

SOURCING ANALYSIS OF PANTS AND TROUSERS INTO THE EU

By

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Introduction

This article extends the advice made in a previous article for just-style "Analysing Sourcing Data" on how to use the re:source database to make informed sourcing decisions. I know that marketing departments, buyers and merchandisers, and sourcing and supply chain managers all are required by their businesses, be they own label retailers or wholesale brands, to analyse data.

They analyse market estimates and market trends. They analyse the sources of supply and sourcing trends. In this third article on "how to", I am using re:source data to investigate

1. One garment destination market, the European Union (EU)
2. For one product category, pants and trousers
3. For both men and women
4. But no longer for just five low cost countries chosen by me
5. But for the top exporters into the EU (those with more than a 1% share). This turned out to be 21 countries with a combined share of 90.6%

The starting point (raw data)

The re:source database uses HS (product) codes. There are 16 of them for pants and trousers, eight each for men and women. I wanted to investigate exports from the major low cost countries sources, the major local sources, and the important internal sources (the EU, unlike the USA and Japan, does a lot of internal trade with itself).

I have used US\$ money values and units for 2016, so that information was extracted from the database. Sixteen HS codes times 21 countries means I will get 336 rows of raw data, and three columns, one for US\$ value, one for units, and one for average prices.

When I looked at all imports of pants and trousers to the EU, I got a very large raw database (just under 2,200 rows of data for just one year, 2016). I decided to aggregate the sixteen HS codes to use just a total of pants and trousers, but to look at all exporters to the EU, separating them into low cost (the point

of the previous sourcing analysis), local to EU but not in EU, and internal (countries trading from within the EU with other members).

From this, I filtered by removing all exporting countries with less than 1% of the export total. The results are shown in Tables 1, 2, 3 and 4

Imports from all countries into the EU, in descending % order

[Table 1]

| | Exporting country | Export value US\$m | EU import % | Category A Low cost countries % | Category B Local countries but ex-EU % | Category C Internal EU traders % |
|---------------------|-------------------|--------------------|-------------|---------------------------------|--|----------------------------------|
| 1 | Bangladesh | 6244 | 17.9 | 17.9 | | |
| 2 | China | 5020 | 14.4 | 14.4 | | |
| 3 | Turkey | 3238 | 9.3 | | 9.3 | |
| 4 | Germany | 2319 | 6.6 | | | 6.6 |
| 5 | Pakistan | 1900 | 5.5 | 5.5 | | |
| 6 | Cambodia | 1536 | 4.4 | 4.4 | | |
| 7 | Italy | 1328 | 3.8 | | | 3.8 |
| 8 | Tunisia | 1009 | 2.9 | | 2.9 | |
| 9 | Vietnam | 970 | 2.8 | 2.8 | | |
| 10 | India | 968 | 2.8 | 2.8 | | |
| 11 | Spain | 911 | 2.6 | | | 2.8 |
| 12 | Netherlands | 852 | 2.4 | | | 2.8 |
| 13 | Morocco | 799 | 2.3 | | 2.3 | |
| 14 | France | 717 | 2.1 | | | 2.1 |
| 15 | Belgium | 693 | 2.0 | | | 2.0 |
| 16 | Poland | 618 | 1.8 | | | 1.8 |
| 17 | Romania | 590 | 1.7 | | | 1.7 |
| 18 | UK | 458 | 1.3 | | | 1.3 |
| 19 | Sri Lanka | 406 | 1.2 | 1.2 | | |
| 20 | Indonesia | 370 | 1.1 | 1.1 | | |
| 21 | Denmark | 334 | 1.0 | | | 1.0 |
| | | | | | | |
| | | | | | | |
| Top 21 with >1% | | 31,609 | 90.6 | 50.1 | 14.5 | 26.1 |
| Total imports | | 34,873 | | | | |
| Exporting countries | | | 21 | 8 | 3 | 10 |

Source: Malcolm Newbery Consulting Ltd.

There are 21 countries with over 1% share of the import market. This is a far higher number of meaningful exporters, than for either USA or Japan.

The EU buys from many different places and has wide trading networks. It also does indeed have a strong internal market. Ten internal manufacturers make up 26.1% of trade, (and Bulgaria and the Czech Republic are only just below 1%)

It makes sense to treat these export groupings separately, because I suspected that average import prices will vary considerably. Table 2 treats the low cost countries as a unit

Imports from low cost countries into the EU, in descending % order
[Table 2]

| | Exporting country | Export value US\$m | EU import % | Category A % share of low cost country imports |
|-----------------------|--------------------------|---------------------------|--------------------|---|
| 1 | Bangladesh | 6244 | 17.9 | 35.7 |
| 2 | China | 5020 | 14.4 | 28.7 |
| 5 | Pakistan | 1900 | 5.5 | 11.0 |
| 6 | Cambodia | 1536 | 4.4 | 8.8 |
| 9 | Vietnam | 970 | 2.8 | 5.6 |
| 10 | India | 968 | 2.8 | 5.6 |
| 19 | Sri Lanka | 406 | 1.2 | 2.4 |
| 20 | Indonesia | 370 | 1.1 | 2.2 |
| Total of top 8 | | | | |
| | | 17,414 | 50.1 | 100 |

Source: Malcolm Newbery Consulting Ltd.

As we know from the previous article on the “big” five, both Bangladesh and Pakistan have increased their exports to the EU significantly since 2012

- ❖ Bangladesh has moved from second to first place in the US\$ value exports of pants and trousers, displacing China, and growing by 59% between 2012 and 2016
- ❖ Pakistan has increased its exports over the same period by US\$748m, which is 65% growth

There are five other low cost countries in the top 21. But whereas

- ❖ Bangladesh has gender balanced exports (53% of US\$ value in men’s and 47% women’s)
- ❖ Pakistan is strongly skewed to male (66% men’s and 34% women’s). This may affect prices which are reviewed in Table 5

Imports from local countries into the EU, in descending % order
 [Table 3]

| | Exporting country | Export value US\$m | EU import % | Category B Local countries but ex-EU % |
|-----------------------|--------------------------|---------------------------|--------------------|---|
| 3 | Turkey | 3238 | 9.3 | 64.1 |
| 8 | Tunisia | 1009 | 2.9 | 20.0 |
| 13 | Morocco | 799 | 2.3 | 15.9 |
| Total of top 3 | | | | |
| | | 5046 | 14.5 | 100 |

Source: Malcolm Newbery Consulting Ltd.

Only three local countries have more than 1% of the total EU imports. Of these Turkey (which also comes third overall) dominates

Internal imports from within the EU trading countries [Table 4]

| | Exporting country | Export value US\$m | EU import % | Category C Internal EU traders % |
|------------------------|--------------------------|---------------------------|--------------------|---|
| 4 | Germany | 2319 | 6.6 | 26.3 |
| 7 | Italy | 1328 | 3.8 | 15.1 |
| 11 | Spain | 911 | 2.6 | 10.3 |
| 12 | Netherlands | 852 | 2.4 | 9.7 |
| 14 | France | 717 | 2.1 | 8.1 |
| 15 | Belgium | 693 | 2.0 | 7.9 |
| 16 | Poland | 618 | 1.8 | 7.0 |
| 17 | Romania | 590 | 1.7 | 6.7 |
| 18 | UK | 458 | 1.3 | 5.2 |
| 21 | Denmark | 334 | 1.0 | 3.8 |
| Total of top 10 | | | | |
| | | 8820 | 25.3 | 100 |

Source: Malcolm Newbery Consulting Ltd.

But the really interesting feature of EU trade is both the number (21) of trader countries with more than 1% of the total, and the number (10) that are internal to the EU. The top 6 of these 10 are all high cost Western European countries. This prompts the next question which is, "is this because they are selling high priced brands?"

Average import prices

Re:source will soon go live with volumes as well as US\$ values in its database. So this question can be addressed, and Table 5 does just that

Average import prices from low cost, local and internal exporters

[Table 5]

| | Exporting country | Export value US\$m | Export volume units m | Category A Low cost countries average price | Category B Local countries average price | Category C Internal country average price |
|----|---------------------|--------------------|-----------------------|---|--|---|
| 1 | Bangladesh | 6244 | 879 | \$7.10 | | |
| 2 | China | 5020 | 830 | \$6.05 | | |
| 3 | Turkey | 3238 | 301 | | \$10.75 | |
| 4 | Germany | 2319 | 208 | | | \$11.16 |
| 5 | Pakistan | 1900 | 198 | \$9.60 | | |
| 6 | Cambodia | 1536 | 205 | \$7.48 | | |
| 7 | Italy | 1328 | 86 | | | \$15.39 |
| 8 | Tunisia | 1009 | 75 | | \$13.46 | |
| 9 | Vietnam | 970 | 111 | \$8.78 | | |
| 10 | India | 968 | 172 | \$5.64 | | |
| 11 | Spain | 911 | 95 | | | \$9.58 |
| 12 | Netherlands | 852 | 70 | | | \$12.18 |
| 13 | Morocco | 799 | 69 | | \$11.51 | |
| 14 | France | 717 | 69 | | | \$10.33 |
| 15 | Belgium | 693 | 65 | | | \$10.66 |
| 16 | Poland | 618 | 58 | | | \$10.65 |
| 17 | Romania | 590 | 44 | | | \$13.38 |
| 18 | UK | 458 | 38 | | | \$11.96 |
| 19 | Sri Lanka | 406 | 66 | \$6.17 | | |
| 20 | Indonesia | 370 | 49 | \$7.49 | | |
| 21 | Denmark | 334 | 23 | | | \$14.62 |
| | | | | | | |
| | | | | | | |
| | Top 21 with >1% | 31,609 | | \$6.94 | \$11.32 | \$11.65 |
| | Total imports | 34,873 | | | | |
| | Exporting countries | | 21 | 8 | 3 | 10 |

Source: Malcolm Newbery Consulting Ltd.

All eight of the low cost countries, are just that; low cost. Their average selling price for pants and trousers is US\$6.94. All, with the exception of Pakistan which sells at an average of US\$9.60 are below the local and internal suppliers. I suspect that the Pakistan situation is a result of its strong skew towards male garments, and I could drill down through re:source to substantiate this.

I suspected that the major local suppliers would be more expensive. Re:source confirmed this. The top three average selling price was US\$11.32, and Tunisia was expensive at US\$13.46. Again, if I wanted, I could drill down by type of trouser and discover the reason for the high price. It could be construction or fibre related (subjects covered in the last article but for five low cost countries).

I was surprised at the relative cheapness (US\$11.65) of the internal suppliers' selling prices, because I had expected high cost branded product. Admittedly the two highest prices researched were found from Italy and Denmark, who both have top end brands. But Germany, Spain, France and Belgium were relatively low priced. It made me wonder whether some of their exports, were re-exports from garments made in cheaper parts of the world.

This, of course is something that the re:source database cannot tell you. It is a matter for industry knowledge. For example, I have been

- ❖ In a jeans factory in Turkey, which was sewing for the Italian brand Diesel. The jeans said "made in Italy" on the country of origin label
- ❖ In a suit and trouser factory in Romania which was making Hugo Boss. All the garments said "made in Germany"

This can happen (and the brands want it to happen), because of some rather convoluted EU rules about the definition of country of origin. But that is not the fault of re:source. It is just giving me the raw data to analyse for myself.

Making informed sourcing decisions

Overall, this third experiment in "how to" use the re:source database has encouraged me as a management consultant, who has to back up my advice to clients with facts. I am sure the facts can also be used by marketing and sourcing managers to inform the decisions they have to take on behalf of their companies.