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Surviving in a Competitive Environment: Bridal Wear Industry in Izmir -Case Study-

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Surviving in a Competitive Environment: Bridal Wear Industry in Izmir

Izmir is the leading city in Turkey with its 70% market share in bridal wear sector.

Mr. Hakan Yılmaz, owner of one of the most famous bridal wear companies in Izmir, was suffering from the decreasing profit margins in the sector in a meeting organized in Aegean Exporters' Associations. He was discussing heatedly with experts and directors working in business support organizations and public sector representatives in the room and asking their support for not being disappeared like hundreds of other bridal wear producers in Izmir. He knew that he wouldn't be able to survive for a long time in this competitive environment without finding any exit way of being a subcontractor for bigger international companies.

Bridal Wear Sector in Izmir

Development of the bridal wear industry in Izmir started in 1975 with the establishment of the first company producing wedding and evening gowns, Madencioğlu. Mr. Madencioğlu saw the gap and the necessity in the sector and became the first successful bridal wear company. Then, employees leaving from Madencioğlu established their own companies in the course of time and the bridal wear industry developed as a result of spin-off companies of Madencioğlu. This progress resulted in the development of bridal wear cluster in Konak. As these spinoffs were not mostly dealing with haute couture production, just like Madencioğlu, the entry barriers were dropped down as these companies were mostly focusing on mass production; more than a thousand ready to wear dresses in a year and thus they differently positioned themselves than the producers in other cities of Turkey, i.e. Istanbul where the companies mostly specialized in haute couture production.

Bridal wear industry in Izmir has a dominant position over Turkey by carrying out 70% of the bridal wear production according to the data received from clothing manufacturers' association. In Izmir, although the exact number of wedding dress producer companies cannot be identified, it is estimated that there are around 350 bridal wear companies and the number of small ateliers dealing with bridal wear production is approximately 800. In total, there are approximately 1150 companies, all SMEs, in Izmir dealing with bridal wear production.

Izmir bridal wear sector is basically composed of ready to wear wedding dress producers, haute couture wedding dress and both ready to wear and haute couture evening gown producers. Therefore, no high cost of investment is necessary as no high technology the machinery and equipment is required. In this case, design is a very important input of the production to compete both in national and international market but companies in Izmir are working with designers specialized in mass production in order to decrease the design costs. In general, the structure of the industry can be defined as; the larger companies focus on mass

production and export markets whereas small ones are focusing on directly end customer and b2c business.

Most of these bridal wear producers have branches or sales points in various cities of Turkey where the products of another producer can also be sold. Their sales are mostly dominated by wholesaling but they are also dealing with retailing. Companies in Izmir are producing new collections every year and receive purchase order accordingly from all around Anatolia and the World.

Competition Without Interaction

The industry is a hand workmanship dominated sector as main producer companies are supported by agents completing the value chain; fabric, yarn, tulle, lace, veil suppliers, accessory suppliers, freelance designers and bead crafters etc in the value chain. Besides the companies and small suppliers/manufacturers, there are three universities that support the cluster agents for design and vocational training and also regional development agency, chamber of commerce, chamber of industry, exporters associations, international fair administration, manufacturers association and fashion centre (associations representing almost all of the stakeholders active in wedding dress business) are the main supporting organizations for the cluster in the region.

As it was stated earlier, the estimated number of companies active in bridal wear sector is 350. Additionally, more than 800 small workshops and small ateliers are manufacturing wedding dresses and evening gowns in Izmir. Although there are approximately 1150 companies, all SMEs, in Izmir dealing with bridal wear production; interaction between the companies can be defined as very low. The main reason beneath this fact is the fear of copying designs by regional competitors. Therefore, cluster members do not show or represent any of their designs in either catalogues or web sites.

Interaction between universities and companies are weak due to a huge expectation gap between private sector and academia. There is a strong request for more interaction from the university side but due to this expectation gap, very limited progress has been achieved so far although some vocational schools, summer schools and universities ready for supporting companies in design side, are already active in Izmir.

On the other hand, interactions between the supporting organizations (Business Support Organizations) are very strong. Izmir is very well known with her social capital in Turkey that organizations can work together easily. Another thing is that, most of the board members of these institutions are again part of other organizations, therefore if industry representatives focus on a specific issue; they can get together and take decisions very fast.

“We want to survive, can you really save us?”

More than 50 participants from SMEs, big companies, chambers, associations, municipality, fashion centre, universities, designers and suppliers were assembled in a meeting organized in the premises of exporters associations. After the speech of the president of the board indicating that they were ready to provide support to the bridal wear industry and had a plan, voices from the room were rising; “do you know our problems? do you know the industry, the competition we face? where have you been so far, why now you are interested in?”. President made a presentation showing the problems and disadvantages of the sector, where the sector is and the very dark future of it. After his presentation, he tried to convince the participants and said “Yes, I know and I am sorry that we have never paid enough attention to the bridal wear sector because it was looking good when looking from outside; a successful and developing sector which will never die related with increasing number of weddings. We, players of textile and garments sector were more focusing on the decreasing profit margins of our companies and could not understand your problems. Now, thanks to my colleagues and experts who warned us about the bottleneck the bridal wear sector was facing. Me and all my team will be at your disposal to increase competitiveness of the sector, now please tell us what do you think and help us what to do for you”. Participants felt that he was really sincere and had eager to do something for the sector and continued to listen to the roadmap the experts would present.

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Experts of the association visited more than 40 companies and organizations to better understand the sector. To benchmark the sector, experts also visited Spain, a successful country in bridal wear industry, and when they came back they organized a second meeting with participation of more than 30 stakeholders. Experts presented the problems they identified during the company interviews and findings from the study visit to Spain. People in the room were impressed until they heard the two solutions experts were proposing “Focus on retail instead of wholesale” or “Add services to bridal wear and create wedding packages” and explained further steps they are planning to take.

Retail? Wedding Package? They won't work for Izmir..

Many people were disagreeing and were yelling that Izmir is well known with its capability and ability to make high speed mass production with right delivery time as private label. They were complaining that these models would not fit to them and they won't be able to sell their products.

At the end of the meeting, experts asked participants to raise hands to be involved in the working groups to identify and then apply tasks to achieve the solutions proposed. There was a distressing silence in the room which was meaning that no one was agreeing with experts' proposals. At the end of the meeting Mr. Mert, one of the oldest players of the sector, approached next to the experts and said “We want to survive, can you really save us?”.

What Can We Do?

After a long speech with Mr. Mert at the end of the meeting, experts believed that he was convinced and was ready to work with them to be one of the first comers of this work and benefit of its return and in the long term help the industry to be more successful worldwide.

The first step was to identify tasks for both proposals; what should be achieved and then what has to be done to achieve the previously identified objectives. In order to discuss these main topics, experts and Mr. Mert first identified necessary stakeholders who could contribute this work. Finally a group of 8 representatives from universities, 3 other companies and chambers was formed and all of them were discussing to identify the objectives and related steps to be taken in a roundtable. After 2 roundtable meetings, roadmap, time plan, task and responsible stakeholders were identified. 3 action lines for improving retail abilities and 2 action lines for developing full wedding packages.

10 Months Later - Only Waste of Time and Effort?

As stated in the time plan, all stakeholders worked hard to achieve the predefined objectives during ten months. Although responsables of the actions were determined and they were working privately as they were the best in what they were doing, some actions were delayed or were not fully successful. For example; despite their efforts, some actions have not been succeeded due to the bureaucratic reasons; such as although great training programs were developed by the universities, these programs had to wait to be included to the regular training programs for one year. Delay in the training and involvement of the new qualified personnel was faced accordingly. Moreover, due to the elections of the bridal wear producers association's board of directors, representatives of the association in the workgroup had difficulties to explain what actions they took, what are the proceeding ones.. it again caused some delay.

On the other hand, companies were also negatively affected by the fluctuant economic structure and also lobbying activities for the elections of the association and chamber were taking time. For the working group members, it was also very hard to convince companies for consolidating different services with bridal wear. Moreover, people were still blind to see the very dark future of mass production of bridal wear for wholesale as the sector players were thinking, were way out in left field, that they would keep the profit margin positive and the new global competitors would not affect them. The majority of the companies believed that Turkey would keep its private label supplier position and were not willing to shift to neither retail nor full wedding package concept.

Mr. Mert was very upset and understood that despite his efforts and support request from other companies change was not easy.. It needed a big investment in terms of both money and human resources to switch the business model they were applying since almost 20 years. Maybe other companies were right, he had to keep its wholesaler position and work on being a better supplier. Right?