We live in interesting times. Record high prices for key raw materials are already making a big impact on the sports and outdoor supply chain but are giving some companies extra confidence in their quest to stand out from the crowd.

The price is far from right

Cotton prices hit record high levels in mid-February, reaching $4.18 per kilo. The cost of the fibre has risen by 150% since the start of 2010. This has pushed clothing manufacturers to increase their use of synthetic fibres, so these have also increased in price; at the end of 2010, commentators said polyester had already gone through a double-digit increase in cost. Figures from fibre manufacturer Invista in recent years have suggested that the combined share of cotton and polyester of the global apparel market is around 85%.

Life is difficult for manufacturers of clothes, and the brands for whom they work. Demand is strong, orders are up, but with economic recovery in most key markets still at a delicate stage following the downturn since 2008, only the bravest will test consumers' resolve by putting up the price of their clothing collections. Among the prominent people in the industry to have spoken up about this is Jones Apparel Group chief executive, Wesley Card, who recently told the *Financial Times* that there would be single-digit percentage price rises in some areas in the spring, but that consumers would see "price increases pretty much across the board" by the end of 2011, with percentage rises as high as double digits.

Specific to sports, the three biggest global brands, Nike, adidas and Puma, have all issued warnings of price rises since the start of 2011, with Puma stating clearly that rising commodity costs are at least part of the reason.

Tactical change

Turkey-based polyester filament yarn manufacturer, Korteks, had the upper hand in the early part of 2010, as, it confirms, the increase in cotton prices prompted companies to look for cheaper alternatives. "Cotton prices have increased so much more than prices in polyester," says Umut Merzeci, assistant export manager at Korteks, "so companies initially decided to go for substitutes rather than using cotton, which benefited us. But now polyester prices have also gone up, so that's stopped in a way." The company produces Dry Touch fabric made from "high-tech functional channel cross sectioned yarns" which, it argues, is natural-looking and soft to the touch, in a similar way to cotton.

As a supplier of polyester yarns, Korteks must balance dealing with increasing raw material costs while explaining the increase to customers, which can be a tricky business. "If the price goes up, we change the prices for our customers," says Bariş Mert, customer service manager at Korteks. "It's not fair of course but it's not in our hands, we're just a producer who uses raw materials. We are in a difficult situation as well; because the prices are going up every week now, and we try to explain to our customers the reason and some customers do understand, but some of course think that it's a



Zimtstern created the men's Purist jacket as an experiment in response to last year's oil disaster in the Gulf of Mexico. The jacket is free from fossil fuels and chemical dyes and is made of organic cotton with a hydrostatic head of 750mm.

Zimtstern

PRICE IT



Swedish golfer Anna Nordqvist in Puma apparel and shoes. The sports brand is one of a number of big names to have warned of higher finished product prices.
Puma



Higher raw materials costs are affecting companies throughout the textile supply chain. At the start of 2011, cotton fibre was 150% more expensive than a year earlier.

David Nance/Agricultural Research Service

tactic. So we try to compete against that as well."

As the experience of Korteks shows, rising commodity prices, traded on world markets, affect companies all the way along the clothing supply chain. This always happens in the end. However, in the immediate term, the phenomenon of outsource manufacturing and the enormous size that some brands have grown to have created something of an imbalance: manufacturers pay higher prices for raw materials (because they have no choice), but often have difficulty passing the costs on to customers who fear consumer reaction to higher price-tags. It's a competitive world; no one wants to put their prices up in case they lose market-share to a rival brand.

Speed to market

Suppliers are often those caught in the middle, powerless to push back against raw material costs and unable to convince downstream customers that prices must go up. For those whose costs are already comparatively high, there is no obvious solution. Luca Bianco, chief executive of Italian circular knit fabric producer Maglificio Ripa, feels this describes quite accurately the position of many European suppliers.

He explains: "Europe's reality is that we have to compete with rival manufacturers in cheaper economies such as Sri Lanka, China, Tunisia and Turkey. That's fine: the market needs options. We also have the advantage of Made in Italy, which is attractive in a Chinese domestic market that is becoming very interesting. Chinese manufacturers will want to use Italian fabrics. At the same time, some European or global clothing brands are sourcing in Europe again because of speed to market. They need to know their suppliers can deliver."

Mr Bianco's view is that the industry is witnessing the biggest rise in raw materials prices in 20 years, and that this is bad news for European textile manufacturers because Europe has practically no control over raw materials production. Turkey has cotton, but it is not (yet, at least) in the European Union. "We have to import everything," the Maglificio Ripa chief executive continues. "The polymers may come from chemical companies that are based in Europe, but they are producing those polymers in Asia, usually China, now." He knows of manufacturers in Italy that were providing exceptions to this rule, but who have had to close production lines since the start of 2011 owing to a lack of raw materials.

Ethical trade

One possible solution would be what he calls "a different purchasing ethic". Customers should think, not just about their bottom line, but about helping to prevent long-standing and reliable suppliers from going under. "Even putting a little business the way of one of these suppliers could be enough to keep it going," he says and for a little bit of business, he insists that the price-gap is not so great. "The difference in price for, say, swimsuit fabric, might be one or two euros per metre, but you can make four swimsuits from that, so it's only a matter of cents on the finished product. Put a 'Made in Italy' label on those finished products and they will more than make up the difference."

New lease of life

Another Italian manufacturer, Filature Miroglio, has announced that, in the face of rising prices in its supply chain, it intends to take more control and switch to a platform it calls Newlife for all its polyester yarn products by 2015.

The company launched Newlife, a project to make polyester yarn made from recycled plastic

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bottles that would otherwise end up in landfill sites, in September 2009. The launch came after four years of research and an investment of €2 million. The bottles are all being collected from the area around Miroglio's headquarters in Cuneo in northern Italy.

The company's chief executive, Stefano Cochis, says interest in Newlife is growing because of a desire for "real sustainability". He puts great emphasis on Miroglio's insistence on using a mechanical rather than chemical process to carry out the conversion of the post-consumer-use bottles into polyester yarn. "We're not there yet, but we are going for a cradle-to-cradle approach," he says. "We make some difficult products, including microfibres with very fine counts. We make the full range. Everything in Asia is based on chemical processes and I would argue that it's greenwashing. There is nothing eco about it, but it's a story and that's what consumers are looking for. Using a mechanical process instead is ten times more difficult."

All the partners involved in Newlife have signed up to an open-door policy, allowing manufacturers and brands who want to to see their processes close up and certification is from independent bodies such as Oeko-Tex. According to Mr Cochis, for user companies that "get it", considerations such as these can lead to pricing becoming of secondary importance. "H&M get it," he continues. "They are just starting with Newlife, but they came to us. We are not used to that; we're usually too far upstream in the manufacturing chain."

Garments made from polyester spun from Newlife yarns should stand apart, Filature Miroglio says. There is no point in trying to compete with cheaper products on a like-for-like basis. And if those cheaper products are becoming less cheap owing to pressures in the global supply chain, the jump to an alternative offering such as Newlife will become less daunting and one that makes sense to more companies.

Higher up the value chain

Plenty of brands are already attempting to attract consumers by making connections between the raw materials situation and sustainability. High-end Swiss outdoor brand Zimtstern won the ispo Eco Responsibility Award for the second time in 2011 for its autumn-winter 2011–12 collection, which is made from 100% bluesign-certified fabrics. When asked how Zimtstern was responding to rising prices of cotton and polyester, a spokesperson at the exhibition merely stated: "We are finding new ways of handling the increase in prices."

The starkest example is that Zimtstern responded to the Gulf of Mexico oil spill in April 2010 by creating a snowboarding jacket without using any oil. The resulting product, called Purist, is made predominantly of water-resistant cotton, similar to the cotton used in the clothes of airforce pilots in World War II, and as a result is more than usually expensive. Detailing on the jacket is made of natural latex, while all its buttons are made of wood. "Inspired by one of the biggest ecological catastrophes, we decided to try to make a jacket with these non-oil based components," says Thomas Meyer, owner and chief executive of the company. "This concept jacket for men is an all-natural jacket with no synthetic components used in production."

As a luxury, style-conscious brand, Zimtstern gives the impression that it is not put off by the increase in the price of cotton. In fact, rather the opposite could be said; this is a brand that is deliberately ignoring the issue by producing high-value, aspirational products made out of an increasingly expensive commodity.



Style-conscious Swiss outdoor brand Zimtstern is using bluesign-approved organic cotton in its 2011 collections, and says it is "finding news ways in handling the increase in prices".
Zimtstern

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