

CCTC Newsletter October – December 2015

Welcome to the fourth quarter bulletin of the CCTC for 2015. Quickly scan it for stories of interest by clicking on any story link. In our feature article we explore the viability of exporting into the British fashion apparel retail market.

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:

- [CCTC 2016 year Planner](#)
- [Feature Article: QR Export Viability Study](#)
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CCTC 2016 Year Planner¹

Month	Workshop
February	WCM Introductory Workshop for Supervisors
March	WCM Introductory Workshop for Executive & Managers Patternmaking and Raw material preparation 4 day workshop
April	Quick Response 2-day Workshop Understanding Fabric for Designers and Pre-production personnel 4 day workshop
May	EXCO Meeting Imbizo
June	WCM Training Workshop 1 & WCM Training Workshop 2
July	WCM Training Workshop 3 & WCM Training Workshop 4
August	EXCO Meeting HR Workshop 1
September	HR Workshop 2
October	Best Practice Study Tour
November	EXCO Meeting

¹ Please note that this is a provisional workshop list thus dates as well as topics are subject to changes decided at the EXCO.

KZN CTC and CCTC QR Export Viability Study

– Mapping viable export logistics chains

Despite the current challenges faced by the South African based Clothing, Textile, Footwear and Leather (CTFL) industry, KZN CTC and CCTC members are slowly reclaiming domestic market space. This is evident in the benchmarking numbers indicating increased sales and employment, and further supported by indicators such as improved productivity, On-Time-In-Full reliability, quality, flexibility, product capabilities and exchange rate movements. Key drivers for this positive trend are support for retailer in-season trading requirements and Quick Response capabilities into the domestic market (42 days lead time).

KZN CTC and CCTC believe that exports will be critical to the future of the SA CTFL industry. It will contribute to trend alignment and global retailing between the Northern and Southern hemisphere further creating a counter-cyclical production demand profile. But perhaps even more importantly it will lead to increased production footprint (greater market access) and hence room for additional design and pre-production capabilities. The critical question is whether South African based CTFL manufacturers can use their current point of differentiation created in the domestic market to supply the North West European market such as UK, Belgium, Netherlands and Germany. In order to get a better understanding of these possible export opportunities B&M Analysts has carried out a research study focusing on export logistic chains and how viable they would be for South African manufacturers.

Four key requirements have been identified in order for the South African CTFL industry to engage in the global value chain and supply retailers in Europe. These include product alignment, price competitiveness, non-price competitiveness indicators such as quality, delivery, reliability, volume flexibility etc. as well as a lead time of 42-56 days from Purchase Order to store delivery. Based on this the research focused on exploring potential retailers for Quick Response supply, as well as mapping the logistics chains (sea and air freight) into these retailers. Five retailers were identified and include Marks & Spencer, Next, New Look, River Island and ASOS. For the purpose of this article the findings relating to Marks & Spencer will be used as an example.

Marks & Spencer is a major British multinational retailer specialising in the selling of clothing, home products and luxury food products. The table to the right gives a snapshot of their store footprint and operating performance; product categories and fashion rating; opening price point; Quick Response/ Fast Fashion evidence; and Supply Chain;

Marks & Spencer
Public listed company



Store footprint and operating performance				Product categories and fashion rating		
Growth trend → 0.00%	Gross profit margin 50.7%	Stock turns 2.1	GMROI 2.57	Ladies' casual wear	Ladies' formal wear	Plus sizes
<p>Sales: £4 095 Cost of sales: £2 019 Gross profit: £2 076 GBP millions</p>				Men's casual wear	Men's formal wear	Kids' wear
				Footwear	Own branded product	Fashion rating
Number of stores 350		Major markets UK and Ireland, Russia, Netherlands, Poland, Belgium, ME, Ukraine		Opening price point		
Target groups Men and women, 18-40				Ladies' vest	£5.00	
				Men's lounge shirt	£19.50	
				Ladies' pump shoe	£15.00	
QR/FF Evidence		Supply chain				
Clear evidence of move towards QR/FF, e.g. Turkey study tour findings – c20% purchased on QR/FF model		DC Model	Single-centre			
		DC Location	Castle Donington, Leicestershire			
		Nearest port	Warrington			
		Nearest airport	East Midlands Airport			

A summary of the export logistics chain and lead times using sea freight (for bulk production) is presented in the two tables below. The table to the right illustrates that shipping to the UK will take between 28 and 33 days. The QR total lead time target is 56 days. The table to the left indicate that with a shipping lead time of 28-33 days the total lead time from preproduction through to product in store is 58-63 days. However, the lead time days provided are conservative estimates hence the target of 56 days are still achievable for South African suppliers.

Sea freight

Summary of export logistics chain

Target QR total lead time is **56 days**.

Logistics summary: QR Model with Sea Freight	
Logistics phase	Lead Times (days)
Preproduction	14
Production	14
Shipping	28-33
DC -> Store	2
Totals	58-63



Stages	Preproduction	Production	Shipping	DC to store	TOTAL
Days	14	14	28-33	2	58-63

Marks & Spencer

Export logistics: summary



Logistics summary: Durban factory to Castle Donington Distribution Centre*			
Logistics phase	Lead time (days)	Cost FCL 20'	Cost FCL 40'
Durban landside and port	3 – 5	R14 369	R15 704
Shipping (weekly)	22 – 23	R23 131	R30 358
UK port and landside	3 – 5	R14 490	R14 991
Customs brokerage	N/A	R12 486	R14 056
Totals	28 – 33	R64 478	R75 111



*GBP1/ZAR21, USD1/ZAR14.6. Cargo value R2.5m.

Durban to Castle Donington via London Gateway

Stages	Packing	Trucking to Harbour	Stacking	Shipping	Off loading	Stacking	Trucking to DC
Days	1	1	1-3	22-23	1	1-3	1

Marks & Spencer
Target pricing



With regards to estimating target prices for Mark & Spencer the research considered six different products including Opening Price Point (OPP) vest, vest+ (meaning better quality), OPP pump, pump+, OPP lounge shirt, lounge shirt+ and consequently worked out what the target price would be per item. The target price is calculated by deducting the shipping cost per item off the estimated QR purchase price. According to previous cost analysis done by KZN CTC and CCTC, the target price should be a realistic goal for South African retailers.

Item	RSP (incl. VAT)	RSP (ex VAT)	IMU est.	Purchase price (LC)	Purchase price	Est. QR prem (10%)	40' Shipping cost per item	Target price
OPP vest	£5.00	£4.17	72%	£1.17	R 24.50	R 26.95	R 1.56	R 25.39
Vest+	£6.00	£5.00	72%	£1.40	R 29.40	R 32.34	R 1.56	R 30.78
OPP pump	£25.00	£20.83	72%	£5.83	R 122.50	R 134.75	R 7.51	R 127.24
Pump+	£29.50	£24.58	72%	£6.88	R 144.55	R 159.01	R 7.51	R 151.49
OPP lounge shirt	£17.50	£14.58	72%	£4.08	R 85.75	R 94.33	R 3.41	R 90.91
Lounge shirt+	£19.50	£16.25	72%	£4.55	R 95.50	R 105.11	R 3.41	R 101.69

Assumptions

- Exchange rate: GBP 1=ZAR 21
- Input margin (IMU) estimated from financial reports
- QR premium estimated at 10% for in-season trade
- Shipping cost estimates based on 40 foot container capacity assumptions:
 - 48 000 vests
 - 22 000 shirts
 - 10 000 pairs of pumps
- Target price = estimated QR purchase price – shipping cost per item

The findings above together with the benefits South Africa enjoys through the duty-free access for clothes and shoes under the EU-SA Free Trade Agreement demonstrate that there is clearly sufficient evidence for the KZN CTC and CCTC members to pursue UK export opportunities and use this as a base for further new opportunities in the future.

Industry News

“CTRL click” the headline to view the full story on line.

[Clothing and textile industry shakes off cobwebs](#)

By Bekezela Phakathi, 18 December 2015

The Southern African Clothing and Textile Workers’ Union (Sactwu) says the clothing, textile, footwear and leather manufacturing industry is entering a period of greater stability and higher levels of growth.

[Clothing retailers’ sales pick up](#)

By Phakamisa Ndzamela, 15 January 2016

Retailers Woolworths, The Foschini Group and Truworths beat expectations but analysts warn macroeconomic drivers signal much tougher year ahead.

[Mr Price plunges on slower sales](#)

by Alistair Anderson, 18 January 2016

Mr Price Group disappoints investors with high growth expectations, sending shares down 18%.

Upcoming Events (January–April 2016)

Date	Event
	World Class Manufacturing
23 February	WCM introductory Workshop for Supervisors
17 March	WCM introductory Workshop for Executives and Management
	Quick Response
6 & 7 April	Quick Response Training for Manufacturers
	Designer and Pre-production Skills Development Program
17,18,30,31 March	Pattern-making and Raw Material preparation 4day course
12,13,19,20 April	Understanding Fabrics Course by Dave Mason

Previous Events (January–December 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
August	Strategic HR Workshop: Absenteeism and Retention
August	Best Practice Tour and Madagascar Feedback Event
August	QR Training for Retailers
October	WCM TSC Meeting
October	WCM Supervisor Session
October	Quick Response for Designers and Pre-production Personnel
November	Export Programme Feedback session

Your Ideas

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

The CCTC

021 552 0240 (office)

cctc@bmanalysts.com