

TURKISH
CLOTHING
MANUFACTURERS'
ASSOCIATION



TÜRKİYE
GIYİM
SANAYİCİLERİ
DERNEĞİ

TURKISH CLOTHING INDUSTRY HORIZON 2010 ROAD MAP GLOBAL TARGETS AND POLICIES

TURKISH CLOTHING INDUSTRY IS;

- THE DRIVING ENGINE OF ECONOMY IN TERMS OF INVESTMENT, PRODUCTION AND EMPLOYMENT INDICATORS.
- THE 2002 EXPORT LEADER IN TURKEY WITH 9.2 BILLION US DOLLARS.
- THE 5TH LARGEST GLOBAL AND 2ND LARGEST EU SUPPLIER IN TERMS OF EXPORT FIGURES.
- INTERNATIONALLY COMPETITIVE AND HAS GROWTH POTENTIAL.

2010 TARGET FOR TURKISH CLOTHING INDUSTRY

TOTAL VOLUME	: \$67,5 Billion
EXPORTS	: \$34,8 Billion
DOMESTIC MARKET VOLUME	: \$32,7 Billion

GLOBAL PROSPECTS

WORLD TRADE ORGANISATION TREATY WILL ELIMINATE ALL TRADE QUOTAS ON JANUARY 1, 2005 CREATING A NEW COMPETITION ENVIRONMENT. TURKISH CLOTHING INDUSTRY NEEDS A NEW ROAD MAP TO MAINTAIN AND ENHANCE ITS COMPETITIVENESS IN THIS ENVIRONMENT.

WITHIN THIS FRAME; TURKISH CLOTHING INDUSTRY HORIZON 2010 ROAD MAP, GLOBAL TARGETS AND POLICIES STUDY IS COMPILED BY ANALYZING THE NEW COMPETITION ENVIRONMENT AND IDENTIFYING COMPETITION STRATEGIES FOR TURKISH CLOTHING INDUSTRY.

THE STUDY CONTAINS THREE SECTIONS

- WORLD CLOTHING INDUSTRY
- GLOBAL CLOTHING TRADE SCENARIOS AND TARGETS FOR TURKEY
- TURKISH CLOTHING INDUSTRY 2010 ROAD MAP: DEVELOPMENT POLICIES

WORLD CLOTHING INDUSTRY

PRODUCTION TRENDS 2000 -2010

- Production will regress in developed countries. The regression in production will accelerate as of 2005.
- Developed countries will continue to shift production to developing countries due to price/cost competitiveness.
- Developing countries will increase production to compensate for the gap created by the regression of production in developed countries despite the rise in global demand. However, production will drop in countries due to competition.
- Developing countries form four production blocks: the Chinese basin, Indian basin, Latin and South American, and Pan European Mediterranean areas.
- Developing countries will not only be out-sourced production, but will also market their own production.
- Developments in textile technology will drive the changes in clothing industry.
- Clothing production technology integrates design and manufacturing processes.
- Technological capabilities will steer fashion and design instead of human creativity.
- The value of traditional and high-tech products will be measured by their information content.
- Switch to flexible production systems will gain momentum.
- Industrial textile (technical textile) production will expand.
- Synthetic raw material utilization will exceed naturals.

CONSUMPTION AND CONSUMER TRENDS 2000 – 2010

- Clothing expenditure is slowing down.
- The share of clothing expenditure in total expenditure is shrinking.
- Families are spending 5 - 6 % less for clothing from their disposable income.
- The number of high income buyers able to afford average high and upper high quality group products will be 900 million in 2005 and 1.2 billion in 2010.
- Needs and tastes are changing in significant and large markets due to demographic transformation and progressively aging population. This group has more purchasing power than the young population.
- The strong improvement in the living standards in developing countries is creating a new middle class as an expanding market.
- Market structures are altering due to rapid urbanization and the increase in the number of cities (20) with more than 20 million population.
- Media and communication facilities are offering global shopping information and increase both demand and opportunities.
- Consequently time for buying personal items is getting shorter and less time is allocated for shopping.
- Shoppers prefer department stores that carry various brands and shopping malls which offer a high range of stores.
- E- commerce shopping is becoming more popular.
- Prices are gradually becoming more important for the consumers and they are dropping.
- Artificial and synthetic fibers are preferred more by the consumers because of technical performance, comfort and easier care.

MARKETING TRENDS 2000 – 2010

- Marketing will become more functional in creating added value.
- Applicable customs duty rates will change the supply channels after the elimination of quotas.
- Wholesalers and retailers will prefer countries with no or low customs duty.
- Wholesalers and retailers will ask for lower prices for the same or better quality products because of competition. Retailer pressure on manufacturers about prices will increase.
- Production margins fall as retail margins either stay the same or increase. The rapid progress in retailing will lead to an increase in the share of retail and outlet sales in the total.
- International cooperation is expanding in retailing and distribution channels are being used reciprocally.
- Retail sector is forming “global supply chains” and diversifying its supply sources.
- The number of seasons per year is increasing to 6 or 8 while the number of collections per season is also rising. Shop window display time for products is declining to 4 to 6 weeks.
- The markets are fragmenting. Each market fragment is demanding different and rapidly changing products.
- Orders are fragmenting, too; orders for the season will be distributed to several countries and companies instead of a single country and company.
- Supplies are switching to more frequent and smaller volume orders.
- Early production and delivery are becoming the most significant demand in marketing. Proximity to the market is gaining importance.
- There is going to be more demand for more complicated and stronger logistics and distribution.
- Wholesalers and retailers are building supply chains with the help of information technology. They will require the same infrastructure from their suppliers. Suppliers that do not have this infrastructure will fall off the supply chain.
- E-commerce will expand rapidly. The share of e-commerce is already increasing in purchases from the manufacturer and sales to the consumer.

EXPORT TRENDS 2000 - 2010

- Once the quotas are eliminated the key criteria for market competition will be price-cost factors and applicable customs duty rates.
- Total exports by developing countries will increase rapidly.
- Export competition amongst developing countries will escalate, only a few countries will be able to sell their products in all markets and the rest will specialize in a small number of product types, markets and market segments.
- Export by developed countries to developing countries will increase after the elimination of quotas in 2005.

IMPORT TRENDS 2000-2010

- Developed markets will import more. The increase in their imports will be mainly due to the decrease in their production.

- The gap in production will be covered by importing from close and low production cost countries that attract investments.
- New trade blocks are forming. Trade agreements and creation of free trade markets between developed markets and exporting countries will play the determining role in competition.
- Once the developing country markets are liberalized, improvement in purchasing power will lead to a sharp increase in their clothing imports. High quality and expensive product imports by these countries will increase more rapidly.
- Developed countries are imposing more obstacles to imports that comply with WTO agreements such as environmental and social requirements, special conditions, and certification formalities.

CHANGES IN GLOBALLY TRADED PRODUCT GROUPS

PRODUCTS	SHARE IN TOTAL PRODUCTION		TRENDS
	QUANTITY %	VALUE %	
CHEAP, SIMPLE, MASS PRODUCTION PRODUCTS	65	45	Lower price, More Competition, Less value share, Competitiveness based on cost
FASHION ORIENTED MIDDLE CLASS BATCH PRODUCTION PRODUCTS	20	20	Same/higher price, More competition Bigger share in quantity and value, Competitiveness based on cost and added value
CUSTOMIZED PRODUCTS	3	7	Higher price, Higher share in value, Competitiveness based on creativity and added value
EXPENSIVE, LUXURY, FASHION-BRAND PRODUCTS	2	8	Higher price, Competitiveness based on added value, fashion and Exclusiveness
HIGH VALUE, INTERACTIVE, MULTI-FUNCTION PRODUCTS	10	20	Rapidly increasing price, Price determined by technology Know-how in developed countries, Higher share in quantity and value, Competitiveness based on technology and know-how.

GLOBAL CLOTHING TRADE SCENARIOS AND TARGETS FOR TURKEY

Trade scenarios for 2005 and 2010 in global clothing trade are being developed.

Consumption, production, export and import trends of four major markets including Japan, the USA and other countries are taken into consideration in the development of global trade scenarios. Calculations consider both the trends in global clothing sector and the individual trends of each market.

Clothing trade which has grown by an average of 6% annually in 1990-2000 and reached 199 billion US dollars in 2000 and will consequently grow by 8.1% per year in 2000-2005 and reach 293 billion US dollars in 2005; and the following five years average annual growth is expected to be 9.1% and volume in 2010 some 455 billion US dollars.

Two separate scenarios are developed for the Turkish clothing industry. These scenarios include detailed comparisons between the Turkish clothing industry and its competitors. As the outcome of global trade scenario and the comparative study, two separate scenarios are suggested for the Turkish clothing industry.

Competitor scenario envisages structural improvements to enhance the current competitiveness of the industry. Competitor scenario forecasts the exports at 15 billion dollars in 2005 and 22.7 billion dollars in 2010. These export data are expected to uplift the share of Turkish exports in total global trade to 5% in 2005 and 2010 from 3% in 2000.

Challenger scenario envisages prioritizing sector-oriented government policies shared by the private sector along with structural improvement activities for the industry. Challenger scenario forecasts 18 billion dollars of exports in 2005 and 34.8 billion in 2010. These export data are expected to uplift the share of Turkish exports in total global trade from 3.3% in 2000 to 6.1% in 2005 and 7.6% in 2010.

Global clothing consumption is estimated to grow on average by 1.2% per year in 2001-2005 and 2.4% between 2006-2010.

CHANGE IN GLOBAL CLOTHING CONSUMPTION

CLOTHING CONSUMPTION	2001 – 2005	2006- 2010
WORLD	1.2	2.4
EU	1.0	1.5
USA	1.0	2.0
JAPAN	0.5	2.5
OTHER	3.0	5.0
DEVELOPED	2.0	3.0
DEVELOPING	4.0	7.0

Global clothing consumption will increase from 785 billion dollars in 2000 to 832 billion dollars in 2005 and 938 billion in 2010.

GLOBAL CLOTHING CONSUMPTION (billion dollars)

	2000	2005	2010
WORLD	785	859	938
EU	262	275	296
USA	251	263	290
JAPAN	161	165	187
OTHER	111	129	165
Developed	61	68	79
Developing	50	61	86

In order to respond to demand, global production will grow at an average rate of 1.2% per year between 2001-2005 and 2.4% between 2006-2010.

CHANGE IN GLOBAL CLOTHING PRODUCTION

	2001- 2005	2006-2010
WORLD	1.2	2.4
EU	- 1.5	- 3.0
USA	- 2.0	- 3.0
JAPAN	- 1.0	- 1.0
OTHER	8.7	9.3

GLOBAL CLOTHING PRODUCTION (billion dollars)

	2000	2005	2010
WORLD	785	832	938
EU	227	211	180
USA	194	175	151
JAPAN	141	134	127
OTHER	223	312	480

Global clothing import will be 293 billion dollars in 2005 and 455 billion in 2010

Global import will grow on average by 8.1% per year between 2001 – 2005 and 9.1% between 2006 –2010.

GLOBAL CLOTHING TRADE - IMPORT (billion dollars)

	2000	2005	2010
WORLD	199	293	455
EU	86	122	181
USA	66	100	154
JAPAN	20	31	60
OTHER	27	40	60

GLOBAL CLOTHING TRADE - EXPORT (billion dollars)

	2000	2005	2010
WORLD	199	293	455
EU	51	58	65
USA	9	12	15
JAPAN			
OTHER	139	223	375

TURKEY'S COMPETITORS AND THEIR SHARES IN THE EXPORT MARKETS
(billion dollars and %)

COUNTRY	EXPORT	SHARE	EU	SHARE	USA	SHARE	JAPAN	SHARE
CHINA	36.071	18.1	8.096	9.4	8.758	13.2	14.173	74.7
HONG KONG	24.215	12.2	4.745	5.5	4.736	7.1	105	0.5
MEXICO	8.696	4.4			9.021	13.6	27	0.1
TURKEY	6.533	3.3	5.500	6.4	1.114	1.7	13	0.1
INDIA	5.150	2.6	2.479	2.9	2.067	3.1	140	0.7
S.KOREA	5.030	2.5	928	1.1	2.542	3.8	951	4.8
INDONESIA	4.730	2.4	1.851	2.2	2.263	3.4	222	1.1
THAILAND	3.950	2.0	1.117	1.3	2.206	3.3	293	1.5
BANGLADESH	3.786	1.9	2.426	2.8	2.186	3.4	18	0.1
TAIWAN	2.970	1.5	572	0.7	2.234	3.4	112	0.6
TUNISIA	2.675	1.4	2.641	3.1			7	
DOMINIC R.	2.535	1.3			2.531	3.8		
ROMANIA	2.528	1.3	2.516	2.9			8	
HONDURAS	2.507	1.3			2.496	3.8		
PHILIPPINES	2.385	1.2	332	0.4	1.990	3.0	114	0.6
MOROCCO	2.385	1.2	2.371	2.8	1.557	2.3	3	0.1
SRI LANKA	2.287	1.2	864	1.0	1.343	2.0	17	0.1
MALAYSIA	2.253	1.2	723	0.8	1.049	1.6	150	0.1
PAKISTAN	2.144	1.1	867	1.0	1.189	1.8	15	
POLAND	1.884	0.9	1.869	2.2			14	
MACAO	1.715	0.8	512	0.6				

MARKET POSITIONS OF EXPORTING COUNTRIES

COUNTRY		EU	USA	JAPAN	OTHER
CHINA		+	+	+	+
HONG KONG		+	+	weaker	+
MEXICO			+		
TURKEY		+	+ developing		+ developing
INDIA		+	+		+ stronger
S.KOREA		weaker	+	developing	+
INDONESIA		+	+	developing	+ developing
THAILAND		+	+	developing	+ developing
BANGLADESH		+	+		
TAIWAN		weaker	+	stronger	
TUNISIA		+			
DOMINIC R.			+		
ROMANIA		+			
HONDURAS			+		
PHILIPPINES		+ stronger	+		
MOROCCO		+			
SRI LANKA		+ stronger	+		
MALAYSIA		+ stronger	+		
PAKISTAN		+	+		+ developing
POLAND		+	+		
MACAO		+ stronger			

COMPARATIVE ANALYSIS WITH MAJOR COMPETITORS

	TURKEY	CHINA	INDIA	ITALY	POLAND	MOROCCO	TUNISIA	MEXICO
Cooperation with the textile industry and infra-structure	Very strong	Strong	Strong	Excellent	Improving	Weak	Weak	Improving
Yarn quality	Good	Fair/good	Good	Excellent	Fair/good	Fair/good	Fair/good	Good
Weave Quality	70-80	70-80	60-70	95	70-80	60-80	70-80	70-80
Technological Level	80-90	60-70	55-65	100	100	70-80	60-70	80-90
Computerized production	15	10	3	80	20	2	5	30
Quality	80	65-70	60-65	100	75	75	75-80	80
Collection Forming	30	25	20	80-90	30-35	25	25	30-35
Flexible production; ability to produce smaller batches	Fair/good	Weak	Weak	Very good	Fair	Good	Good	Good
Efficiency %	55-65	40-50	40-50	70-75	50-60	50-60	50-60	65-70
Marketing	Strong	Strong	Fair/Strong	Very Strong	Weak	Weak	Very weak	Strong
Delivery lead time	3-4 weeks	3-5 weeks	3-5 weeks	2-4 weeks	3-4 weeks	4-5 weeks	3-5 weeks	3-4 weeks
Delivery Success	90	70	60-70	90	85-90	80	90	90
Collection success	Up trend	Up trend	Very Weak	Very Strong	Up trend	Weak	Weak	Up trend
Direct sale to retailer	Increasing	Starting	Starting	Present	Infrequent	None	Increasing	Starting

SCENARIOS FOR TURKEY: COMPETITOR SCENARIO

GROWTH IN ALL MARKETS

MARKETS	2005			2010		
	IMPORT Billion dollars	SHARE %	EXPORT by TURKEY Billion dollars	IMPORT Billion dollars	SHARE %	EXPORT by TURKEY Billion dollars
EU	122	8.0	9.8	181	8.0	14.5
USA	100	2.5	2.5	154	3.0	4.6
JAPAN	31	0.5	0.2	60	1.0	0.6
OTHER	40	6.5	2.6	60	5.0	3.0
TOTAL	293	5.0	15.1	455	5.0	22.7

GROWTH IN EU AND CLOSE MARKETS

MARKETS	2005			2010		
	IMPORT Billion dollars	SHARE %	EXPORT by TURKEY Billion dollars	IMPORT Billion dollars	SHARE %	EXPORT by TURKEY Billion dollars
EU	122	8.0	9.8	181	8.0	14.5
USA	100	2.0	2.0	154	2.0	3.0
JAPAN	31			60		
OTHER	40	8.0	3.3	60	8.5	5.2
TOTAL	293	5.0	15.1	455	5.0	22.7

SCENARIOS FOR TURKEY: CHALLENGER SCENARIO

GROWTH IN ALL MARKETS

MARKETS	2005			2010		
	IMPORT Billion dollars	SHARE %	EXPORT by TURKEY Billion dollars	IMPORT Billion dollars	SHARE %	EXPORT by TURKEY Billion dollars
EU	122	10.0	12.2	181	12.0	21.7
USA	100	3.0	3.0	154	4.0	6.2
JAPAN	31	0.5	0.2	60	1.5	0.9
OTHER	40	6.5	2.6	60	10.0	6.0
TOTAL	293	6.1	18.0	455	7.6	34.8

GROWTH IN EU AND CLOSE MARKETS

MARKETS	2005			2010		
	IMPORT Billion dollars	SHARE %	EXPORT by TURKEY Billion dollars	IMPORT Billion dollars	SHARE %	EXPORT by TURKEY Billion dollars
EU	122	11.0	13.5	181	13.0	23.6
USA	100	1.5	1.5	154	2.5	4.0
JAPAN	31			60		
OTHER	40	7.5	3.0	60	12.0	7.2
TOTAL	293	6.1	18.0	455	7.6	34.8

TURKISH CLOTHING INDUSTRY ROAD MAP 2010: DEVELOPMENT POLICIES

Turkish clothing industry is in the process of renewing its production and marketing strategies to be able to reach its targets for 2005 and 2010.

PRODUCTION STRATEGY:

- Lower the share of outsource production;
- Minimize the share of simple / standard products in outsource production;
- Maximize the share of upper middle class products in outsource production;
- Sell upper middle class fashion products with Turkish brands and increase the share of these products to 50% in all exports (2010 target);
- Sell upper middle class fashion products under regional Turkish brands;
- Choose initial niche segments for functional products and obtain position in their production and export.

MARKETING STRATEGY

- Benefit from expanding marketing margins to respond to shrinking production margins;
- Set sale price according to product quality;
- Switch from passive to active marketing; thus
- Change from produce and sell approach to market and produce;
- Market and sell with regional and global brands;
- Create propriety marketing and distribution networks abroad.

PRODUCTION POLICIES:

- Increase production capacity in line with export targets;
- Gear production to include more upper middle class fashion content products in the range;
- Improve quality of production inputs from supplier industries including cotton, yarn, fabric and textile finishing;
- Switch to flexible production methods;
- Improve integration level in production;
- Reach global competitive scale, form co-operations between scale and non-scale producers;
- Co-operate with outsourcers and improve quality;
- Improve production costs including labor, energy, finance and operational expenses as well as tax compliance cost;
- Implement three original production content projects in clothing industry:
 1. Re-position for more competitive advantage in clothing industry,
 2. Export under “Made in Turkey” and “Turquality” labels,
 3. Form clothing industry clusters.

MARKETING POLICIES

- Activate bilateral and multilateral trade policies by concluding agreements to enable trade benefits in exporting to EU, USA, Japan and other markets.

- Change export market product range to include more global or regional brand, upper middle class, fashion content products;
- Activate marketing and distribution channels in global markets;
- Set up e-commerce infra-structure;
- Switch to new organizational models in active overseas marketing;
- Develop policies for the transformation and improvement of quality in clothing industry;
- Create R&D infra-structure to enable technological innovativeness;
- Improve human resources quality with continuous and effective training;
- Initiate brand creation process.

GOVERNMENT SUPPORT

- Technology and R&D,
- Investment,
- Production and quality,
- Marketing,
- Others.

FINANCE POLICIES

- Ensure favorable finance conditions for investment and operational needs;
- Expand Eximbank facilities;
- Strengthen corporate financial structure.

INTER-CORPORATE COOPERATIONS

- Mergers in textile industry;
- Mergers in clothing industry;
- Production – marketing co-operation;
- Co-operation for product market transformation;
- Product transformation in retail and chain stores;
- Co-marketing;
- Joint portals in e-commerce;
- Partnerships with foreign companies for production and marketing.

NEW ORGANIZATIONS AND ASSOCIATIONS IN CLOTHING INDUSTRY

- Form clothing industry advisory board;
- Set up clothing industry development fund;
- Create a clothing research institute;
- Form a design agency;
- Develop design market in electronic environment.

Clothing industry must increase its production and production capacity until 2010 to attain its export targets. Production capacity should be improved also in cotton and other textile sub-sectors.

PRODUCTION-CONSUMPTION BALANCE FOR COMPETITOR SCENARIO 2005-2010
(THOUSAND TONS)

YEARS	CONSUMPTION			BALANCE	PRODUCTION		
	Clothing exports	Domestic consumption	Yarn fabric exports	Production Consumption Balance	Yarn production	Yarn imports	Fabric imports
2005	1.000	1.090	575	2.665	2.130	400	135
2010	1.030	1.390	730	3.150	2.520	475	155

CAPACITY INCREASE FOR COMPETITOR SCENARIO 2005 – 2010 (THOUSAND TONS)

PRODUCTION FIELDS	2000 Existing Capacity	2000 – 2005 Capacity Increase	2005 – 2010 Capacity Increase	2000- 2010 Total Increase
COTTON	870	910	335	1.245
YARN	1.600	530	390	920
FABRIC	900	775	260	1.035
DYE PRINT FINISH	1.600	400	365	765
CLOTHING	1.600	490	330	820

PRODUCTION-CONSUMPTION BALANCE FOR CHALLENGER SCENARIO 2005-2010
(THOUSAND TONS)

YEARS	CONSUMPTION			BALANCE	PRODUCTION		
	Clothing exports	Domestic consumption	Yarn fabric exports	Production Consumption Balance	Yarn production	Yarn imports	Fabric imports
2005	1.200	1.090	575	2.865	2.290	430	145
2010	1.580	1.390	730	3.700	2.960	555	185

CAPACITY INCREASE FOR CHALLENGER SCENARIO 2005 – 2010 (THOUSAND TONS)

PRODUCTION FIELDS	2000 Existing Capacity	2000 – 2005 Capacity Increase	2005 – 2010 Capacity Increase	2000- 2010 Total Increase
COTTON	870	1.055	565	1.620
YARN	1.600	690	670	1.360
FABRIC	900	930	545	1.475
DYE PRINT FINISH	1.600	550	625	1.175
CLOTHING	1.600	690	680	1.370

TURKISH CLOTHING INDUSTRY ROAD MAP 2010: DEVELOPMENT POLICIES

To attain its export targets, Turkish clothing industry should give more weight to the production of fashion content upper middle class global brands or regional propriety brand name products.

PRODUCT GROUP TRANSFORMATION TARGETS

PRODUCT GROUPS	2000	2005	2010
OUT-SOURCE PRODUCTION	77	65	20
SIMPLE STANDARD	47	30	5
MIDDLE CLASS	30	35	15
UPPER MIDDLE CLASS FASHION PROPRIETY GLOBAL BRAND NAME	3	15	50
MIDDLE CLASS FASHION PROPRIETY REGIONAL BRAND NAME	20	20	25
FUNCTIONAL PRODUCTS			5

Turkish clothing industry should replace competition based on cost with competition based on quality, fashion, brand, creativity and innovation. Yet the sector must be supported for production costs to surpass its competitors. This requires major governmental commitment.

COST COMPARISON WITH MAJOR COMPETITORS

Costs	Turkey	China	India	Italy	Poland	Morocco	Tunisia	Mexico
Electricity cent/ kw h	7.5	2.1	2.8	1.6	1.5	1.54	1.9	1.8
Water cent/m3	95	45	60	30-90	85	60	70	80
Natural Gas 1000 m3/Dollar	172.3			171.4	132.0			81.4
Labor cost dollars/hour	2.14	0.61	0.60	16.65	2.52	1.92	1.89	1.51
International telephone call dollar/minute	2.34	6.66	6.10	2.28	4.12	6.30	5.70	3.70
Transportation dollar/ton	1.600	2.200	2.000	1.100	1.000	1.900	2.000	1.400
Real Loan Interest %	21.0	7.3	7.9	6.3	8.9	7.9		4.7
Corporate Income Tax %	25 + (23)	30	40	37	36	35		34
Cost USA = 100	51-53	33-35	33-35	127	56-58	40-43	40-43	38-39

Clothing domestic market will grow slowly until 2005 but gain momentum after 2005 with the help of improvements in economic situation and purchasing power.

FORECASTS FOR CLOTHING DOMESTIC MARKET

INDICATORS	2000	2005	2010
National Income Billion Dollars	212	210	270
Population million	65.3	69.8	73.4
Per Capita National Income Dollars	3.250	3.000	3.700
Clothing Expenditure Per Capita Dollars	305	300	445
Total Clothing Expenditure Billion Dollars	20	21	32.7

DISTRIBUTION OF RETAIL CLOTHING SALES (billion dollars)

OUTLETS	2000	2005	2010
DEPARTMENT STORE	0.6	1.8	4.7
CHAIN STORE	0.4	1.2	3.0
STAND-ALONE STORE	19.0	18.0	25.0

UPPER MIDDLE CLASS FASHION AND BRAND PRODUCTS SHOULD BE GIVEN MORE WEIGHT IN FOUR MARKETS

MARKETS AND PRODUCTS	2005 % SHARE	2010 % SHARE
EUROPEAN UNION		
Outsource production Simple standard and middle class products Middle upper class products	80	30
Middle upper class brand/fashion	15	50
Middle class regional brand	5	15
Functional products		5
USA		
Outsource production Simple standard and middle class products Middle upper class products	80	70
Middle upper class brand/fashion	10	30
Middle class regional brand		
Functional products		
JAPAN		
Outsource production Simple standard and middle class products Middle upper class products		
Middle upper class brand/fashion	100	100
Middle class regional brand		
Functional products		
OTHER		
Outsource production Simple standard and middle class products Middle upper class products		
Middle upper class brand/fashion	20	45
Middle class regional brand	80	50
Functional products		5

Clothing industry should prefer the marketing and distribution channels to ensure the active marketing required by the product range transformation target.

EUROPEAN UNION

Reduce dependency on wholesalers
Ensure wholesaler diversity
Favor retailer buyers and promote setting up retailer buyer offices in Turkey
Co-operation with retailer chains
Shop-keeping and forming chain stores
Stand and corner contracts with expensive and luxury stores

USA

Strengthen relations with wholesalers
Promote setting up wholesaler and retailer offices in Turkey
Deals with medium size (30-50) buyer retailers
Contracts with chain stores
Shop keeping in shopping malls and departments stores
Stand and corner contracts with expensive and luxury stores

JAPAN

Relations with large wholesalers
Relations with retail chains

OTHER

Cooperation with retail chains
Partnership with retail chains
Shop-keeping and forming chain stores
Set up department stores and shopping malls

Organizational models in foreign markets should be enhanced to comply with the switch to active marketing.

Model

Corner sales in expensive luxury boutiques and stores
Distribution of products to stores and chain stores
Opening franchise overseas stores

Model (Outsource production brand)

Outsource production / License Agreements
Open overseas stores for selling outsource production/ market license agreements

Model

Opening stores in major shopping districts
Setting up store, show room, warehouse chain
Forming store chain
Expanding chain to other cities and regions by franchising

Model

Sale deals (corner or stand) in major stores in main fashion center cities
Expansion and diversification of distribution channels
Opening stores in the same cities
Opening showroom and warehouse in the same city and selling products in other cities by dealerships.
Opening stores in other cities.

Model (propriety brand or other local brands)

Corner sales under brand or sub brand name in chain stores
Selling alongside famous brands in large shopping malls
Opening concept stores and allocating stands and corners to other local brands
Expanding concept stores- brand diversity (two or three)
Enlarging with sales outlets besides concept stores- brand diversity

Government support is imperative for the attainment of targets in clothing industry.

TECHNOLOGY AND R&D

Creating R&D units and centers in enterprises
R&D equipment investment
Recruiting qualified researchers and support staff
R&D expenditures
R&D in small and medium size enterprises
New product design, collection and brand development for each patent and brand

INVESTMENTS

Investments in specialized quality and technology containing yarn and fabrics that are not produced in Turkey
Investments to expand the production range, create product diversity, enable better quality and higher added value production
Investments to ensure environmental protection and energy saving and conservation; environmental investments by SMEs
Investments for computer aided/based design in production
Investments for enhancing capacity after 2005
Investment in industry clusters and underdeveloped regions
Partnerships, co-operations or merges with foreign capital companies

PRODUCTION AND QUALITY

Qualified personnel need in small and medium size enterprises
On the job training expenditures in small and medium size enterprises
In house training schemes
Total Quality Management Expenditures
Technical and social standards, accreditation and standard approvals and certification
Patent and brand registration expenditures
Temporary qualified personnel recruitment
Investments for product quality improvement, measurable by enhanced quality and added value
Benefit from service of consultants (local or international)

MARKETING

- Participate in international exhibitions
- Refund expenditures in international fashion exhibitions in Turkey
- Advertise in major foreign fashion magazines
- Ensure domination or partnership in foreign market retail chains
- Open stores in foreign markets
- Set up or participate in chain stores
- Build shopping malls
- Sell abroad under propriety brand
- Sell abroad under more than one propriety brand
- Promote opening of resident offices of international wholesalers and retailers in Turkey
- Use Made in Turkey and Turquality labels
- Form e-commerce environment
- Manage e-commerce environment
- Develop electronic information exchange infrastructure
- Manage electronic information exchange systems
- Join, develop and operate e-media of international supply chains
- Create and manage visual shopping systems

OTHER

- Improve cotton production and quality
- Reach scale size
- Encourage smaller enterprises working with corporations of scale

There should be affordable schemes to respond to the investment and operational finance needs of the clothing industry. The main export funding institution, Eximbank should offer new credit and subsidy facilities in line with the changing product, market and marketing targets.

NEW FACILITY	OBJECTIVE
One year term revolving seasonal credit line	Continuous financing for increasing frequency of seasons and orders as well as shrinking delivery sizes
One year term store sale credit line up to 50% of targeted sale volume	Financing for sales of overseas stores

One year term brand creation, promotion support credit line up to 50% of targeted sales volume	Sale finance for new brand launches in foreign markets
One year term development support credit	Financing for R&D, design, and fashion collection of export oriented products
One year term active marketing credit up to 50% of targeted sale volume	Financing marketing activities for the development of non-outsource export to new markets
One year term retail sale support credit line up to 50% of the targeted sale volume	Financing sales in fully or associatively formed overseas retail chains

The financial aspect of the development policies suggested for the attainment of export targets includes investment financing, governmental support, Eximbank facilities and tax exceptions for 2010. If properly supported, the Turkish clothing industry will be able to reach the targeted 22.7 billion dollars export with the Competitor and 34.8 billion dollars with the challenger scenario.

FUNDING DEMAND OF CLOTHING INDUSTRY IN 2010 (BILLION DOLLARS)

AVERAGE ANNUAL FUNDING	COMPETITOR SCENARIO	CHALLENGER SCENARIO
INVESTMENT FINANCE	3.190	4.710
TEXTILE CLOTHING	2.740 450	4.010 700
GOVERNMENT SUPPORT	2.270	3.480
TECHNOLOGY AND R&D PRODUCTION AND QUALITY	450 450	700 700
MARKETING AND BRAND OTHER	680 680	1.040 1.040
EXIMBANK CREDITS	9.000	14.000
TAX EXCEPTIONS	600	870