The textile district of Prato looking for its globalisation strategy

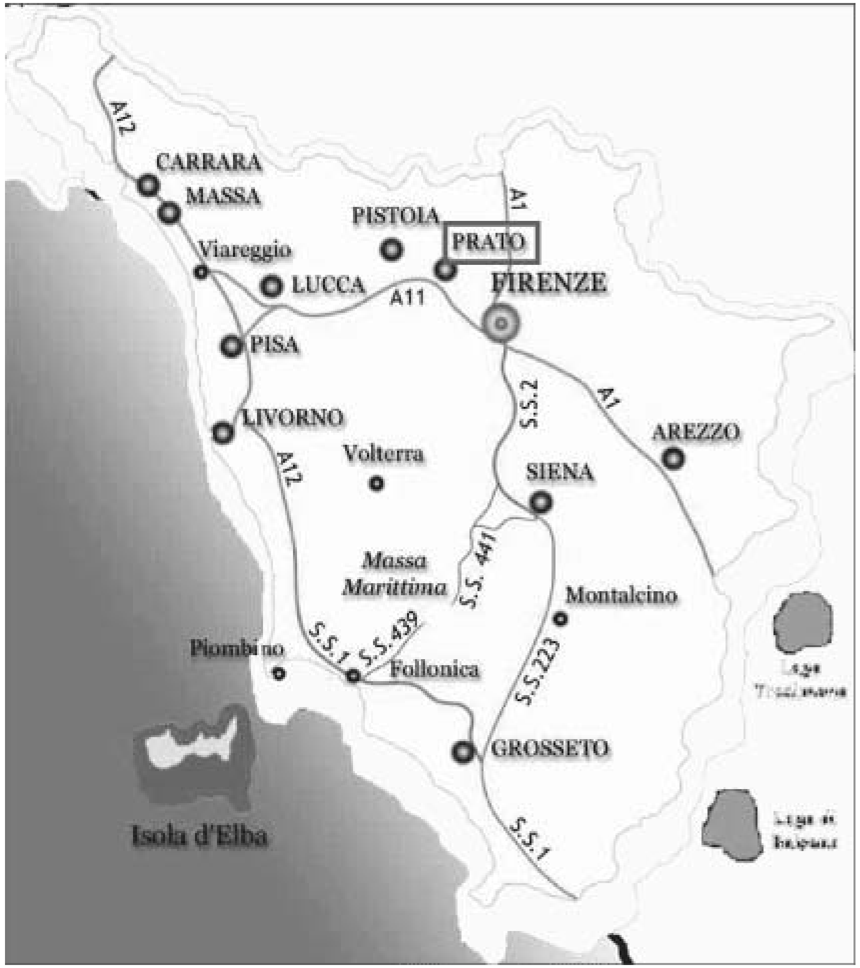
Kostajnica, April 6 2004

Industrial district of Prato

- Localisation
- Numbers
- From rags to fashion
- Production and export
- The breakdown of production

Where we are

- Fifteen Kms West of Florence, the Prato district is the biggest concentration of textile firms all over Europe.



The industrial district of Prato today

- 331,000 inhabitants
- 700 sq kms
- 143,000 workforce

  - employed in agricolture: 2 %
  - employed in industry: 48 %
  - employed in services : 50 %

THE TEXTILE AND CLOTHING INDUSTRY

38,000 employees, i.e.:

- **13% of the population**
- **30% of the total workforce**
- **58% of the total manufacturing employment**

From rags to fashion

The mills of Prato, once famous for their cheap woollen fabrics (made from reprocessed fibers), have upgraded and modernized production and now offer fabrics in fine wool, cashmere, linen, silk

Currently, the local industrial culture is extremely attentive to the language of fashion

Production of Prato district

- Yarns for weaving and knitwear
- Woven and knitted fabrics for apparel industry
- Special fabrics (fur, bonded, technical, pile….) for apparel, upholstery and footwear industries
- Carpets and nonwoven fabrics
- Knitwear
- Apparel

PRODUCTION AND EXPORT

- **Production:** **Euro 5,500 million**
- **Export:** **Euro 3,00 million**
  (i.e.: 60% of production)

Industry and craftsmanship

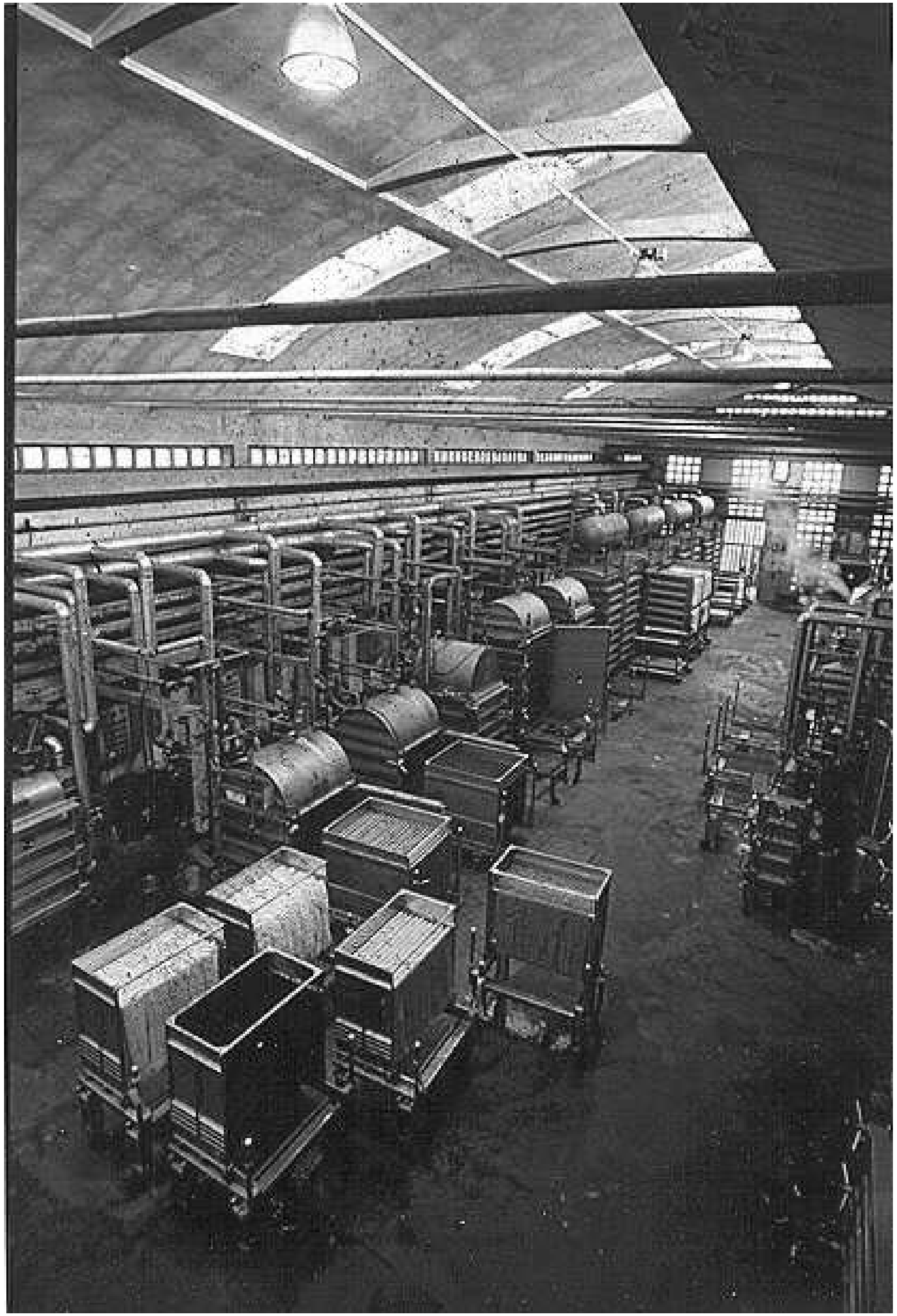
The district of Prato combines the advantages of industrial production (efficiency, reliability) with the advantages of the craftsman’s small trade, capable of dealing with rapid product change, small lots and prompt response to market demands

Within the radius of 15/20 Kms….

1 .. in every stage of the entire textile cycle (spinning, dyeing, twisting, reeling, weaving, finishing, knitting..) there are hundreds of small-medium companies

2. .. all fibres and related textile processes are utilized: wool, cotton, silk, linen, man made fibres...

3. …there is a large concentration of know how, human skills, market and fashion experience



The organisation of production

38,000 workers are employed in 6,000 small and medium companies:

Spinning mills	850
Warping and weaving mills	2,300
Dyeing and finishing mills	240
Wool mills: apparel fabrics	600
Wool mills: yarns for knitwear	150
Fur, technical and coated fabrics	150
Other mills (chiefly knitwear)	1,700

Production is based on a breakdown of operations among about 6,000 small and medium-sized businesses (“subcontractors”)

Their activities are coordinated by the wool mills (about 750 “impannatori”)

Activities of the wool mills

- product innovation (fashion, handle..)
- collections (prototypes)
- marketing
- coordination of production through subcontractors
- finance

Activities of the subcontractors

- **production**
- **process innovation**

A new competition arena

- The new challenges
- Our points of strength
- And our weaknesses
- The reasons why we are moving abroad
- The reasons why we are not moving enough

The new challenges

- The end of MultiFiberAgreement and the rise of China
- Unfair competition in international trade
- Super-Euro
- Little growth in OCSE economies
- Greater concentration and strenght in apparel and fashion than in textiles

Our competitive advantages

- Collections are more extensive and detailed than competitors’
- Smaller production lots (200 meters)
- More flexibility (ability to change production plans)
- Shorter delivery times

… and our weaknesses

- Technical know-how specialized in woollen carded yarns and fabrics
- Strong internal competition in terms of prices
- Lack of medium and large companies
- Weak industrial culture

The reasons why we move abroad

- Stronger market control and knowledge
- Less logistics costs
- Cheaper labour and other industrial costs (power, water, and so on)
- Difficulties in finding skilled personnel
- Need of bypassing protectionism and changes fluctuations

The reasons why we are not moving enough

- Little knowledge of international opportunities and FDI trends
- Scarcity of human resources to run a business abroad
- Lower productivity of labour
- Fear of getting out from a well organised district
- Great individualism and low propension to invest together