TEXTILE MARKET SCENARIOS

-a new approach to forecasting world textile and fibre markets

David Rigby Associates (DRA) has developed a unique system for describing and forecasting world end-use markets for textiles which deals directly with inter-fibre and inter-fabric competition. It is capable of answering "what if" questions and producing scenarios of future demand for different textiles and fibres under a wide range of assumptions. These scenarios have formed the basis for tactical and strategic decision-making by companies throughout the fibre, textile and clothing supply chain and its suppliers of chemicals and machinery. Decision areas typically include capital investment, technical innovation, new product development, market entry, supply chain policy, branding and marketing.

The system describes and forecasts world end-use markets by country for individual textile products and then calculates the volumes and values of their fibre, yarn and fabric components. It works from a database containing detailed analyses of the make up of about 350 final products in all end-use sectors (garments, carpets, interior textiles, nonwovens and technical textiles) in terms of 19 different fibres, 8 kinds of yarn and 20 types of fabric. It quantifies actual and potential inter-fibre and inter-fabric competition within each end-use using two special DRA analysis techniques: the "Fabric Story Approach" and the "Theory of Blends".

A key feature of the system is DRA's computer based "All-Fibre, All End-Uses Model". This operates on the product database to calculate the changes in final demand, in total and for each type of fibre, yarn and fabric, that would be caused by changes in market drivers such as GDP per head, movements in relative fibre prices, improvements in processing technologies, the introduction of a new or modified fibre and changes in consumer lifestyles.

This ability to answer "what if" questions can be used to produce scenarios of future demand under different sets of assumptions, leading to strategies and action plans which can be expected to be robust in a wide range of future situations.

This forecasting system has already been used by DRA in several ways:

- **Commercialising new and modified fibres (e.g. lyocell, PTT, PLA, XLA)**: estimating for clients the volumes of their new fibre that would be sold, and into which end-uses, at various price levels relative to competing fibres and to recommend commercialisation strategies and action plans based on this information. Exhibit 1 is a typical output from this type of analysis, showing how the sales volume of a new fibre "A" is estimated to increase as its price per kilo is progressively reduced.

- **Improving the prospects for established fibre systems (e.g. viscose, nylon)**: finding and quantifying new product and market opportunities based on potential technical developments, cost reductions, improved aesthetics etc. and to recommend appropriate development action plans. Exhibit 2 shows how the end-use characteristics in garment form of a fabric made from a typical hydrophilic fibre can be improved by including a "soft stretch" fibre in the fabric.

- **Publishing reports containing detailed forecasts of future textile and fibre markets.**

  The first of these is DRA's June 2002 report "Technical textiles and industrial nonwovens: world market forecasts to 2010", which is an overview of the growing technical textile sector. Further reports on the sector will be published early in 2003; they will focus on the different types of fibres, yarns and fabrics used in technical products (e.g. PES polymer and fibre, industrial yarns, nonwovens, knitted fabrics). These reports will describe and forecast the market at the highest levels of detail represented in the system (19 fibre, 8 yarn and 19 fabric types). Exhibit 3, for example, shows how the volumes of the 15 different fibre types used in dry-laid nonwoven products are forecasts to evolve up to 2010.

David Rigby, Chairman of DRA says: "We have developed a unique method of forecasting in great detail the consumption of textiles and fibres by end-use which deals explicitly with the evolution of inter-fibre and inter-fabric competition. We will continue to use and improve this approach on our consulting projects with clients to improve their strategic and tactical decision making. In addition, in June 2003 we will publish several reports describing and forecasting world markets for all consumer and technical textile end-uses at the highest level of detail that the system provides: 19 different fibres, 8 kinds of yarn and 20 types of fabric."

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EXHIBIT 1: HOW THE SALES VOLUMES OF NEW FIBRE "A" WOULD INCREASE AS ITS SELLING PRICE IS REDUCED
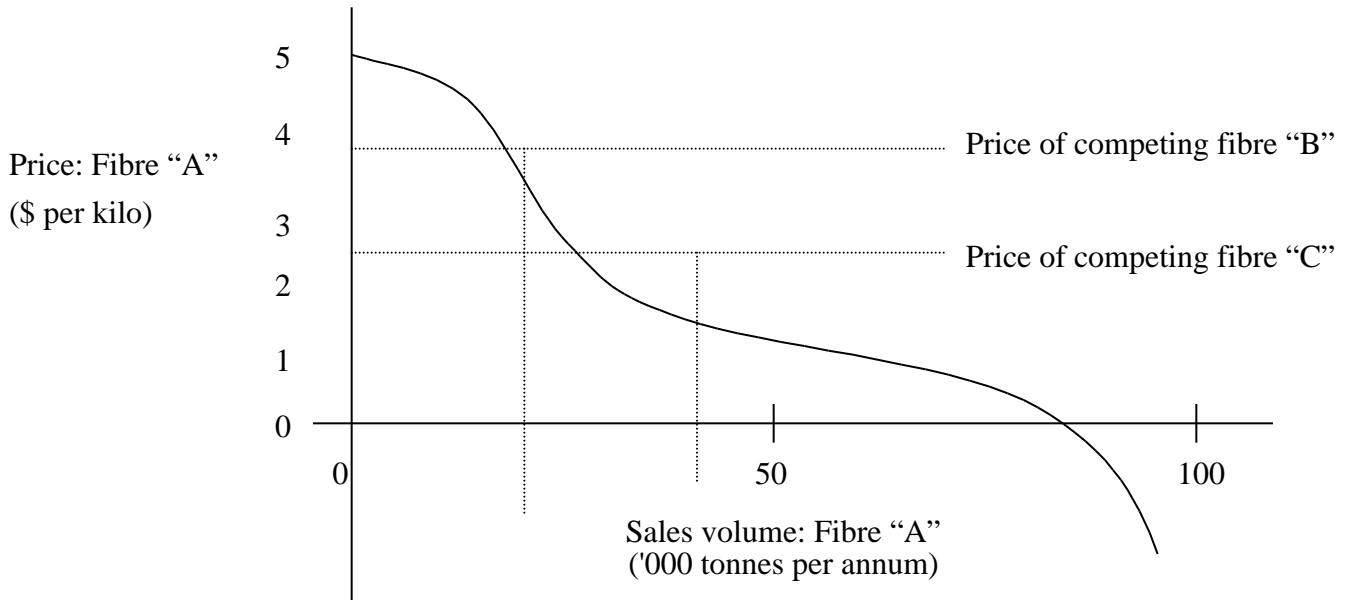
Notes:
1. Sales volumes increase as selling price is reduced and particularly as the fibre becomes cheaper than each of its main competing fibres "B" and "C".

2. The increase in volume is the sum of the increases estimated for each of the fibre's Fabric Stories, which are the (fabric x garment) combinations for which the fibre is suitable. There are usually about 25 of these for a new fibre.

3. The total market for a fibre is ultimately limited by its performance characteristics whatever its price. The Exhibit shows that, for this reason, the total sales of fibre "A" could never exceed 100,000 tonnes per annum.