

KZN CTC BULLETIN December 2016

Welcome to the third bulletin of the KZN CTC for 2016. Click on any link below to be redirected to the full online version of the bulletin.

Please forward this email onto interested parties or signup if you do not receive the newsletter already.

Articles in the bulletin are

- [Recent Events: Innovation Sessions, Executive Training Session](#)
- [Feature Article](#)
- [Industry News](#)

1. RECENT EVENTS

1.1 SENTINEL WORKWEAR: TAKT FLOW LINE LAYOUT

The KZN CTC hosted an innovation session focused on TAKT Time at Excel Clothing. TAKT time is a methodology used to optimise the flow of production lines in keeping with customer demand. Presented by Jan Visagie, a lean expert, the session was intended to assist firms in reviewing their own line layout.

1.2 GELVENOR TEXTILES: TOTAL QUALITY MANAGEMENT

In collaboration with Gelvenor textiles, the KZN CTC hosted an Innovation Session focused on Total Quality Management (TQM). TQM is a management system for a customer-focused organization that involves all employees in continual improvement. It uses strategy, data, and effective communications to integrate the quality discipline into the culture and activities of the organization. The well attended session was aimed at furthering members' understanding of TQM

1.3 EXECUTIVE TRAINING SESSION: INVESTMENT CLIMATE STUDY

The KZN CTC hosted an Executive Training session on the 19th of October preceding the Exco meeting. KZN CTC Executives were invited to learn about a recent B&M Analysts study on the investment climate in South Africa. The study considered the key issues impacting on private sector investment in South Africa's productive economy. The study's major strength is that it accurately captures the investment perceptions of leading industrialists in South Africa.

The KZN CTC is funded by:



**KZN CTC
member firms**

Other events organised by the KZN CTC are as follows:

2016 Date	Event
	Executive
20 July	Exco Meeting
19 October	Exco Meeting
19 October	Executive Training Session: Investment Climate Study
23 November	Black Industrialists Scheme Briefing
	World Class Manufacturing
13 June	Innovation Session: Optimising Line Layout using TAKT Time (Excel Clothing)
17 August	Innovation Session: Optimising Line Layout using TAKT Time (Sentinel Workwear)
13 October	Innovation Session: Implementing Total Quality Management (Gelvenor Textiles)
	Small and Medium Enterprises
April- November	SME Firms Priority Setting and Direct Intervention
	Skills Development Programme
30 August	Commencement of Marburg (Port Shepstone) TRACE

The KZN CTC is funded by:



**KZN CTC
member firms**

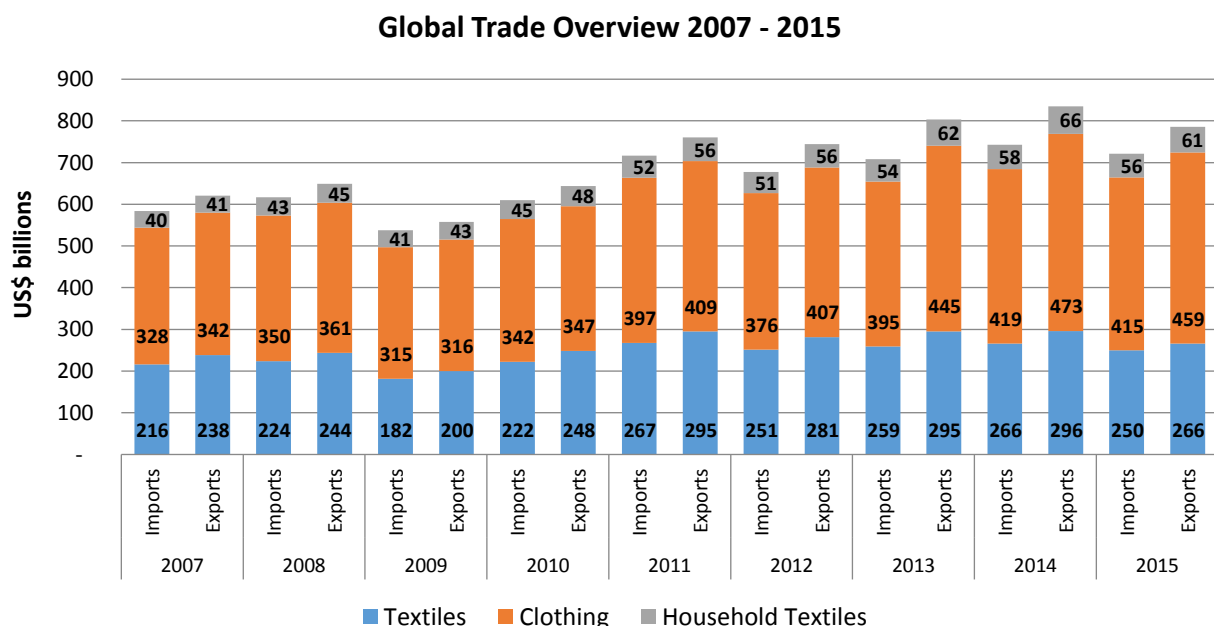
2 A SUMMARY OF THE STATE OF THE LOCAL AND GLOBAL CLOTHING AND TEXTILES INDUSTRY

This article is structured to take a look to international, local and firm-level trends to understand the performance of the clothing and textiles industry in totality. It commences with a look at global trade to understand the move import and export patterns in clothing, textiles and household textiles. The next section takes a look at imports and exports in South and analyses the performance of the South African Industry as a whole. The subsequent then analyses international and local retailer data to understand comparative retailer performance. The last section is a look at the aggregated benchmark data for firms within the KZN CTC and CCTC to assess performance improvements observed over the last few years.

2.1 GLOBAL TRADE ANALYSIS

In this section, International Trade Centre’s Trademap database is used to review trade trends for imports and exports for clothing, textiles and household textiles internationally. We then look at the growth data (indexed to 2007) for the top 10 nations in terms of imports and exports across clothing, textiles and household textiles.

Clothing and finished household textiles are a significant component of overall international trade. As seen in the graph, global trade declined in the 2014 to 2015 period following 3 years of sustained growth.



Source: <http://www.trademap.org/>

The KZN CTC is funded by:

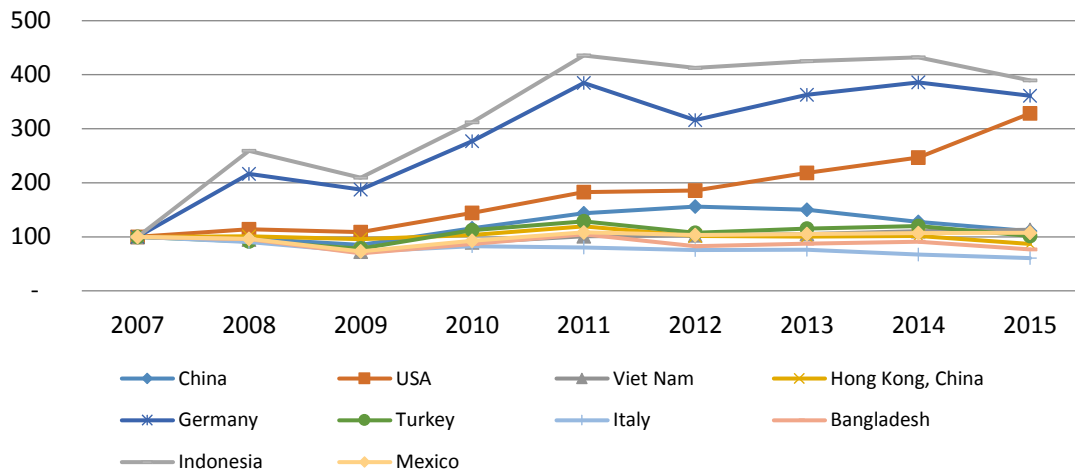


KZN CTC
member firms

2.1.1 Global Textile Imports & Exports Growth

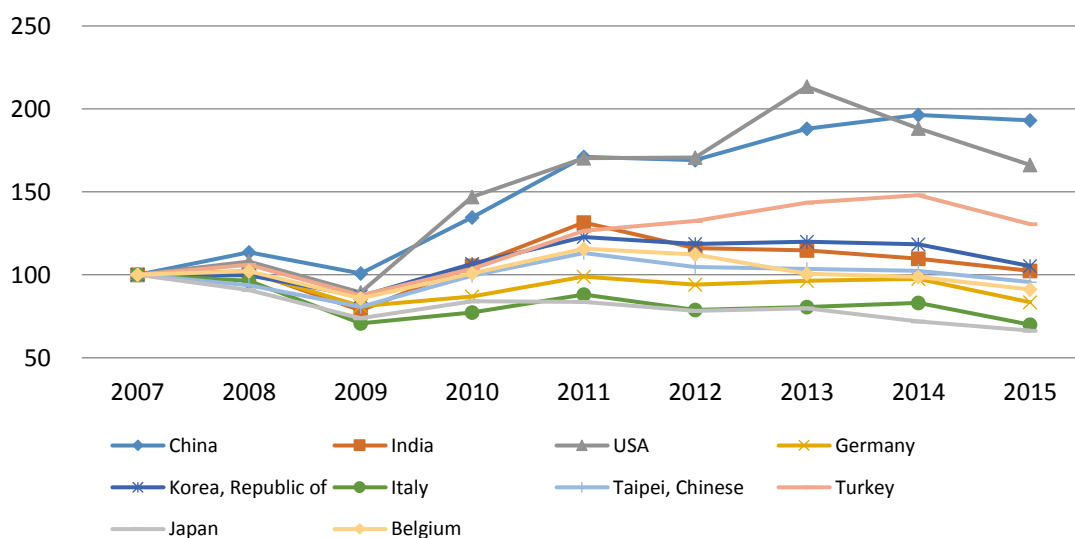
The global import of textiles has experienced declines in the 2014 to 2015 period. Only the USA and Hong Kong have shown import growth over this timeframe. The USA, Indonesia and Germany have experienced the greatest import growth rates since 2007.

Global Textile Imports Growth - Indexed to 2007



The global export of textiles declined in the 2014 to 2015 period. China and the USA have seen the best growth since 2007, although they have also seen declines in 2015. Even Turkey with historically high export growth has experienced a sharp decline.

Global Textile Exports Growth - Indexed to 2007



Source: <http://www.trademap.org/>

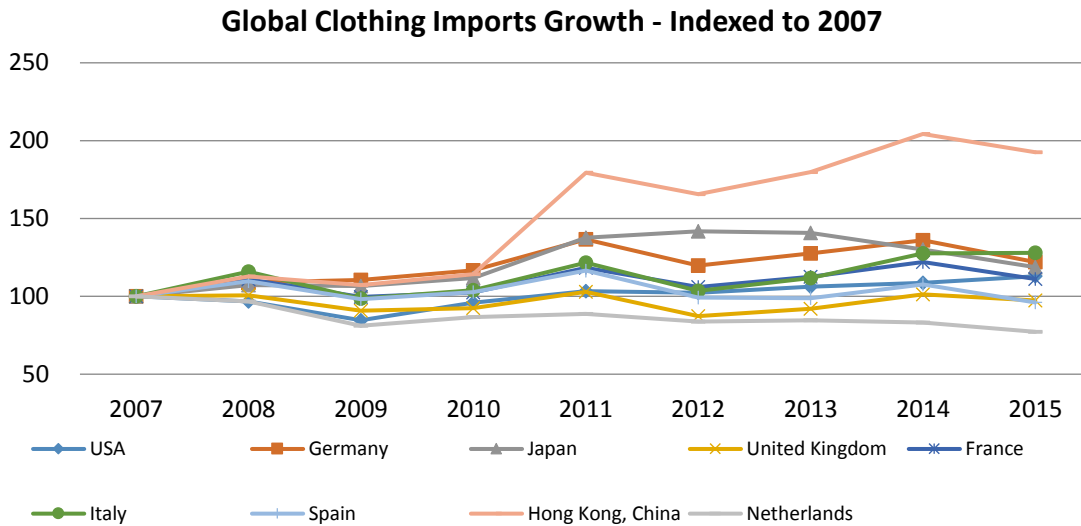
The KZN CTC is funded by:



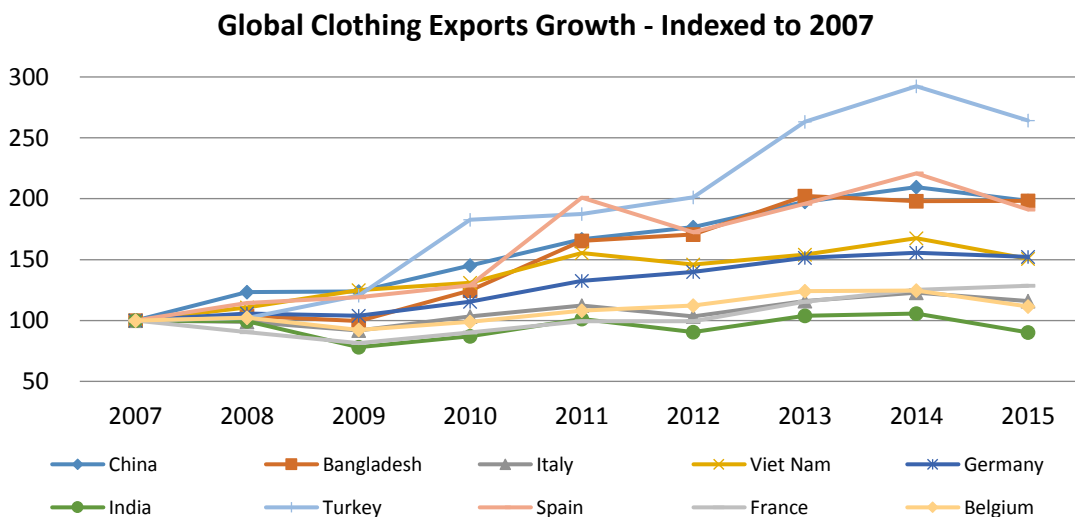
KZN CTC
member firms

2.1.2 Global Clothing Imports & Exports Growth

Looking at the top 10 import countries, there is a mixed performance with Hong Kong showing the strongest growth trend. Belgium, as the 10th largest importing nation, has been excluded in the clothing imports graph due to data discrepancies



Exports have declined in the 2014 to 2015 period, following two years of sustained growth. Even Turkey with historically high export growth has experienced a sharp decline.



Source: <http://www.trademap.org/>

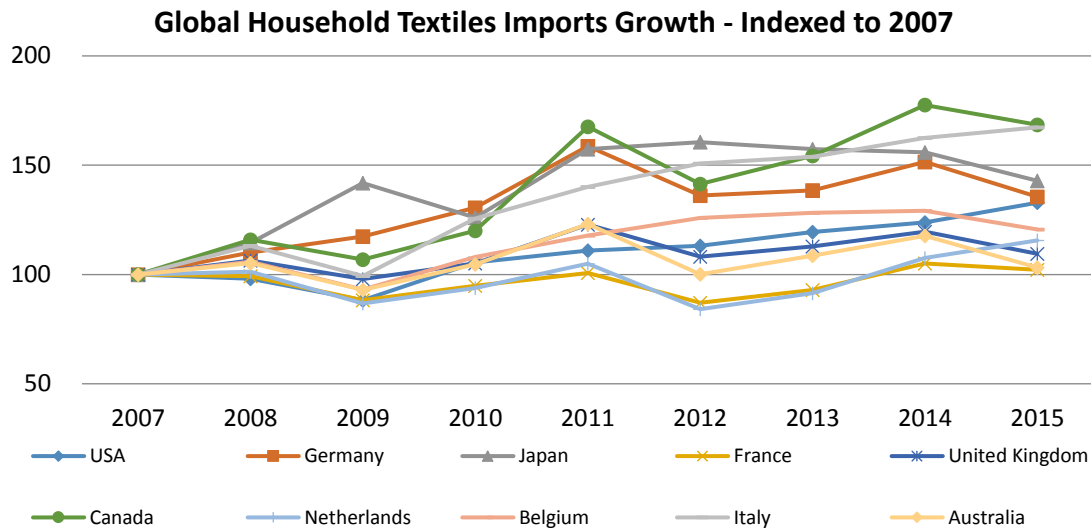
The KZN CTC is funded by:



KZN CTC
member firms

2.1.3 Global Household Textile Imports & Exports Growth

Household textiles imports seen an overall increase since 2007, albeit erratically. This is in line with the exports growth



Household textiles imports seen an overall increase since 2007, albeit erratically. This is in line with



Source: <http://www.trademap.org/>

The KZN CTC is funded by:



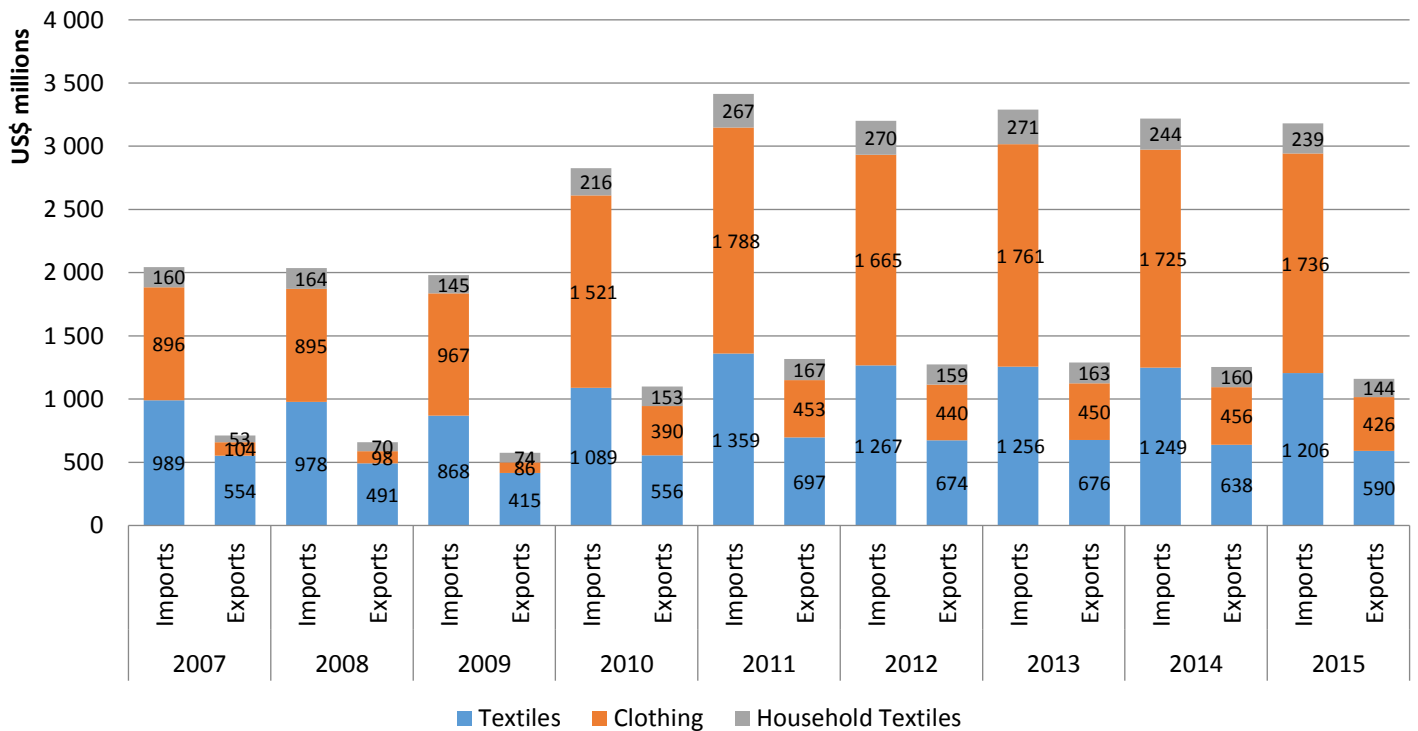
KZN CTC
member firms

2.2 SOUTH AFRICA TRADE DATA

In this section, we use the International Trade Centre's Trademap database to review trade trends for imports and exports for clothing, textiles and household textiles in South Africa. There is also a review of both the sales and the sales growth of textiles, clothing, leather and footwear in South Africa, to show the relative sizes of these sectors as well as their growth patterns.

South Africa is by far a net importer of clothing and finished household textiles, imports more than double the size of exports. Between 2011 and 2015, there has been a slow, but consistent, decline in imports and exports in South Africa.

South African Trade 2007 - 2015



Source: <http://www.trademap.org/>

The KZN CTC is funded by:



KZN CTC
member firms

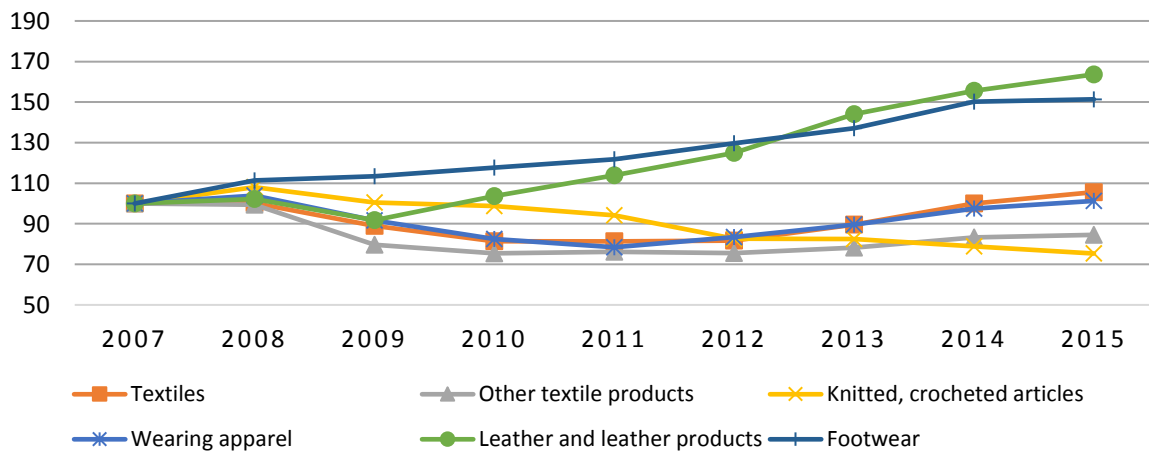
2.2.1 South Africa Sales Data

The South African clothing and textile industry has been seeing consistent growth since 2012. This follows a marked decline between 2008 and 2011, primarily as a result of the influx of cheap imports.



Although Wearing Apparel and Other Textile Products are by far the largest sub-sectors, footwear as well as leather and leather products have seen the largest growth. With the exception of Knitted, crocheted articles, all sectors have experienced consistent growth, however this growth has slowed in the 2014 to 2015 period.

Textiles, Clothing, Leather and Footwear Sales Growth (Indexed To 2007)



Source: <http://www.statssa.gov.za/>

The KZN CTC is funded by:



KZN CTC
member firms

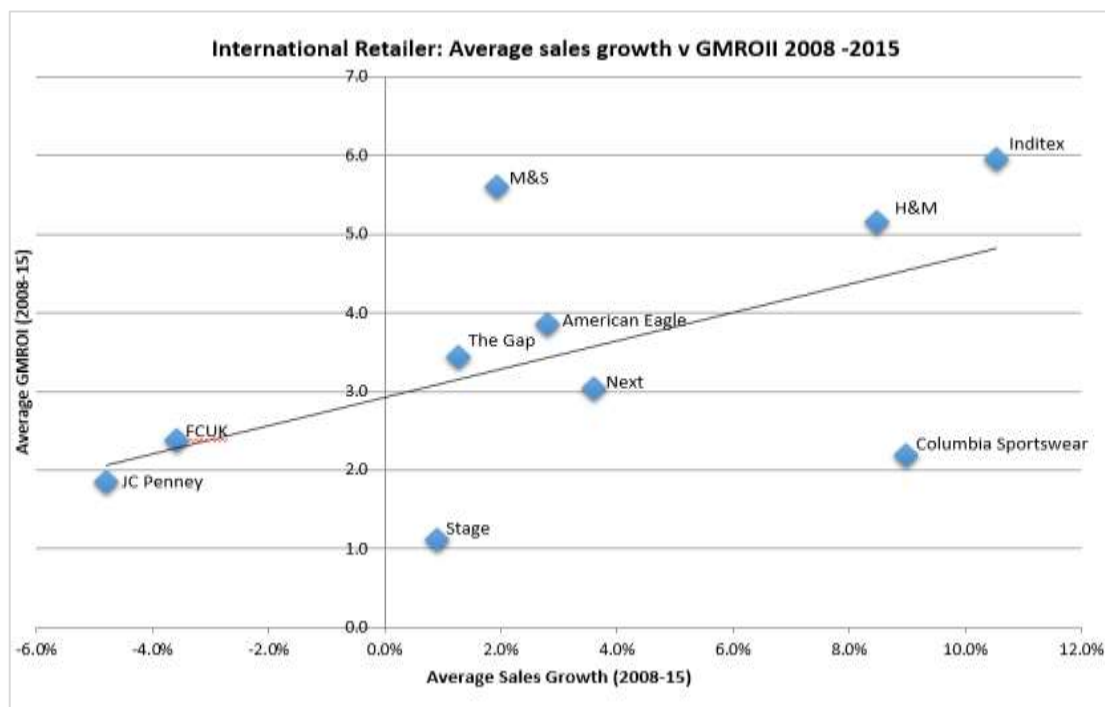
2.3 RETAILER TRADE DATA

In this section we analyse international and South African retailer performance. All data in this section is extracted from company annual financial statements. For comparative purposes, we have categorised financial data according to the calendar year rather than financial year; that is, the calendar year in which most of the financial year occurred.

From an international performance perspective, Inditex and H&M remain the front runners in terms of Gross Margin Return on Inventory Investment (GMROII) and growth. In South Africa, as with international retailers, the correlation between sales growth and GMROII is strong for South African retailers. In terms of retailer growth, Woolworths has experienced remarkable due to the purchase of David Jones, whilst the other retailers have experienced relatively low growth.

2.3.1 International Retailer: Average sales growth vs GMROII

GMROII is an indicator of the gross profit a firm generates per rand it has invested in inventory. Firms that proactively reduce inventory in their supply chain through the implementation of quick response practices tend to have higher GMROII. Inditex and H&M have continually experienced strong growth, whilst JC Penney and FCUK are notable for their poor GMROII and related negative sales growth.



Source: Retailer Annual Financial Statements

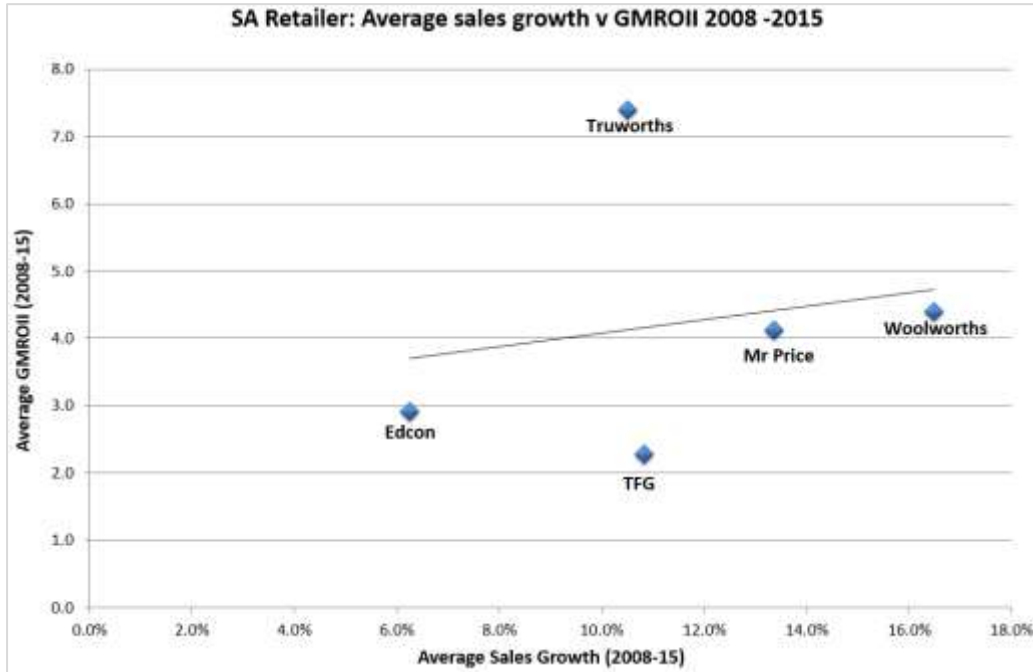
The KZN CTC is funded by:



KZN CTC
member firms

2.3.2 South Africa Retailer: Average sales growth vs GMROII

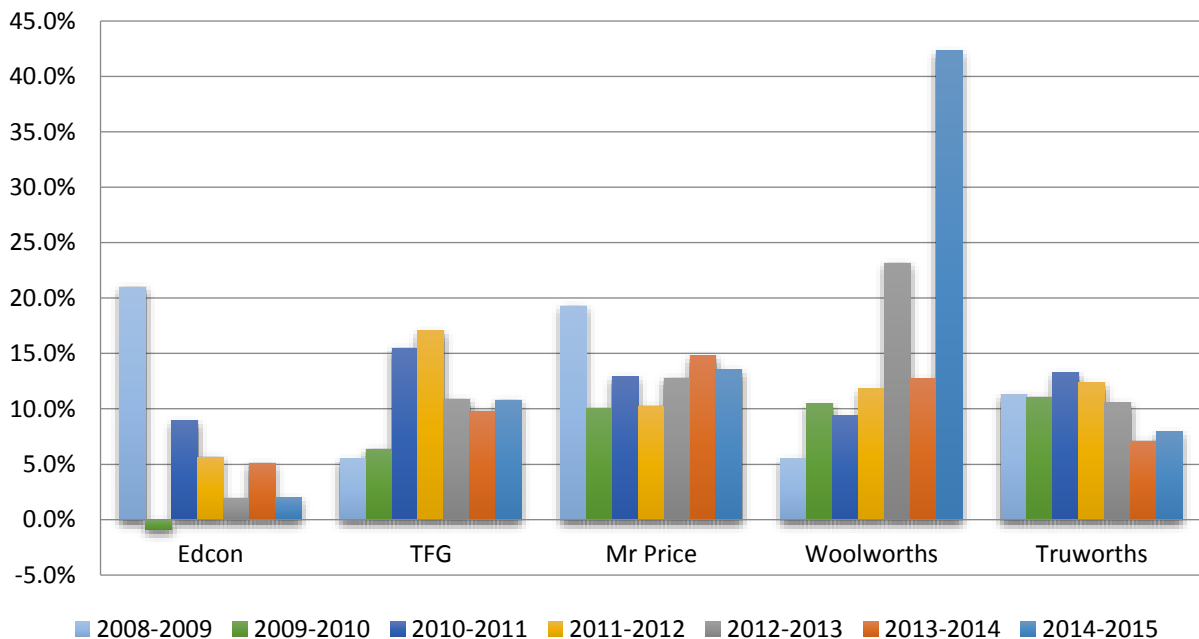
Firms that are seeking to shorten lead times through more innovative sourcing, such as Mr Price and Woolworths, are those that are showing the most promising growth. Truworths bucks the trend with moderate growth on the back of a very high GMROII



2.3.3 South Africa Retailer Sales Growth

Sales growth has generally remained low proportional to annual inflation. MRP has maintained growth on the back of its cash based, value model. Woolworth's dramatic growth in 2015 is affected by the purchase of David Jones

SA Retailer: Sales Growth Trends



Source: Retailer Annual Financial Statements

The KZN CTC is funded by:



KZN CTC
member firms

2.4 BENCHMARK DATA

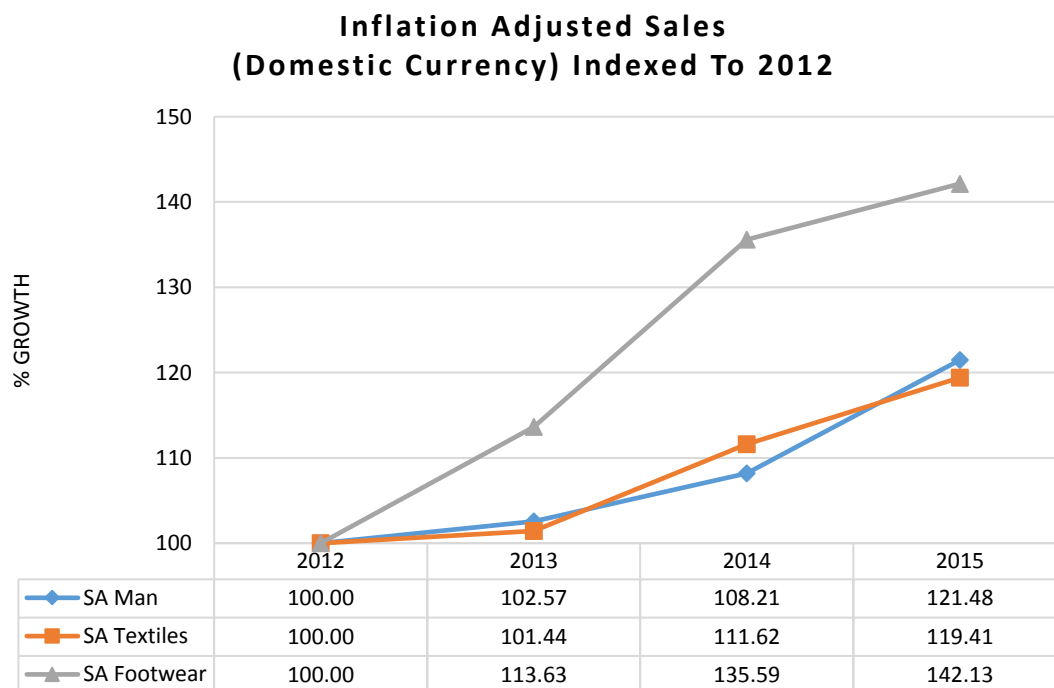
Through the annual benchmarking activities conducted through both the KZN CTC and CCTC, data related to member firms is collected. It is possible to observe clear trends for key indicators experienced by member firms.

Looking at the data in this section, it is clear that member firms are experiencing performance improvements. This is having an impact on their bottom line, with average sales increasing by 21.5% above inflation between 2012 and 2015. From an operational perspective, South African manufacturers tend to hold high levels of raw materials to account for the unreliability and inflexibility of fabric supply. In general South African clothing and textile manufacturers are making successful efforts to improve internal quality management and to improve flexibility and reliability.

Key indicators observed are firm growth, efficiency, cost control, reliability, flexibility and quality. These are all indicators essential to the sustained growth and profitability of clothing and textile manufacturers.

2.4.1 Firm Growth 2012 - 2015

SA firms have shown strong sales growth since 2012, with footwear firms growing the most aggressively. Cluster firm growth can be attributed to a variety of factors including improved lean understanding and production process, strategic partnering with retail partner as well as sustained government support.



Source: B&M Analysts benchmarking Database

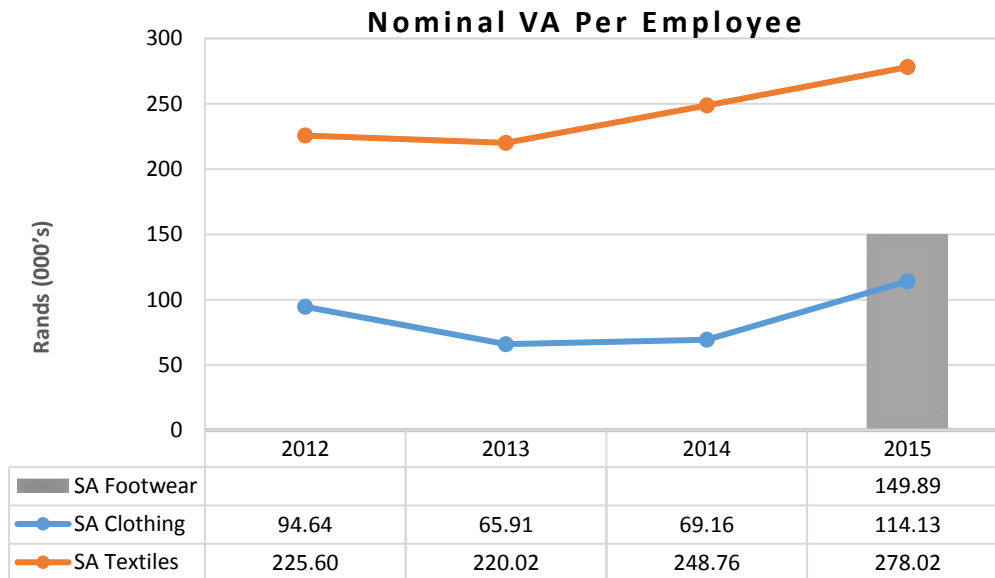
The KZN CTC is funded by:



**KZN CTC
member firms**

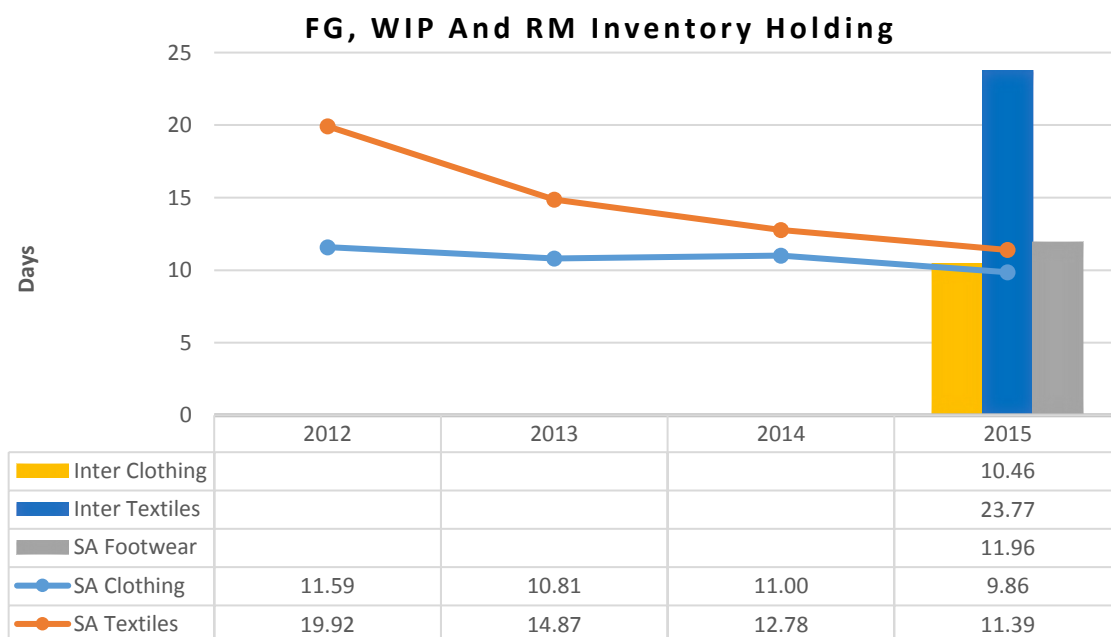
2.4.2 Efficiency 2012 - 2015

Efficiency can be deduced by assessing the amount of value added (VA) by each employee at a firm. Textiles, as a more capital intensive industry with more skilled labour, shows a far high VA than clothing manufacturers. A per employee is increasing year on year per sector. This is specifically marked in the SA clothing manufacturing industry



2.4.3 Cost Control 2012 - 2015

Inventory holdings are an indicator of how well a firm manages cost. It is advantageous for firms to keep inventory levels low. Between 2012 and 2015, SA firms have managed to reduce inventory holdings owing to improved pre-production planning and production management.



Source: B&M Analysts benchmarking Database

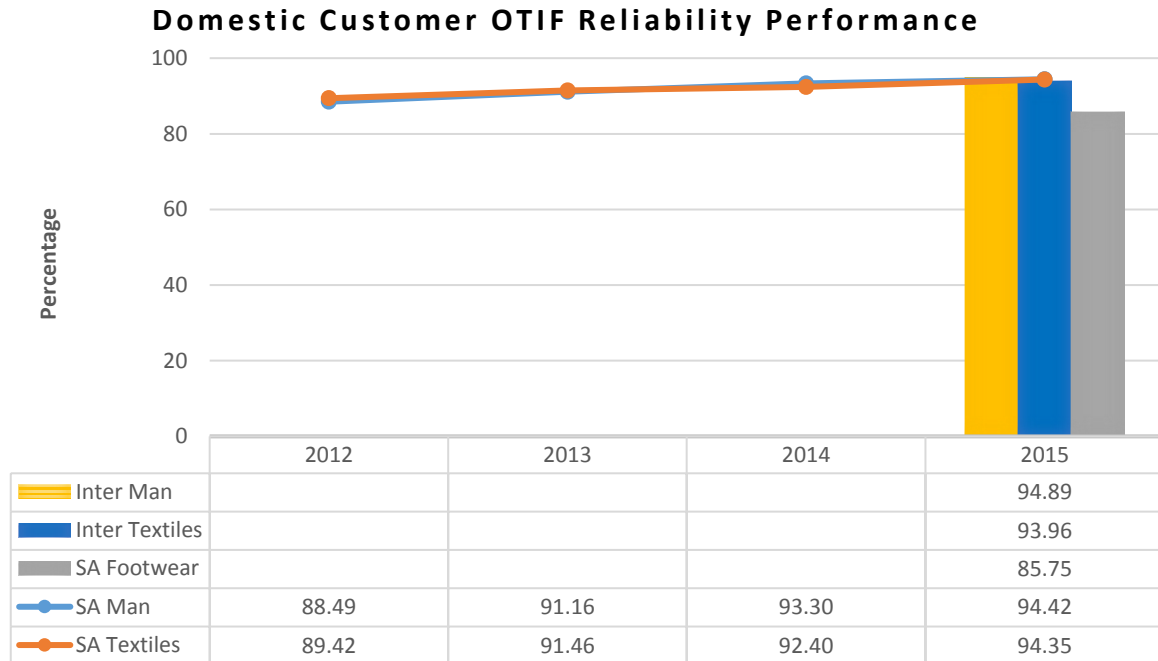
The KZN CTC is funded by:



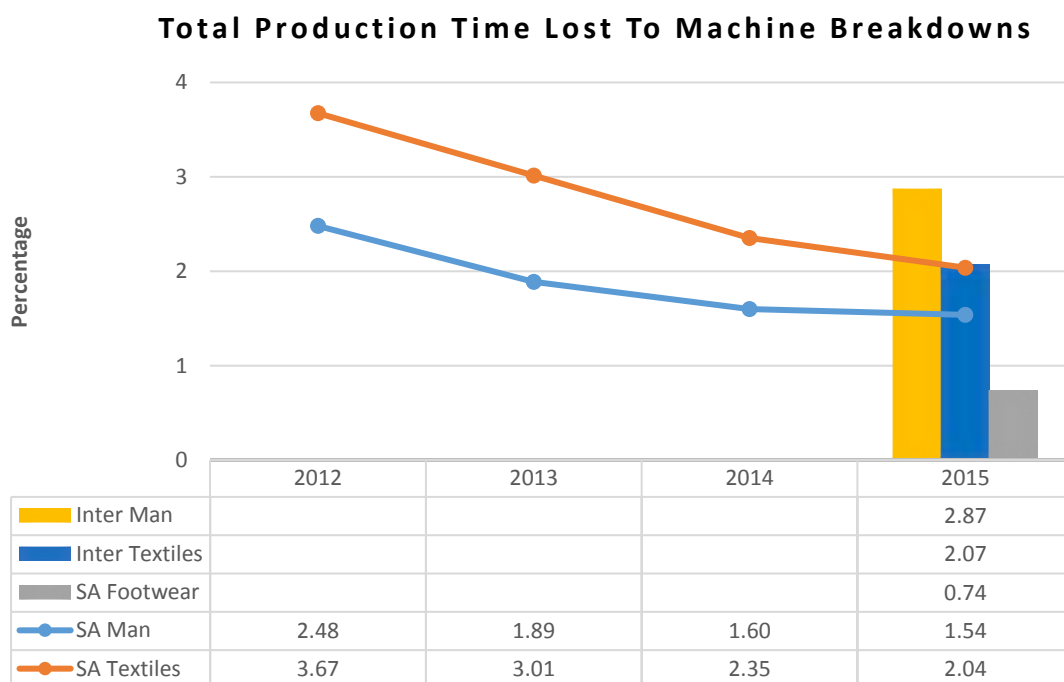
KZN CTC
member firms

2.4.4 Reliability 2012 – 2015

Delivery reliability to customers is an essential aspect of the competitiveness of the clothing, textile and footwear industry. SA firms have steadily improved their delivery reliability between 2012 to 2015.



Machine breakdowns can greatly reduce the overall reliability of a value chain. Reducing breakdown times through preventative maintenance is thus beneficial to firms. The graph shows that SA firms have managed to consistently improve their internal reliability, by reducing the time lost to machine breakdowns



Source: B&M Analysts benchmarking Database

The KZN CTC is funded by:

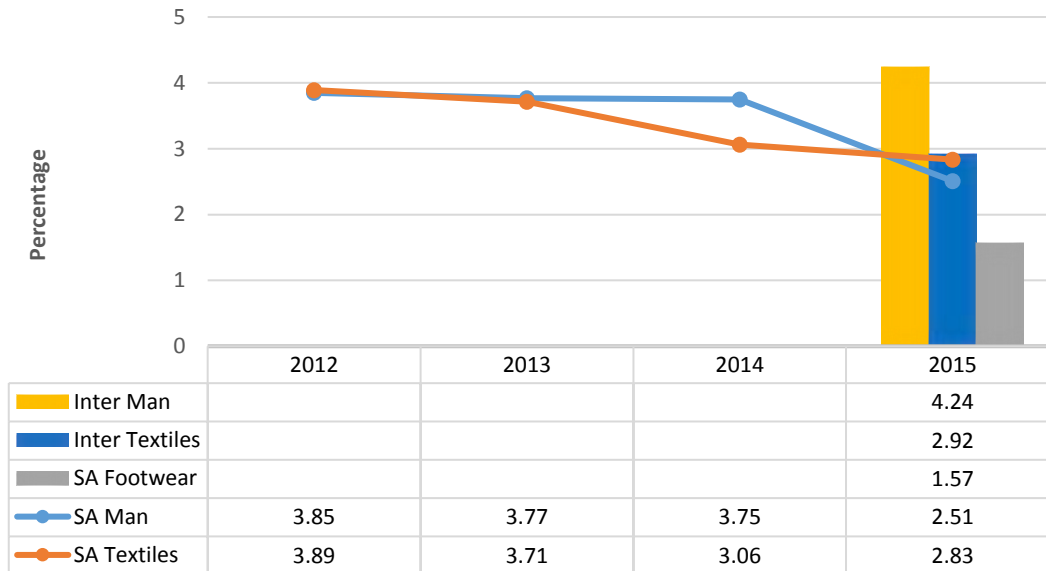


KZN CTC
member firms

2.4.5 Flexibility 2012 – 2015

As retailers increasingly embrace Quick Response as a sourcing strategy, it is essential for firms and suppliers to be flexible (i.e. change between styles efficiently). Since 2012, SA clothing manufacturers and textile firms have shown consistent improvements in flexibility (changeover times), indicating improved production planning.

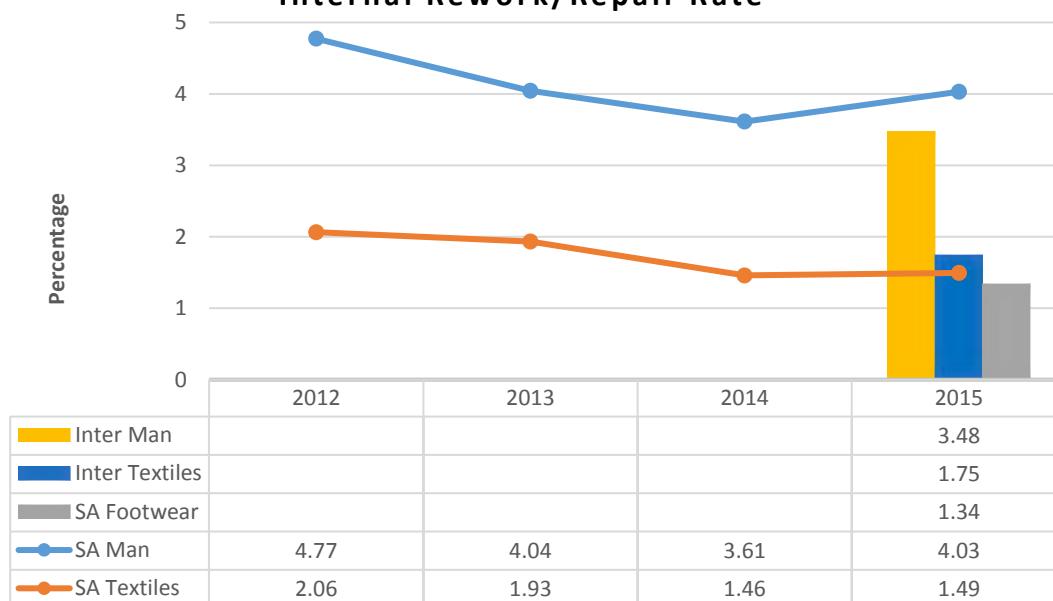
Total Production Time Lost To Style Changeovers



2.4.6 Quality 2012 – 2015

Reduced internal rework/repair rates would tend to indicate that firms are managing quality problems at source – as opposed to dealing with them at the end of the line. Repairs or reworks are impressively low in the SA textile industry, but above international comparators in the clothing industry.

Internal Rework/Repair Rate



Source: B&M Analysts benchmarking Database

The KZN CTC is funded by:



KZN CTC
member firms

3 INDUSTRY NEWS

3.1 SUPPLY CHAIN NEWS

[SA uniquely positioned to tap into exotic leather market: Davies](#)

By: TMG Digital, 30 May 2016

South Africa is uniquely positioned to tap into the international luxury and exotic leather market and to develop a world-class local exotic leather industry, according to Minister of Trade and Industry Rob Davies.

[Clothing industry: Made in China in SA](#)

By: Claire Bisseker, 16 September 2016

If there was ever any doubt that a trade-off exists between higher wages and employment, the destruction of livelihoods in the Newcastle clothing industry over the past few years should dispel it.

[Saddler Belts wins Small Exporter Award](#)

By: Durban Chamber, 21 October 2016

The winners of the 16th edition of the 2016 KZN Exporter of the Year Awards, a partnership between Transnet Port Terminals [TPT] and the Durban Chamber of Commerce & Industry [DCCI], were announced at a glitzy gala banquet held at the iNkosi Albert Luthuli International Convention Centre in Durban on Thursday night, the 20th of October 2016.

[Gelvenor scoops international IFF Innovation Award](#)

By: Innovation Textiles, 11 November 2016

The Industrial Fabrics Foundation (IFF) has announced Gelvenor Textiles as the 2016 IFF Innovation Award winner for the development of the microfiltration fabric component for the VulAmanz Water Systems Rural Water Filter (VA-RWF).

3.2 RETAILER NEWS

[Stuttafords to file for business rescue](#)

By: Philippa Larkin, 31 October 2016

Stuttafords, once a top retailer in South Africa, said on Friday that it was seeking voluntary business rescue as it battles slowing consumer spending and fierce competition.

[Retailers take a beating amid tight trade](#)

By: Sandie Mchunu, 14 November 2016

Local retailers' share prices took a beating on Friday after Woolworths reported a decline in its sales with consumers discretionary spending under pressure.

[Edcon returns to profit](#)

By: John Bowker, 22 November 2016

Edcon Holdings returned to profit in the second quarter after debt repayment costs eased following the exit of US private equity firm Bain Capital, while South Africa's biggest clothing retailer cleared unwanted stock to boost sales over the busy festive period

4 YOUR IDEAS

If you have any ideas for improvement or would just like to get in touch, please contact Zama Ngcobo:

The KZN CTC
031 764 6100 (office)
kznctc@bmanalysts.com