An introduction to the Australian TCF Market and Industry

About us
The Council of Textile & Fashion Industries of Australia (TFIA)

Promperu
Paula Rogers, Industry Liaison, TFIA
4th Oct 2011
An introduction to the Australian TCF Market and Industry

Population: almost 23 million
Market Size: AUD 24 Billion (Clothing & Footwear)
Annual growth: 1% approx
Employs: 80,000
GDP: AUD1.2 Trillion
GDP per capita: AUD55,000/person
AUD/USD Value: around parity

Lifestyle FOCUS- Sports, Outdoors, BBQ, Beer
Economic FOCUS- Mining BOOM!
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AUD vs USD - 10 Years to September, 2011

<table>
<thead>
<tr>
<th>Date</th>
<th>Exchange Rate</th>
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<tbody>
<tr>
<td>27/09/01</td>
<td>0.45</td>
</tr>
<tr>
<td>22/05/03</td>
<td>0.45</td>
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<tr>
<td>02/06/04</td>
<td>0.45</td>
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<tr>
<td>21/12/06</td>
<td>1.11</td>
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<td>29/02/08</td>
<td>1.05</td>
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<td>09/05/09</td>
<td>1.00</td>
</tr>
<tr>
<td>18/07/10</td>
<td>1.15</td>
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AUD/USD Exchange | Last Price at 26/09/2011 4:34:16 AM (GMT)

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### An introduction to the Australian TCF Market and Industry

#### CLOTHING & FOOTWEAR :: INDUSTRY SIZE

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing</td>
<td>16,922</td>
<td>17,539</td>
<td>18,548</td>
<td>19,033</td>
<td>20,244</td>
</tr>
<tr>
<td>Clothing materials</td>
<td>250</td>
<td>258</td>
<td>271</td>
<td>277</td>
<td>294</td>
</tr>
<tr>
<td>Garments</td>
<td>14,835</td>
<td>15,388</td>
<td>16,283</td>
<td>16,717</td>
<td>17,787</td>
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<tr>
<td>Other clothing</td>
<td>1,421</td>
<td>1,472</td>
<td>1,555</td>
<td>1,594</td>
<td>1,695</td>
</tr>
<tr>
<td>Clothing cleaning, repair</td>
<td>415</td>
<td>422</td>
<td>439</td>
<td>445</td>
<td>469</td>
</tr>
<tr>
<td>Footwear</td>
<td>3,308</td>
<td>3,426</td>
<td>3,621</td>
<td>3,714</td>
<td>3,949</td>
</tr>
<tr>
<td>TOTAL</td>
<td>20,230</td>
<td>20,965</td>
<td>22,169</td>
<td>22,747</td>
<td>24,193</td>
</tr>
</tbody>
</table>

Source: National statistical offices, OECD, Eurostat, Euromonitor International
An introduction to the Australian TCF Market

Main TCF Categories

CLOTHING
• Fashion/Lifestyle
• Corporate Wear, Workwear & Uniforms
• Basics (mainly knits)
• Schoolwear
• Sportswear ...opportunities for high-end tech products!

TEXTILES & FOOTWEAR
• Home Textiles
• Textiles
• Footwear

..Australian buyers perception of Peru!!
An introduction to the Australian TCF Market-Fashion

So, who are the main retail players in the Australian Fashion Industry?

- ASX listed companies
- Listed on other exchanges
- Privately Owned Fashion Groups
- Lifestyle/Fashion brands
- Boutiques
An introduction to the Australian TCF Market-Fashion Retail

ASX listed companies

- Billabong (Apparel, sporting goods brand)
- David Jones (Major Department Store)
- Myer (Major Department Store)
- Kathmandu (Outdoor wear)
- Pacific Brands (Full Range of brands)
- Premier Investments - Just Group
- Wesfarmers – Target (Family)
- Wesfarmers – Kmart (Family)
- Wesfarmers – Coles (Supermarket)
- Woolworths (Supermarket)
Listed on other exchanges

• **Country Road** – Ladies/Mens/Children’s Wear/Home Textiles (part of Woolworths South Africa)

• **Bess & Less** – Family Clothing (Pepkor Limited – South Africa)
An introduction to the Australian TCF Market - Fashion Retail

Privately Owned Fashion Groups

- Apparel Group - Ladies & Men’s Fashion
- Pretty Girl - Ladies Fashion
- Specialty Fashion Group - Ladies Fashion
- Cue - Ladies Fashion
- Review - Ladies Fashion
- Gazal Corp - licensed brands
- Supre - Tween Girls Fashion
- Lowes-Manhattan - Men’s Casual wear
Lifestyle/Fashion Brands- BOUTIQUES

Swimwear
• Jets
• Seafolly
• Zimmermann
• Tigerlily
• Aussiebum

Surf & Skate
• Rip Curl
• Quicksilver
• Mambo
• Billabong
• Surf Dive Ski
Lifestyle/Fashion Brands - BOUTIQUES ..cont’d

Other outdoors brands
• Paddy Pallin
• RM Williams

Denim wear and day wear
• Ksubi
• General Pants stores
• Zanerobe
• Nobody Jeans
• Betina Liano
• Romance Was Born
• Manning Cartell
An introduction to the Australian TCF Market - Home Textiles

Size of Home Textile Market is approx. AUD3.47 billion

Top 5 categories

- Bedlinen (Quilt Covers and Sheets) AUD480mil
- Towels AUD478mil
- Pillows AUD 310mil
- Doonas (Quilts) AUD 218mil
- Blankets AUD185mil

Over the years sales are driven predominately by discounting and promotion – Sales and promotion driving over 80% of the spend in the market
Style Trends: Australian Design and Style is very much aligned to Europe with an overlay of the outdoors and informality. Plain, self textured designs compliment to modern lifestyle and inner city living. White, Latte and Charcoal are key selling colours.
An introduction to the Australian TCF Market - Home Textiles

Cushions and Throws vary in all shapes, sizes, colours and styles. Prices range from $9.95 in DDS to $250 in Specialty outlets – at this end it is more specialised using Cashmere, Alpaca, Silk and Linen.
Consumer Market

“[Consumers] lack confidence ... people have actually got the money, employment is good, the savings rate is high but there is a fear and a lack of confidence out there and, for discretionary retailers, that's a real issue.”

Mark McInnes, CEO, Just Group

“Frugalistas” have become the new fashionistas

Sales of clothing accessories experiencing strong growth

Demand for both women’s and men’s suits declining

Sportswear sales increasing - regardless of the fact that they don’t participate in sporting or fitness activities

Growing competition - Clothing retailers in Australia are facing an increasingly competitive environment. International heavyweights Topshop, Gap and Zara have entered the Australian market and are set to shake things up.
Consumer Market - Shopping for Clothes, Shoes and Luxury Goods

• Sales dominated by specialist retailers - around 58% value share
• Mixed retailers - around 32%.
• Supermarkets/hypermarkets do not play a significant distribution role.

• A large percentage of the footwear and Clothing imported

• Serious growth in overseas on-line sales has forced Australian retailers to improve their offering in this space.
  • “our online sales have tripled since the start of the year and could soon be 5 per cent of its revenue.”

Bernie Brookes, CEO, Myer
PAST 15 YEARS CATEGORISED BY...
- lower tariffs has resulted in declining establishments
- increasing international competition
- The market is flooded with a large volume of low-grade, cheaper, imported products.

THE PRESENT & THE FUTURE ...
Remaining Businesses have transformed themselves by taking advantage of technology, innovative practices and government subsidies; to produce higher value-added, quick response, niche products and processes.
Australian TCF Industry

• Falling Revenue/profit for local industry in last 5 years.

• 26 SEPTEMBER 2011: The TCF sector will decline 34% by 2020, according to Treasury modeling, …despite a 12.8% sector increase in June 2011 quarter.

• International trade
  • Export continues to reduce
  • Import continues to be strong
    * 80% China
    * 10% Australian Made
    * 10% other off-shore countries
SOURCING – The CHINA Factor
- Increasing labour costs
- Increasing raw material costs
- Preferential capacity going to US/EU
- China Gov’t focusing on other higher value industries equals OPPORTUNITY for PERU!!
An introduction to the Australian TCF Market

**Tariffs**
- Import tariffs and Goods & Services Tax (GST) are collected on shipments valued AUD $2000 +
- Import tariffs for clothing and textile products range from approximately 5% - 10% on the FOB value of the goods.
- Import tariffs for footwear & bags approximately 5% on the FOB value of the goods.
- GST is 10% & calculated on: the CIF value of shipment plus duty payable.

**Non-Tariff Barriers**
- Commerce marking regulations apply to imported goods and are administered by Australian Customs.
- More information on labelling requirements can be viewed via: http://www.customs.gov.au/site/page5810.asp
- Import restrictions apply to goods made from domestic cat and dog pelts, and animal parts from animals listed under CITES legislation. More information can be found at: http://www.customs.gov.au/site/page4369.asp#e1037 and http://www.customs.gov.au/site/page4369.asp#e1055
An introduction to the Australian TCF Market-Sustainability

Ethics, Sustainability & Transparency

• Labour

• Environmental
  • Carbon Tax, due for implementation July 2012

• Product Safety
  • Under review…

• Profit
  • sustainability and security of supply.
An introduction to the Australian TCF Market - Product Safety

Product Safety Regulation
Care labelling for clothing & textiles
Nightwear for children
No holes tongue stud
Paper patterns for children's nightwear
Sunglasses & fashion spectacles

Safety Issues
Formaldehyde in consumer products

Publications
Guidelines — Suggested practice for drawstrings on children’s clothing
Supplier guide - Care labelling for clothing and textile products

SOURCE: ACCC: Australian Competition & Consumer Commission
http://www.productsafety.gov.au/content/index.phtml/itemId/971493
An introduction to the Australian TCF Market

OPPORTUNITIES

- Peru and Australia follow the same seasons
- Australian market follows European Fashion closely
- Factories supplying EU - more likely to suit Australian Retailers
- Quantities for the Australian Market are similar to Europe
- Australian Retailers have never been more open to source beyond China.
- Australian Market dominated by local retailers
- Potential markets:
  - Performance/Sports Wear/Procurement
  - Home Textiles
  - Accessories
  - Knits - Childrenswear/Ladieswear/Menswear
OPPORTUNITIES

• Collaboration across all business platforms; Major, SME & Micro.
• Keep full capability across your supply chain
  .... Innovation happens near Production
• Southern Hemisphere market growth …
• The Trans-Pacific Partnership Agreement negotiating a free trade agreement linking Australia, Brunei, Chile, New Zealand, Singapore, Peru, the United States and Vietnam.
An introduction to the Australian TCF Market

For more information

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