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HOSIERY MARKET SURVEY

LIBAN 2002



ELCIM

Euro-Lebanese Center For Industrial Modernisation

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A/

Tights, stockings, knee-high ... Historical of this kind of goods, brands, in the western world and what should be the future...

To try to understand the future of this kind of goods we must have a quick look on the past.

Born in United State of America after the Second World War, thin stoking and latter in years 60 tights were firstly luxurious products.

Following the mass consumption attitude in the year 60 and more, after been an luxury goods tights became

- A mass consumption item
- A essential women piece of clothing
- A fashion accessory
- And back again as a seduction accessory

This kind of product is approved by a large majority of women, even if the male attitude is globally against....

Tights undergone throughout the second half of the 20-th century, and according to the regions of the world of the numerous and varied influences, such as:

- Fashion
- Evolution of the way of life
- Importance of religions
- Climate
- Growing importance of the women in social and professional life

With new concept of dressing as 'mini skirt' promoted by MARY QUANT in the early 60 s, Stocking industry had been obliged to jump strongly in tights production; At that time stoking who still was a luxury good became itself and tights also large consumption items.

In less than 10 years stockings consumption reduce deeply to reach a % of the total market deeply bellow 10 points.
In the mean time the yarn and knitting equipments producers invested huge amount of money to follow this revolution.

Circular knitting equipments were running in the first period around 300 to 400 round/minutes

To follow the needs of consumption the new generation of knitting equipment will reach speed of 1200 rounds per minutes. (year 80's)

The only limit to this race was and still is the weakness of the used yarn; the consumers requested on the same time lower prices but transparency, elegance, sheerness...

To fight this weakness knitting equipment producers came back on the market with again new generation of equipment able to knit more than 2 row in ones, they went till 6 feeds on ones.

Here also the limit is the quality and the regularity of the knitting.

Western countries market got the first deep crisis in the middle of the year 70s'

In one season consumption fall down strongly due to the fashion, all the consumers came to the long skirts and trousers wearing attitude.

The only things who were bought that season were very basic one or just knee-high or nothing.

The year before due to the new generation of knitting equipment, a lot of companies had strongly renewed their equipments.

The falling down of the consumption pushes many of them to close down.

Example:

Between 1970 AND 1980 more than 90% of the French producers disappeared.
(from 100 companies to less than 12)

In the middle of the year 80s' new crises came, it was a technologic and sociologic one

- Electronic equipment transform totally the way of producing, old knitting machine were in ones completely old fashioned, but the worth point of this evolution was that all the technicians working on mechanical knitting machines were push out of the active life.
- The arrival on the market of the thin elasthane yarns (less than 30 decitex) provides to the goods a much longer usability due to the better fitness and the better strong ness.
- It is during this decade that the % of active women increase strongly, this effect the way of dressing of the women.
- Last point who affects deeply this activity was the inflation of labour cost in western countries.

This inflation of the labour cost in the western countries in front of the cost of the labour in the others countries had at least three different consequences:

- All the factories made huge investment in automatization of all the process to stay in the run.
- At the same time few producers start to sent out of the costly area the works
- It is during this period that Italy became the leader in this type of industry.

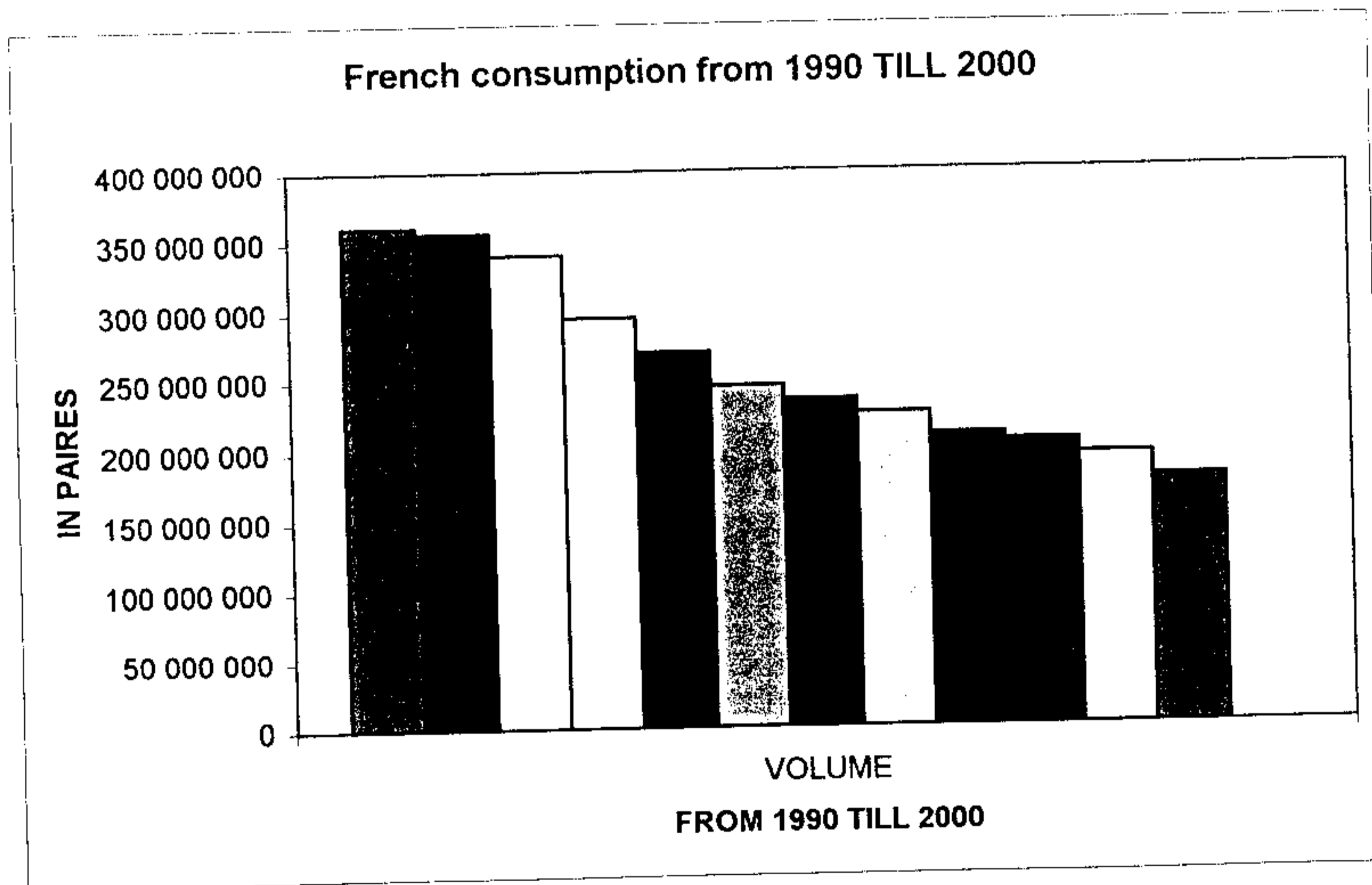
Those evens are sill going on after the end of the century.

Consequences are:

Tights consumption decrease of more than 40 % in volume between 1990 and 2000

Example:

French consumption during the last 10 years



We must remind that the consumption figure have more or less the same aspect in all European countries and in USA

It is important to notice that we have the same situation for the Raw material (yarns) and equipments suppliers of this industry. They were all in the same bade mood.

In the year 60s' the main equipment producer were settle in USA

The circular knitting technologies open the door to the ITALIAN predominance.

Italian LONATI group is now controlling and dominating this market.

The permanent decrease of the volume had the same effect on the yarn producers

WE MUST REMIND:

A/

Italy is the first tights producer in the world

Italy is also the first supplying country for all the technical equipments needed for this industry as:

- Knitting equipments
- Assembling system
- Dying equipment
- Boarding or semi boarding machines
- Quality control
- Packing line

B/

Number of independent factories is decreasing all around the world, due to junction or closing down attitude

C/

Consumption of tights in the world is drastically decreasing in volume, since ten years
And no sign of recovering are noticeable for the future.

The result of all those point is the overcapacity of production and the fight in prices

To face this situation the entire tight producers has same weapons:

- same technology
- same yarn....

We hereby resume some of the solution to get active in this field:

If you act as a sub-contractor:

You must be efficient in :

- price
- quality of the goods (following the quality of your production organisation)
- available capacity

- reactivity
- respect of the needed delay

If you deal with brands

You must take care of

- the general recognition of your brand name
- the creativity
- having the right marketing attitude due to the market you want to sell in
- the level of price

It is inside this world situation that we will study Lebanese tights market and its future.

B/

Figures about the hosiery market in LIBAN

B-1: Internal Lebanese market

As official statistics do not exist for this kind of goods we are obliged to mix all the figures we got during our study and to compare them with figures coming from other countries we knew.

An estimation of the feminine consumers give approximately 1.2 millions of women 14 years old and older.

If we compare this figure with the consumption per capita:

- in France(18 pairs),
- in Italy(20 pairs),

and also with some “non stabilized consumption countries” as:

- Poland(8 pairs)
- Russia (6 pairs)

If we take in consideration the hot climate we have here in LEBANON, we can estimate the total market in volume around 6 to 8 millions of pairs

The value of this market is around 8.5 to 11 millions US \$

B-2: Retail organisation:

The textile retail system in LEBANON is well structured in the main cities.

We have department stores , boutiques and foods stores (supermarket).

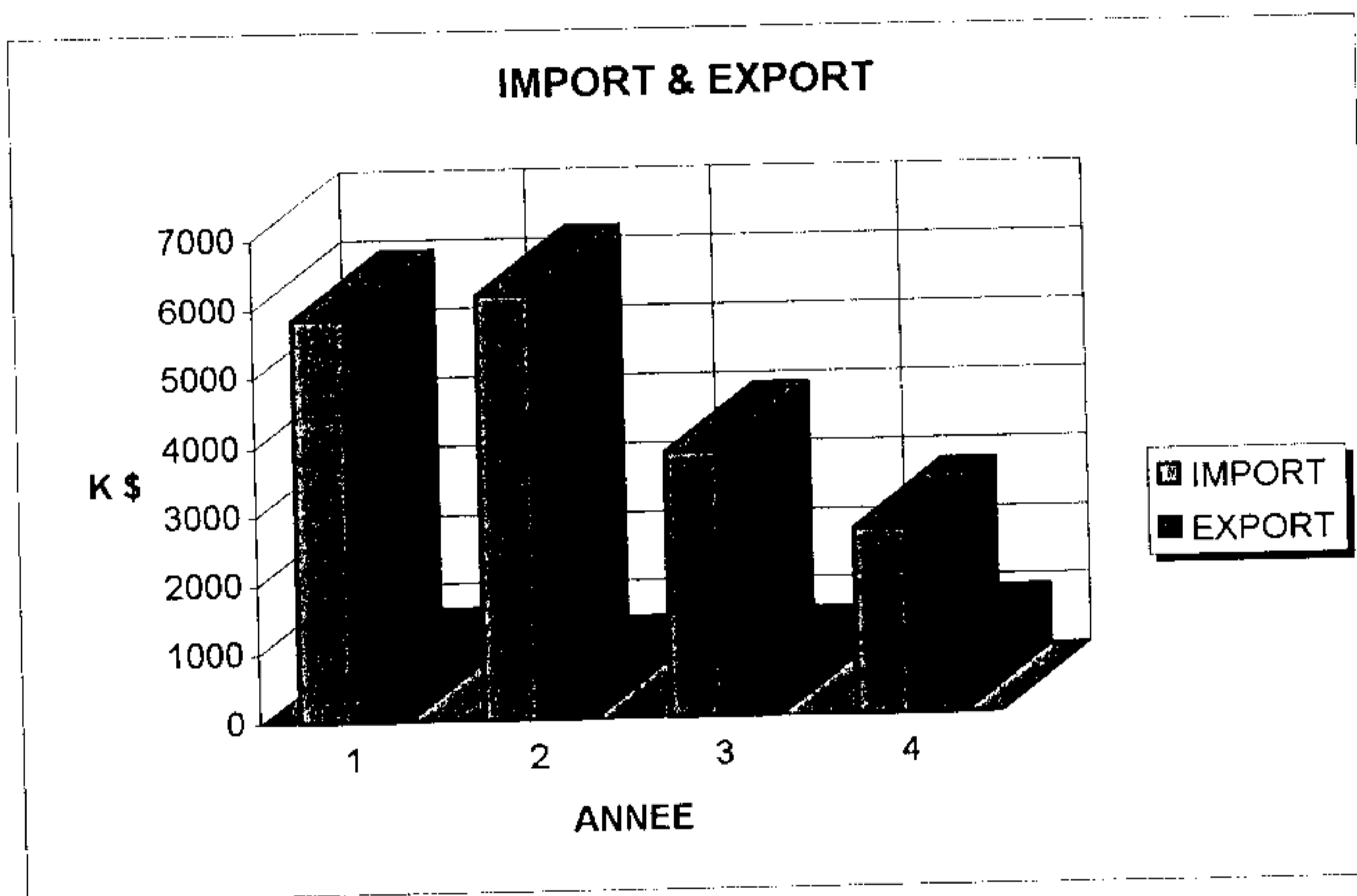
Textile is mainly retail in the first two groups, some tights or knee-highs are supposed to be in the shelves of some foods stores , but in MAI during our study we did not find any, except in MONOPRIX.

B-3: Importation and exportation

Chart N°1: importation and exportation in LEBANON between 1997 and 2000:

On this chart we can easily see the effect of the world consumption crisis on the Lebanese consumption, import is deeply decreasing .
This situation is completed per the inside Lebanon crisis, (economic recession, cost of the US \$)

Export is getting better especially due to the US contract of one company:



If we go further in the analysis of the figure , we can find two major kind of countries who sell on the Lebanon market:

- Countries who sell first a brand name like:
 - Austria
 - France
 - England

- Countries who sell brand but also price like:
 - Italy
 - Spain
 - Turkey

On the other way the major part of the Lebanon export is done in the Arabic countries like:

- Bahrain
- Emirats
- Yemen
- Kuwait

Export turnover made with the USA is the result of an other strategy , this point will be study latter in this file.

The result of the inquiry about the place taken per the foreign brand in the market give us the following figure:

60 % of the volume and 75 % of the value are controlled per foreign brands.

C/ Lebanese hosiery industry

C-1: Factories we visit

During this inquiry we had the opportunity to visit few companies producing tights in LEBANON and to discuss with their managers.

We just remind that our inquiry was not an exhaustive analysis but the contact we had, are representative of the global situation, and give us the ability to make conclusion .

From the list given per the Lebanese professional federation we took out 4 companies we visited.

The information's we got on those companies and our comments are in the jointed documents to this file.

Factories we visit are :

- POLYTEXTILE
- TUFENKJI TRADE AND TEXTILE
- TEXTILE INDUSTRIE
- GOLD CIRCLE GROUP

Those 4 factories have different strategies:

- Companies who work for the Lebanese market:
 - POLYTEXTILE
 - TUFENKJI TRADE AND TEXTILE

Those two factories have a complete different sizes but both of them are running brand on the local market, both of them are trying to export in the neighbour's countries.

- Companies who are not concerned with local market :
 - TEXTILE INDUSTRIE

Medium Size Company, Textile industry is working nearly 100 % for the US market

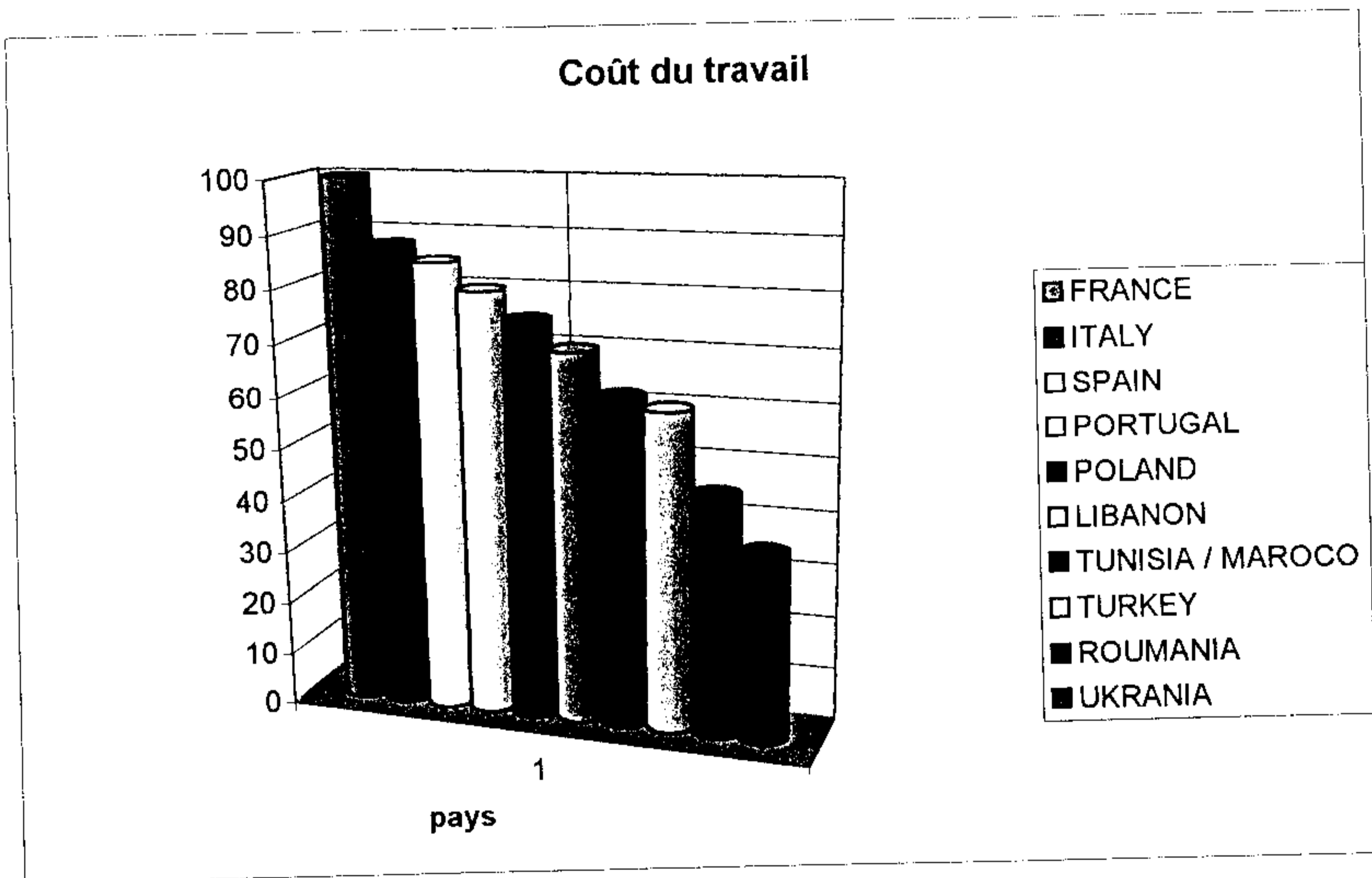
- In the last group we have companies who are non deeply concerned with the tights market :

- GOLD CIRCLE GROUP

This company is mainly producing men women and children socks, and few children tights. The contact we have with this company show us that the situation of socks producer is very close to the tights producer's one.

C-2: Cost of the labour

If we do a scale of the cost of the handwork in textile industry based on the French or German level (100) we have the following chart:



Those figure shown clearly that LEBANON is not a; low cost country

This is a weak point to export in the western European market.

D/ Feeling from the Lebanese consumers

Nota bene:

For this part of the inquiry we have made few interviews with Lebanese consumers. The final target was to get qualitative information and not quantitative information.

The selected consumers were only active women living in Beirut.

The synthesis of those interviews is :

- **About the recognition:**

The Lebanese brands recognition is weak in front of the one of the foreign name.

Brand like DIM, LEVENTE, and even WOLFORD are named per all the consumers we interviewed.

- MARIE-FRANCE is named one's every two
- VOG one's every fourth
- VOLT is never named automatically

Even when the consumer confirm that she is buying one of them.

- **About the image of the brands:**

During the interviews and our visit in the country we have noticed that, in the boutiques or in the department stores foreign brand are everywhere.

This is true for any kind of personal equipments:

- Shoes
- Underwear
- Clothes
- Cosmetics
- Sport equipments...

It is the same on the tights market

In this market it is even stronger due to the weak image of the local brands.

The positive point for the local brand is the price level juggled well,
The major criticism judgements are:

The Lebanese brands are:

- too classic
- old fashion (more about the packaging)
- Sad (again about the packaging)
- Low quality
- Short range of colours
- Short range of models
- Not enough innovation!!

The good price of the local production is not enough to balance the sadness of the collections for the consumers we spoke with.

During the interviews the only quality criticisms we had were for local productions.

The major's were about

- the aspect
- the softness
- the fragility
- and the lack of colours

At this level we insist on the fact that, those interview have been made with urban and active women.

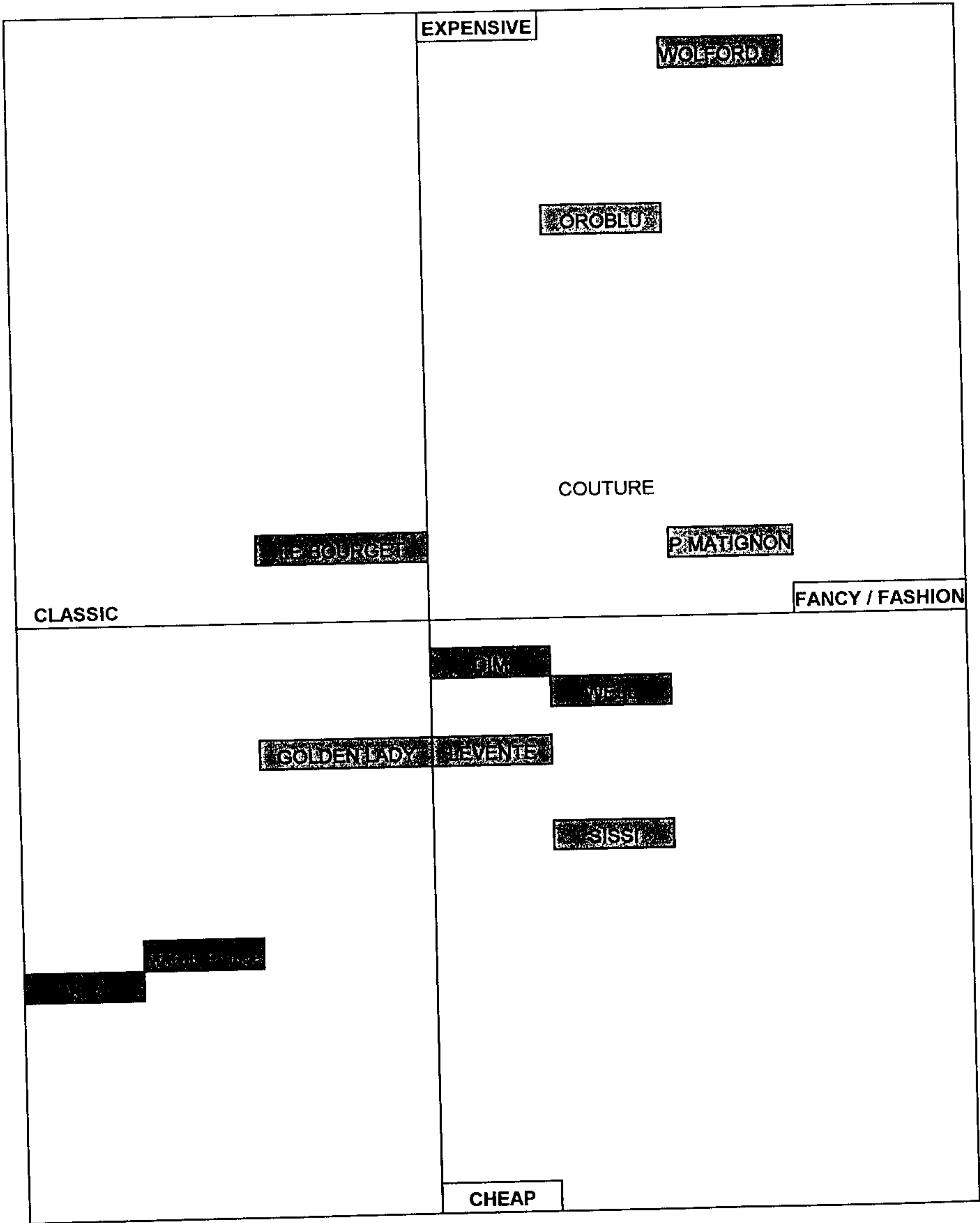
Those information's are coming from the consumers feeling and not from a rational analysis

But brand image are built in the mind of the consumers more on the feeling than on the rational analysis

We never have to forgot this point when we speak about brand;

Building the image of a brand is a long term attitude, and to modified it is longer and risky
It must be studied very carefully; if we decide to change deeply the image of a brand the risk to loose the existing consumers without getting new-targeted consumers is always possible.

During the interviews we got information about image of the brands available on the Lebanese market



E/ Conclusion

- Tights consumption is decreasing in the western country since more than 10 years and nothing can let expect an inversion of the trend, at least a stabilisation of the low level of consumption due to a come back of fancy items and more dress and skirts in the fashion .

- Lebanese market is a very small market, due to few points:
 - Lebanese population who can buy is less than 1.5 million
 - Consumption is going only during 5month due to the weather
- Tights are large consumption items; production price is very much affected per the volume produced in one's
- Lebanese market is deeply covered per foreign brands, very well known, with large range many new item each season, innovating, and nice, clear and strong image.
- Factories operating in the country don't have size to be strong on the European market.
- Lebanese brand are not known out of the country, they could not be use as a strategic element for export .
- On their own market Lebanese brand are weak in front of the foreign's one
- Custom duties are the same for ready to sales goods or for semi-industrial goods. (4 \$ per dozen)

F/ Where to go

F-1: On the industrial point of view

If local brand want to take in consideration the needs of the consumers as:

- more new items in the collection
- more softness of the goods
- better range of colours

They will have to advert more about what they already have and they will have to make much more R& D (research and development) knowing that the sales will be very narrow.

As they have the ability to finish the goods (the equipment and the qualified hand workers)

One of the suggestions we can do is to get agreement with large European factory to get from them knitted tubes based on specific technology (yarn, treatment....) and finished them in Lebanon factory to had those goods to their own range.

It will give the advantage of:

- Reducing price in front of imported finished goods (due to the fact that the most costly part of the production will be done with a less expensive hand-worker)
- Giving more choice under local brand name.
This will be an advantage on the local market but also in the export development.
- The Lebanese factory could produce longer basic line in reducing also the price of those.

F-2: On the marketing point of view

We suggest strongly to all the companies who handle brands to take care about the information given per the consumers, and to work over the image of each brand.

They have to take in consideration:

- selection of goods
- outlook of the packaging
- investment in advertising
- selection of the support to do this advertising

On the marketing level, each brand has to think about the range of goods who can support the brand name of the company.

As we show the consumption cycle for tights is very short less than 5 months, it make the brand out of the mind of the consumer for a period longer than 7 months; This 'tunnel' is a very long risk of loosing the consumers .

If the brand name was used for some other goods with a different cycle of sales this risk can be reduce or avoid.

The kind of goods the brands have to think about could be:

- daily women underwear
- night dress
- swim-wear
- women socks

All those line of product are under production in Lebanon , it can be the result of marketing agreement between tights producer and some other textile company based in Lebanon.

It does not need industrial investment in the beginning.

F-3: On the exportation point of view

As soon as the work on the image of the brand, will be done:

With larger range of goods to be exported, the companies who will have done this work will be stronger to sell outside of the country (like inside)

It will be easier to convince foreign agents to take care of the brand in other Arabian countries

It should be also interesting to study the possibility to start working on the EX USSR countries.

An internal study made in DUPONT DE NEMOURS the LYCRA producer done in 1998 Was given the following figures

For the all EX USSR population 400 millions

Tights consumption in 1998 3 pairs /year

Expected growing of this consumption between 2 and 3 times within 10 to 15 years.

Survey of what can be done in Western Europe could be done in exhibiting during some textile show like :

- S.I.L. (salon international de la lingerie) PARIS February
- INTERSELECTION PARIS (May and November)

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We thanks a lot :

- M. Nicolas ABI NASR
- M. Jean Lutfi TUFENKJI
- M. Ralph SAYAD
- M. Pierre AMARY

Who gave us part of their time

And we thanks also all the consumers who accept gently to give us answers to all our questions.

Boulogne JUNE THE 08/ 2002
France

**G/
Attachments**

COMPANY NAME : **POLYTEXTILE**

Address : Kesrouan Ghazir Kfarhabab Industrial Zone

Phone: 09 / 92 11 23

Fax: 09 / 82 05 42

@: pan@cyberia.net.lb

Po box: 1171 JUNIEH

MANAGEMENT: M. Nicolas ABI NASR

This company is a full cycle tights producer.

We can find in this factory all the main step need for the tights production.

- Knitting
- Tumbler
- sawing
- gusset
- Dying room
- boarding
- packaging line

Knitting room is with 140 machines with 60 are older than 15 years

Those knitting machines are running only for a sub-contract with TEXTILE INDUSTRIE.
For this production TEXTILE INDUSTRIE supply the yarn.

Rest of the knitting machine have less than 10 years old. And they look well maintained.

All the other step of production is well organized following the knitting capacity.

Full production of this factory may reach million of dozen per year.

But the factory is not working full capacity.

M. Nicolas ABI NASR made a huge investment in yarn production, and texturisation equipments.

From raw material called POY he can produce thin yarn for tights production.

His target is to produce for himself production and also to be able to sell yarn to other producer in Lebanon and export part of his production.

His company is running few brands .

The most well known is : MARIE- FRANCE

This brand is the most well known of the Lebanese brands

It is till now used only for tights, knee-high and stocking.

When we made the visit in the factory the full process was running in the proper way even if it was not the best period due to the climate.

M. ABI NASR took few months the option to produce his own yarn
This strategy has advantage and risk:

The advantages are:

- to give more independence to the company
- to reduce price in the internal production
- to give opportunity to sell yarn

The risks are:

- To oblige the tights department using only internal yarns
- Having difficulties to sell yarns to direct competitors
- To stay in the same market (who is decreasing in volume)
- To get the same season risk
- To block an important capacity of investment

In the tights business we have 2 examples of groups investing in the yarn production:

ISTANBUL CORAP (5th bigger tights producer in the world)

Based in TURKEY this company invest in this activity to avoid political and economical risk of getting raw material

After 6 years of production ICS is exporting more than 50 % of his yarn production
But due to the crisis in this field he had to stop production 2 months last year.

GOLDEN LADY This Italian group who is the first bigger producer in the world invest in yarn production to be able to produce special yarn to avoid direct competition from the other producers.

Due to the good image of the MARIE FRANCE brand of the group we suggest to think about the strategy of having other goods to promote the brand all over the year.

We did not get financial figures about the company but it seems that they did not earn money last years.

Name of the company: **TUFENKJI TRADE AND TEXTILE
CO.**

Address : Mazraat Yashouh
 Phone: 04/ 92 12 51
 Fax: 04/ 92 03 64
 @: volt@volt.com.lb
 Po box: 67 Komet Chehwan

President : M. Jean Lutfi TUFENKJI

This company has a full cycle of production for tights except full boarding equipment.

The knitting room get 30 machines about 10 years old
 And the full line of sawing dying , semi- boarding and packing line.

It was impossible to estimate the production efficiency, as the factory was non-running due to the season.

The company have a brand VOLT created in 1996 when M. TUFENKJI stop working with his brother who is still running VOG brand.

Since few years they have extend the brand name on night and days lingerie

Those collection are created in the company but the production is totally sub-contracted in LEBANON.

This year tights turnover is not exceeding 50 % of the all activity.

Volt is exporting in the Arabic countries as:

- Bahrain
- Emirats
- Yemen
- Kuwait
- Jordan

In Lebanon VOLT has a quit good sales organisation, but the company is week in front of the needs from the department stores.

In this retail system VOLT is not in a good position.

It seem that the break between M. jean LUTFI TUFENKJI and is brother effect deeply the actual chairman of the company

Luckily his soon is now working with him and his will take over the company in the future

The company is not earning money.

Name of the company : **TEXTILE INDUSTRIES**

Address : Biakout tufenkji bldg. ZALKA

Phone: 04 / 41 62 18

Fax: 04 / 40 43 74

@: textilindustries@hotmail.com

Chairman: M. Ralph SAYAD

This company handle a full production line based on 80 knitting machine from MATEC (LONATI group) non older than 8 years.

Including:

- tumbler
- sawing line
- dying room
- steam boarding
- packaging room

The finishing department can make more than the knitting room is producing

Due to the market this company is handling in USA , M. Ralph SAYAD Subcontract production in other factory in Lebanon, to get the right quality he is just using knitting machine outside, he is sending to his subcontractor the yarn.

He plan to get more machine to be able to grow with the sales .

His factory he bought to M. TUFENKJI, still produce for him the VOG collection but this activity is less than 5 % of his total activity.

His own organisation is based in USA and provides the orders.
The total volume of the American business is more than: 1.1 millions pairs
Much more than his own capacity who is around 650 to 700 000 pieces.

M. SAYAD is planning to buy 20 to 30 new knitting machines.

His company is earning money, but we can consider TEXTILE INDUSTRIE as an actor of the Lebanese market.

M. RALF SAYAD know nothing about this market .

He is thinking of producing her in Lebanon lingerie and underwear, but still for the us market.

The weaknesses of this company are:

The production organisation could be much more efficient in an other kind of bulging, productions rooms are to small and narrow, and having production on 4 floors is not the most efficient way of producing tights

The company is completely depending of only one market USA

The positive points are

M. RALF SAYAD is working to get the iso 9002-certification level

TEXTILE INDUSTRIE is earning money.

Company name : **GOLD CIRCLE GROUP**

Address : MEKALLES industrial zone street n° 8

Phone: 03 / 30 88 05

Fax: 01 / 68 66 35

@: gcg@cyberia.net.lb

polo-club@inco.com.lb

Managing direct or: M. Pierre AMARY

GOLD CIRCLE GROUP is mainly a socks producer, n men women and children

This company is concern with tights market due to the fact they are producing from time to time children tights.

Never the less we visit the full factory like the others;

This company is running 50 brain new (3 years) knitting machines (socks knitting machine are from the same supplier than tights one's)

The knitting room is getting very new air conditioning system avoiding all the cotton dust.

This factory is working with 45 persons on one shift of 12 hours.

This organisation bring the total production to 1.6 millions pairs a year.

In case of increasing form the market, they can start a second shift in the night with an additional capacity of production of 1 million pairs

GCG is exporting about 20 % of is production in Middle East and in Europe.

Socks market is estimated at a level between 6 to 10 millions pairs.

Market in attacked per Syrian goods or goods coming via Syria.

The control of the import via Syria is not very well done

Goods of GCG are in the department stores, sales of socks are going on all over the year.

GCG was profitable last year.