



DISCUSSING DISRUPTION

DURING THE SEPTEMBER EDITION OF BLUEZONE IN MUNICH SPORTSWEAR INTERNATIONAL TEAMED UP WITH THE DENIM TRADE SHOW TO HOST THE "DENIM PRODUCTION IN DISRUPTION" ROUNDTABLE MODERATED BY SPORTSWEAR INTERNATIONAL'S SABINE KÜHNL AND BLUEZONE'S PANOS SOFIANOS. HOT TOPICS ON THE AGENDA: TRUMP'S TARIFFS, EUROPE'S BREAKUP AND TURKEY'S CRISIS. THE PANELISTS: SIMON GIULIANI, CANDIANI DENIM; OKTAY OKUROGLU, ORTA ANADOLU; EBRU OZAYDIN, ARTISTIC MILLINERS; JAMES SHEN, FOISON DENIM; SEVGİN SICIM, C&A; TONY TONNAER, KINGS OF INDIGO.

Text **Maria Cristina Pavarini** / Photos **Denim Club at BlueZone, Munich**

Sabine Kühnl (SK): Turkey seems to be struggling. What does this mean for the Turkish denim industry?
Oktaý Okuroglu, sales manager, Orta Anadolu (OO):

Turkey is in particular trouble now because of domestic issues, but all the developing economies around the world are being squeezed as the American Central Bank has raised interest rates. As a result of domestic and global reasons, the Turkish lira has lost more than 35% this year. Though we are confident it will recover as Turkey has seen a lot of crisis in the past.

The only question of today is the willingness of politicians to do the necessary actions that the market requires and can help the country settle down. However, we do not expect a major evaluation in the lira to US dollars as the effects of devaluation will stay.

Coming to our industry, a weaker lira could bring strength for the Turkish exporters involved in global competition. But no doubt, it may also have many negative effects such as a sharp increase on imported goods especially for the mills that import raw materials like cotton and indigo, and pay them in foreign currencies. Turkey is also importing 70% of the energy it needs that has to be paid in dollars. That's why we cannot talk about positive effects from this situation.

SK: Can you give us an outlook about C&A, if it is sourcing in Turkey and if something will change in the near future?

Sevgin Sicim, denim fabric manager, C&A (SS): Turkey is, of course, a major sourcing area for C&A generally, but rather for denim fabric sourcing than for garment sourcing.

Turkey is generally recognized as an important sourcing country for the fast fashion segment, and we are not a [fast] fashion company. We had a kind of long term plan as we wanted to start working according to fast fashion rhythms as trends are getting really fast now, but we preferred to wait a bit before starting that.

Panos Sofianos (PS): What does Candiani Denim think about the current situation, especially Trump's policy?

Simon Giuliani, marketing manager, Candiani Denim (SG): Many people buying premium products from the US now will have to pay more for them, which may be slowing down a bit those brands' success in Europe.

Though, this could create an opportunity for premium European brands as they could fill a gap left by the US ones. What Trump is going to do is unpredictable. For now I just see that some American



PANOS SOFIANOS, BLUEZONE

SEVGİN SICİM, C&A

brands—including smaller ones—are doing a good job as trying to do some high-end product, though they aren't getting the good business they expect.

PS: What about the Candiani mill? What will it do from now on?

SG: We will continue doing what we have been doing and what we can do best—which is innovating and trying to stay on top of the game. We are trying to differentiate ourselves through innovation, trying to go in the upper tier. While far countries are offering great deals, we replace that with innovation—which is trying to offer a different product and focusing on sustainability.

SK: What's Kings of Indigo's view in the current situation of denim sourcing?

Tony Tonnaer, founder and CEO, Kings of Indigo (TT): We don't change anything. We are like a racehorse—we do our own thing. We hope our partners we work with are running for a long time so we don't run to another country just for saving a few dimes. The most important decision for us is finding who can make the best sustainable fabrics, offer the most sustainable approach in process, what factories have the best social foundations and best working conditions, and innovate most because that's what we do and what we are known for—even if it costs a few euros more.

SK: What about Pakistan and Artistic Milliners? What would you say to convince KOI and C&A?

Ebru Ozaydin, senior vice president sales and marketing, Artistic Milliners, NY, USA (EO): The first advantage is about being vertical, not just price and costs. It's about sustainability as you reduce the impact of transportation. We are selling fabrics to other vendors in countries like Bangladesh, China, Vietnam and Indonesia, but we also buy Turkish fabrics and do production in our own facilities. We are constantly growing as of 2018 our productive capacity will be 7.5 million yards per month and the garment capacity will be 2.4 million units per month. And all this made using sustainable technologies—from fiber to laundering. People may think Pakistan is not a good or

easy country to travel to. But instead of Karachi you can also come to Dubai to our incubator studio Artistic Lab.

SK: As Mr. Trump has a very special relation with China these days, what do you expect for your country and Foison Denim in terms of tariffs, import, export and competitors from countries like Bangladesh and Vietnam?

James Shen, VP sales and marketing, Foison Denim (JS): Luckily the denim industry and the clothing industry are not really hit by Donald Trump's tariff system, yet. However what still impacts a lot are prices of American cotton as, for instance, Chinese merchants are speculating a lot on this. However, we are betting strong on R&D that is also helping us in improving ourselves. Now the Chinese garment industry is moving toward environmental and ecological improvement. For the time being we are shipping a lot of our fabrics to Bangladesh, Pakistan, Vietnam and Cambodia. In short-term times we are having a good result for we have good Chinese mills. For next year we are not sure about what President Trump will do but in this moment we enjoy the business.

SK: Does Candiani think that this moment could bring back more production to Europe and Italy as they are more stable places?

SG: It's up to the brands. In the past many brands adopted a different business model as the Far East increased its capability of making products and so did prices of the products—which allowed them to make bigger volumes and better margins. Though there are a lot of other brands such as Kings Of Indigo that have a different mindset and goals. As the consumer is starting to become aware of certain things he is also driving that demand. So I see certain brands shifting to an easier way to understand sourcing. They can take a plane, come down in about an hour and see what they want. They understand what they get and how they explain it to their consumer—which is very important today. If you raise the awareness and the knowledge of the people you work with you can also raise the awareness of people buying. It is a win-win situation for us, for the client and for the consumer. >



EBRU OZAYDIN, ARTISTIC MILLINERS

TONY TONNAER, KINGS OF INDIGO

SIMON GIULIANI, CANDIANI DENIM

SK: What is your experience with jeans and prices at C&A?

SS: European consumers are more educated at what they select in the shop. We aren't a denim brand nor a jeans brand but we are selling denim—maybe more than European denim brands. That means we are in people's wardrobe who wear denim, regardless of the jeans brand. We offer them quality, low cost and also comfort and durability. You can find jeans from €9 up to €69 and the same consumer may buy both. They don't just buy because it's cheap but because they use it differently—the €9 jeans for travelling and the €69 for every day—which is quite a premium price for a volume retailer.

SK: Speaking about the situation of today: Are there trade wars every ten years or are we now facing a special political situation?

JS: Definitely it is worse than before. We are not sure about what's going to be next. Trade wars are not going to give anybody an advantage and all fashion entrepreneurs have to accept this unpredictable situation. There is no other way than focusing on what we are able to do best.

SK: Is staying in China not harming you much? Would working with your domestic market keep your sales high enough or does your future also depend on export?

JS: The domestic market in China is improving today, but many collections are still developing a lot as manufacturers are still evolving and our consumer is not mature enough. For this reason still a big percentage of what we produce is for export.

SK: Ebru, you spoke about Pakistan facing an unsecure situation. As you are based in New York what kind of questions do your clients ask you and what do you answer?

EO: Pakistan and the US have a long relation and are good allies in trade. Differently I am expecting more business from China for garment sourcing.

In the US my problem is China because of pricing. When it comes to premium fabrics we are close to Turkish ones. When it comes to garment manufacturing we are fighting with Bangladesh and

China and probably with Vietnam, Cambodia, Sri Lanka and Ethiopia. Also the USA could become a new competitor for us as I read about a US\$50 million sum recently invested in a new denim facility expected to start operating in Louisiana.

PS: We are living in a disruptive world as technology is everywhere and we cannot control it anymore. Are we aware that we will go back to the roots, as Mr. Trump says. Do we have any chance to go back to local production?

TT: My lead is 'Think local, act local' instead of 'Think global, act local'. We tried already to source as much as possible close to home—in Greece, Italy, Portugal and Tunisia—so we can fly there in one to two hours and check all steps personally.

That's ok for producing in Europe with what I sell in markets near to me, but we are also selling in the USA, and the Trump discussion is very complex.

We pay duties already, of course and for this we increased our prices 10% already and positioned ourselves slightly higher, so we have an extra margin to pay. But if we did some volume in the US I would be stupid if I didn't consider producing there, though always keeping my production standards as high as in Europe.

SS: We are sourcing globally—in Europe but also in China—but our concern is more for government limitations for environmental issues rather than Trump's tariffs. We have to make a balance between cost, capacity and compliance though also circularity, durability and sustainability are most important.

I don't think that you have to limit yourself about whether it is a local product or global. It is wider now and you have to think wider. We are the first European brand that started to source from Bangladesh. Other Europeans didn't know what to do there, while we have also started investing in opening schools and training centers.

JS: We as China are now facing the problem of rising costs: we almost need to spend the double for environmental protection compared to five years ago. But if we are going to stay in the



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business long-term we definitely have to do that, which is also good for us and for our business.

SK: Adidas works with microfactories. Could this also happen for the denim industry respectively for C&A?

SS: We have a sister company near to Düsseldorf where we are producing some garments and prototypes and also considering nearby countries in Eastern Europe for some type of products. For the denim my concern is a matter of capacity. I think that sourcing areas have still to be in Asia. There are pluses and minuses but we need to produce there.

EO: Thinking about the numbers you really need a big setup. When you think production flow starting from fibers and ending up with washing you have to invest a lot. I don't know if microfactories can face all that. Plus they need a big set up for waste water management or any other variable that is included in this process.

TT: For volume production it will be quite hard. We have Denim City in Amsterdam, a small set up with a production line, a laundry and a facility. You could work like that for premium lines, R&D and product innovation.

SS: We are struggling as R&D and product development could be closer but we should think of a different business model because labor and energy costs are too high in Europe. It could be ok for a premium line, otherwise I see it as a really big challenge.

PS: Orta was one of the first ones to care for the environment with Orta Blue and other initiatives. Will environmental issues be reality or illusion?

OO: Business has changed. It is no more "I sell to you and you sell to your customer." It is a circular pattern. The end consumer wants to be part of this circle as cooperation within brands, producers and consumers has to increase and as an effect we will see more conscious end-consumers. For this reason sustainability will not be a buzzword.

We started many years ago and saw an increasing demand from the market about sustainable practices, sustainable products and transparency.

SG: In the last 15 years the global production of apparel has doubled from 75 billion garments per year to 150 billion garments for a population of 7 billion people. We at Candiani have celebrated our 80th anniversary with a special collaboration collection with [Maurizio] Donadi's Ateliers & Repairs made with Re-gen, a special sustainable denim, that uses no new resources. We are also going to keep Open Mill Days as we want to show how we make sustainable production both at process and product level.

SK: Is the end consumer still interested in sustainability or only in price?

SS: For the majority it is still price, but consumers want to get what they pay for.

OO: In addition to emerging brands like Everlane, Reformation and similar others, design based luxury brands try to create awareness against consumerism and we will see the effect of this on the end consumer in the future. Consider H&M and its new brands Cos, &Other Stories and Arket are all based upon the idea of sustainability.

EO: Many vertical manufacturers are working with iCollect that gets post consumer samples and sells them. We—but not only us—have our in-house shredding facility through which we get our own fiber by employing pre-consumer waste. All this will be adding value to all up-cycling and down-cycling product levels.

SK: Speaking about labor cost and automatization. Could saving some salaries' money be reinvested in preserving the environment?

EO: You may be losing some manual work but focusing on final processing. We need operators who have a new skill set and are able to manage in-house treating machines. For this reason it's not losing or winning but it's a change in production. <