



CCTC Newsletter January- July 2015

We are happy to introduce the first new-look newsletter for 2015. We have redesigned it to allow you to either quickly scan stories of interest in your email inbox or to read the full articles on the CCTC website by clicking on the relevant link.

Please forward it on to colleagues who you think would benefit, or subscribe to receive the bulletin on a quarterly basis by emailing cctc@bmanalysts.com with your details.

Articles in this quarter's bulletin are:

- [Feature Article: State Of Industry data](#)
- [Upcoming Events \(January - June 2015\)](#)
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Clothing Cluster rolls up its sleeves for improved competitiveness, 2014 State of the Industry data reveals

This first edition of the KwaZulu-Natal Clothing and Textile Cluster newsletter for 2015 overviews performance of cluster members in the clothing, textiles and footwear industries within a South African context, as well as global trends and developments in trade. The outlook for the local industry is increasingly positive, as benchmarking data shows significant improvements in sales performance, employment and operational data in 2014. The findings presented below bode well for Cluster members' continuing positive trajectory.

A perspective on international trade

International trade in textiles, clothing and household textiles has grown notably since 2007, and by 2013, exports were approaching \$800 billion, as shown in Figure 1. The data show improved growth in 2013 relative to 2012, spurred predominantly by the clothing sector.

Figure 1: Global trade in textiles, clothing and household textiles

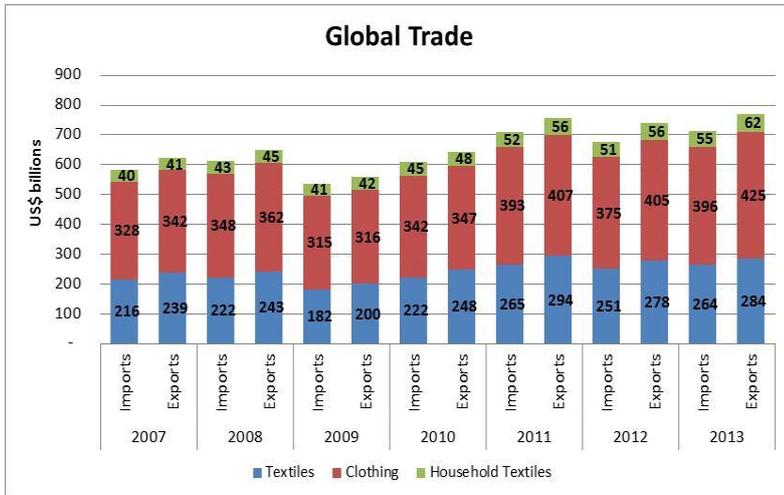
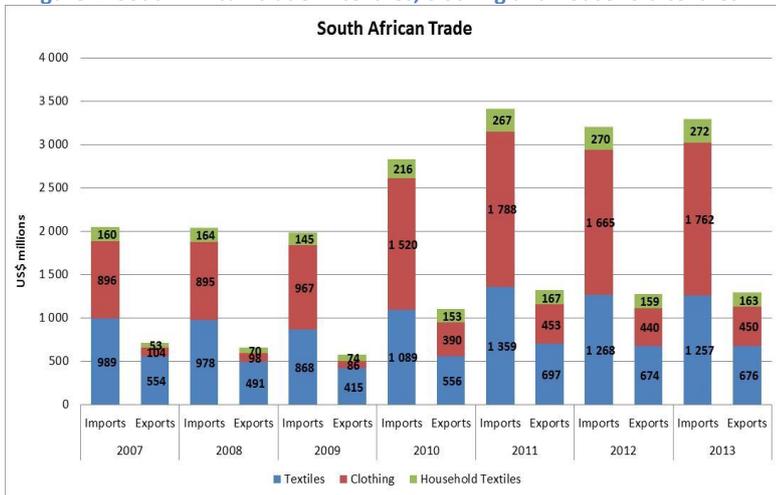


Figure 2: South African trade in textiles, clothing and household textiles

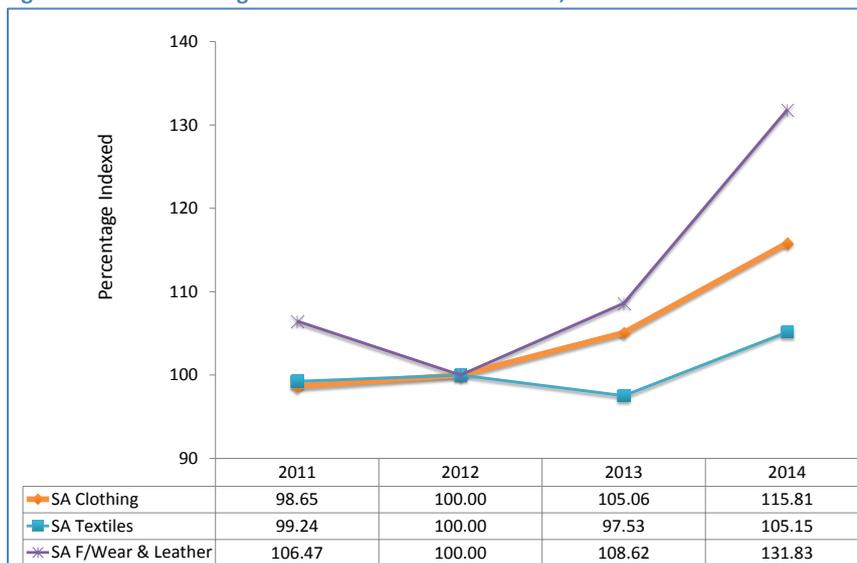


Whilst South African trade figures show the threat of imports of clothing, textiles and household textiles over the period 2007 to 2013, there has been some pleasing growth in exports. The step-jump in 2010 is due to the inclusion of trade with countries in the Southern African Customs Union (SACU), but subsequent to this there has been growth in all three categories into 2013. Figure 2 highlights the wide discrepancy between South African imports and exports; by 2013 imports in the three categories were approaching \$3.5 billion, while exports amounted to nearly \$1.3 billion, having experienced limited growth between 2010 and 2013. The resultant deficit speaks to the continuous challenge that local manufacturers face in respect of global competitiveness and abilities to capitalise on export opportunities. Addressing this challenge requires local manufacturers to identify and capitalise on particular areas of differentiation, with a dogged focus on improved productivity. The operational findings below suggest that this remains a core focus of cluster firms, with some success in respect of firms’ abilities to narrow this gap.

South African industry overview

The 2014 financial year saw welcome improvements in national performance across the clothing, textiles and footwear industries, with national growth in revenue at 9%, 12% and 9%, respectively (Statistics South Africa, 2015). Significantly, an analysis of data collected via B&M Analysts’ benchmarking activities in the industry for 2014 suggests that cluster performance has outperformed the national average in the case of both clothing and footwear, although textiles firms lagged behind. Clothing sales revenue grew by 10.2% in 2014, up from 5% in the previous year; indicating revenue growth at an approximate 1.2% higher than the industry average.

Figure 3: Indexed sales growth trend from 2011 to 2014, for CTFL sectors



Similarly, footwear manufacturers in B&M Analysts’ database recorded average revenue growth of 21.4% in 2014, up from 8.6% on the previous year. This higher than average performance of the Cluster can be attributed to supplier development initiatives through major local retailers, where a market driver approach to competitiveness improvements has impacted positively on operational performance. Whilst textile manufacturer performance has been less impressive (7.8% in 2014, versus the industry average of 12%), there is opportunity to improve on operational deficiencies relative to international benchmarks, indicated below.

Figure 4: Profile of clothing, textiles and footwear industries, categorised by annual revenue



Whilst the South African clothing industry reflects international industry patterns in respect of smaller and medium firm concentrations, significant disparities exist in respect of the proportion of larger firms making up the market, as can be seen in Figure 4. This evidently affects textiles firms to a larger extent, with the international benchmark indicating a concentration of large firms that are able to leverage significant scale economies, relative to the South Africa firms. The local textiles industry is substantially skewed in favour of smaller firms, with implications for the related cost structures, scale efficiencies and general competitiveness.

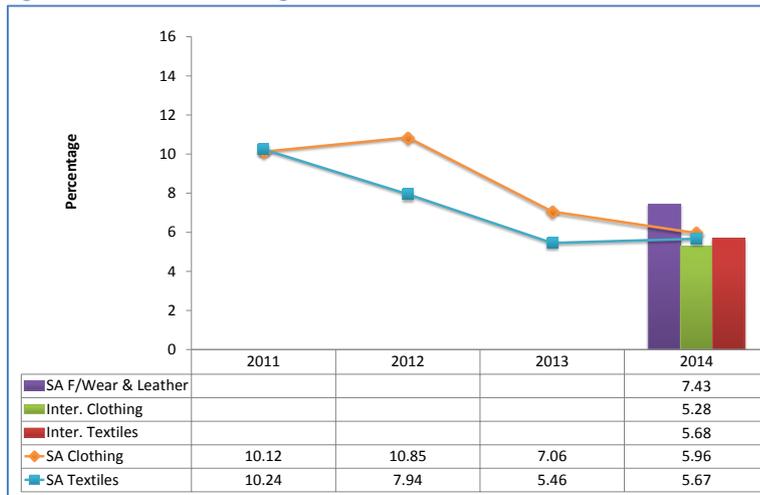
Employment

Employment among cluster members showed very promising growth, particularly relative to national statistics that show a general decline. According to National Bargaining Council statistics, national employment levels in the clothing industry have declined from 57,528, to 52,035 over the 2011 to 2014 period (-9.5%), whilst clothing Cluster employment increased from 9 041 in 2011 to 9 821 in 2014 (8.6%). In the footwear and leather firms, Cluster firm employment similarly it increased from 864 in 2011 to 1 104 in 2014. Conversely, textile firms in the cluster have seen a decrease in employment from 3 264 to 2 976. While the aggregate cluster employment picture is positive, there is a clear deficiency in respect of textile manufacturing health that is incongruent with the performance of downstream clothing manufacturers.

Labour turnover

An analysis of labour turnover indicates a promising trend in the industry, shown in Figure 5. Consistently from 2011 to 2014, the cluster has shown decreasing labour turnover rates, dropping from 10.12% and 10.24% in clothing and textiles respectively, to 5.96% and 5.67%. This trend indicates growing stability in the industry, and the increasing ability of firms in the cluster to retain staff – a particularly promising trend in terms of skills development and upgrading.

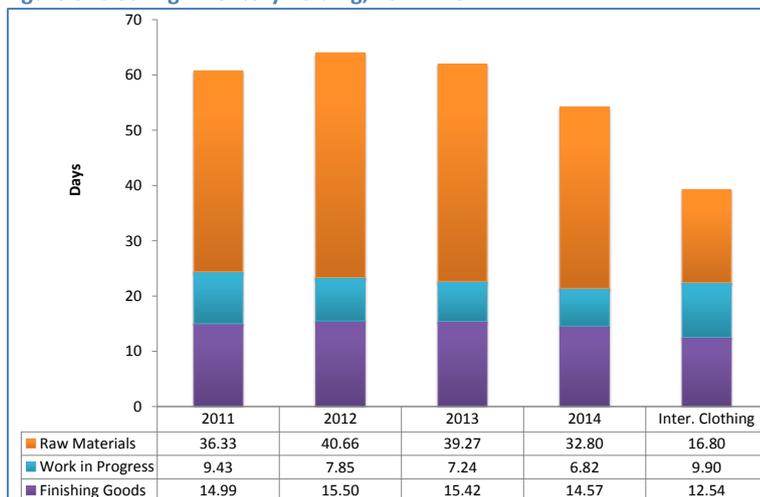
Figure 5: Labour turnover figures



Operational performance

A key operational challenge for local manufacturers is the ability to compete with international benchmarks in respect of operational performance. The data for 2014 indicate that significant headway has been made in respect of competitiveness improvements in this regard. Clothing firms saw a pleasing reduction in raw materials holdings, which decreased from 36.3 days in 2011 to 32.8 days by 2014. This has been accompanied by reductions in the work-in-progress and finished goods holding times, as reflected in Figure 6. To this extent, clothing manufacturers compete with international benchmarks on WIP holding, although significant raw materials holdings point to concerns with supply chain reliability and a stubborn adherence to buffering strategies, also with regard to finished goods.

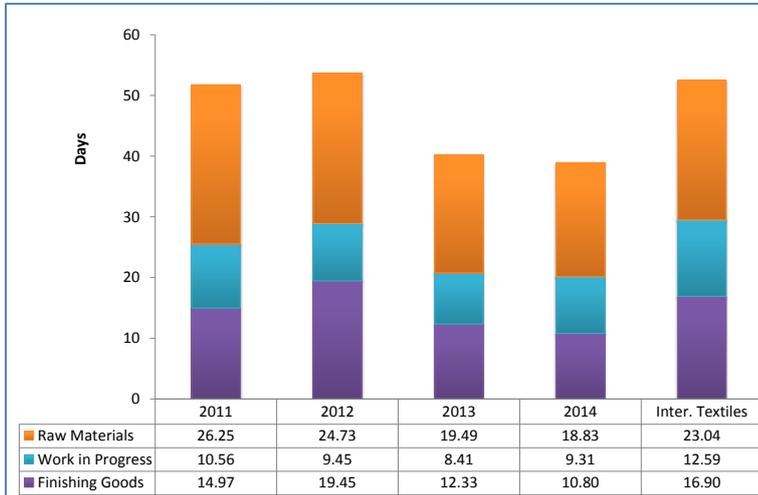
Figure 6: Clothing inventory holding, 2011 - 2014



Textile firms in the cluster have performed better than their clothing counterparts in terms of inventory holding, as highlighted in Figure 7. Raw material holding has decreased from 26.25 days to 18.83 days, while finished goods holding has decreased from 14.97 days to 10.8. Work-in-progress has shown a small

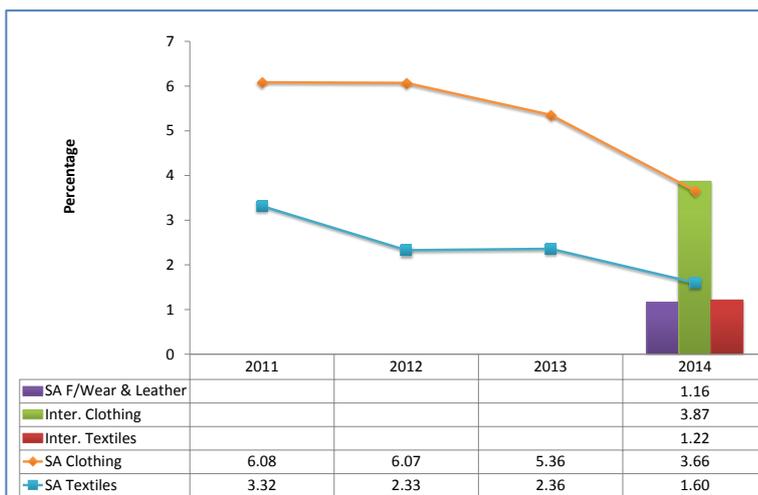
improvement, down to 9.31 days from 10.56 in 2011. All of these measures are significantly below the international average for similar firms.

Figure 7: Textiles inventory holding, 2011 - 2014



Rework rates in the cluster firms, as shown in Figure 8, reflect a pleasing trend. In the clothing firms, rework has decreased from 6.08% in 2011 to 3.66% by 2014. This is mirrored by the textiles firms, which have shown a decrease from 3.32% to 1.6% by 2014, suggesting some success attributed to World Class Manufacturing (WCM) interventions implemented in the member firms, aimed at reducing waste and improving quality. In addition, both clothing and textiles firms have experienced significant progress in reducing customer return rates – reflective of the impact of total quality management interventions implemented at the firms.

Figure 8: Rework rates across industry categories, 2011 - 2014

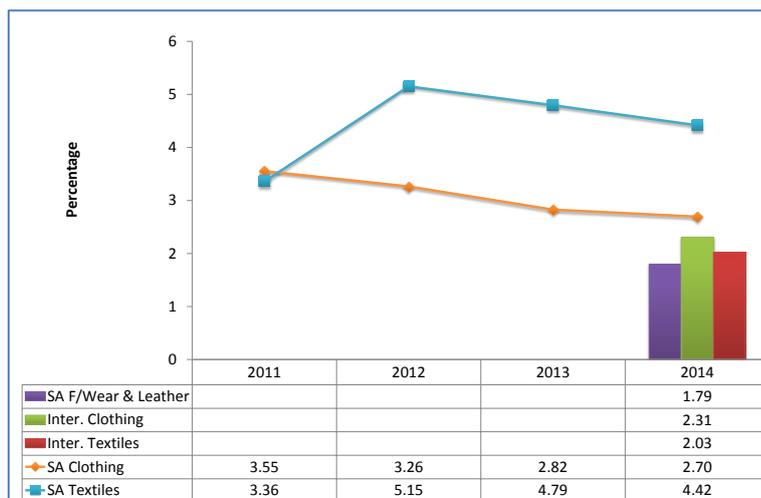


Reliability factors have, however, been more varied. The clothing and textile firms in the cluster have seen divergent performance in terms of production time lost due to changeovers. The clothing firms have enjoyed consistent reductions in downtime, from 3.55% in 2011 to 2.7% in 2014; an indication of the successful implementation of single minute exchange of dies (SMED) principles. Whilst textile firms have faced

challenges in respect of downtimes increasing from 3.36% in 2011 to 4.42% by 2014, there nonetheless appears to be an improving trend back to 2011 levels.

Both clothing and textile firms have seen decreases in production time lost due to breakdowns. In clothing, time lost has decreased from 3.86% in 2011 to 2.45% in 2014. Similarly, textiles firms have seen a reduction from 3.85% to 2.86% by 2014. These reductions are heartening not only because they show a reduction of waste in terms of production time lost, but because they indicate the broader success of WCM interventions in terms of a proactive and preventative approach to maintenance in the firms. Indeed, in 2014, clothing firms in the cluster were performing better than the international benchmark in terms of production time lost due to machine breakdowns.

Figure 9: Production downtime lost to changeovers, 2011- 2014



Conclusion

This review of the performance of firms in the KZN CTC shows encouraging performance, and promising opportunities. It is clear from the data that the implementation of WCM principles has proved effective in reducing waste and improving operational and financial performance. Importantly, the clothing sector has grown employment and turnover ahead of national industry performance.

The findings highlight the significant improvements in market performance achieved in respect of growing the size, and securing the stability, of the local industry. However, while the industry does face several

operational challenges, these continue to provide opportunities for competitive improvement. As indicated above, a significant challenge relates to extending the process and productivity improvements that are evidently driving the development of the clothing sector, to upstream processors of textiles. This highlights a need for a greater focus on developing the competitiveness capabilities of the industry, which clearly experience greater challenges in respect of leveraging government incentives and industry opportunities to affect sustainable growth.

Upcoming Events (July - October 2015)

Date	Event
	Executive
1 July	Strategic HR Workshop1: Selection and Performance Management
29 July	CCTC EXCO Meeting at CPUT
5 August	Strategic HR Workshop 2: Staff Retention and Absenteeism
	World Class Manufacturing
Benchmarks	PepClo, Beaches, Newco, Hippo Rock, Eltex, Farbe, Falke, GTL
6 August	WCM TSC Meeting hosted at Freudenberg
13-14 August	Best Practice Study Tour to KZN and Madagascar Feedback Event
	Quick Response
21 July	QR TSC Meeting hosted at PepClo
October	Quick Response Training for Manufacturers -Update Session
August	Quick Response Training for Retailers- Update Session
August	Best Practice Study tour to Spain

Recent Events (January 2015 – June 2015)

Date	Event
March	WCM Training for Managers
April	WCM Training for Supervisors
April	AGM and Ten Year Celebration
March, April	QR Training for Manufacturers
May	CIP Peer Review of Radeen
June	TRACE programme launch
June	CIP Year End function and Best Practice Tour of Prestige
July	Strategic HR Workshop: Selection and Performance Management

Your Ideas

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