TUNESIA AFRICA

CBI Key Performance Indicators - Practical outsourcing insights

CBI
Ministry of Foreign affairs of the Netherlands

CONSCIOUS GLOBAL SOURCING

Production centra Tunis, Sousse, Sfax, Monastir.

National Flag & currency: Tunesian Dinar

Garment production centra: Tunis, Sousse, Sfax, Monastir.

1. BASE DATA COUNTRY

Capital:	Tunis
Language:	Arabic, French
Government:	Constitutional Republic
Business Hours:	Monday- Saturday, 8.00am-4-6.00pm
Currency, exchange rate:	Tunisian Dinar (TND) 2000TND=0,99 Euro
Time:	GMT+1
Population in millions:	10,4 million
Religion:	Islamic (majority), Christians
Climate:	Mediterranean

2. GARMENT SECTOR PRODUCTION DATA

GSP/ FTA with EU	FTA with EU
Import duties	0%
Working days a year:	270 days/ year
Working days a week:	6
Working hours:	48 hours a week/ 42 real
Wages:	220- 250 Euro all in
Legal Minimum wage:	170 dinars (155 US)
Factory shifts	1 normally
Overtime:	150%
Interest rates	3,6 %
Standard allowed minute cost:	0,12-0,14
Production cost index	26 (KSA)
Political risk:	Medium
Economic Risk:	Low
Financial Risk:	Medium
Production type:	RMG 100%
Production centra	Tunis- Sousse- Monastir- Sfax
Factory size:	60-350+
Product groups: categories:	all fast fashion groups: knitwear and woven most dresses, blouses, chino's, denims, skirts, shirts, suits, luxury knits, T shirts. Work-wear is also a typical product for decades
Main fabrics:	cotton, denim and knitwear
Sourcing partner countries	Turkey, EU
Local fabrics:	denim, jersey's, chino's
Lead time:	15-45 days, long term 60 days
Payments:	LC at sight, TT, CAD
Shipping:	Vessel- air; multiple port options
Incoterms:	FOB
Trade shows	Texmed- october

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CLIENTS AND EXPORTS

Main EU importing nations:	France, Germany, Belgium, Netherlands, Italy
Key EU brands/ retailers:	Zara, Mango: major fashion chain groups in Belgium, France, Netherlands, UK, Germany and Italy
Key US brands/ retailers:	Adidas, Gap, Nike Puma

3. MAIN EXPORT MARKETS

HS CODE	KNITTED	61	61
		January - June 2012	January - June 2013
NL	Tunisia	€ 7.446.529	€ 10.335.413
EU (27)	Tunisia	€ 321.896.190	€ 288.791.889
HS CODE	**WOVEN (Not knitted)**	**62**	**62**
		January - June 2012	January - June 2013
NL	Tunisia	€ 60.054.675	€ 54.519.586
EU (27)	Tunisia	€ 827.788.089	€ 782.216.085

Source Eurostat/ Modint

Main export destinations for Tunisian apparel are France, Germany, the United Kingdom and Italy. These countries receive 82% of Tunisian exports. Tunisia is among the leading global suppliers of clothing. It is the 5th supplier of Europe and the 2nd supplier of France.

During January-March 2013, Tunisia's textile and garment exports to the UK rose by 34.3 percent year-on-year, while those to Germany, Spain, the Netherlands, France and Belgium, increased by 15 percent, 6.9 percent, 5.9 percent, 3.7 percent and 3.4 percent, respectively.

However, the textile and apparel exports to Italy declined by 7.9 percent Exports from Morocco and Tunisia have risen despite the economic crisis in Europe and disturbances during the Arab Spring. Thanks to this dynamism the two countries have generally resisted the crisis. Exports of Tunisian textiles and ready made garments rose from 5.1% in 2011 to 2.7 billion Euros.

Main products that are exported can be found in the chart here below. 1 in 3 bras imported in the EU is made in Tunisia. 1 in 2 swimsuits imported in the EU is made in Tunisia. 1 in 3 jeans imported in the EU is made in Tunisia. 1 in 2 work clothes imported in the EU is made in Tunisia.

PRODUCT GROUP DIVISION

PRODUCTS	IN %
Trousers Jeans	17.59
Business trousers	12.55
Lingerie	12.49
Work clothing	10.10

PRODUCTS	IN %
Other clothing	24.01
Pullovers	6.71
Shirts	5.40
Tee-shirts	11.13

Source CETTEX

Most competition that Tunisian companies face comes from China and Turkey mostly The Maghrebian businesses remain small size (71% of Tunisian firms in the sector have less than 100 employees) and cannot invest heavily. 2100 industrial firms (employing 10 or more people) operate in textile and garment industry employing more than 200.000 people. Among these firms, 83 % are exclusively exporting companies.

Other facts on Tunisia related to garment exports:

- Tunisia is the 2nd rank in supply to France
- Tunisia is ranked 5th clothing supplier of the EU with 2,309 million Euros (4400 MTD), which is 3.8% of the total EU clothing imports in 2010.
- Tunisia is only 140 km away from the EU mainland
- On the total of 10.4 million inhabitants 75-80% belongs to the middle class
- Tunisia hopes that its recent revelation will boost trade.
- The hope is that political change will attract foreign direct investment to Tunisia.
- Tunisian Texmed trade show has improved its services and expanded during last edition. Private label manufacturers show their collections suited for mid-higher segment and varying for bulk to exquisite order volume.

	EXP	OEXP	TOTAL
Spinning	7	23	30
Weaving	10	36	46
Finishing	16	14	30
Hosiery	173	45	218
Ready-to-wear clothes	1,405	162	1,567
Miscellaneous	252	130	382

4. SECTOR TRENDS & DEVELOPMENTS 2013

Faced with intensifying competition on the EU market from Turkey, Tunisia has also responded by adapting a strategy for international brands. They are developing new strategies in fast fashion supply for groups like Zara, which prefer to control small components with a very short delivery deadline, favouring the geographical proximity of very active partners with production deadlines sometimes as short as eight days between ordering and completion. Tunisia here has competition from Morocco, who are the main supplier to Inditex (owner of Zara and Massimo Dutti).

Recently the “fast fashion” trend working on a high turnover rate and tight deadlines with increased high value added has been cited as the way ahead.

The textile sector in Tunisia therefore faces the challenge of allocating sufficient investment to produce the high quality value added collections on a regular basis. They need to achieve greater flexibility of operations and even better quality control. Small inadequately funded operations are unlikely to succeed and the Turkish experience suggests that not all textile manufacturers will be able to operate “fast fashion.”

5. FORECAST 2014 ONWARDS USP

Since fast fashion is cited as the way ahead Tunisia still has a lot of potential. With a strong focus on adapting new design skills the country's sector aims to trade up to higher segments in the EU and becoming preferred supplier to higher ranked brands. This challenges will follow its course the coming years.

- Geographic proximity to Europe favours just-in-time production
- Free Trade Agreement: with the European Union effective as of January 1st , 2008
- Agreement with Turkey signed in 2004
- Agadir Agreement with Egypt, Jordan and Morocco effective as of 2007
- Good level of quality compatible with buyers' requirements
- Short and respected delivery deadlines, great responsiveness for short runs (small lots) and for replenishment
- Competitive production costs
- Skilled human resources with confirmed know-how
- Training and support bodies
- A modernization and computerization program
- Monastir-El Fejja competitiveness cluster is made up of a Technopole in Monastir which is devoted to textile and clothing This includes a business incubator, a centre for technological resources, and a fashion institute. 2 industrial activity areas (one in Monastir, and another one in El Fejja – La Manouba, which are devoted to textile finishing
- Respect of environmental and social standards
- Due to a renewed interest to produce in Europe or close by, Tunisia finds itself amidst all attention.
- The Jasmin revolution did result in pleads for better wages and increases of conditions and contracts. The sector as such will try to trade upwards in the EU fashion industry in order to cover for those rising costs.
- A collaboration is due to be made between business men in Tunisia and Turkey to explore investment and business opportunities supported by the Confederation of Tunisian Citizen Enterprises in collaboration with the Foreign Investment Promotion Agency.
- The textile and export sector posted a 7,5% increase in the beginning of 2012.
- The value of these exports in million dinars went up from 815.5 MTD during the first two months of the previous year to 876.6 MTD in 2012 in the same period.

6. VALUE CHAIN AND MARKET CHANNELS

	PRODUCT CRITERIA	BRAND NAMES	FASHION CRITERIA
High price luxury segment Market share 5%	Limited collections, made with special care; sometimes hand-made, high quality materials Designer / brand name stands for exclusivity and fashionable clothes	Evisu, Atelier La Durance, Cerruti, Arnassalon, Marithe & Francois Girbaud, Drykorn, Aigle	High fashionable collections Exclusively designed materials and artworks Trend-setting in fashion
Upper middle price segment Market share 15%	Collections are produced after pre-sale; extra attention to fitting and accessories Brand-name goods, good quality materials, broad range of design	Pepe Jeans, Citizens of Humanity, Diesel, G-Star, KOI (Kings of Indigo) Blue Blood, Nudie Jeans, Mud jeans, Denham, Circle of Trust, Levis, Scotch & Soda, Kuyichi	Large variety of styles and materials Styles and fitting are vitally important "Style lab" products in line with the latest fashion trends; experimental like Raw denim-coated denim ect..
Middle price segment Market share 30%	Collections are produced after pre-sale; good quality materials Trend-following and large variety in assortment; brand-name goods Branding vitally important	LTB jeans, Vingino, Cars jeans, Meltin pot, Fornarina, Miss Sixty, Replay, Energy, G-sus, Pall Mall, Tripper, 10 Feet, Vanguard, Il Dolce, 7 for all Mankind, Marc o Polo Wrangler, Geisha	Fashion feel and Good fitting is important. Recognizable by brand-name, visible on outside
Low to middle price segment Market share 40%	Produced in larger quantities to lower the price; fancy fashion styles, less changes to patterns,	Hennes & Mauritz, Zara, Mango, Topshop, River Island, Vero Moda, Villa, Jack & Jones, Shoeby	Collections with a view to the current fashions High fashionable, close to trends
Discount segment Market share 10%	Large quantities- fashion following standardised fitting.		Fashion following- close to trends only at cheap cost; price is the argument

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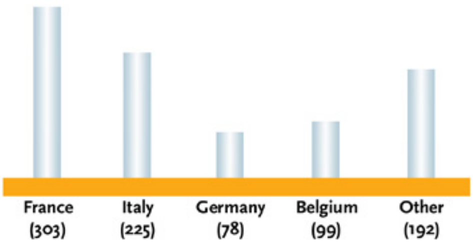
TUNISIA FUTURE 2014 ONWARDS: FOCUS ON FOREIGN INVESTORS

Due to its proximity to the EU Tunisia already has a high level of foreign direct investment. The total number of enterprises with foreign participation is 823 , 551 are 100% foreign owned. 795 are totally exporting enterprises.

COUNTRIES	INVESTMENT IN %
France	34.6
Italy	27.0
Netherlands	4.5
Luxemburg	3.1
Germany	8.3
USA	3.4
United Kingdom	4.8
Belgium	12.4
Other countries	1.9

Apart from those already present; like the Dutch enterprises who offshore in this industry together with Belgian and French colleagues the Tunisian government is creating plans to attract foreign investors where possible through alliances with the public- private sectors associations like FIPA, CEPEX and ministries.



Source: Agency for the Promotion of Industry and Innovation - June 2013

7. BUSINESS CONTACTS & REFERENCES TRADE & SECTOR ASSOCIATIONS

Fédération Nationale du Textile
(FENATEX UTICA)
www.utica.org.tn

Centre Technique du Textile
(CETTEX)
www.cettex.com.tn

Centre de Promotion des Exportations
(CEPEX)
www.tunisiaexport.tn

APPENDIX: EXAMPLE OF BRANDS THAT PRODUCE IN TUNISIA

Armand Thierry, Ashion, Amuco, Benetton, Bierbaum Proenen, Brunotex, Chantelle, Calvin Klein, Carhartt, Celio , Chevignon, Courtaulds, Courtex, Decalthon, Diesel, ECC, El Corte Ingles , Esprit, Faithfull UK , Fastener, For You , Foulon, Frank Olivier , Gap, Gardeur, Guess, Guy Laroche , Heinrich Wirtz , Heytens, Hugo Boss , Huit, Iduna, Igen, Joseph, Jules, Klopman, Kookaï, Levi's, Lacoste, Lee Cooper , Lejaby, Love fashion , Max Mara , Meltin Pot , Mustang, Marzotto , Miroglio, Naf Naf , Naturana Dolker, Pepe Jeans, Polo Ralph lauren , Philantex, 3 Pommes , Rouleaux Guichard , Sioen, Seytex, Ted Lapidus , Teddy Smith, Tommy Hilfiger, Timpa. Van de Velde, Van Laack, Yves Saint Laurent , Zannier, Zara