brands. There is still a great deal of potential for retailers targeting the more mature shopper, but this market needs strong innovation, in particular to create ranges for the modern mature woman.

Multiple clothing brands are becoming increasingly consolidated in fewer hands. The UK's top 20 retailers in womenswear have a 63.7% share of the market. Of these, Marks and Spencer dominates with a 14.1% share of the market, closely followed by Philip Green's Arcadia and BHS, which held a 13.4% combined share of the market in 2002.

The larger middle-market retailers have responded to the challenges posed by increased retail competition and the growth of value retailers by offering higher levels of segmentation, sub-branding and a greater focus on fashion and customer targeting.

¹³ Mintel, *Clothing Retailing in the United Kingdom*, September 2004

In 2002, price deflation in clothing was estimated to be 7.8%. Value players have driven down retail prices, resulting in price deflation within the clothing market. Of the top 20 retailers, seven are value retailers.

Table 4 shows a breakdown by turnover of retail channels in the UK in 2003.

TABLE 4
RETAIL CLOTHING CHANNELS IN THE UK, 2003

| CHANNEL | % |
|-------------------------------|-----|
| Clothing specialists | 67 |
| Department and variety stores | 14 |
| Mail order | 7 |
| Grocers | 5 |
| Sports shops | 4 |
| Other | 3 |
| Total | 100 |

Source: Mintel, *Clothing Retailing in the United Kingdom*, September 2004

Trends in the Clothing Retail Market

| | |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fast Fashion | Driven by the need to increase sales, the concept of 'fast fashion' has permeated the clothing market, from value retailers right up to the niche fashion boutiques. It requires the integration of market information with production control and high levels of flexibility, production skills and an adaptable workforce with the requisite supply chain management skills and capabilities. |
| Speed to Market | The whole Clothing market has improved supply chains and has gained flexible, faster, and lower cost sources and greater speed to market. This has helped improve margins and increase the frequency of range changes. Continued development in supply chain technology, and closer alignment of head office design and sourcing functions have enabled far speedier introduction of fashion particularly across the womenswear market. |
| Demand for Designer Labels | As part of a response to consumer demand for designer labels, department stores, such as Brown Thomas in Ireland and Debenhams in the UK, are taking advantage of designer input to promote ranges of clothing – in the case of Debenhams, this is part of a 'trading up' strategy. Irish designers include John Rocha, Louise Kennedy, Marc O'Neill, Quin and Donnelly, Michelle O'Doherty and Paul Costelloe. |
| Changing Business Models | Mass-market clothing retailers have shifted from their traditional buying structures and supply chains to become more like brand managers and coordinators, to develop and deliver distinctive |

clothing collections. They require vertical integration and control (but not necessarily ownership) in their relationships with suppliers. This means that they are involved from the beginning in garment design and selection of fabrics, through to garment production, distribution and sales. The need to compete on costs will ensure that retail buyers continue to seek out the lowest cost option, based on quality, delivery and flexibility.

Zara has developed a unique, flexible and vertically integrated business model that enables them to deliver fashion items to consumers within a matter of days. Many other retailers are trying to copy this model which in turn puts pressure on suppliers to think more creatively about how they design and manage their own supply chains to achieve these high standards.

Retail Clothing Outlook

Fierce competition will continue to impact the clothing sector as a whole, which will result in the further relative decline of clothing specialists in most European countries. International brands will also continue to grow, as companies seek to expand into new markets, but smaller operators and independents will suffer as a result. Vertical integration will continue to increase at all levels of the clothing market. The key drivers shaping the future of the fashion industry are: the incorporation of designer fashion styling with the development of the retail brand, and the speed and flexibility of the supply chain. Independent retailers who continue to thrive and expand will also be critical to the future.

According to Mintel, the Clothing sector will face continuing pressure from other sectors for consumer spending, particularly from leisure and travel, entertainment, health and education. Also having an impact is the growth of e-commerce and the Internet, as customers feel increasingly secure about shopping on the Internet. To meet these challenges, retailers will need to enhance the 'live' experience of shopping, to cultivate the brand personality of their offerings, and to offer value for money in all sectors and price points¹⁴.

Textiles

The Textiles market consists of three quite distinct subsectors, each of which is described in turn:

| | |
|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Apparel Textiles | Includes tweed, linen and other textiles produced for sale to clothing manufacturers. |
| Household and Interior Textiles | Includes curtains and covers, bed and table linen, bathroom and kitchen textiles. This is predominantly a retail end-consumer market. |
| Technical Textiles | Includes yarns, fibres and fabrics used in applications other than clothing or furnishing; examples include baby wipes, protective wear and car interiors. |

¹⁴ Mintel, *Womenswear Retailing – UK*, April 2004

Apparel Textiles Trading Environment

The market for apparel textiles is determined largely by the demands of fashion retail trends. Changes in fashion, lifestyle and climate have led to increased demand for lighter, low maintenance fabrics; and, as new fabrics and finishes are developed, they increasingly compete with the natural fabrics traditionally produced on the island of Ireland.

Irish linen and Irish tweed have a long-standing global reputation. Both fabrics are still woven on the island, but are coming under increased pressures.

Linen

Irish linen apparel fabric is now woven by only two very large companies in Northern Ireland and two small companies in Ireland. There are several other companies and brands, but they do not actually weave. The large companies supply manufacturers at the upper end of the market and some designer brands. The smaller companies have niche markets at both the top of the designer market and the traditional tailoring market in Europe.

The rise in Chinese production has flooded the retail market with very cheap linen and this has had a knock-on effect further up the value chain.

Tweed

Irish tweed has also suffered due to lifestyle and climate changes that have reduced the demand for heavy winter fabrics. Also, countries such as Italy are marketing more highly designed ranges under a 'Donegal' description, giving a modern twist to the traditional look.

In recent years, Irish weavers have increased their focus on design tweed and have made progress in both softening their wools and making them lighter.

Household and Interior Textiles Trading Environment

The home furnishings market covers bedding, window dressing, bathroom and kitchen textiles, cushions and covers, and table linen. In 2001, the total UK home furnishings market was valued at £2.73 billion (see table 5), having experienced moderate growth of 4% on the previous year. Market growth has been stimulated by a number of factors including the following:

- Growth in consumer spending;
- Growth in the housing market – focus on the home, garden and leisure;
- Increasing number of households, particularly single person households;
- Increasing focus on fashion, and on the desirability of particular designs and styles, leading to increased replacement of accessory products;
- Interior design-led schemes; and
- Consumers trading up and down.

The emphasis on home interiors creates demand for coordinated rather than piecemeal approaches. This can be a positive factor in driving related sales and increasing average retail spend of consumers.

Home Textiles Market Value by Sector

The Home Textiles market is characterised by its non-essential nature, and the majority of product purchased is replacement or additional. Household penetration of home furnishing products per se is high, particularly in the bedding and window sectors. Table 5 details the market value of the UK Home Furnishings market by sector.

TABLE 5
HOME FURNISHINGS MARKET VALUE BY SECTOR 2001

| SECTORS | VALUE £M | % OF TOTAL |
|---------------------|----------|------------|
| Bedding | 1,026 | 37.6 |
| Window | 1,009 | 36.9 |
| Bathroom/Kitchen | 414 | 15.2 |
| Cushions and Covers | 216 | 7.9 |
| Table linen | 66 | 2.4 |
| Total | 2,731 | 100 |

Source: Keynote, *Home Furnishings*, 2002

First time purchases are a limited segment of the market. The market is polarised, with a concentration of products at the lower end (discounters, mass merchandisers) and at the upper end. The lower price end of the market is particularly affected by imports, and here there has been volume market growth. It is also characterised by discounted prices, leading to consumer expectation of discount.

Home Textiles Outlook

The Home Furnishings market is mature, and driven by non-essential needs, whose purchase can be deferred in times of economic difficulty. While the market is not likely to experience significant growth, the annual volume of actual sales indicates a healthy market. In the UK, the poor return on the market and the cost of competition, however, have driven away indigenous manufacturing.

Technical Textiles Trading Environment

The term technical textiles covers a wide variety of yarns, fibres and fabrics used throughout the range of industry. A good working definition is that offered by the Textile Institute:

'...textile materials and products manufactured primarily for their technical and performance properties rather than their aesthetic or decorative characteristics'¹⁵.

Technical textiles represent a growing subsector of the overall Textiles industry, with applications across all industrial sectors. The following is a brief summary of the types of product that fall under the technical textiles category:

¹⁵ *Textile Terms and Definitions*, 10th Edition, Textile Institute, Manchester, 1994.

| Application Area | Types of product include: |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Agriculture and fishing | Crop protection covers, capillary matting, baler twine, netting, fishing ropes nets and line. |
| Building and construction | Tarpaulins, textile structures, awnings, roofing felts, sewer linings, pit linings. |
| Industrial applications | Conveyor and drive belts, hoses, battery separators, abrasives, filters, cable components, felts, wipes, seals and gaskets, anti-corrosion composites, ropes. |
| Motor manufacturing | Tyre cords; drive belts; hoses; filters; seat belts; air bags; carpet and carpet backing; upholstery; insulation; truck covers; tie-downs; ropes. |
| Packaging | Flexible intermediate bulk containers (FIBC), laundry bags, sacks, twine, teabags, food soaker pads, netting, fibre strapping. |
| Sports and leisure | Boat covers, bookcloth, shopping bags, sports bags and luggage, leather substrate, sailcloth, artificial turf, ropes, nets, balls, flags, air-sport fabrics, tents, sleeping bag fill, fabrics. |
| Medicine | Gowns and drapes; wound care fabrics; sterile packaging; medical mattresses; cotton wool; wipes. |
| House and home | Wipes, vacuum filters, HVAC filters, pillow and mattress tickings, spring wrap and spring insulators, furniture components, webbings, curtain tapes, carpet backing, carpet ground yarns, sewing threads. |

Each of these subsectors has its own market dynamics and trading environment. For example, the medical subsector is one where innovation in product design and application is the key to growth. In the building sector, competition is fierce between the major glass fibre manufacturers.

The value of the world market for technical textiles in 2000 is estimated (in 2002) at \$90 billion. Industry analysts expect global demand for technical textiles to increase at an average annual rate of 3.7% up to 2010¹⁶.

Issues Facing the Clothing and Textiles Industry

Market Development

Companies in the Clothing and Textiles sector face considerable market development challenges. Traditionally the sector has sold into the domestic market, to Great Britain and to the US. Poor knowledge of other overseas markets and distribution structures and a lack of marketing skills have impeded penetration into non-English speaking markets. The sector now needs to change its outlook and horizons and to go after wider European and global markets.

16 David Rigby Associates, *Technical Textiles and Industrial Nonwovens: World Market Forecasts to 2010*

Routes to market differ according to sub-sector – in all cases, however, they are complex, under pressure and driven by cost. In clothing and knitwear, some companies have moved downstream to retail and in-store concessions where they have succeeded in building brand recognition.

In branded clothing, producers selling via agents and independents face an expensive route to market via a fragmented and contracting channel. This route raises constraints for growth because of its contraction and the financial resources required.

Companies on the island have not yet fully explored entry into alternative distribution channels such as 'e' or Direct Marketing. For some companies, there might be a conflict between Business-to-Business (B2B) activity and Business-to-Consumer (B2C) activity. For others there was a lack of internal capabilities and capacity to drive a move into these channels, although they were under consideration. To support and sustain these moves, companies need to build and develop the requisite market knowledge and capability.

As well as being stretched to find new markets, companies who are not in joint ventures or in owned production, can find themselves in a competitive situation when trying to book production from factories in different parts of the world.

Supply Chain Management

Cost effectiveness and speed to market are now essential for companies who want to compete in the Clothing and Textiles industry. To survive in the industry means having efficient and integrated supply chains where all areas of a company's activity are planned in a coordinated manner.

The supply chain embraces the whole range of activities from design origination through to delivery. The increasing sophistication of supply chain management has considerable impact on systems requirements, on physical space and on the skills required to manage the core business – particularly in design, production, distribution and information technology.

Some companies on the island are already well advanced in supply chain management, and they need to extend this lead as a differentiator. Others have only just begun to understand what's required in terms of sourcing suppliers and production facilities. With increased outsourcing, this is going to be even more difficult, especially as responsibility for fabric sourcing moves closer to the manufacturing location.

Technology and Speed to Market

Speed to market is now a critical issue in the world of retail clothing and fashion. The industry leaders are those who will thrive through the use of digital technologies and processes that are integrated across continents. From product development to delivery and logistics, these companies will implement systems that enable the shortest cycle time from concept to market, provide the most rapid and efficient response to consumer demand, and offer the best value for the investment.

Some of the issues facing companies in this regard include:

- **Colour palette standardisation:** the need to convert electronic colour palettes into standards for supply chain distribution and the need for an integrated solution to manage colour throughout the entire supply chain.

- **Sampling time:** faster production of sample garments through the use of digital textile printing. This allows the user to bypass the traditional screen-making process, provides the opportunity for quick changes to colour or design elements prior to printing and rapid response to individual print preferences.
- **Design:** the use of computer-aided design (CAD) and 3D simulation enables design concepts to be presented without having to manufacture finished garments. Linking CAD technology to digital printing allows rapid sample development.
- **Quick response manufacturing:** including stand-up, hand-off production systems and single-ply cutting.
- **E-Commerce:** Most of the emphasis to date has been on Internet shopping, but some estimates would suggest that 80% of all e-commerce is conducted between businesses.

Skills Requirements

Unique skills in particular areas (such as knitwear) can provide a source of differentiation, protect market position and command good margins, but the pool of such skills is declining, and as skilled people reach retirement age, they are not being replaced.

New and different skills and organisational structures need to be put in place to underpin the development of knowledge-intensive companies and to support business growth and entry into new markets. Often, in family-run businesses, the skills that are necessary to manage and develop critical parts of the business are missing; these include skills in the following areas:

- **Sales and marketing:** particularly for reaching markets outside Ireland and the UK.
- **Supply chain management, including IT:** skills in this area often requires significant investment and expertise, and not many companies have been prepared to make the investment
- **Design:** particularly, in combination with commercial know-how and other skills.
 - More frequent and compressed design origination requires an understanding of manufacturing, so that designs can move rapidly from drawing board to shop floor.
 - There is a shortage of technical skills such as pattern cutting.
 - Specialist design skills are also required for particular sub-sectors – for example, for upholstery fabrics.
- **Retail skills:** in areas such as product range management, presentation, visual merchandising and stock control.

Linkages

The Clothing and Textiles industry on the island of Ireland has only limited linkages, both intra-sectoral and external – including horizontal linkages from company to company, vertical linkages up and down the supply chain, linkages between companies and the education sector, and cross-border linkages.

| Linkage | Description |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| All-island | All-island linkages are the exception in the Clothing and Textiles industry – for competitive and cultural reasons, companies have remained independent-minded. There are exceptions in the Clothing industry where there has been long standing trade and in technical textiles via the Technical Textiles Forum. |
| Vertical | In the Clothing sector, the majority of companies produce fashion items and use fabrics sourced from Europe and the Far East. In Ireland, less than 20% of output from the Clothing sector is manufactured from Irish textiles. Because of this, the scope for vertical linkages between companies on the island is limited. |
| Education | There are some formal and informal links in place between the design colleges, trade associations and public bodies. In Ireland and Northern Ireland, there are formal student and graduate placement schemes operating. <ul style="list-style-type: none"> • In Ireland there is a graduate scholarship scheme offered through the Training and Education Forum and supported by FÁS (8 placements annually). • In Northern Ireland, there is an annual placement scheme. Additionally, Ulster University and the Belfast Institute of Further and Higher Education (BIFHE) are working with Skillfast-UK Northern Ireland to examine the skills needs of industry and to improve the delivery of the new skills that the industry needs – including design, marketing and technical skills. |

External Challenges

The Clothing and Textiles sector also faces external challenges outside its control, both domestically and globally. The most significant of these are:

- International manufacturing threat: in the USA, 17% of apparel is from China, and this is predicted to rise to 70% within five years;
- Energy costs;
- Currency fluctuations, in particular the weak US dollar, have an impact on pricing and markets;
- Public sector purchasing policies (and differing reimbursement policies across Europe) have created opportunities, but rationalisation of these will have a negative effect; and
- The lifting of quota restrictions on Clothing and Textile imports into the EU from 2005: most companies would only respond to policy changes when they begin to affect their business.

The Image of the Industry

The Clothing and Textiles industry on the island of Ireland is vastly different to what it was in the past, and the general perception of the industry is of one in decline. Within the modern industrial economy of the island of Ireland, Clothing and Textiles does indeed have a poor image. Because of that, some companies prefer to distance themselves from the industry, and eschew the 'textiles' and 'clothing' labels, feeling that these might draw prejudice from outside the sector: from potential employees, banks and insurance companies, and from the community at large.

The consensus within the industry now is that the most successful companies will be those who are focused on R&D, design, sourcing, sales and marketing, distribution and customer service – in preference to manufacturing activity. Retaining the knowledge base or intellectual property (IP) is also key to the industry's future sustainability and prosperity, and this is particularly difficult in the face of the industry's poor image and traditionally low profits.

3 OPPORTUNITIES AND RECOMMENDATIONS FOR THE INDUSTRY

Clothing and Textiles is an industry in transition, from one that was traditionally manufacturing-based, to one that is becoming increasingly knowledge-based and design-led. The pace and extent of change and competition in consumer and industrial markets for textile and clothing continues to accelerate. Manufacturing and market competition is increasing globally, and this increased global competition is driving down prices and putting pressure on profits. Even more significant is the lifting of quota restrictions on clothing and textiles imports into the EU from January 2005, which is expected to have a serious impact on the industry across Europe, as cheaper Asian imports become even more dominant.

Another trend is the faster and more frequent flow of product to market, which is driving down product life cycles and putting pressure on supply chains. Competition between and within distribution channels and market segments is becoming increasingly fierce. The industry is also under competitive pressure from other sectors to maintain its share of consumer spending – in particular from technology and consumer electronics products.

Despite the increasing pace of global change and competition for the Clothing and Textile industry, there are opportunities for the sector. These include developing added value and unique selling positions for targeted market niches, through innovative design, service or technical attributes. This will place increasing emphasis on design capabilities, not just in the creative sense, but technically and commercially, as an integrated part of the supply chain.

Making Opportunities Happen

There are opportunities for the sector to target high quality and speciality niche markets through optimal selling and distribution networks. This can be achieved by building knowledge and understanding of target markets, by developing differentiated and innovative products to serve them, by building and extending brands, by developing technical and creative design skills, and by underpinning all of these activities with an adaptive and integrated supply chain. The sector also has an opportunity to project itself as a dynamic and creative force with a new vision of the future.

Developing ideas and translating them into profitable product ranges that win market share is very difficult and requires a range of business skills. Companies who are successful at converting opportunities into market success usually place innovation at the heart of their business, and follow these four steps:

- **Identify** the opportunities that the company has a realistic chance of developing;
- **Research and test** each opportunity thoroughly. Involve potential customers in research, and elicit their reaction;
- **Support** ideas in practical ways and consider what sales incentives, merchandising, PR, advertising and customer service to offer as support; and
- **Integrate** innovation and product development across all areas of business, including design and supply chain management.

This chapter identifies some of the areas where the Clothing and Textiles industry can follow these steps to exploit opportunities in the market, and make the most of its unique talents and skills. It also offers a number of recommendations for action for both industry and support agencies – these opportunities and recommendations are categorised under a number of headings. In addition to their implications at firm level, most of the recommendations are also applicable to the industry associations in their role as a voice for the industry at a policy-making and strategic level.

| | |
|-----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Building markets | ... to build markets, using branding strategies, addressing niche markets, and building new export markets. ... leveraging the specialist knowledge and expertise of partners to gain access to difficult markets. |
| Developing new skills | ... to develop and use new skills in management, design, marketing, supply chain management and IT to best advantage. |
| Building design and product development capability | ... differentiation through innovation is the key to success, and design is the critical differentiator in international markets. |
| Developing technical textiles | ... technical textiles require high levels of innovation and collaboration with other sectors. Opportunities exist particularly in healthcare and performance clothing. |
| Developing a new vision for the industry | ... to change wider public perception of the industry, and to develop a new vision for the industry. |

These areas of opportunity are described in more detail below.

Building Markets

Clothing and textile companies now compete globally – and this is true even for companies whose business is mainly on the island of Ireland. Consumers are better informed and very demanding and they expect a lot from retailers and their suppliers. Everyone is trying to build a brand or something that attracts and retains customers longer than the more commodity type products. Therefore whether companies are selling in Ireland or anywhere else in the world they need to give customers, including retailers and end-consumers, compelling reasons for buying their products.

High-value Markets in Niche Areas

Specialisation and the development of high-value markets, particularly in niche areas, can provide companies with sustainable positions in the long term. To take advantage of these opportunities, however, companies need to carefully review their current market position, identifying precisely what they are best at, and apply their particular expertise to develop opportunities in well-defined market sectors. Companies in the sector need to embed awareness of market and fashion trends at the heart of their operations. This includes the integration into the business operations of detailed and up-to-date market research at all levels – including research at agent, retail and consumer level.

Branding

For consumers, brands represent reliability, quality and prestige, and they are prepared to pay a premium for brands they trust and respect. Branding has become increasingly important in the clothing industry, as companies try to match the lifestyle values of consumers with appropriate products that deliver on a promise of quality and performance.

As with other industries, a successful brand can be a company's single most valuable asset, often having more value than the company's total market capitalisation. Companies need to think of investment in brand development as something much more than product development – essentially it is company development – and they will need to commit considerable resources in areas such as market research, product presentation, PR and advertising. Branding is not just a matter of designing a new logo or launching a new product range. Once established, a successful brand increases the value of the company, and can then be leveraged across multiple products, often in a variety of related markets. There are a number of branding options that companies in Ireland and Northern Ireland can consider:

- Developing a higher value niche brand;
- Co-branding with other companies where each takes advantage of its own core competencies;
- Sub-branding – where the core brand is refined for particular markets or products; and
- Complementary branding, including extension of ranges into complementary products such as accessories, jewellery and lingerie, or segmenting ranges to allow more accurate targeting of market segments.

Routes to Market

The retail sector has been changing very rapidly over the past decade, and this has had a substantial impact on the routes to market available to companies. For some, the global dominance of some retail groups offers opportunities; for others, the smaller national, regional or independent outlets continue to provide the best opportunities for increased sales.

Companies need to identify which routes to market are best suited for their products. They need to ask 'what is the best way of getting to the retailer?' For example, in some cases, developing a direct retail route might be profitable, while in others, an in-store concession might be the best route.

Most companies need to review how they use intermediaries such as agents, wholesalers and sales representatives – particularly as they target new markets.

Strategic Partnerships

Strategic partnerships or joint ventures in manufacturing or with retail customers can open up opportunities in a number of ways and can also act as a barrier to entry for competitors. As in any partnership, however, there are risks. It is important to spread risk and 'hedge' to ensure that if the partnership falters, other parts of the business are in place to continue successful operation.

- In manufacturing, partnerships can also offer local market knowledge and facilitate access to distribution channels not otherwise easy to get at. From the supply side, it makes it easier to book production capacity;

- Partnerships with research institutes can be used to develop and bring innovative products to the market;
- In branding, partnership with leading ingredient or component manufacturers can also open up market channels – for example the use of Lycra® and Gore-Tex® in well-known brands.
- Strategic partnerships with retailers can help manufacturers to predict in advance what customers will need or want, and can also lead to more predictable sales patterns; and
- Strategic partnerships can extend up and down the supply chain to the mutual benefit of the parties involved.

Strategic partnerships can also be used to help address knowledge or expertise gaps – for example, design consultants can help in the launch of new brands, in garment construction and in production techniques.

Targeting Different Demographic Groups

Changing demographic profiles in the largest markets offer opportunities to the Clothing and Textiles industry in Ireland and Northern Ireland.

- In Ireland and Northern Ireland, the 18-40 year-old group has more disposable income than ever before. Companies selling to this target group must have product offerings that meet well defined needs – this is a very discerning group, and one size will not fit all.
- In the UK, the 45 years+ age group is the biggest single demographic group. This group wants a more youthful look, but to date it has been under-targeted in clothing.
- As people in the developed world live longer now¹⁷, there are opportunities for medical-related textiles and clothing products.

Developing New Export Markets

With continuing pressure on the domestic markets, companies in Ireland and Northern Ireland increasingly need to look to export markets for development potential. This, however, can be difficult, and it requires considerable planning and commitment on the ground. Companies exploring new export markets need to:

- Find out as much as they can about the export market they are targeting;
- Spend time in the target market and engage people with appropriate local expertise to determine the scale and potential of the opportunities;
- Be flexible in their approach and be prepared to localise products to suit the local market, and where necessary develop marketing support capacity on the ground; and
- Develop markets incrementally – for most companies in Ireland and Northern Ireland, this means starting with Great Britain, and prioritising other markets after that.

¹⁷ Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat: (2003)

RECOMMENDATIONS: BUILDING MARKETS

- Identify specific capabilities for new market entry. (Industry)
- Engage dedicated marketing specialists and allocate greater resources to marketing activity. (Industry)
- Further develop existing 'market intelligence' assistance – for example, trend spotting/analysis in a range of different market environments. (Support Agencies)
- Invest in networking and in fostering appropriate links between companies and research centres/design colleges to ensure that the industry stays aware of technological and other changes that could create opportunities. (Industry)

Developing New Skills

As the Clothing and Textiles industry transforms itself into a knowledge-led and market-driven industry, new skills are being developed and applied by successful companies. These are essential for business growth and entry into new export markets.

| | |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Management skills | Management skills are required to develop clear strategies to integrate the various strands of business operation – and these require creativity, vision and practical skills. |
| Marketing skills | Marketing skills are needed to open new markets, to drive the design effort and to bring a customer focus to all areas of operation. |
| Supply chain management skills | With ever shorter production lead times, and the requirement to get into the market as quickly as possible, new skills in supply chain management are being used to deliver product to retailers and consumers more effectively and efficiently. |
| Design skills | Creative design skills are being developed. But design needs a commercial focus, and needs to understand the market requirements. |

Management Skills

The Clothing and Textiles business is moving from being production-led to being knowledge-led and market-driven. These changes have placed enormous pressure on companies to change their management styles and practices and to continually develop their business models. The really successful companies, in both fashion and textiles, are those that integrate the various operational and management disciplines behind clearly thought-out strategies – and that can only be achieved when management has the necessary creativity, vision and practical skills.

The Clothing and Textiles industry already has a rich base of product knowledge and operational management skills. Each company, however, needs to review its management practices, identify the areas where it is weak or under-resourced, and move to fill those gaps. In some cases, the necessary management skills are not specific to Clothing and Textiles, and companies need to look outside their traditional recruitment base. Textiles companies in particular, need to move outside their traditional areas and to seek out and exploit possible synergies across different industrial sectors.

Marketing Skills

The key role of marketing is to develop competitive propositions that target customers and bring real value to the company. And marketing is one of the key skill sets that companies need to identify opportunities, build brands and grow sales and profits.

Marketing skills need to be developed at every level of the company – from directors and management team, through production, supply chain, sales, design, down to customer-facing teams. Marketing and customer focus need to become integrated into all of a company's business processes, with suitably empowered personnel leading the marketing effort. To be successful, however, the marketing effort must be informed by a carefully thought-out plan, part of which should be a sales plan. In addition, marketing requires clear, achievable objectives and quantifiable goals, and a clear understanding of who is responsible for delivery.

There are, of course, costs associated with marketing, and companies need to allocate an adequate budget to cover research, PR, advertising, local/joint customer marketing initiatives and sales incentives.

Supply Chain Management Skills

As consumers and retailers demand increasing variety, often at even more competitive prices, and with production being spread across the world, supply chain management has become the backbone of many successful businesses in clothing and textiles, conferring considerable competitive advantage on companies who do it well.

Designed in Ireland, manufactured in the Far East from cloth sourced in Italy, sold in the UK: increasingly this is a typical 'journey' for fashion items originating in Ireland and Northern Ireland – and the management skills required to make this happen are quite different from those that worked in the past.

Effective supply chain management also means that everything the consumer requires, including the right hats, shoes, gloves and bags, are delivered to the retailer at the same time. Also, it is important to ensure that supply chain management integrates with design, finance, and sales and marketing. Companies need to review their supply chain at regular intervals, to establish where there are bottlenecks and to ensure efficient production and to smooth the flow of product to retailers and end consumers.

Design Skills

High quality design is the key distinguishing characteristic of both the fashion end and the functional end of the clothing industry, and developing design expertise, at both strategic and operational levels, is critical in today's marketplace. And for most companies with successful national and global brands, the emphasis on design starts at the top, with a creative director at board level. Bringing design into the boardroom makes a firm statement about the centrality of design to all downstream business operations and helps to build a design-led company culture.

Design skills, however, need to be integrated fully with a company's commercial goals. So, as well as being *creative*, design needs to be *productive*, and companies need to put in place some metric of design output. Delayed or late design means delayed manufacturing, delayed sales and delayed revenues. The more successful design teams are those that are most firmly grounded in the commercial realities and are most closely integrated into all areas of a company's business processes – including sales/marketing, production and finance.

RECOMMENDATIONS: DEVELOPING NEW SKILLS

Management Skills

- Facilitate and promote the development of management and commercial skills among designers – in particular, develop a management development initiative customised to 'new' industry needs. (Industry, training agencies and relevant colleges)
- Develop initiatives to upskill owner/managers with a view to exploiting new business models. (Industry with the help of the support agencies)

Supply Chain Management Skills

- Develop supply chain management as a competitive tool as well as a logistical solution. (Industry, training agencies and relevant colleges)
- Identify and highlight the particular supply chain needs of the sector, including the many stages of design and manufacturing and the diverse geographical bases. (Industry with the help of support agencies)

Design Skills

- Bridge the gap between universities/colleges and industry to ensure that students are being trained in the technical, creative and commercial aspects of design. Ensure that industry is geared up to take on and develop this new talent. (Industry, training agencies and individual colleges)
- Develop initiatives to bring design into the boardroom and make it an intrinsic part of company operations. (Industry with the help of support agencies and specialist private sector assistance)

Building Design and Product Development Capability

Design quality and product development increasingly represent points of differentiation in the Clothing and Textiles industry, and companies who are strong in these areas can derive considerable competitive advantage and open new opportunities. Design and R&D are highly skilled, knowledge-based activities that bring valuable intellectual property to the industry. Building and retaining design and product development capacity on the island is essential to delivering the platform for real value growth in the industry – this is particularly important as less skilled tasks are outsourced to lower-cost locations.

At European policy level there is now increased emphasis on design and research as essential tools of innovation and product development. Producers in Ireland and Northern Ireland need to set achievable product development goals and to work on innovation in fabrics and design input to compete with (for example) German, Italian and French ranges. Playing safe and repeating previous successes is no longer enough.

RECOMMENDATIONS: DESIGN AND PRODUCT DEVELOPMENT CAPABILITY

- Develop 'design consultancy' capabilities across the island of Ireland. (Industry with the help of support agencies and specialist private sector assistance)
- Invest in development of new products and processes, with increased emphasis on design. (Industry)
- Investigate the feasibility of setting up a 'design hub' to offer technical, creative and commercial support to colleges/students and industry. (Support agencies)

Developing Technical Textiles

Technical textiles offer opportunities within both the Clothing and the Textiles sides of the industry, and some companies in Ireland and Northern Ireland have been innovative in this area. In Northern Ireland, the Technical Textiles Forum has been proactive in focusing on opportunities. Set up in 1999, the forum feeds directly into the UK technical textile strategy via the Department of Trade and Industry, and was the first of its kind in the UK. The Technical Textiles Forum organises regular meetings and was involved in organising the Healthcare and Medical Textiles conference in Belfast in January 2003.

Innovation in the field of technical textiles requires collaboration between diverse disciplines – for example, warp knitters working with nanotechnologists and electronics experts. Particular opportunities have been identified in healthcare and medical textiles – this is a wide sub-sector that includes bandages, hygiene products, incontinence products and orthopaedic supports.

There are also opportunities in performance textiles – for example in flameproof fabrics and fabrics incorporating climate control features. These include both woven and non-woven fabrics. This is a very knowledge-intensive area.

RECOMMENDATIONS: DEVELOPING TECHNICAL TEXTILES

- Identify and address technical and technician skill deficiencies specific to the sector. These need to be filled through a range of mechanisms, including graduate and more experienced placements. (Industry and training agencies)
- Facilitate the formalisation of all-island cooperation in technical textiles in an 'advanced materials' context. Collaborate with other sectors to achieve this. (Industry with help from the support agencies)

APPENDIX: LIST OF INDUSTRY INTERVIEWEES

| Company | Contact |
|------------------------------|--------------------------------------------------------------------|
| Adria | Terry McCartney, Managing Director |
| Avoca Handweavers | Ivan Pratt |
| Azzurri | John Molloy |
| Bridgedale | David Manning, Managing Director |
| Carraig Donn | Vincent Hughes |
| C-Teq | Simon Walker |
| Desmonds | Donal McGordon |
| Douglas & Graham | Finlay brothers, joint Managing Directors |
| Emblem Weavers | Ivor Murphy, Financial Controller Jim Conway, Managing Director |
| Eurostyle | Alan Dwyer |
| Fashion House of Michael H | Simon Dowling, Marketing Director |
| Foxford | Joe Quenan |
| Glenaden (or Grosvenor) | Andrew Lauden Managing Director |
| Horseware Ireland | Tom MacGuinness, Managing Director |
| Hunter Apparel Solutions | Graham Hunter, Managing Director |
| Ireland's Eye Knitwear Ltd | Paul O'Sullivan, Managing Director |
| J. Hanly & Co | Brian Hanly |
| Leo Fashions (Max Pierre) | Barry O'Mara, Managing Director |
| Libra Designs Ltd | Brian Beggan, Sales Director |
| MA International | Peter Catterson, Managing Director |
| Magee Clothing | Philip Carder |
| NuPrint Trimmings | Gavin Killean |
| Riverside (or Dinsmore) | David Lamont Managing Director, or Samuel Lamont |
| Styletex | Victor Buckley, Managing Director Maria Wallace, Head of Design |
| Tabetex | Richard Vergnano |
| Tytex | Joseph Gallagher, Managing Director |
| Ulster Weavers Apparel | Declan Gormley, Managing Director |
| Ulster Weavers Home Fashions | Ian McMorris CEO |
| Wellman | Dick Budden, Managing Director |

• All-Island Mapping Study Private Sector • Developing Air Services on the Island of Ireland • North/South Trade: A Statistical Gro
and Productivity • All-Island Mapping Study Private Sector • Developing Air Services on the Island of Ireland • A Review of th
Manufacturing Growth and Productivity • All-Island Mapping Study Private Sector • Developing Air Services on the Island of Ireland • North

NOTES:
