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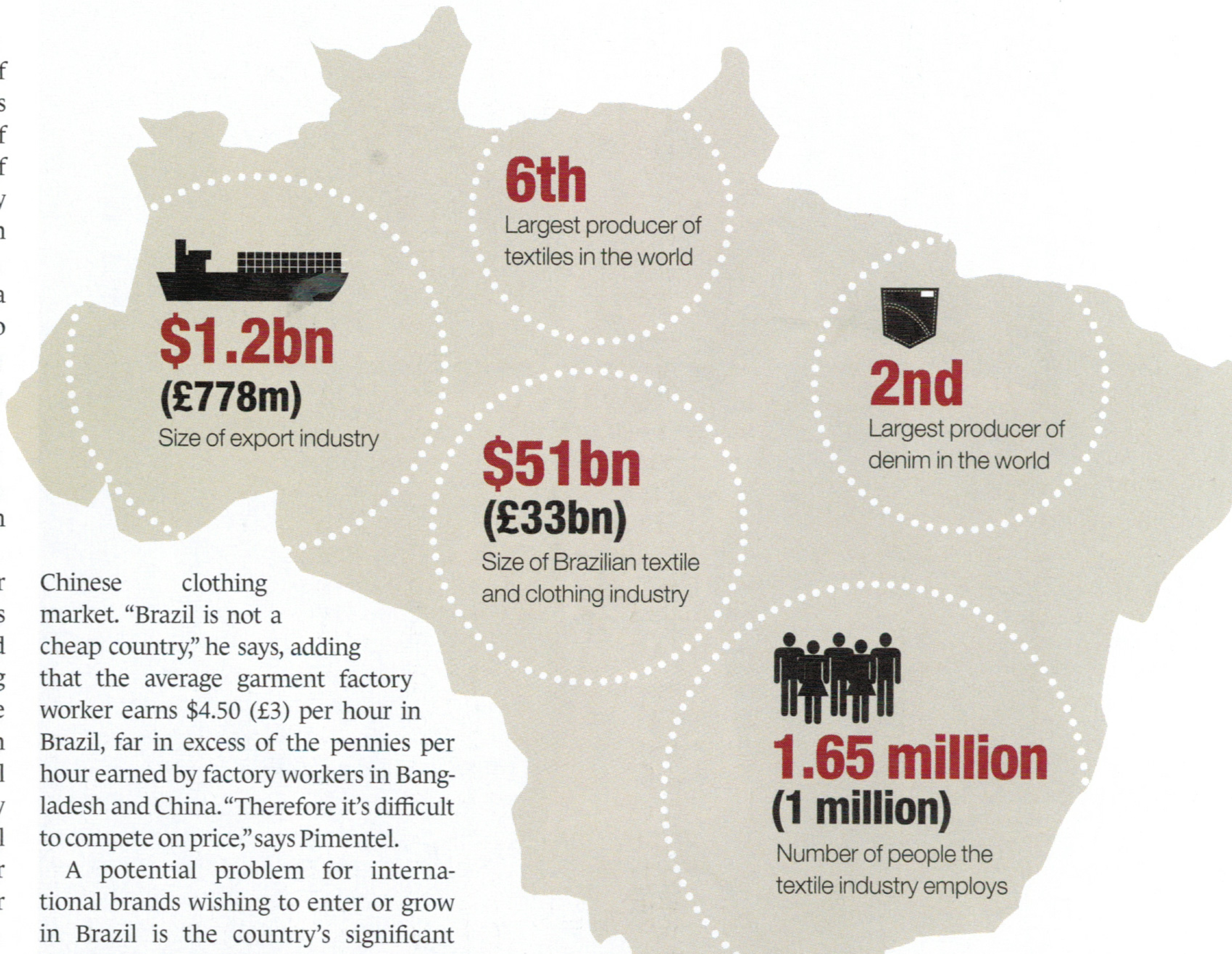
Made in Brazil

With a growing economy and textile industry, as well as a rapidly expanding middle class, Brazil offers myriad opportunities for international brands that make the effort to understand the country

Words Ana Santi



While the UK – and the rest of Europe and the US – has been slow in coming out of recession following one of the deepest slumps since the early 1990s, countries like Brazil have been enjoying economic growth.

According to the Associação Brasileira da Indústria Têxtil e de Confecção (ABIT) – the Brazilian clothing and textile industry association – the country's economy is expected to grow 7% this year. Brazil's clothing and textile industry grew in January to \$51bn (£33bn) compared with \$47bn (£30bn) the previous year.

Brazilian textile manufacturer Neotextil, which specialises in wovens and whose clients include Timberland and Lacoste, is among the firms enjoying the country's growing success in the global textiles market. Neotextil, which was founded only seven years ago, will open a second, 2.9 million sq ft factory in Pernambuco in the north of Brazil early next year, and expects its turnover to increase from \$40m (£26m) this year to a staggering \$150m (£97m) in 2011.

Taking on China

Neotextil president Sérgio Ibri says this level of growth is achievable because the new factory will allow the company to expand into knitwear and offer private label clothing. Sales director Fernando Magliari Gomes adds: "By launching private label clothing, we'll be able to compete with China on price," insisting that the growth of Neotextil's other categories – and the growth of the Brazilian textile market – will support the business's lower price drive on private label through high volumes.

But according to ABIT superintendent Fernando Pimentel, Neotextil may have its work cut out in competing with the Chinese clothing market. "Brazil is not a cheap country," he says, adding that the average garment factory worker earns \$4.50 (£3) per hour in Brazil, far in excess of the pennies per hour earned by factory workers in Bangladesh and China. "Therefore it's difficult to compete on price," says Pimentel.

A potential problem for international brands wishing to enter or grow in Brazil is the country's significant import duties, put in place to protect Brazil's domestic industries and jobs market. But by understanding how the Brazilian textile market operates, international brands can still prosper in the territory.

Umbro, for example, which worked with Neotextil three years ago, has licensed its brand for the Brazilian market. "Some pretty significant import duties make it uneconomical to import a variety of products that can still be made in Brazil," says Peter Allison, chief supply officer at Umbro. "In Brazil, Umbro operates through a licensing agreement that has been established with a local partner. Since the majority of Umbro's clothing, footwear and equipment are made in Asia, there is a significant benefit to be obtained through a local sourcing solution.

"Umbro has manufacturing agreements with local partners in Brazil that enables a supply base which can meet the requirements including cost, quality, compliance and speed of response. A local-for-local supply base will continue to be important for not only Brazil but also some of the other countries in South America which can take advantage of these same capabilities."

Despite the issue of import duties and the resulting licensing strategy, Allison stresses that Brazil continues to be an important market for Umbro. "It's an

Doing its sums: textile supplier Neotextil says it can compete with China on price

> Brazil is an amazing country and we're doing very good business there
>
> **Peter Allison, chief supply officer, Umbro**

amazing country and we're doing very good business there," he says. "We're growing and developing our work there."

However, there is some potential good news for international brands on the horizon. There are encouraging signs that Brazil may review its stringent import measures at the annual conference of the International Textile Manufacturers Federation (ITMF), which this year takes place in São Paulo in October.

Turning a corner

As for Brazil's home-grown businesses, they haven't been completely immune to the global financial crisis. Premium Brazilian fashion and textile conglomerate Paramount Group says its fabrics division has suffered over the past year because of the financial crisis and brands opting for cheaper production outside of the country. But the tide has started to turn, says Paramount president Paulo Valente, who is now in talks again with agents and distributors of European brands about production. "They're much more interested now than three years ago because Brazil is experiencing such growth," he says.

But stronger growth for Paramount will come from its retail division, which includes stores for lifestyle brand Sky, Land & Sea and contemporary men's and women's wear label Alfaiataria.

"Spend per capita in Brazil is growing and millions of people are entering the middle class," says Valente. In fact, an additional 30 million Brazilians became "consumers" – people with disposable incomes – in the past four years, according to ABIT. PPR, the luxury goods group that owns Gucci, Bottega Veneta and Balenciaga, said last month that Brazil as a market has "wonderful potential" and it will ramp up its store opening strategy there over the coming years.

Brazil is no longer merely a country to watch; it's one to understand and to make the most of the opportunities available there.

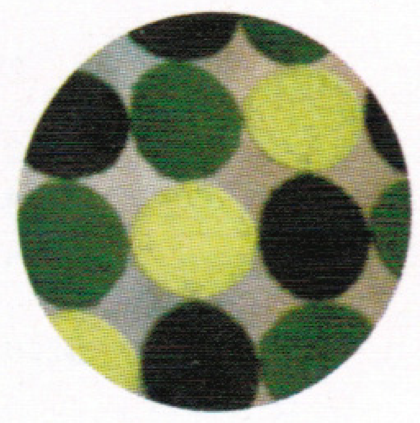
TEXTILES AUTUMN 11

Première Brasil

Exhibitors at textile show Première Brasil in São Paulo were upbeat at the event's second edition, claiming Brazil's growing economy was opening up new markets in South America for European mills.

Première Brasil, a joint venture between French textile show Première Vision and Brazilian exhibition organiser Fagga Eventos, saw more than a 50% increase in visitor numbers to 4,589 compared with its debut show in January. Exhibitor numbers grew 30% to 88 at the autumn 11 show.

Vittorio Vanoni, owner of the eponymous Italian mill which shows at Première Vision and Milano Unica and whose clients include Dolce & Gabbana, Chanel and Versace, said he was optimistic about business at the Brazilian show. "We decided to show here because Brazil is on the up, while Europe's economy is going down," he said.



Jeremy Somers, owner of UK textile design company Circle Line, said the show had improved since last season. "The show was more professional, the stands were better and the quality of visitors was higher," he said. "People were optimistic, compared with the doom and gloom at home."

The next show, which is projected to grow another 30% in terms of exhibitors, will run from January 19-20, 2011 at Transamerica Expo Center in São Paulo.

Pattern for success: (top to bottom) mills at the show included Wright, Fun Tekstil and Circle Line. Buyers were upbeat